

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff, v.

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

Defendants.

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S AMENDED OMNIBUS
REPLY IN SUPPORT OF ITS MOTION FOR MONETARY REMEDIES**

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I. INTRODUCTION

Defendants Lisa McElhone, Joseph LaForte, and Joseph Cole Barleta (“Cole”) filed a response to the Securities and Exchange Commission's Motion for Monetary Remedies (“Motion”), denying their underlying conduct and the consequences that arose from it and focusing instead on collections, distributions, and matters concerning their merchant cash advance business that are not before this Court.

There is but one issue before the Court with respect to McElhone, LaForte, and Cole: the amount of disgorgement, prejudgment interest, and civil money penalties to be awarded against each of them with the allegations of the Complaint deemed as true for purposes of the Commission’s Motion. McElhone, LaForte, and Cole’s continued lack of contrition for their actions underscores the need for the Commission’s requested penalty relief against each of them. Their argument that the Commission failed to present a reasonable approximation of ill-gotten gains from the unregistered and fraudulent securities offering ignores the evidence, mischaracterizes the Commission’s arguments, and misconstrues the law. Contrary to the Defendants’ hollow assertions, the Commission’s disgorgement calculation is not based on investor losses and *does* deduct the majority of expenditures McElhone and LaForte now argue the Commission failed to deduct. While McElhone and LaForte argue for even more deductions, they utterly fail to present evidence sufficient to meet their burden. Similarly, their arguments for a lower penalty amount not only ignore the Complaint allegations but impermissibly challenge them in violation of the Consent Judgments, rely on an incorrect understanding of the “risk of loss” analysis, and improperly request a lower penalty figure based on a survey of random case law in one Circuit together with various math formulas and percentages that have no basis in the law.

As for Michael Furman, he presents no credible evidence to meet his burden on disgorgement, his arguments are based on incorrect facts, and there is no merit to or credible evidence supporting his conclusory assertions that the Court should impose no penalty against him.

For the reasons set forth below, the Court should grant the relief the Commission seeks.

II. THE COURT SHOULD ENTER RELIEF AGAINST MCELHONE AND LAFORTE IN THE AMOUNTS THE SEC SEEKS

A. The Commission Has Met Its Burden of Presenting A Reasonable Approximation of the Disgorgement Figure As To McElhone And LaForte

Disgorgement is an equitable remedy intended to prevent unjust enrichment. *Commodity Futures Trading Comm'n v. Sidoti*, 178 F.3d 1132, 1138 (11th Cir.1999). To be entitled

to disgorgement, the Commission needs only to produce a reasonable approximation of the defendant's ill-gotten gains. *See S.E.C. v. Calvo*, 378 F.3d 1211, 1217 (11th Cir. 2004) (“Exactitude is not a requirement; so long as the measure of disgorgement is reasonable, any risk of uncertainty should fall on the wrongdoer whose illegal conduct created that uncertainty.” (quotations marks and alterations omitted)). Once the Commission presents its estimate, the burden shifts to the defendant to demonstrate that the Commission did not show that its estimate was a **reasonable approximation**. *Id.*

The Commission provided a disgorgement calculation for McElhone and LaForte by identifying the amount raised in the unregistered and fraudulent securities offering scheme at issue in this case and then deducting from that amount the following payments and expenditures:

- Amounts paid to investors directly;
- Amounts paid to so-called “Agent Funds,” including among dozens of others, co-Defendants/Agent Fund Managers Michael Furman, Dean Vagnozzi, and John Gissas;¹
- Amounts paid to co-Defendant Perry Abbonizio for his role in the offering fraud, which amounts are already the subject of a disgorgement order against Abbonizio; and²
- Amounts paid to Cole in connection with the unregistered offering fraud, which amounts are the subject of the disgorgement order the Commission seeks against Cole.³

This is a reasonable approximation of the profits related to the violative conduct alleged in the Complaint. As set forth in the Commission’s Motion, (i) it is not possible to identify additional expenses, let alone legitimate expenses, of the unregistered offering fraud because McElhone and LaForte commingled the offering-related funds with those of their merchant cash advance business; (ii) McElhone and LaForte refused to participate in discovery or to provide the Court-ordered sworn accountings and utilized a series of pass-through entities through which they transferred money to themselves;⁴ and (iii) the Defendants used funds raised from investors in the unregistered offering fraud to pay other investors, and thus some expenditures in the offering are

¹ This includes Defendants Vagnozzi, Furman, and Gissas, among dozens of others.

² The Court has ordered Abbonizio to disgorge these funds

³ The Commission seeks this amount directly from Cole as his disgorgement

⁴ These transfers have been the subject of numerous motion by the Receiver, including the most recent Motion for Order to Show Cause against McElhone and LaForte for siphoning receivership funds in violation of the Court’s asset freeze order and receivership order to finance their litigation team in this case.

actually not, as Defendants told investors, investment returns.

Notably, McElhone and LaForte fail to establish a single legitimate business expense that the Commission purportedly failed to deduct. Instead, McElhone and LaForte argue that the Commission (1) unreasonably relies on the Receiver's declaration of the amounts raised from investors and the expenditures made in the unregistered offering, and (2) fails to deduct (a) legitimate business expenses of their merchant cash advance business, (b) "other avenues of recovery that will be used to make noteholders whole," and (c) "other equitable deductions which should be accepted by the Court."⁵ These arguments are meritless.

1. McElhone and LaForte Fail To Meet Their Burden For Demonstrating That The Commission Was Clearly Unreasonable For Relying on the Defendants' Own Quickbooks Records Rather Than an Unverified Report By Brad Sharp

McElhone and LaForte argue that the Commission's reliance on the Receiver's sworn declaration reciting amounts in the Defendants' own Quickbooks records is unreasonable because Brad Sharp filed a report reflecting numbers that are \$3.8 million less than those stated in the sworn declaration. [ECF No. 1329 at pp. 14-15]. This argument fails, for several reasons.

As a starting point, it is important to understand that the Receiver's sworn declaration and Sharp's report are *based on two different things*.

As the Receiver states in the declaration, the figures provided therein are based on the *Defendants' Quickbooks and financial records*, which reflect that Par Funding raised \$550,325,596 from investors and paid \$300,108,117 to investors and Agent Funds. These same Quickbooks and financial records were analyzed by LaForte's expert witness and the Commission's expert witness during discovery. The Commission's expert witness, accountant Melissa Davis, issued an expert report in August 2021 that provided the same figures and conclusions the Receiver summarizes in his declaration and states the records were reconciled [ECF No. 774-1, Davis Report, at ¶¶ 23 & 30]. The Defendants have presented no evidence or argument that these figures are an inaccurate representation of what the Defendants' own Quickbooks records reflect.

Instead, McElhone and LaForte rely solely on Sharp's unsworn analysis which states Par Funding raised less and paid out more than Par Funding's Quickbooks records show – specifically, Sharp's report states Par Funding raised \$548.8 Million from investors and paid \$302.4 million to

⁵ ECF No. at pdf p 15.

investors and Agent Funds. Sharp's analysis has not been reviewed by any accountant or verified in any manner, the figures are not consistent with those of Davis or LaForte's expert witness Joel Glick, the figures do not reflect what is shown in the Quickbooks records, and the Defendants present no evidence whatsoever as to why Sharp's analysis is right and the figures reflected in the Quickbooks financial records (as summarized in the Receiver's declaration and Davis report) are wrong.⁶ Nor do the McElhone and LaForte present any evidence – let alone a clear showing – that the Commission was unreasonable for relying on the Receiver's summary of what the Quickbooks and financial records show and which figures the Commission's own expert witness also found. The only thing the Defendants present is a statement by one of the Receiver's lawyers during a hearing where that lawyer, who is not an accountant, stating his belief that the Sharp analysis is more thorough. And nothing more. This is not sufficient to meet the Defendants' burden.

To prove that the Commission's calculation is not a reasonable approximation, the Defendants are required to clearly demonstrate that, and any risk of uncertainty falls on the Defendants. *SEC v. Calvo*, 378 F.3d 1211, 1217 (11th Cir. 2004) (“Exactitude is not a requirement; so long as the measure of disgorgement is reasonable, any risk of uncertainty should fall on the wrongdoer whose illegal conduct created that uncertainty.”). A lawyer's comment during a hearing that he believes the Sharp analysis is more thorough is not a clear demonstration that the Commission's reasonable approximation is unreasonable. *Id.* See also *SEC v. The Owings Group, LLC*, 2021 WL 1909606, at *4 (D. Md. May 12, 2021) (unsworn and conclusory exhibit does not overcome the SEC's showing and “any doubts are to be resolved against the defrauding party”).

The difference between the figures shown in the financial records (and stated in the Receiver's report and Davis expert witness report) and those in the Sharp analysis is about \$3.8 million. There is a risk of uncertainty as to whether Sharp is right or the Defendants' financial records (summarized in the Receiver's declaration and Davis's report) are right. This risk of uncertainty must be resolved against McElhone and LaForte as a matter of law. *Id.* As set forth in the Motion, the Defendants commingled investor funds with merchant cash advance funds, and the bank records reflect transactions with thousands of borrowers, investors, and other unrelated entities. Auditing Sharp's report or hiring accountants to analyze it to determine if Sharp is right

⁶ LaForte and McElhone previously filed the expert report of David Dunkelberger [ECF No. 1298-17], which was stricken. We note only that even if that report had not been stricken, Dunkelberger did not opine on the Sharp figures.

and the Defendants' financial records are wrong would be an inordinate expense that even the Defendants failed to undertake. Under these circumstances, the Court should order disgorgement based on the Defendants' own Quickbooks and financial records that all parties have utilized throughout this case. *Calvo*, 378 F.3d at 1218 (“[W]here a defendant's record-keeping or lack thereof has so obscured matters that calculating the exact amount of illicit gains cannot be accomplished without incurring inordinate expense, it is well within the district court's discretion to rule that the amount of disgorgement will be the more readily measurable proceeds received from the unlawful transactions.”).

Accordingly, the Defendants fail to meet their burden for clearly demonstrating that the Commission's disgorgement figure is unreasonable due to reliance on the Defendants' own financial records and Receiver's summary thereof, which figures are identical to those found by the Commission's expert witness and were not challenged in the rebuttal report issued by LaForte's expert witness Joel Glick.

2. McElhone and LaForte's Argument That The Commission Failed To Deduct Disgorgement Amounts of Other Defendants Is Wrong

McElhone and LaForte argue that “the SEC contends that the Defendants are not entitled to an offset for the disgorgement sought or obtained from Furman, Gissas and Vagnozzi – which totals approximately \$7,405,248.” [ECF No. 1329 at pp. 14]. This is incorrect.

McElhone and LaForte's argument is that “the disgorgement awards obtained from these three Defendants [Furman, Gissas, and Vagnozzi] will be used to repay noteholders and will therefore reduce the balance of the amount raised from noteholders versus the amount repaid.” [ECF No. 1329 at 14-15]. This is not the proper inquiry. A disgorgement calculation is not based on investor losses, but on each party's ill-gotten gains.

As clearly set forth in the SEC's Motion, the Commission's disgorgement calculation for McElhone and LaForte includes a deduction of about \$300 million, which includes among other things, the amount Par Funding paid to all Agent Funds.⁷ The Receiver's declaration cited by the Commission also explicitly states that this \$300 million figure include payments to “all Agent

⁷ Motion, ECF No. 1252 at pdf p 30 (“The Court should order McElhone and LaForte jointly and severally liable for disgorgement of \$226,471,877, representing the amount Par Funding raised from investors (\$550,325,596) *minus the amounts Par Funding paid in principal or interest payments to investors and Agent Funds* (\$300,108,117)) (emphasis added).

Funds.”⁸ As set forth in the Complaint, Gissas, Furman, and Vagnozzi are Agent Fund managers and received money from Par Funding through their Agent Funds [ECF No. 119 at ¶¶ 6-7]. The Motion explicitly states that the \$300 million the Commission deducted includes all payments by Par Funding “*to all Agent Funds, including but not limited to Defendants Dean Vagnozzi, John Gissas, and Michael Furman.*”⁹ Thus, the Defendants’ argument that the Commission did not deduct the amounts Par Funding paid to Vagnozzi, Gissas, and Furman is simply wrong.

For this same reason, McElhone and LaForte’s argument that the Commission did not deduct Par Funding’s payments to A.G. Morgan fails [ECF No. 1329 at 16]. They claim that \$6,950,000 should be deducted from their disgorgement figure because in a separate case recently filed against Agent Fund A.G. Morgan, the Commission alleges that Par Funding paid \$6,950,000 to that Agent Fund [ECF No. 1329 at 16]. As McElhone and LaForte acknowledge in their Response and as the Complaint they cite makes clear, A.G. Morgan is an Agent Fund. As the Commission’s Motion and Receiver’s Declaration clearly state, the \$300 million the Commission deducted in its disgorgement calculation includes payments from Par Funding to all Agent Funds. This includes A.G. Morgan. Thus, the disgorgement sought against McElhone and LaForte does not include any payment by Par Funding to the Gissas, Furman, or Vagnozzi Agent Funds, the A.G. Morgan Agent Fund, or to *any* of the dozens of other Agent Funds.

Accordingly, McElhone and LaForte’s second argument fails.

3. McElhone and LaForte’s Argument That The Commission Failed to Reasonably Approximate Disgorgement Because Investors Were Supposedly Profit Participants Fails

McElhone and LaForte next argue that the Commission’s disgorgement approximation is unreasonable because it includes funds raised from investors who were also profit participants [ECF No. 1329 at 16-17]. The crux of McElhone and LaForte’s argument is that the Commission’s approximation is unreasonable because any investors who were also profit participants should not, according to McElhone and LaForte’s view, be permitted to make claims during the claims and distribution phase of this case.¹⁰ *Id.* As an initial matter, McElhone and LaForte’s focus on investor

⁸ Receiver’s Declaration, ECF No. 1214-1 at Exhibit 19 thereto, ¶ 7 (“[T]he company repaid to investors, including the “Agent Funds” a total of \$300,108,117. These amounts include interest payments and the return of principal.”) (emphasis added).

⁹ ECF No. 1252 at pdf p30 n3.

¹⁰ The investor claims process is separate. Investors make claims, the Receiver reviews them and then files a Motion concerning those claims. If and when the investors make a claim, the Receiver

losses and claims is wrong. The issue before the Court is disgorgement, which is based not on investor losses or claims, but on the Defendants' ill-gotten gains resulting from the securities law violations at issue in this case. In fact, disgorgement can be ordered in an amount that is different from, or even exceeds the victims' losses. *See Kansas v. Nebraska*, 574 U.S. 445, 463 (2015) (ordering disgorgement that exceeded the victim's "actual damages"); *SEC v. Huffman*, 996 F.2d 800, 802 (5th Cir. 1993) ("[A] disgorgement order might be for an amount more or less than that required to make the victims whole."); *See, e.g., SEC v. Laura*, No. 18-CV-5075 (NGG) (VMS), 2020 WL 8772252, at *4 (E.D.N.Y. Dec. 30, 2020) (rejecting argument that, under *Liu*, the Commission's power to seek disgorgement is exactly coterminous with an individual injured investor's claim; the Commission's disgorgement claims are not limited to what the harmed investors could recover).

Disgorgement is sought based on McElhone and LaForte's violations of the securities laws through a fraudulent offering scheme involving the unregistered offer and sale of Par Funding promissory notes. The investors at issue were offered and sold *promissory notes* in the unregistered offering at issue in this case. McElhone and LaForte do not dispute and in fact *attach* these very promissory notes as exhibits to their Response. Thus, the funds raised by Par Funding through the unregistered offer and sale of these notes are directly at issue and must be included in the disgorgement calculation.

As for McElhone and LaForte's arguments about the balance of principal and interest owed to these investors, that is not the issue before the Court. The Commission's disgorgement calculation does not consider the balance owed on promissory notes. In fact, the interest promised to investors and owed on the notes does not factor into and is not included in the Commission's calculation. Disgorgement is not a calculation of what investors are owed or what the investors were promised in future interest payments. Disgorgement is instead, again, the Defendants' *gains*. And that is precisely what the Commission has presented to this Court.

As for the argument that these investors are wealthy and sophisticated, even if the Defendants had clearly demonstrated those facts – and they offer no evidence whatsoever – it is irrelevant to any disgorgement calculation. There is not a special deduction where Defendants get

will review it and it will be handled by the Court during the claims review and distribution phase of this case. Right now, we are at the remedies phase against the Defendants and the issue concerning disgorgement is the calculation of Defendants' ill-gotten gains.

to keep ill-gotten gains if their victims are wealthy and sophisticated. And as with all of their other arguments, the Defendants cite zero legal support for this argument.

As such, McElhone and LaForte fail to meet their burden of clearly demonstrating the Commission's disgorgement figure is not a reasonable approximation because it includes money raised from investors in connection with the unregistered offer and sale of the notes at issue in this case who are sophisticated, wealthy, or had consulting/profit-sharing agreements on the side.¹¹

4. McElhone and LaForte Fail To Meet Their Burden With Respect to the Supposed Consulting Fee Deductions They Seek

McElhone and LaForte seek an additional \$8,620,102.26 in deductions for payments they supposedly made to "consultants." [ECF No. 1329 at 18-19]. They argue that if the Commission deducted amounts of disgorgement sought against co-Defendants Abbonizio and Cole, who happened to have consulting agreements, then the Commission was required to also deduct payments to *anyone* who had a consulting agreement with Par Funding.

Contrary to McElhone and LaForte's argument, the mere existence of a consulting agreement is not the basis of any disgorgement award, deduction, or cause of action in this case. Disgorgement is calculated based on Defendants' ill-gotten gains due to their violations of the federal securities laws. As set forth in the Complaint, Par Funding paid Abbonizio and Cole; thus Abbonizio and Cole's ill-gotten gains came from the same monies at issue in the McElhone and LaForte disgorgement amount. As set forth in the Motion, the disgorgement amounts sought against Abbonizio and Cole are deducted from the amount sought against McElhone and LaForte in order to avoid double-counting and double recovery.

Further, of the 24 people and entities McElhone and LaForte claim are consultants, 15 are in truth Agent Funds or investors. As set forth in the Motion, Par Funding's payments to all Agent Funds and individual investors have already been deducted in the Commission's disgorgement calculation. For the remaining 9 individuals McElhone and LaForte identify as consultants, McElhone and LaForte provide no evidence of what if any services were provided, whether those services were legitimate and provided in connection with the investment, why these purported

¹¹ Not only are claims and distribution issues not before the Court, but also the Defendants have no standing and no role in that process. The fact that McElhone and LaForte believe they are entitled to decide which victims are made whole and which of their victims are not made whole reflects their utter lack of contrition for the seven violations of the federal securities laws to which they have consented.

consultants were paid, or any evidence whatsoever demonstrating that these were legitimate business expenses. Instead, McElhone and LaForte offer nothing more than a list, financial records showing that payments were made, and argument. This is not sufficient evidence upon which the Court can reduce the disgorgement amount. *See United States Commodity Futures Trading Comm'n v. Tayeh*, 848 F. App'x 827, 830 (11th Cir. 2021) (affirming disgorgement order and imposing plaintiff's reasonable approximation of ill-gotten gains when defendant failed to provide "concrete and credible evidence" to demonstrate the business expenses were legitimate). As for McElhone and LaForte's assertion that these consultants in fact raised money from investors to fuel the unregistered offering alleged in the Complaint, even if that is true (and no clear evidence was presented to demonstrate this), as a matter of law these are not permissible deductions. *Liu*, 140 S. Ct. at 1950 (deductions are appropriate for "legitimate expenses" that "have value independent of fueling a fraudulent scheme").

Accordingly, McElhone and LaForte fail to meet their burden of clearly demonstrating that payments to these 8 individuals and entities are legitimate business expenses let alone that they should be deducted.¹²

5. McElhone and LaForte Fail To Meet Their Burden With Respect to the Supposed "Legitimate Expense" Deductions They Seek

a. McElhone and LaForte Misconstrue the Disgorgement Analysis

As an initial matter, McElhone and LaForte argue that "[t]he Defendants in this case ran a profitable business that generated significant returns for noteholders. In doing so, they incurred legitimate expenses that must be accounted for in any equitable disgorgement award *based on Par's revenues.*" [ECF No. 1329 at p. 20 (emphasis added)]. However, the Commission is not seeking disgorgement equal to the revenues from Par Funding's merchant cash advance business. Instead, the Commission is seeking disgorgement based on the unjust enrichment related to the

¹² In support of their argument, McElhone and LaForte cite *Sec. & Exch. Comm'n v. Almagarby*, No. 17-62255 (S.D. Fla.). This is a case where the Court granted the Commission's motion for disgorgement. While the Defendants describe the ruling as deducting fees paid to "finders," that case did not involve an offering fraud or unregistered offering where "finders" (as used in the Complaint here) solicited investors. Instead, that case involved claims against individuals for acting as unregistered dealers in connection with stock trading. The Commission's motion sought to deduct certain expenses, including those paid to finders who located stock issuers. In the instant case, the Commission has presented a calculation consistent with the calculation we presented in *Almagarby*, where we are asking for certain expenditures in the form of payments to Agent Funds to be deducted.

alleged unregistered and fraudulent securities offering scheme through which McElhone and LaForte violated eight provisions of the federal securities laws [ECF No. 119, Counts I-VIII).

b. McElhone and LaForte’s Arguments That They Are Entitled to Deduct “Legitimate Business Expenses” Fail

(i) Because All of the Promissory Note Offerings Alleged in the Complaint Were Unlawful, All Profits of that Offering Are Subject to Disgorgement

The Complaint alleges that the McElhone and LaForte, directly and through their company Par Funding, violated the federal securities laws by participating in the unregistered offer and sale of promissory notes, making material misrepresentations and omissions in connection with those securities offerings, participating in a fraudulent course of business, and engaging in a fraudulent scheme in connection with that offering (Counts I-VIII). Because all of these unregistered promissory note offerings described in the Complaint were unlawful, all of the profits of those offerings are subject to disgorgement. *SEC v. Voight*, 2021 WL 5181062, at *10 (S.D. TX June 28, 2021) (finding that no legitimate expenses should be deducted from the disgorgement figure: “Because all of the promissory note offerings described in the Complaint were unlawful, all of the profits of those offerings are subject to disgorgement.”) (citing *Liu*, 140 S. Ct. at 1950 (recognizing that deductions of expenses are not required “when the ‘entire profit of a business or undertaking’ results from the wrongdoing”)); *Faulkner*, 2021 WL 75551, at *7 (“[B]ecause all of the securities that Hallam sold were in violation of the securities laws, the court finds that all of the compensation Hallam received for his role in the sale of these securities is subject to disgorgement.”); *SEC v. Penn*, Case No. 14-CV-581 (VEC), 2021 WL 1226978, at *11 n.21 (S.D.N.Y. Mar. 31 2021) (“The analogy between this case and *Liu* does not fit neatly Because the entire relationship between Ssecurion and the Fund was fraudulent, there are no legitimate expenses at issue, even if the stolen funds were commingled with funds that were then used to pay legitimate expenses.”).

Liu recognizes an exception to the requirement that legitimate expenses must be deducted, namely where the “entire profit of a business or undertaking” results from wrongful activity. *Liu*, 140 S. Ct. at 1945 (internal citation omitted). Although the Supreme Court does not define what constitutes an “undertaking” in this context, the unregistered offering fraud scheme alleged in the Complaint must fit into that category. See *Penn*, 2021 WL 1226978, at *11 (finding that the alleged securities scheme met the “undertaking” category identified in *Liu*). Money is fungible, so any portion of the funds obtained through the alleged scheme in this case that were subsequently spent on allegedly legitimate expenses are “merely wrongful gains under another name.” *Liu*, 1140

S.Ct. at 1950. It is undisputed that the investor funds raised through the scheme were commingled with the merchant cash advance business funds, which further warrants a finding that there were no legitimate business expenses. *Penn*, 2021 WL 1226978, at *11 (finding that there were no legitimate business expenses to deduct because the expenses were paid using commingled funds that contained the proceeds of the securities law scheme violation alleged in the Complaint).

Thus, no legitimate business expenses should be deducted in this case.

(ii) Defendants’ Use of Investor Funds to Pay Investors Their Purported Investment Returns Is A Further Reason Why Legitimate Business Expenses Are Not Deducted

The Commission has also presented a second reason why no legitimate business expenses should be deducted – namely, the Defendants paid investors using other investor funds and thus operated a second type of scheme in addition to the scheme alleged in the Complaint that is the subject of the fraudulent scheme Count therein. In response, McElhone and LaForte argue that they did not use investor funds to pay other investors because they: (1) never missed payments to investors; (2) made “very substantial profits” from the merchant cash advance business; and (3) invested in real estate and “other valuable investments.”¹³ [ECF No. 1329 at 20]. McElhone and LaForte cite no case law to support their theory that these three facts – even if true – are relevant to whether investor funds were used to pay other investors their supposed investor returns or to whether they funded Par Funding’s loans using proceeds from this type of scheme. Nor can they.

[T]he existence of an operating business does not negate [Defendant]'s fraudulent conduct. While the typical Ponzi scheme involves earlier investors receiving their returns from the funds of later investors, often with no underlying business, the facts of this case still sound in fraud. ‘The likelihood that [the defendant] conducted some legitimate business operations does not counteract the existence of a Ponzi scheme because the distributions made to investors were nevertheless funded by other investors' money.’ In addition, commingling funds ‘is a common characteristic of a Ponzi scheme.’

¹³ The Defendants’ reference here to investing in real estate and other valuable investments is not discussed in the Response beyond this sentence, there is no evidence or discussion provided, and therefore the Commission cannot respond to this prong of their argument. If they are arguing that they used investor funds to buy real estate and other items, the relevance of that is unclear other than an admission their representations to investors about the use of funds (loaning the money to borrowers) was false on yet another ground. Rather than speculate, the Commission merely notes that because this is not explained or supported, replying is neither possible nor necessary.

SEC v. Quiros, Case No. 16-cv-21301, 2016 WL 11578637 at *13 (S.D. Fla. Nov. 21 2016) (finding a Ponzi scheme; quoting *SEC v. Helms*, Case No. 13-1036, 2015 WL 1040443, at *8 (W.D. Tex. Mar. 10, 2015)). Thus, whether the Defendants conducted some legitimate business operations through their merchant cash advance business does not counteract the fact investor funds were used to pay investors.

Additionally, McElhone and LaForte’s argument that Par Funding generated “very substantial profits” ignores the sworn testimony of Par Funding’s CFO Cole in this case to the contrary. Cole testified that Par Funding had three sources of revenue: (1) investor funds; (2) merchant cash advance payments from borrowers; and (3) “joint funding partners.” [ECF No. 1213-4 at 201:5-202:17]. Cole testified that Par Funding’s revenue from joint funding partners totaled only about \$5 million. *Id.* 202:18-203:8. As for the revenue from the merchant cash advance loans, Cole testified that there was none; Par Funding only received back from borrowers an amount that was about equal to the amount Par Funding loaned out to borrowers:

8 Q. So approximately during the lifetime of
9 Par Funding -- I'm sorry -- Complete Business
10 Solutions Group, approximately how much money did it
11 fund in the merchant cash advance agreements?
12 A. You're talking about gross cash provided
13 to third-party merchants as part of these MCA deals?
14 Q. Yes.
15 A. The approximate amount is \$1.3 billion
16 from the beginning of 2013 through July of 2020.

[Cole Testimony, ECF No. 1213-4 at 95:8-16].

18 Q. So I'm asking about how much in actual
19 cash, not receivables or anticipated money that
20 might come in, but how much did the merchants
21 actually pay back to Complete Business Solutions
22 Group during that same timeframe of 2013 through
23 July 2020?
24 A. It was close to the amount funded out. It
25 was approximately also 1.3 billion.

Id. at 97:18-25.¹⁴

Thus, Par Funding’s merchant cash advance loans broke even before expenses were deducted, joint funding partners generated \$5 million in revenue, and the only other source of revenue was investor funds.

- This begs the question: If Par Funding’s merchant cash advance business operated as a *break-even* (at best, since this is before Par Funding paid expenses) and the joint funding partners generated revenue of only **\$5 million**, what sources of revenue did Par Funding use to pay investors \$300 million in purported investment returns?

- As Cole testified, there was only *one other source of revenue* at Par Funding – *investor money*.

As set forth in the Commission’s Motion, Sharp found that Par Funding paid investors with other investor money. The Commission’s expert witness, Melissa Davis, also found that Par Funding could not have paid investors without the inflow of more investor money. [ECF No. 774-1 at ¶ 85]. It is undisputed that Par Funding commingled investor funds with merchant cash advance funds; however, LaForte’s expert witness Joel Glick admitted in his sworn testimony that he did not perform an analysis to determine if *commingled* investor funds were used to pay other investors their purported investment returns and in fact “specifically disregarded the commingling.” [ECF No. 896-4 at 92:3-9 and 100:25-12]. Meanwhile, LaForte, the *de facto* CEO of Par Funding who ran the day-to-day operations was asked during his deposition whether the payments made to investors included investor funds; he asserted the Fifth Amendment and refused to testify. [ECF No. 961-20, LaForte Testimony, at 31:22-35:3].

For the reasons set forth in the Motion, the Court should find that Par Funding’s payments to investors consisted of commingled funds that included investor money. The Defendants’ arguments to the contrary are unavailing. Because investors were paid with investor money, there are no legitimate business expenses to deduct.

¹⁴ When asked whether Par Funding operated at a net loss (consider that Par Funding is breaking even in its loan business), LaForte asserted the Fifth Amendment and refused to answer. [ECF No. 961-20 at 36:2-37:20]. Par Funding had its financial statements audited exactly one time – and as stated in the Motion, the audited financial statements state that Par Funding’s business was operating at a net loss and the only source of revenue sufficient to pay investors was other investor funds. See Audited Financial Statement attached to the Declaration of James Klenk, previously filed ECF No. 177-52.

***(iii) Even if Deducting Legitimate Business Expenses were Appropriate in this Case
– and It is Not – McElhone and LaForte Fail to Meet of Presenting
Concrete and Credible Evidence That Expenses Were Legitimate***

Even if the Court decides to examine the purported legitimate business expenses argued by McElhone and LaForte, it is a short inquiry. The Defendants bear the burden of presenting Courts have re-affirmed post-*Liu* that the SEC must put forth a reasonable approximation of defendant’s ill-gotten gains and that, once the SEC has done so, the risk of uncertainty falls on the wrongdoer who created that uncertainty. *See, e.g., SEC v. Fowler*, 6 F.4th 255, 267 (2d Cir. 2021) (also confirming it is defendant’s burden to identify legitimate business expenses); *SEC v. Goulding*, -- F.4th ---, 2022 WL 2527117, at *3 (7th Cir. July 7, 2022); *SEC v. Genaudio, Inc.*, 32 F.4th 902, 945 & n.22 (10th Cir. 2022); *SEC v. Premier Holding Corp.*, 2022 WL 541194, at *1 (9th Cir. Feb. 23, 2022). The Defendants must “provide ***concrete and credible evidence*** to demonstrate the amount of money spent on any of the alleged business expenses or ***whether any of the business expenses were legitimate.***” *Tayeh*, 848 F. App’x at 830. Deductions are only appropriate for “legitimate expenses” that “have value independent of fueling a fraudulent scheme.” *Liu*, 140 S.Ct. at 1950. *See also SEC v. Smith*, 2020 WL 6712257, at *3 (C.D. Cal. Oct. 19, 2020) (reasonable approximation satisfied where, “[b]ased on the records available to the SEC, it was not able to identify any legitimate, reasonable business expenses that should be deducted”).

Here, McElhone and LaForte argue that the Commission’s disgorgement figure should be reduced by \$56 million in supposed legitimate business expenses. In support, they offer nothing more than their own profit and loss statement for Par Funding, and the financial records showing the payments were made. The Profit and Loss statement only lists the names of the expenditures,¹⁵ without any detail regarding what specifically payment was for and with no indication about whether the expense had value independent of fueling a fraudulent scheme or was consistent with

¹⁵ Specifically, the Defendants cite “banking fees, computer and internet expenses, insurance costs, janitorial services, legal fees, other professional fees (such as accountant and tax preparation costs), payroll to non-insiders and utilities costs.” And nothing more. [ECF No. 1329 at 22-23]. They seek deductions for these expenditures without making any effort to distinguish these expenditures from those that fueled the violations and do not argue or show that these expenditures are consistent with how investors were told their money would be spent. Notably, they list insurance costs, while one of the Complaint allegations is that they lied to investors about having insurance on the investments when in truth there was none, and utilities fees despite the fact that the office housed numerous businesses other than Par Funding. The Defendants make no effort to justify deductions for these expenditures, and therefore there is no basis for doing so.

how investors were told their money would be spent.

McElhone and LaForte offer no evidence whatsoever that these expenses were legitimate business expenses, that they have any connection whatsoever to the monies subject to disgorgement, that these expenses have value independent of fueling a fraudulent scheme, or that these expenses are consistent with what investors were told about how their investment funds would be spent. As such, the Court cannot reduce the disgorgement figure by the amount the Defendants seek. *F.T.C. v. Wash. Data Res., Inc.*, 704 F.3d 1323, 1325 (11th Cir. 2013) (“[D]efendants in a disgorgement action are not entitled to deduct costs associated with committing their illegal acts.”); *S.E.C. v. Aerokinetic Energy Corp.*, 444 F. App'x 382, 385 (11th Cir. 2011) (rejecting argument that district court should have offset defendants' ill-gotten gains by legitimate business expenses); *Tayeh*, 848 F. App'x at 830 (defendant fails to meet burden of showing legitimate business expenses for disgorgement deduction where defendant fails to provide “concrete and credible evidence” to demonstrate whether the business expenses were legitimate); *Faulkner*, 2021 WL 75551, at *7 (holding that evidence of legitimate business activities unrelated to the charged conduct did not reduce disgorgement liability); *Penn*, 2021 WL 1226978, at *11 (expenses for things beyond what investors were told their monies would be used for are not deducted); *The Owings Group*, 2021 WL 1909606, at *4 (unsworn and conclusory exhibit does not overcome the SEC’s showing and “any doubts are to be resolved against the defrauding party”); *SEC v. Griffith*, 2021 WL 6551385, at *2 (C.D. Cal. Nov. 18, 2021) (similar); *SEC v. Erwin*, 2021 WL 3773649, at *12 (D. Col. Aug. 25, 2021) (similar); *SEC v. Team Resources, Inc.*, 2022 WL 463390, at *2 (N.D. Tex. Feb. 15, 2022) (bare “criticism” of Commission’s approximation, unsupported “with any documentary evidence,” does not defeat the Commission’s showing).

Accordingly, the Defendants fail meet their burden and there are no expenses that can deducted as “legitimate business expenses” on the record before the Court.

6. McElhone and LaForte Fail To Meet Their Burden With Respect to the Supposed “FSP Legitimate Expense” Deductions They Seek

Next, McElhone and LaForte argue that the Commission’s disgorgement calculation is not a reasonable approximation because it fails to deduct “legitimate” business expenses of Full Spectrum Processing, Inc. McElhone and LaForte present nothing more than a Profit and Loss Statement that lists expenses and shows they were made, with no evidence that these are legitimate

business expenses. This argument fails for the same reason the “legitimate” business expenses argument relating to Par Funding fails, as set forth immediately above in Sections 5(b)(i)-(iii).

7. McElhone and LaForte’s Argument for Reductions for the Amount of Taxes Paid Fails as a Matter of Law

McElhone and LaForte next argue that the Court must reduce disgorgement by the amount of taxes Par Funding paid [ECF No. 1329 at 24-25]. They cite no case law in support of this argument – because their position is contrary to the law. *SEC. v. U.S. Pension Tr. Corp.*, 444 F. App'x 435, 437 (11th Cir. 2011) (holding that no authority requires the court to deduct from the disgorgement figure the amount of ill-gotten gains paid to the government in income tax); *SEC. v. Merch. Cap., LLC*, 486 F. App'x 93, 96 (11th Cir. 2012) (rejecting argument that the district court was required to take into account the amount of income taxes paid).

Accordingly, each of McElhone and LaForte’s disgorgement arguments fails.¹⁶

B. McElhone and LaForte’s Penalty Arguments Are Unavailing and the Court Should Enter the Penalties the Commission Seeks

McElhone and LaForte fail to present compelling evidence and arguments supporting their position that the third-tier penalties sought against them are not appropriate. The first tier applies to violations that do not include fraudulent conduct. The second tier provides a higher amount for violations involving fraud, deceit or a deliberate or reckless disregard of a regulatory requirement. 15 U.S.C. §78u(d)(3)(B)(ii). The third tier applies to violations that (a) involved fraud, deceit, or a deliberate or reckless disregard of a regulatory requirement and (b) directly or indirectly resulted in substantial losses or a significant risk of substantial losses to others. 15 U.S.C. § 78u(d)(3)(B)(iii). Under the federal securities statutes, the Court may impose a separate civil money penalty for *each* of a defendant’s “act[s] or omission[s]” willfully violating the securities laws, counted by multiplying the statutory penalty amount by each unlawful transaction, each misrepresentation or omission, or even each time period of the violation. For example, in *SEC v. Revolutionary Concepts, Inc.*, 2022 WL 386085, at * 10-11 (11th Cir. Feb. 9, 2022) the Eleventh Circuit affirmed a penalty judgment based on multiplying the statutory penalty amount times the number of *transactions* that violated the securities laws. If applied in this case, the

¹⁶ McElhone and LaForte expend significant time arguing about receivership assets and collections issues. However, as stated in the Motion and as the Court noted during a recent hearing, those issues are not at issue on the Commission’s Motion. If the Court determines that the Response – which seeks a ruling on collections – should be converted to a motion and the Commission should respond, we will do so at that time.

statutory amount would be multiplied by *at least* 1,200 because the Complaint alleges that the Defendants violative conduct involved the unregistered, fraudulent offer and sale of securities to at least 1,200 investors.

1. The Court Should Reject McElhone and LaForte’s Hollow Protestations That Their Conduct Does Not Reflect The Highest Level of Scienter

McElhone and LaForte argue that a high penalty is not warranted because this case “is, at worst, a disclosure case.” [ECF No. 1329 at 29]. – Clearly, McElhone and LaForte lack any contrition for their conduct. McElhone and LaForte fail to address the facts and violations alleged in the Complaint, which alleges that they orchestrated a massive unregistered offering scheme through a company they control that defrauded more than 1,000 investors throughout the United States to the tune of nearly half a billion dollars, that included numerous material misrepresentations and omissions to investors and to the Commission, and that was orchestrated in order to conceal the illegal conduct from state securities regulators and to avoid compliance with the registration requirement of the federal securities laws. [ECF No. 119]. The conduct in this case with respect to the scope, wide variety of misconduct, misrepresentations and omissions, scheming to avoid registration and to conceal illegal conduct from the government, and lying to the government – all while operating a massive web of unregistered agent fund offerings – is unprecedented. Which is why the Defendants cannot cite a single analogous case in support of their argument to reduce the penalty.

Therefore, McElhone and LaForte resort only to pointing out that at least they did not improperly take investor funds during their massive fraudulent and unregistered securities scheme. [ECF No. 1329 at 30]. Even this argument – which fails to address the allegations and arguments in the Complaint and Motion – is a losing argument. The Complaint alleges that “contrary to Par Funding’s representations to the Commission in its filings, it diverts investor funds to McElhone and Cole, Par Funding’s CFO, and also funnels money to The LME 2017 Family Trust, which is McElhone’s family trust.” [ECF No. 119 at ¶ 8]. And that these transfers occurred “for no legitimate purpose.” *Id.* at ¶ 36. Which is why McElhone’s Trust is a named Relief Defendant in this case. Moreover, and because McElhone and LaForte have placed this at issue by affirmatively raising it in their Response argument, the evidence introduced through the Receiver in this case is that McElhone and LaForte diverted investor funds to purchase numerous real estate properties for themselves, as well as luxury items. The Court has in fact expanded the Receivership to include these properties that McElhone and LaForte purchased with investor funds by causing Par Funding to transfer monies for the purchase of these properties.

Even without any misappropriation of investor funds for their own benefit, the Defendants' conduct as set forth in the Complaint reflects the highest degree of scienter. McElhone and LaForte do not address scienter within the context of the Complaint allegations, because there is no winning argument for them to make in that regard.

2. McElhone and LaForte's Argument That They Created a Powerful, Lawful Business Is Belied By The Evidence And Even if True – Which It is Not – Building a Successful Company Is Not A Penalty Factor

McElhone and LaForte acknowledge that the Commission's framework for determining an appropriate penalty is appropriate and agree with the factors the Court must consider. [ECF No. 1329 at 29]. However, they spend significant time arguing that they "created a powerful, lawful business" – which is not one of the seven penalty factors. *Id.* at 30-34. McElhone and LaForte make a series of arguments, each of which is addressed in turn.

McElhone and LaForte argue that the investors were sophisticated and conducted due diligence. *Id.* at 31. In support they cite a declaration from a lawyer regarding the MCA business being legal and not a usurious loan practice and declarations from two agent fund managers – one of whom is currently a Defendant in a separate Commission action based on his alleged fraud in connection with the Par Funding offering. *See SEC v. AJ Morgan & Camarda* Complaint filed as an Exhibit to McElhone and LaForet's Response. The Complaint lays out facts alleging securities fraud and allegations that the Defendants lied to investors. The argument that some investors were sophisticated and conducted due diligence, even if true, impermissibly points the finger at the investors. As this Court has previously found, investor reliance is not an element of any securities law violation alleged in this case and is not a consideration. *See* Court Order denying Motion to Dismiss in this case. Moreover, the representation is false and belied not only by the investor declarations filed with the Commission's Motion for Temporary Restraining Order [ECF No. 14 and sworn investor declaration filed therewith stating they did not know and would not have invested had they known], but also the investor testimony this Court heard during the Furman trial.

Next, McElhone and LaForte argue for several pages that their merchant cash advance business was not illegal and that they had financial models in place that only their expert witness, Joel Glick, analyzed. [ECF No. 1329 at 31-33]. This is not relevant to the penalty assessment for the Defendants *securities law violations*. The legality of merchant cash advances is *not* an issue in this case, as the Court has explained to the Defendants many times. And McElhone and LaForte's arguments are belied by the expert report of Melissa Davis and reports of Brad Sharp

which are part of the record of this case and analyze the operations of the merchant cash advance business. But again, not relevant to the penalty for *securities law violations*. They go on to argue myriad facts about the merchant cash operations and its valuations, citing no evidence, and argue that investors never missed receiving a payment. Whether or not investors missed payments is not relevant to any issue, and Defendants fail to articulate why this is relevant.

A business can pay investors and still be illegal under the securities laws, a scheme, and a fraud – which violations are what the Defendants have consented to in this case. *See also SEC v. Quiros*, Case No. 16-cv-21301, 2016 WL 11578637 at *13 (S.D. Fla. Nov. 21 2016) (finding a Ponzi scheme and noting this can occur even in companies that are functioning or have some aspect of legitimacy). The Commission is not responding to arguments about the legitimacy of merchant cash advance businesses because this is beyond the scope of this case and as the Court has explained since the preliminary injunction hearing in August 2020, whether merchant cash advance businesses are legal is not a feature of this case.

Next, McElhone and LaForte argue that Par Funding’s merchant cash advance business was profitable. It is unclear why this is relevant to the penalty, and the Defendants do not articulate it. However, as set forth above in Section II.5, Cole, the Par Funding CFO and a Defendant in this case, admitted under oath in this case that Par Funding’s loan business only received back from borrowers about the same amount that it loaned out to borrowers. In other words, the company broke-even, and that was before any expenses were paid. The Defendants’ arguments also ignore the evidence presented during the preliminary injunction hearing in this case, and specifically the sole audited financial statements of Par Funding, which state that the Company was operating at a loss in 2017. [ECF No. 177-52, Declaration of James Klenk, and Exhibit thereto; *See also* ECF No. 774-1, Expert Report of Melissa Davis, at pdf p 27, 37 (addressing the factoring revenue the Defendants claim and showing that in fact they were reporting factoring losses)].¹⁷

Additionally, the Defendants’ arguments ignore the allegations in the Complaint that they had filed thousands of lawsuits against borrowers who had not paid on the loans, and that Par Funding was owed significant money on loans that were in default. [ECF No. 119]. These

¹⁷ As far as the Defendants relying on their own financial reports, the evidence in this case also shows that Par Funding had multiple copies of the same financial statements, with different numbers in them. ECF No. 177-52. When asked if he directed accountants to change and modify financial statements, LaForte asserted the Fifth Amendment. [ECF No 961-20 at 40:1-16].

allegations are deemed as true and the Defendants are prohibited, by the terms of their Consent Judgments, from challenging them.

3. McElhone and LaForte’s Argument That They Hired Many Accountants And Lawyers Is Not Sufficient To Warrant A Lower Penalty And They Are Prohibited From Challenging The Complaint Allegations

Similarly misplaced is the Defendants’ attempt to argue that they relied on accountants and lawyers [ECF No. 1329 at 34-35]. The Defendants are bound by the Complaint allegations, which allege that they acted with scienter – and specifically, that they acted knowingly or recklessly. [ECF No. 119 at ¶¶ 269, 272, 275, 278, 284, 291-93]. Pursuant to the Consent Judgments, the Defendants are precluded from challenging these allegations and attempting to litigate their affirmative defenses to them. But even if the Defendants could challenge these allegations – and they cannot – they cite no evidence of any accountant or lawyer who gave them advice that they could make any of the misrepresentations and omissions alleged in the Complaint, engage in the scheme and fraudulent course of business, or operate the unregistered offering of promissory notes alleged in the Complaint. They cite no evidence that they sought any advice, or received any advice, about whether they were using investor funds to pay other investors. And simply citing to the presence of many accountants and lawyers is not sufficient to demonstrate reliance on advice of counsel as a matter of law. Nor is citing deposition testimony of a Par Funding employee, James Klenk, stating simply that Klenk did not think Par Funding was a Ponzi scheme when he worked there sufficient to show reliance on any advice Klenk gave – ever, let alone during the fraud.

The legal advice the Defendants filed with their Response [ECF No 1330-24] consists of three letters regarding whether merchant cash advance businesses are legal, which letters explicitly state that the lawyers are not giving any advice about compliance with the federal securities laws:

7. We express no opinion as to any matters involving any state or federal securities laws, rules or regulations, ERISA, and/or laws, rules or regulations promulgated by the Commonwealth of Pennsylvania (or other state) related to consumer loans.

Id. at pg 3 (attorney letter #1).

G. I express no opinion as to any matters involving any state or federal securities laws, rules or regulations or ERISA.

Id. at pg 7 (attorney letter #2)

As for the third attorney letter, it concerns only attaching liens to merchant cash advances and includes no reference to or discussion of any matter at issue in this case, let alone any securities law violation. *Id.* at pg 10. The only other evidence presented is an email dated *March 1, 2019* from Martin Hewitt, in which Hewitt addresses the New Jersey state cease-and-desist Order and states that the issue has been resolved and Par Funding should file a Form D to have registration exemption. *Id.* at 12. The Defendants present no evidence as to what they told that lawyer, whether they told that lawyer that they were engaged in a general solicitation (which is not subject to an exemption), whether they told that lawyer that they were using agent funds to solicit investors (not subject to an exemption), the duration of the notes (which also affects exemption), what advice if any they sought and received concerning the violations at issue in the Complaint, or any other fact necessary to establish reliance on advice of counsel. They present an email and nothing more. Critically, the email is from March 1, 2019, well after the Defendants began using Agent Funds to circumvent the registration provisions of the federal securities laws [ECF No. 119 at ¶ 62-70] and near the end of the unregistered offering, which this Court ended in July 2020.

Nor can the Defendants claim that they relied on this counsel to create their Agent Fund scheme to avoid registration because not only does the March 2019 email not support that finding, but also the Complaint alleges that the Defendants orchestrated the Agent Fund scheme in order to circumvent the securities laws and to dupe the state securities regulators. The Complaint also alleges they engaged in this behavior knowingly or recklessly. Similarly, this cannot be used to argue reliance on advice of counsel regarding the misrepresentations and omissions about the New Jersey regulatory action because the Complaint alleges that these were made knowingly or recklessly by the Defendants. These allegations are deemed as true, and they cannot be challenged by the Defendants pursuant to the Consent Judgments to which the Defendants agreed.¹⁸ However, the Defendants impermissibly challenge the Complaint allegations throughout the Response and the Court should not consider that evidence. If the Court were to consider this evidence, the Commission would need to file counter-evidence and the trial the Consent Judgments were designed to avoid would have to ensure regarding the reliance defenses and all other matters the Defendants raise that challenge the allegations of the Complaint.

¹⁸ The vast majority of the Defendants' legal advice argument concerns the legality of a merchant cash advance business or consists of statements unsupported by evidence. The legality of the merchant cash advance business is not relevant to this case.

Additionally, because McElhone and LaForte asserted the Fifth Amendment in response to discovery after any reliance on advice of counsel claim, they should be precluded from presenting that evidence now. *See* Exhibit 13 to the Commission’s Motion, ECF No 1213-13, LaForte’s Answers to Interrogatories 1-4 (Asserting the Fifth Amendment and refusing to identify any lawyers and other professions upon whose advice he relied and the substance and details of any such advice); Exhibit 15 to the Commission’s Motion, ECF No 1213-15, McElhone’s Answers to Interrogatories 1-4 (Same). As for Cole, he refused to disclose the substance of any legal advice received sought or received from the lawyer who sent this email on grounds it was privileged [Exhibit 1, Cole Interrogatory Answers], and therefore he cannot now use that privilege as a sword and a shield to argue the facts he previously withheld on privilege grounds.

4. McElhone and LaForte’s Argument There Was Not Substantial Loss or Risk of Loss Is Incorrect and Misconstrues the Law

McElhone and LaForte argue that there was no substantial loss or risk of loss to investors, and therefore third tier penalties are inapplicable [ECF No. 1329 at 41-42]. They argue that McElhone did not pay herself consulting fees with investor funds, McElhone’s conduct is not sufficient for third tier penalties, investors were paid, and therefore there was no risk of loss. *Id.* This ignores the Complaint allegations and the law. The Complaint alleges that McElhone and LaForte orchestrated the fraudulent scheme laid out in the Complaint [ECF No. 119 at ¶ 5], controlled Par Funding and the offering, *id.* at ¶¶11-12, 15-18 (among others), are liable as the control persons for the Par Funding securities fraud (Complaint Count), diverted investor money to McElhone and lied about it to the Commission, *Id.* at ¶¶ 8, 36, 235-243], signed the promissory notes, *Id.* at ¶52, and controlled the bank accounts, *Id.* at ¶ 42. The Defendants are prohibited from challenging these allegations or the Counts to which they consented for purposes of this Motion.

This conduct, and the securities fraud and securities scheme counts to which McElhone and LaForte consented, clearly support a finding of substantial risk of loss to investors. The Defendants point to the fact that they paid investors, but this is not the determining factor. Instead, as the Eleventh Circuit has made clear, a fraudulent scheme creates a substantial risk of loss because the conduct would have been important to any reasonable investor. *See, e.g., SEC v. Monterosso*, 756 F.3d 1326, 1338 (11th Cir. 2014) (“While there was no direct evidence of loss, as the magistrate judge found, and the district judge agreed, the fraudulent scheme created a substantial risk of loss as the revenue overstatements would have been important to any reasonable

shareholder.”). Further, the evidence reflects that Par Funding could not make investor payments without raising additional investor funds (ECF No 774-1 and Sharp report cited in Motion), and in fact Par Funding stopped making investor payments before the Commission filed this case. As set forth in the Commission’s Motion, the investors are still owed hundreds of millions of dollars in *principal* – we have not even presented the amount they would be owed if the interest they are owed under the notes was calculated. Defendants make no other arguments concerning the risk of loss. Nor do they address any of the Complaint allegations reflecting the fraud and scheme allegations that give rise to such risk.

5. McElhone and LaForte’s Argument That Their Conduct Was Not Egregious Is Wrong and Ignores the Complaint Allegations

McElhone and LaForte argue that LaForte’s use of an alias was not done to defraud investors [ECF No. 1329 at 42-43]. However, they are prohibited from making this argument. The Complaint alleges that LaForte used aliases in order to conceal his felony convictions from investors. [ECF No. 119 at ¶ 214]. LaForte’s argument that “everyone knew” he used aliases and everyone knew his real identity not only impermissibly challenges the Complaint allegations, but also contradicts the testimony from investors in this case, including investor testimony at trial and the numerous investor declarations filed with the Temporary Restraining Order Motion. *See also* ECF No. 14 and Exhibits thereto: Exhibit 18, at ¶ 3; Exhibit 20 at 56:2-62:15; 53:16; Exhibit 19 at Exh. A thereto; Exhibit 3, at 318:6-16]. As with the Defendants’ scienter, the egregiousness of the conduct is fully evidence by not only the Complaint allegations but the TRO Motion and the authenticated exhibits filed therewith [ECF Nos. 119 and 14].

McElhone and LaForte also argue that their misrepresentations and omissions, including those in the Par Funding marketing materials McElhone approved for distribution, were not egregious because Par Funding was a healthy, thriving company. This issue is addressed above, and we do not repeat it again here. However, we note in connection with the Defendants’ argument about the 1% default rate [ECF No. 1329 at 43] that Cole testified during the trial against Michael Furman that the 1% default rate did not reflect the thousands of loans that were in default and for which Par Funding was suing borrowers for payment. *See infra*. Further, the Defendants’ argument that the “KPI Report” (which is the report distributed to investors touting a 1% default rate) was accurate is an impermissible argument. The Complaint alleges that this report and the 1% default rate were false and misleading. [ECF No. 119 at ¶¶ 185-203].

Similarly, the Defendants impermissibly argue that the allegations that McElhone authorized the marketing materials for distribution are not true. [ECF No. 1329 at 43]. The Complaint alleges that McElhone had ultimate authority over Par Funding [ECF No. 119 at ¶ 42]. The Commission filed with its Motion evidence supporting the assertion that McElhone authorized the marketing materials. The Defendants offer no evidence that they did not participate in the drafting of legal documents and offering materials, other than to point out that an employee at Par Funding testified she emailed them out and to argue without evidence that Par Funding used legal counsel to draft documents. [ECF No. 1329 at 43-44]. They present nothing to rebut the testimony the Commission has filed with its Motion of McElhone's sister, Jamie McElhone, that McElhone authorized the materials and the boss of everything at Par Funding.

Next, the Defendants cite their Motion to Dismiss, which the Court denied, as evidence that Par Funding was a thriving business. [ECF No. 1329 at 44]. Again, whether Par Funding was thriving is not at issue, other than with respect to the securities law violations at issue and the allegations in the Complaint, deemed as true, that Par Funding was not the low-risk, 1% default rate business Defendants claimed it was. Regardless, the Motion to Dismiss was denied. As set forth above, Cole admitted Par Funding was only breaking even, the Receiver has filed numerous reports reflecting that Par Funding was not a thriving business and that the majority of loans were to a small group of borrowers and were in default, the Complaint (deemed as true for purposes of this Motion) alleges that Par Funding had thousands of lawsuits pending for defaulted loans, and that the default rate was at least ten times higher than what the Defendants represented it was. [ECF Nos. 83, 119, 180, 215, 240, 305, 358, 359, 426, 482, 666, 902, 1140, 1223, 1334].

The Defendants do not address the remainder of the allegations against them, for orchestrating the scheme alleged in the Complaint or otherwise.

6. McElhone and LaForte's Argument That Their Conduct Was Not Recurrent Is Wrong and Ignores the Complaint Allegations

McElhone and LaForte argue that there is no evidence their conduct was recurring or how many investors were defrauded [ECF No. 1329 at 45]. The Complaint alleges that McElhone and LaForte orchestrated the entire fraudulent scheme at issue in this case and controlled Par Funding, and McElhone, LaForte, and Cole have all consented to the following allegations being true and cannot contest them:

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*¹⁹... *knowingly or recklessly, employed devices, schemes or artifices to defraud* in connection with the purchase or sale of securities.

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*,... in connection with the purchase or sale of securities, have *knowingly or recklessly made untrue statements of material facts or omitted to state material facts in order to make the statements made, in the light of the circumstances in which they were made, not misleading*

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*,... in connection with the purchase or sale of securities, *knowingly or recklessly engaged in acts, practices, and courses of business which have operated, are now operating, and will operate as a fraud upon the purchasers of such securities.*

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*,... *knowingly or recklessly employed devices, schemes or artifices to defraud*

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*, ...*negligently obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.*

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*,... *negligently engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon the purchasers*

Par Funding, McElhone, LaForte, and Cole, *beginning no later than July 2015 and continuing through present*,... [participated in an unregistered securities offering]

From no later than July 2015 through present, McElhone and LaForte have been, directly or indirectly, control persons of Par Funding and Full Spectrum....

From no later than July 2015 through present, Par Funding and Full Spectrum violated Section 10(b) and Rule 10b-5 of the Exchange Act.

*As control persons of Par Funding and Full Spectrum, McElhone and LaForte are jointly and severally liable with and to the same extent as Par Funding*²⁰....

[ECF No. 119 at ¶¶ 269, 272, 275, 278, 284, 291-93 (emphasis added)]. The Defendants cannot now argue that they only violated the securities laws *sometimes* or place a burden on the

¹⁹ The filing date in July 2020.

²⁰ In their Response, McElhone and LaForte ignore the conduct alleged against Par Funding through its employees, offering, and agents, and focus solely on themselves. However, they have consented to be held liable to same extent as Par Funding for the violations alleged against Par Funding. Since they do not address this, we note it here because the conduct of Par Funding overall must be factored into the penalty determination for McElhone and LaForte.

Commission to demonstrate each transaction. They consented to the allegations being deemed as true, and they are for purposes of this Motion.

The Complaint alleges at least 1,200 investors invested through promissory notes in an unregistered offering orchestrated by McElhone and LaForte, whereby investors invested in the offering through notes McElhone and Coles signed; that these investors were defrauded in the Defendants' fraudulent unregistered offering scheme; that the conduct against each specific Defendant at issue occurred for the course of years, and that LaForte and Cole, among many other instances of violative conduct, solicited at least 300 investors in one single event alone. *Id.* at ¶¶ 1, 52, 95-107. The fact that the Defendants argue this conduct was isolated and not recurrent, given the Complaint allegations to which they consented, is further evidence of their utter lack of contrition and acknowledgement of the serious nature of the violations alleged against them.

7. Defendants' Argument About Acknowledging Wrongdoing is Meritless

McElhone and LaForte argue that because they executed Consents, this demonstrates an acknowledgement of wrongdoing [ECF No. 1329 at 45]. This is wrong. In their Consents, the Defendants explicitly state that they are signing the Consents *without admitting or denying liability*. The arguments made in the Response also bely their hollow assertion that the Consents reflect an acknowledgement of wrongdoing. As set forth above, the Defendants blame the Commission in their Response, claim investors were sophisticated and did due diligence to detract from the Defendants' fraudulent misrepresentations and omission, continue to challenge the Complaint allegations throughout their Response, and even try to point the finger at attorneys and accountants despite consenting to the Complaint allegations being true that explicitly allege the Defendants acted knowingly and recklessly for some violations, and negligently for others. They continue, even now, to point the finger at everyone else and to deny the Complaint allegations even though this Motion is before the Court with the Complaint allegations being deemed as true pursuant to a Court order to which the Defendants consented in order to avoid a trial. There is no basis whatsoever for a finding that they acknowledge wrongdoing. The record in this case, including the Complaint, reflects the opposite.

8. McElhone and LaForte's Argument That They Cooperated is Incorrect

Incredibly, the Defendants argue that they cooperated because (1) Cole offered to assist the Receiver; and (2) this Court stated to undersigned counsel that the Defense lawyers were allowed to vigorously defend their clients [ECF No. 1329 at 46]. This is not evidence of cooperation. The

Defendants present no evidence whatsoever that Cole offered to assist the Receiver in any way, not even a declaration from Cole. Further, defending a client is not cooperation. If that were the case, then cooperation would not be a factor in *any* case where defendants have lawyers defending them. The facts set forth in the Motion and the record of this case reflect an effort by Defendants, from the beginning, to blame the Receiver and the Commission for their violations of the securities laws. They have thwarted the Receiver's efforts and the Receiver has filed several motions to that effect, which are all part of the record in this case. Most recently, the Receiver filed a Motion alleging that McElhone and Cole paid for their defense by illegally siphoning money from the Receivership in violation of the asset freeze and receivership orders, and the Court has issued an order to show cause [ECF No. 1328 and 1332]. The fact that on the record presented in this case the Defendants claim that they have cooperated in this case is frankly beyond the pale.

9. McElhone and LaForte's Argument For Tier 2 Penalties is Meritless

For the reasons set forth above, Tier 2 penalties are inapplicable on the facts of this Complaint. As set forth above, there was a risk of investor losses because of the nature of the allegations and violations alleged in the Complaint. McElhone and LaForte's only argument is a chart they made of cases in this Circuit where they cite the penalty imposed and then calculate the penalty as a percentage of the disgorgement imposed, asking this Court to do the same. They can cite no case law where this type of calculation is used to determine a penalty. Nor do they cite any legal support that the Commission seeks penalties based on Circuit jurisdiction, or that Circuit jurisdiction is remotely relevant. The seven factors the Defendants acknowledge in their Response are the appropriate focus in deciding the appropriate figure, not percentages based on a lawyer's math survey and statistics research project.

As set forth in the Motion, and in this Reply, the factors for determining a penalty demonstrate that the Commission's penalty request is appropriate. While the Defendants cite cases in a chart, they cite to *no case* involving the type of conduct alleged here, with the wide ranging misrepresentations and omissions (from concealing regulatory history to financial success to risk to default rates to the identity of the man at the helm, to investments being insured, and more). They can point to no case involving that plus the schemes and fraudulent course of business involved in this nationwide unregistered offering fraud. They can point to no case where the Defendants lied to investors, the Commission, *and* state regulators. They can point to no case

where the defendants also schemed to create an offering structure in order to avoid registering with the Commission. This case has no parallel.

Nor do the Defendants adequately address and distinguish the *Shapiro* case cited by the Commission, where the conduct was similar but did not involve nearly the same scope and range of violations. The Defendants claim the case is inapposite because *Shapiro* involved a Ponzi scheme under Section 10(b) of the Securities Act. The Defendants fail to recognize that this case involves a claim – to which they consented – for that same scheme violation under the federal securities laws.²¹ The scheme alleged in the two cases might be different, but they are the same violation of the federal securities laws. And again, *Shapiro* did not involve the same broad scope of violative conduct involved in this case. This case is exceptionally egregious.

III. THE COURT SHOULD ENTER RELIEF AGAINST COLE IN THE AMOUNTS THE SEC SEEKS

A. Cole Fails To Meet His Burden Regarding the Disgorgement Figure

Cole presents two arguments for reducing his disgorgement obligation, both of which lack merit. First, Cole argues that the disgorgement figure sought against him is incorrect because it includes amounts paid to him through New Field Ventures, LLC. According to Cole, payments to him through New Field Ventures was not alleged in the Complaint and therefore this fact is not deemed admitted. [ECF No. 1329 at 27]. This is incorrect. The Complaint alleges:

McElhone received at least \$11.3 million from the offering between July 2015 and October 2019. *As for Cole, Par Funding transferred funds, which included investor funds, to companies in which Cole has an ownership interest or otherwise receives financial benefits: \$1.8 million to ALB Management between July 2019 and October 2019; about \$4.9 million to Beta Abigail between July 2016 and April 2019; and about \$9.5 million to New Field Ventures, LLC between February 2017 and November 2019.*

Between July 2016 and November 2019, *Par Funding transferred about \$14.4 million, which included investor funds, to Beta Abigail and New Field Ventures, LLC, companies in which Cole has an ownership or other beneficial interest*

[Amended Complaint, ECF No. 119, at ¶¶ 19 & 240].

Thus, Cole’s first argument fails. Cole’s arguments that he did not receive funds from Par Funding through New Field Ventures are prohibited under the Consents, which provide that Cole

²¹ Defendants state there was a bankruptcy case filed in connection with Shapiro. The Consent was not signed by a bankruptcy trustee, and Defendants fail to demonstrate the relevance of bankruptcy.

cannot contest the facts alleged in the Complaint and that all allegations in the Complaint are deemed as true for purposes of this Motion.

Second, Cole argues that the Court must reduce his disgorgement by the amount of taxes Cole paid. [ECF No. 1329 at 28]. As set forth above in Section II.7, tax payments are not deducted from disgorgement figures. *U.S. Pension Tr. Corp.*, 444 F. App'x at 437 (holding that no authority requires the court to deduct from the disgorgement figure the amount of ill-gotten gains paid to the government in income tax); *Merch. Cap., LLC*, 486 F. App'x at 96 (rejecting argument that the district court was required to take into account the amount of income taxes paid).

Accordingly, Cole fails to meet his burden for demonstrating the Commission's disgorgement figure is not reasonable.

B. Cole's Penalty Arguments Are Wrong

Because Cole filed his response jointly with McElhone and LaForte, many of his arguments are addressed above in Section II.B and we do not repeat them again here. However, there are a few arguments that specifically concerned only Cole, which arguments are addressed here.

Cole claims his conduct was not egregious because he did not draft the K1 report that disclosed a 1% default rate, and he did not know that the default rate was higher. This is belied by the evidence. In his deposition, Cole admitted he drafted the "KPI Report," also known as the "Funding Analysis," which is the chart distributed to investors that states the 1% default rate. *See* Motion Exhibit 4, ECF 1213-4 at 127:18-128:1, 146:17-151:21. During the Furman trial, Cole testified admitting that the percentage in that chart which is shown to investors (*i.e.*, the 1% default rate chart as alleged in the Complaint) reflects *not* the loans that are in default and are not being paid but instead reflects the subset of those loans in default that management in its discretion decides to *write off*. *See* Motion Exhibit 1213-9 at 137:20-25 (Cole prepared the KPI report distributed to investors; Def. Exh. 29); and 1213-9 at 147:2-151:20. As Cole testified, the loans in default, as reflected in the thousands of cases Par Funding filed against the borrowers who had not paid, is different from the figure in the chart shown to investors. They are, as he testified, "apples and oranges." *Id.* Cole not only knew that chart was being distributed to investors, but also as set forth in the Complaint, Cole was present when hundreds of investors were given that chart and were told that Par Funding had a 1% default rate [ECF No. 119 at ¶¶ 95-104]. Incredibly, at the time of that event in November 2019, Par Funding had filed more than 1,000 lawsuits in

Pennsylvania alone, seeking more than \$147 million in missed Loan payments from small businesses. *See* TRO Exhibit 73 at ¶ 7(c). Thus, Cole’s claims about the K1 report are not true.

Cole does not address of any the other conduct alleged against him in the Complaint or the egregiousness thereof, including allegations about his signing the promissory notes that made the unregistered offering happen, soliciting investors, making misrepresentations and omissions about Par Funding’s regulatory history, lying to the Commission about his receipt of investor proceeds and the involvement of LaForte in the Par Funding Form D that he signed and filed, actively assisting LaForte in concealing his true identity and thus his criminal background from investors, or making misrepresentations and omissions to investors about LaForte’s criminal history.

Cole’s only other argument on the penalty factors, other than those previously addressed above in Section II.B, is that his conduct was not recurring. As set forth above, Cole consented to the Complaint allegations that he engaged in the violations at issue for a number of years, and the Complaint allegations detail specific conduct within those time ranges. [ECF No. 119 at ¶¶ 269, 272, 275, 278, 284, 291-93]. The Consent Judgments preclude Cole from challenging these facts.

Cole’s argument that a second tier penalty is appropriate because the violations did not involve the risk of investor loss is wrong for the same reasons set forth above with respect to LaForte and McElhone. Risk of loss analysis is based on the nature of the facts and violations alleged, and the Eleventh Circuit has been clear that the type of fraudulent scheme alleged here carries a risk of loss. *See, e.g., SEC v. Monterosso*, 756 F.3d 1326, 1338 (11th Cir. 2014) (“While there was no direct evidence of loss, as the magistrate judge found, and the district judge agreed, the fraudulent scheme created a substantial risk of loss as the revenue overstatements would have been important to any reasonable shareholder.”). Cole offers no argument of evidence, other than his statistics project, to demonstrate that the penalty the Commission requested is not appropriate.

IV. THE COURT SHOULD ENTER RELIEF AGAINST FURMAN IN THE AMOUNTS THE SEC SEEKS

Furman fails to meet his burden for demonstrating the Commission’s disgorgement calculation is unreasonable. He argues that the trial testimony of Brad Sharp concerning Furman’s gains, and the trial exhibits of authenticated business records reflecting those gains, are not a sufficient basis for approximating Furman’s ill-gotten gains because Sharp did not independently verify the figures in the business record he authenticated [ECF No. 1296].

However, Furman presents no evidence that the business records, which were admitted, are wrong. And Furman fails to acknowledge that he failed to produce **any financial documents** in response to discovery requests and failed to file the **Court-ordered sworn accounting of the funds he received in connection with the violations**. As set forth above, the Eleventh Circuit in *Calvo* made clear that in calculating disgorgement the risk of uncertainty is against the Defendant – and that is particularly true where, as here, the Defendant’s failure to comply with Court orders and produce records is a cause of that.

Furman presents a declaration in an effort to now – after discovery and more than two years after the Court ordered it – provide some accounting. The Court should not consider this self-serving declaration because Furman failed to produce this information when he was Court ordered to do so in July 2020. He attaches documents he failed to produce in response to discovery and as set forth at trial, claimed he could not recall passwords to access his documents on his laptop. The Court should not permit Furman to come forward now – after discovery and two years after he was ordered to provide a sworn accounting – to unveil the evidence he has been concealing. The Court should not consider any of this evidence.

Incredibly, Furman blames the Commission by claiming the Commission could have done more to get this evidence by asking Furman in his deposition. In fact, the Commission **did** ask Furman during his deposition. Attached as Exhibit 2 is the deposition of Michael Furman in which he testifies that he does not know how much money his Agent Fund, Fidelis, raised, the answer would depend on the definition of the word “raised,” and he was not sure of the specific figure [Exhibit 2 at 49:25-51:2]. He also testified that he did not know how much investor money Fidelis sent to Par Funding for the purchase of notes other than it was “north of 1 million.” *Id.* at 150:9-22. He testified he did not know how much he paid himself from Fidelis. *Id.* at 205:17-206:25.

Then again *after* his deposition occurred, the Commission sought interrogatory answers from Furman and Furman answered claiming that he did not know how much he received, directly or indirectly, in connection with the Par Funding offering because he lacked access to documents but would produce said documents if he ever obtained them. [ECF No. 1213-9 at Interrogatory 9]. He never produced them – until he filed his Response and filed them.

In his declaration, Furman asserts a list of expenses that he claims he made. Even if the Court accepts and considers this declaration, Furman makes no showing whatsoever that these expenses are “legitimate.” He presents no evidence other than his own declaration stating what the

expenses were for. Moreover, in his declaration, his descriptions clearly show these are not legitimate expenses because he is seeking to deduct the expenses for marketing the fraudulent and unregistered offering, for the legal fees to prepare the unregistered offering documents, for his own dental fees and travel, and other similar expenses that appear to be aimed at either fueling the violations or completely personal in nature. There are other descriptions that lack any detail to guess in theory whether the expenses are legitimate, such as insurance chargebacks and payments to his administrative staff who worked at United Fidelis –a company that, as Furman testified at trial, had numerous investments it offered other than Par Funding. Yet Furman apparently seeks to receive a reduction of his staff’s entire salary without any evidence that they provided *legitimate* business services or that the salary was entirely for those *legitimate* services associated with the Fidelis offering. Because Furman presents no clear and credible evidence about the expenses, other than that they were made, these are just theories based on Furman’s brief descriptions. Furman clearly has not met his burden of presenting clear and credible evidence of *any* legitimate business expense that can be deducted.

Furman’s next argument is that the Court cannot rely on certain evidence because Furman was prohibited from conducting discovery. This is false. Furman made no attempt to obtain discovery during the discovery period, and the Magistrate denied his efforts to do so *after* discovery had ended – an Order Furman did not appeal.

Furman also argues that he was prevented from introducing evidence of investor losses at trial. This is irrelevant. He had the opportunity to present that evidence with his Response and failed to do so. Furman goes on to argue at length about the risk of losses relating to Par Funding. The issue, however, is the risk of losses based on *Furman’s* conduct and violations – facts Furman fails to address. Next, Furman claims he lacks the ability to pay a penalty. However, he presents no evidence whatsoever to support that hollow assertion. Finally, Furman argues that he was not impeached at trial. The transcript, which the Commission filed with its Motion, speaks for itself.

Furman failed to meet his burden, presents no credible evidence in support of his arguments, and his arguments should be rejected. The Court should enter the relief the Commission seeks against him for the reasons set forth in the Motion.

V. CONCLUSION

For the foregoing reasons, the Court should grant the SEC’s motion for remedies and enter the proposed Final Judgments against Defendants.

Respectfully submitted,

August 3, 2022

By: *s/Amie Riggle Berlin*
Amie Riggle Berlin
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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
CASE NO. 20-cv-81205-RAR**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants

**DEFENDANT JOSEPH COLE BARLETA'S RESPONSES
AND OBJECTIONS TO THE SECURITIES AND EXCHANGE
COMMISSION'S FIRST SET OF INTERROGATORIES**

Defendant Joseph Cole Barleta pursuant to Fed. R. Civ. P. 33, submits the following objections and responses to the Securities and Exchange Commission's ("SEC") First Set of Interrogatories.

PRELIMINARY STATEMENT

The Defendant has not completed his investigation of all the facts relating to this case, has not completed discovery and has not completed his preparation for trial. Therefore, these responses are based only on the information presently available to and specifically known to the Defendant. Further discovery, independent investigation, legal research, and analysis may lead to the discovery of additional non-privileged responsive information which may lead to additions and/or changes to the information, responses and/or objections set forth below.

These responses are given without prejudice to the Defendant's right to produce evidence of any subsequently discovered facts, including the right to supplement these responses if he obtains further evidence. The Defendant reserves the right to produce at trial and make reference to any evidence, facts, documents or information not discovered at this time, omitted through good faith error, mistake or oversight, or the relevance of which has not presently been identified by the Defendant and to further modify these responses as a result of subsequently discovered information.

Notwithstanding any of the responses and objections set forth herein, the Defendant agrees to meet and confer, pursuant to Federal Rule of Civil Procedure 37(a)(1), in the event that the SEC takes issue with any specific response and objection below.

RESPONSES TO INTERROGATORIES

1. In connection with Your reliance on advice of counsel Affirmative Defense, state: the name, contact information, and date You retained any and all attorneys whose advice You claim You relied upon.

RESPONSE: Defendant objects to Interrogatory 1 as overbroad, and duplicative of disclosures previously made during Defendant's depositions and documents contained in the database of Par Funding which is held by the Receiver and fully available to the SEC. Defendant further objects to Interrogatory 1 because it calls for the disclosure of counsel's mental impressions and analysis of the facts. Defendant further objects on the grounds that Discovery is ongoing and Defendant and his attorney have not yet reviewed all the documents or completed their investigation. To the extent a response is necessary, Defendant responds as follows:

- **Norman Valz, nvalz@msn.com was counsel to Par/CBSG**
- **Brett Berman, Fox Rothschild, LLP, Tel. 215.299.2842, BBerman@foxrothschild.com.**
- **Lauren Taylor, Fox Rothschild, LLP,**
- **Steven Cohen, Fox Rothschild, LLP, Tel. 215 299-2744**
- **Robert Nagle, Fox Rothschild, LLP,**
- **Cynthia Clarke, was in house counsel at Par/CBSG**
- **John Hartley, was in house counsel at Par/CBSG**
- **Brian Smith, was in house counsel at Par/CBSG**
- **Peter Mulcahy, was in house counsel at Par/CBSG**
- **Jason Berger, Offit Kurman, jberger@offitkurman.com, (267) 338-1328**
- **Lisa Jacobs, DLA Piper, Philadelphia, PA, (202) 799 4254**
- **Philip Rutledge of Bybel Rutledge, LLP, rutledge@bybelrutledge.com, T: (717) 731.8301**
- **Martin Hewitt, Special Counsel, Fried Frank, martin.hewitt@friedfrank.com T. (212) 859-8456**
- **Kit Addleman, Haynes Boone: (214) 651-5783 kit.addleman@haynesboone.com**
- **Lawrence Metelitsa, Lucosky Brookman, New York , (212) 332-8160**
- **Justin White, Testa Heck Testa & White, New Jersey (856) 691-2300**

2. For each attorney identified in Your answer to Interrogatory Number 1, state, making clear which attorney You are referencing:

- (a) what advice, if any, You sought from the attorney,
- (b) when You sought the advice,
- (c) what facts You shared with the attorney when You sought the advice,
- (d) what advice the attorney gave You,

- (e) when the attorney gave You the advice,
- (f) whether the attorney's advice to You was in writing, and
- (g) whether the attorney's advice to You was verbal and, if so, the identity of any other person present when the attorney gave You the advice.

RESPONSE: Defendant objects to Interrogatory 2 as overbroad, unduly burdensome, and duplicative of disclosures previously made and of documents in the database of Par which is held by the Receiver and fully available to the SEC. Defendant further objects to Interrogatory 2 because it calls for the disclosure of counsel's mental impressions and analysis of the facts. Defendant further objects on the grounds that Discovery is ongoing and Defendant and his attorney have not yet reviewed all the documents or completed their investigation.

3. In connection with Your reliance on professionals and experts Affirmative Defense, state the name and contact information of each professional and expert whose advice You claim You relied upon.

RESPONSE: Defendant objects to Interrogatory 3 as overbroad, unduly burdensome, duplicative of disclosures previously made and of documents in the database of Par which is held by the Receiver and fully available to the SEC.. Defendant further objects to Interrogatory 3 because it calls for the disclosure of professionals' mental impressions and analysis of the facts. Defendant further objects on the grounds that Discovery is ongoing and Defendant and his professionals and experts have not yet reviewed all the documents or completed their investigation. To the extent a response is necessary, Defendant responds as follows:

- **Rick Huff of Clifton Larson Allen, 484-567-1719**

- **June Park of Clifton Larson Allen, 484-567-1743**
- **Willem Van de Berg of Friedman LLP, wvanderberg@friedmanllp.com, 856.830.1670**
- **Ken Bacon of Rod Ermel Associates, 719-219-1040.**
- **Rod Ermel of Rod Ermel Associates, 719-219-1040.**
- **Dan Kinney of Rod Ermel Associates,**
- **James Klenk - currently working for the Receiver**

4. For each professional and/or expert identified in Your answer to Interrogatory Number 3, state, making clear which professional or expert You are referring to:

- (h) what advice, if any, You sought from these accountants,
- (i) when You sought the advice,
- (j) what facts You shared with the accountants when You sought the advice,
- (k) what advice the accountants gave You,
- (l) when the accountants gave You the advice,
- (m) whether the accountants advice to You was in writing, and
- (n) whether the accountants advice to You was verbal and, if so, the identity of any other person present when the attorney gave You the advice.

RESPONSE: Defendant objects to Interrogatory 4 as overbroad, unduly burdensome, and duplicative of disclosures previously made. Defendant further objects to Interrogatory 4 because it calls for the disclosure of the accountants' mental impressions and analysis of the facts. Defendant further objects on the grounds that Discovery is ongoing and Defendant and his accountants have not yet reviewed all the documents or completed their investigation.

5. State the facts and evidence supporting Your “Estoppel” Affirmative Defense, including:

- (a) The identity/identities of any and all Securities and Exchange Commission staff who made the representations at issue in Your Estoppel defense; and
- (b) For each SEC staff member identified in response to answer 5(a), state (i) what representation(s) that SEC staff member made, (ii) to whom, (iii) when, (iv) by what communication method the representation was made, (iv) whether and to what extent You relied on the representation; (vi) whether and, if so why, the SEC staff representation was material; and (vi) whether and if so, how, You changed Your position to Your detriment based on the SEC staff member representation.

RESPONSE: Defendant objects to Interrogatory 5 because Defendant’s Amended Answer does not include the Estoppel affirmative defense.

6. State the facts and evidence supporting Your “Good Faith” Affirmative Defense.

RESPONSE: Defendant objects to Interrogatory 6 as overbroad, unduly burdensome, and duplicative of disclosures previously made. Defendant further objects to Interrogatory 6 because it calls for the disclosure of counsel’s mental impressions and analysis of the facts. Defendant further objects on the grounds that Discovery is ongoing and the Defendant and his attorney have not yet reviewed all the documents or completed their investigation.

7. State (a) each of Your current source(s) of income, and (b) the source of funds You are using to pay Your attorney (s) in this case.

RESPONSE: Defendant objects to Interrogatory 7 as it requests information which is neither relevant nor will lead to the resolution of disputed issues in the SEC's complaint which alleges omissions and misrepresentations. See, Fed. R. Civ. Pro. 26 (b); *Hickman v. Taylor*, 329 U.S. 495, 507-08, (1947); *Bonutti Skeletal Innovations LLC, v. Linvatec Corp.*, WL 186123, M.D. Florida, (2014) Moreover, it is also premature because it seeks information which may only be relevant, if at all, to judgment enforcement efforts; however, since no judgment has been obtained against Defendant, Request for Production 7 is objectionable.

8. State how much money You received, both directly and indirectly, from the offer and sale of promissory notes offered and sold in connection with Par Funding and the Agent Funds.

RESPONSE: Defendant objects to Interrogatory 8 because it assumes disputed facts and calls for a legal conclusion. To the extent an answer is required, Defendant denies personally receiving any money from the offer and sale of promissory notes.

9. State all facts and identify all evidence supporting Your Affirmative Defense that "the notes are also exempt as securities under the express language of the Exchange Act (15 U.S.C. § 78c(a)(10)) and from the registration requirement under the Securities Act (15 U.S.C. § 77b(a)(1)."

RESPONSE: Defendant objects to Interrogatory 9 as overbroad and duplicative of disclosures previously made and briefs filed on this docket. Defendant further objects to Interrogatory 9 because it calls for the disclosure of counsel's mental impressions and analysis of the facts. Defendant further objects on the grounds that Discovery is ongoing and Defendant and his attorney have not yet reviewed all the documents or completed their investigation.

September 9, 2021

Respectfully Submitted,

Law Offices of Bettina Schein
Attorney for Joseph Cole Barleta
565 Fifth Avenue, 7th Floor
New York, New York 10017
(212) 880-9417
bschein@bettinascheinlaw.com

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing document was served on all counsel of record via electronic mail this 9th day of September, 2021.

By: /s/ Bettina Schein
BETTINA SCHEIN
Admitted *Pro Hac Vice*

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No.
)	20-CV-81205-RAR
COMPLETE BUSINESS SOLUTIONS)	
GROUP, INC. d/b/a PAR)	
FUNDING, et al.,)	
)	
Defendants, and)	
)	
L.M.E. 2017 FAMILY TRUST,)	
)	
Relief Defendant.)	
_____)	

REMOTE VIDEOTAPED DEPOSITION OF MICHAEL C. FURMAN,
called by the Plaintiffs for examination, taken by
and before Ann Medis, Registered Professional
Reporter and Notary Public in and for the
Commonwealth of Pennsylvania, via Webex
videoconference, on Wednesday, May 26, 2021,
commencing at 10:02 a.m.

JOB No. 210526AME

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A P P E A R A N C E S

(Participants appeared via Webex videoconference)

On behalf of Plaintiff

UNITED STATES SECURITIES AND EXCHANGE
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A P P E A R A N C E S (Continued)

On behalf of the Receiver Ryan K. Stumphauzer

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On behalf of Defendant Michael C. Furman

Michael C. Furman, pro se

Also present

Perry Abbonizio
Dean Vagnozzi
Tim Hunter, videographer

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* I N D E X *

MICHAEL C. FURMAN	PAGE
EXAMINATION BY MS. BERLIN	7

* I N D E X O F E X H I B I T S *

NO.	DESCRIPTION	PAGE
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(No deposition exhibits were marked.)

P R O C E E D I N G S

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10:01 3 THE VIDEOGRAPHER: And here begins the
4 videotaped deposition of Michael Furman in the
5 matter of the SEC versus Complete Business Solutions
6 Group. This is case is being heard in the United
7 States District Court, Southern District of Florida,
8 Case No. 20-CV-81205-RAR.

10:01 9 This deposition is being held via Webex.
10 Today's date is May 26, 2021. Time on the record is
11 10:02 a.m. My name is Tim Hunter. I'm a legal
12 videographer.

10:02 13 Counsel, would you please introduce
14 yourselves and state whom you represent for the
15 record starting with noticing counsel. And the
16 witness will be sworn.

10:02 17 MS. BERLIN: Good morning. This is Amie
18 Riggle Berlin on behalf of the Securities and
19 Exchange Commission.

10:02 20 MR. KOLAYA: Good morning. This is
21 Timothy Kolaya on behalf of the court appointed
22 receiver, Brian Stumphauzer.

10:02 23 MR. ROSENBLUM: Good morning. My name is
24 Douglas Rosenblum. I'm with the Pietragallo firm.
25 I'm co-counsel to Mr. Kolaya.

10:02 1 MR. SOTO: Good morning. This is Alex
2 Soto, counsel for defendant Joseph LaForte.

10:02 3 MR. MILLER: And this is Brian Miller from
4 Akerman on behalf of defendant Dean Vagnozzi.

5 MICHAEL C. FURMAN,
6 having been first duly sworn, was examined
7 and testified as follows.

10:03 8 THE WITNESS: I just want to make the
9 statement that I still do not feel comfortable
10 proceeding without an attorney present as I'm pro,
11 se. And I've asked for more time, which was denied
12 by the opposing counsel.

10:03 13 I also want to state on the record that
14 I've been sick for well over two weeks, and I might
15 require a few extra breaks for those reasons.

10:03 16 Also, I want to let the court know that
17 since I've gone pro se, I've still not been, as I
18 was promised, access to PACER. So I have no
19 procedural posture from what I've been told. I've
20 not been receiving the updates and documents as
21 promised. And I have continued ask for the past six
22 months and promised early 2021 for my only laptop
23 and phone to be returned, which has had no actions,
24 and it has hindered my ability to really prepare for
25 today. Thank you.

EXAMINATION

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BY MS. BERLIN:

Q. Mr. Furman, my name is Amie Riggle Berlin. I'm with the U.S. Securities and Exchange Commission. As I ask you questions today, if you don't understand something, just let me know, and I will clarify the question. And if you need a break at any time, just let me know that as well, and we'll be happy to accommodate.

I'd like to begin just by asking if you could tell us your educational background.

A. Can you be more specific?

Q. Sure. Did you attend college?

A. Yes.

Q. And can you tell us where and what degree you received and when?

A. I attended Northwood University. I graduated in 2004 with a bachelor's as well as an associate's.

Q. And what is your degree in?

A. Banking and finance.

Q. Did you attend any additional school after you graduated with your bachelor's degree?

THE WITNESS: I'm going to object to form, which I'm going to every time.

10:05 1 Can you be more specific on what school?
2 What type of school?

3 BY MS. BERLIN:

10:05 4 Q. Any school. Did you go to any additional
5 school after you graduated with your bachelor's
6 degree?

10:05 7 A. I've attended various educational classes,
8 but no further degree, no master's.

10:06 9 Q. What types of classes did you attend?

10:06 10 THE WITNESS: Objection to form.

10:06 11 Various licensing classes, continuing
12 education classes, simple educational classes to
13 further my knowledge.

14 BY MS. BERLIN:

10:06 15 Q. Do you hold any professional licenses?

10:06 16 THE WITNESS: Objection to form.

10:06 17 Yes.

18 BY MS. BERLIN:

10:06 19 Q. What are those?

10:06 20 A. Can you be more specific on when?

10:06 21 Q. No. The question is: What are those
22 licenses?

10:07 23 A. Can you please be more specific on time
24 period?

10:07 25 Q. At any time during your lifetime.

10:07 1 A. In my entire life?

10:07 2 Q. In your entire lifetime, please tell us
3 what professional licenses you have held.

10:07 4 A. I have held a state 215 insurance license,
5 health, life and fixed annuity. I've previously
6 been licensed -- I had securities licenses in my
7 past, Series 7, Series 66 I believe it was.

10:07 8 Q. And when did you obtain your securities
9 licenses?

10:08 10 A. I do not recall exactly. 2004, 2005ish.
11 I don't remember if it was the end of the year. I
12 know when I started studying. I know when I
13 graduated, and it was right after that. So it was
14 in the following year.

10:08 15 Q. Do you still hold those licenses?

10:08 16 A. No; no, I do not.

10:08 17 Q. When did you stop holding your Series 7
18 license?

10:08 19 A. I don't remember the date, to be honest
20 with you.

10:08 21 Q. Are you currently registered with the
22 Securities and Exchange Commission in any capacity?

10:08 23 THE WITNESS: Objection to form.

10:08 24 I do not understand. Can you be more
25 specific?

1 BY MS. BERLIN:

10:08 2 Q. Sure. Are you registered with the
3 Securities and Exchange Commission?

10:09 4 A. I still don't understand the exact
5 question.

10:09 6 Q. Have you ever registered with the U.S.
7 Securities and Exchange Commission? Is that clearer
8 for you?

10:09 9 A. Have I ever in my life? I guess I was a
10 registered -- when I was licensed previously, I
11 believe so.

10:09 12 Q. Okay. And so what registrations did you
13 hold?

10:09 14 A. I do not remember.

10:09 15 Q. What do you currently do for a living?

10:09 16 A. I'm in sales.

10:09 17 Q. Where?

10:09 18 A. I'm self-employed.

10:09 19 Q. What do you sell?

10:09 20 A. Insurance policies.

10:09 21 Q. Anything else?

10:10 22 A. I've held various part-time sales
23 positions since this case has started.

10:10 24 Q. Where?

10:10 25 A. I've been an independent employer selling

1 advertising.

10:10 2 Q. What was the name of that employer?

10:10 3 A. Danley Office Networks.

10:10 4 Q. Are you currently selling any securities?

10:10 5 THE WITNESS: Objection to form.

6 BY MS. BERLIN:

10:10 7 Q. Are you currently offering and selling any
8 securities, Mr. Furman?

10:10 9 A. Not at this time.

10:11 10 Q. When is the last time that you offered or
11 sold securities?

10:11 12 THE WITNESS: Objection to form.

10:11 13 I do not recall.

14 BY MS. BERLIN:

10:11 15 Q. Have you offered or sold any securities
16 since the SEC filed this case against you?

10:11 17 THE WITNESS: Objection to form.

10:11 18 No.

19 BY MS. BERLIN:

10:12 20 Q. Do you know of an entity called Complete
21 Business Solutions Group?

10:12 22 A. I'm aware, yes.

10:12 23 Q. When did you become aware of Complete
24 Business Solutions Group?

10:12 25 A. I can't recall that exact date.

10:12 1 Q. What year?

10:12 2 A. My best guess is '17 or '18. Honestly, I
3 don't remember.

10:12 4 Q. And is that 2017 or 2018?

10:13 5 A. I believe so.

10:13 6 Q. How did you first become aware of Complete
7 Business Solutions Group?

10:13 8 THE WITNESS: Objection to form.

10:13 9 Can you be more specific or rephrase it?

10 BY MS. BERLIN:

10:13 11 Q. I'm not sure that that can be more
12 specific, Mr. Furman. That's a pretty specific
13 question.

10:13 14 A. Can you restate it?

10:13 15 Q. Sure. How did you first become aware of
16 Complete Business Solutions Group?

10:13 17 A. My best guess is through an advertisement
18 and insurance newsletter or through an advertisement
19 of some sort.

10:13 20 Q. And where was that advertisement?

10:14 21 A. Via a -- it was not -- can you restate
22 that question? I want to make sure I answer
23 correctly and fully.

10:14 24 Q. Can you provide more specificity about
25 your answer that --

10:14 1 A. Can you restate the original question?

10:14 2 Q. Mr. Furman, let me try to help you. You
3 testified that you first learned about Complete
4 Business Solutions Group through an advertisement.

10:14 5 So now I'm asking you to provide the
6 details about what that -- where you saw that
7 advertisement.

10:14 8 A. Let me restate. I learned about Complete
9 Business Solutions Group through or at an event
10 which I learned about through an advertisement.

10:14 11 Q. And what event was that?

10:14 12 A. An advisor event in Philadelphia that was
13 held by A Better Financial Plan. Advisor event is
14 best I can...

10:15 15 Q. And where did you see the advertisement
16 for that event?

10:15 17 A. I believe it was a magazine publication, I
18 believe. I can't recall exactly, but there might
19 have been multiple. But that was -- I do remember
20 an advertisement that I saw.

10:15 21 Q. And what was it an advertisement for?

10:15 22 A. To learn about a new potential offering
23 that we could help our -- insurance producers could
24 help their clients with, investment. Multiple, not
25 specifically anything, I don't remember, in the

1 beginning.

10:15 2 Q. And where in Philadelphia -- where in
3 Philadelphia was this event held?

10:16 4 A. I don't know the exact -- it was -- I
5 don't know the exact address or hotel. It was at a
6 hotel in Philadelphia, the main city.

10:16 7 Q. And who spoke at the event?

10:16 8 THE WITNESS: Objection to form.

10:16 9 I don't remember every person. I can
10 remember a few. Dean Vagnozzi, John Pauciulo. And
11 I do not remember the names of the other
12 individuals. There were many.

13 BY MS. BERLIN:

10:17 14 Q. And approximately how many people attended
15 the event?

10:17 16 A. I do not recall exactly. Specifically
17 around, give or take, 30, around 30ish, 30. It was
18 a large group. I couldn't estimate. It was a long
19 time ago.

10:17 20 Q. Approximately when did this event take
21 place?

10:17 22 A. That I don't recall, to be honest. I
23 don't exact know.

10:17 24 Q. Do you recall what time of the year it
25 was?

10:18 1 A. I recall it being very cold, so perhaps
2 winter.

10:18 3 Q. Do you recall which year this event
4 occurred in?

10:18 5 A. My best guess is 2017 or 2018.

10:18 6 Q. And what did Mr. Vagnozzi say during this
7 event?

10:18 8 THE WITNESS: Objection to form.

10:18 9 MR. MILLER: This is Brian Miller. I
10 object to the form also.

10:18 11 THE WITNESS: Can you clarify more
12 specifically?

13 BY MS. BERLIN:

10:18 14 Q. Sure. You testified that Mr. Vagnozzi was
15 the speaker at the event that you attended where you
16 first learned about Complete Business Solutions
17 Group. And so I'm asking you to tell the court what
18 Mr. Vagnozzi said when he spoke at that event.

10:19 19 MR. MILLER: Same objection from
20 Mr. Miller.

10:19 21 THE WITNESS: Same objection.

10:19 22 I cannot recall specifically, but he spoke
23 about his company and all the available work that he
24 was offering to us, different offerings that he
25 worked with, different companies he worked with, his

1 insurance sales.

2 BY MS. BERLIN:

10:19 3 Q. And did Complete Business Solutions Group
4 get discussed by Mr. Vagnozzi as one of the
5 investments that he was offering?

10:20 6 THE WITNESS: Objection to form.

10:20 7 Yes.

8 BY MS. BERLIN:

10:20 9 Q. And generally what did Mr. Vagnozzi tell
10 you during that event about Complete Business
11 Solutions Group?

10:20 12 THE WITNESS: Objection to form.

10:20 13 My recollection is he briefly discussed
14 his -- his overview of Par Funding -- am I allowed
15 to say Par Funding -- versus Complete Business
16 Solutions Group and what merchant cash advance was.

17 BY MS. BERLIN:

10:21 18 Q. Did Mr. Vagnozzi ask you to invest in the
19 Complete Business Solutions Group offering during
20 this event?

10:21 21 THE WITNESS: Objection to the form.

10:21 22 Can you be more specific? Invest in his
23 fund or invest in the company?

24 BY MS. BERLIN:

10:21 25 Q. What we'd like to know is -- you testified

1 that Mr. Vagnozzi at an event talked about Complete
2 Business Solutions Group.

10:21 3 A. Correct.

10:21 4 Q. So I asked you to describe it, and you
5 gave a general discussion about his general overview
6 of what he talked about.

10:21 7 So I'm asking you now specifically:
8 During this event, did Mr. Vagnozzi ask you to make
9 an investment in connection with Complete Business
10 Solutions Group?

10:21 11 A. Not that I can recall.

10:22 12 Q. And did Mr. Vagnozzi offer to you that you
13 could offer and sell investments that were in
14 connection with Complete Business Solutions Group at
15 the time of this event?

10:22 16 MR. MILLER: Mr. Miller. Object to the
17 form.

10:22 18 THE WITNESS: Object to the form.

10:22 19 Generally he described a program in which
20 we could do that, that we could do that in the
21 future. We could work with him in the future. We
22 would have to work with him in the future.

23 BY MS. BERLIN:

10:22 24 Q. And can you please tell us what
25 Mr. Vagnozzi said about the program that you just

1 mentioned in your testimony?

10:22 2 THE WITNESS: Objection to form.

10:23 3 He would -- he owned -- he owns/runs a
4 management company where advisors could work with,
5 through -- with an attorney and through him and
6 offer a similar structured investment and he would
7 be managing all back ends, all payments. It was
8 close to turnkey.

9 BY MS. BERLIN:

10:23 10 Q. And did Mr. Vagnozzi discuss during this
11 presentation that the program would involve you
12 creating your own investment firm or investment fund
13 through which to offer an investment in connection
14 with Complete Business Solutions Group?

10:24 15 MR. MILLER: Mr. Miller. I object to the
16 form.

10:24 17 THE WITNESS: I object to the form.

10:24 18 Can you repeat the question?

19 BY MS. BERLIN:

10:24 20 Q. Sure. I've asked you for details about
21 the program that Mr. Vagnozzi told you about. And
22 so I'm asking you now in connection with that same
23 program, Mr. Furman, whether or not Mr. Vagnozzi was
24 offering to you as part of this program that you
25 would be creating your own investment firm or your

1 own investment fund through which to offer and sell
2 investments in connection with Complete Business
3 Solutions Group.

10:24 4 MR. MILLER: Same objection.

10:24 5 THE WITNESS: Same objection.

10:24 6 I don't agree completely with your
7 complete question because I was never instructed to
8 or instructed or brought up to start my own
9 investment firm, as you quoted. But it was stated
10 by him that we would have to start our own --
11 file our -- start our own private placement with him
12 through an attorney friend that would allow us -- in
13 order to work with him.

10:25 14 Yes. In order to invest, we'd have to
15 start our own private placement. I wouldn't call it
16 an investment firm. I don't remember those words.

17 BY MS. BERLIN:

10:25 18 Q. What did Mr. Pauciulo say during this
19 presentation at this same event?

10:25 20 THE WITNESS: Objection to form.

10:25 21 I remember generally he went over his
22 background and previous working history about
23 himself, his own history. He worked with the SEC.
24 This is all he does, the law firm that he works
25 with, works for. Partner I guess. Also his

1 background in working -- long history working with
2 Dean Vagnozzi setting up various other funds and
3 their history of doing roughly similar work and what
4 potentially he could provide to us as the
5 individuals that were there and the background of
6 what he was doing, working on, and how he worked.

7 BY MS. BERLIN:

10:26 8 Q. Was Mr. Pauciulo offering -- during this
9 event, did Mr. Pauciulo offer his services as an
10 attorney to assist you in the offering for the
11 investments connected to Complete Business Solutions
12 Group?

10:27 13 THE WITNESS: Objection to form.

10:27 14 He offered his services to everybody in
15 the room. On an individual basis we would have to
16 contact him.

17 BY MS. BERLIN:

10:27 18 Q. Did you end up hiring Mr. Pauciulo as your
19 attorney?

10:27 20 A. I did not end up retaining him, paying him
21 as my sole attorney, no.

10:27 22 Q. At any time did Mr. Pauciulo provide any
23 legal services for you or any entity that you owned?

10:27 24 THE WITNESS: Objection to form.

10:27 25 Not under a paid contract, a retained

1 contract.

2 BY MS. BERLIN:

10:28 3 Q. My question doesn't concern whether work
4 was done under a paid contract or an unpaid
5 contract. The question is simply whether or not
6 Mr. Pauciulo did any work for you or any company
7 that you own.

10:28 8 A. Can you define work?

10:28 9 Q. Sure. Work is generally defined as -- do
10 you really want me to look up the word for you?

10:28 11 A. Was it advice or does it have to be
12 written?

10:28 13 Q. Do you want me to look up the definition
14 of work, Mr. Furman? I can.

10:28 15 A. Does advice count, or does it have to be
16 written?

10:28 17 Q. You tell us. What work did he do?

10:28 18 A. I was on many calls where he was advising
19 a group of advisors, of us, fund managers.

10:28 20 Q. And did that occur on the telephone?

10:28 21 A. Yes. Telecommunications, yes.

10:28 22 Q. Okay. And what other methods did he use
23 to communicate?

10:29 24 A. Technically I believe it could have been a
25 video, Zoom or Webex I guess this is, on one of

1 those. I don't really recall.

10:29 2 Q. Okay. And how many phone calls were there
3 with Mr. Pauciulo where he was speaking to you about
4 the offering?

10:29 5 A. I do not recall.

10:29 6 Q. Approximately.

10:29 7 A. Under ten.

10:29 8 Q. Okay. And during what time period?

10:29 9 A. I do not recall.

10:29 10 Q. It occur in 2020?

10:29 11 A. They did.

10:29 12 Q. Did it occur in 2021?

10:30 13 A. No.

10:30 14 Q. How about 2019?

10:30 15 A. I believe so, yes. I do not recall
16 exactly.

10:30 17 Q. How about 2018?

10:30 18 A. I believe so. I do not recall exactly.

10:30 19 Q. 2017?

10:30 20 A. I do not recall that far back. I believe
21 so, but I do not recall.

10:30 22 Q. What about the video conferences with
23 Mr. Pauciulo, about how many of those were there?

10:30 24 A. I don't recall exactly. One to three, one
25 to two.

10:30 1 Q. And approximately when did those occur?

10:30 2 A. Sometime in 2020.

10:30 3 Q. And what occurred during those, say, video
4 conference calls?

10:31 5 THE WITNESS: Objection to form.

10:31 6 There was discussion of a restated
7 offering, restated offering for CBSG.

8 BY MS. BERLIN:

10:31 9 Q. Are you talking about the exchange
10 offering where the investors were exchanging their
11 notes for notes that matured at a later point in
12 time that offered lower interest? Is that what you
13 were referring to?

10:32 14 A. Part of it, yes, yes, that time period.

10:32 15 Q. And what else was discussed?

10:32 16 A. I do not recall specifically. Impacts of
17 the pandemic. I don't know.

10:32 18 Q. So were all of the video conferences that
19 you had with Mr. Pauciulo in connection with the
20 exchange offering?

10:32 21 A. I believe so.

10:32 22 Q. Did Mr. Pauciulo or someone at his law
23 firm, Eckert Seamans, draft any offering materials
24 through you or any company that you own or control?

10:33 25 THE WITNESS: Objection to form.

10:33 1 Not specifically for me, no.

2 BY MS. BERLIN:

10:33 3 Q. Okay. What do you mean "not
4 specifically"? Did he do it for someone that you
5 know or in connection? Can you explain that
6 further?

10:33 7 A. I viewed the documents, but they were not
8 made for me, no, or my companies or any entity.

10:33 9 Q. Do you know of an individual named Joseph
10 LaForte?

10:33 11 A. Yes. I'm familiar with that name.

10:33 12 Q. Have you ever met him?

10:33 13 A. Yes.

10:33 14 Q. When did you first meet him?

10:34 15 A. I do not recall the exact date.

10:34 16 Q. I'm not asking for an exact date. How
17 about an approximation? Do you remember a month and
18 year, time of year, a season?

10:34 19 A. It was at the advisor event or after the
20 advisor event. I believe he was in the office when
21 we visited.

10:34 22 Q. The advisor event is the one that you're
23 referring to where you first learned about Complete
24 Business Solutions Group and you don't know the year
25 or the month, but you do know that you were cold.

10:34 1 Is that the event that you're referring
2 to?

10:34 3 A. Correct.

10:34 4 Q. And so am I understanding correctly that
5 after this event, you went to the Complete Business
6 Solutions Group offices in Philadelphia?

10:35 7 THE WITNESS: Objection to form.

10:35 8 Yes. We visited during that trip.

9 BY MS. BERLIN:

10:35 10 Q. Did Mr. Vagnozzi go with you?

10:35 11 A. Yes.

10:35 12 Q. And what was the purpose of the visit?

10:35 13 THE WITNESS: Objection to form.

10:35 14 It was to introduce us to the company and
15 see the physical building, meet individuals there.
16 Just an in-person visit to get more acquainted.

17 BY MS. BERLIN:

10:35 18 Q. Did you speak with Mr. LaForte during this
19 visit to Complete Business Solutions Group?

10:36 20 A. I can't recall.

10:36 21 Q. You recall that you met him during that
22 visit. So why don't you just describe what that
23 meeting was like.

10:36 24 MR. SOTO: Objection to form by Mr. Soto.

10:36 25 THE WITNESS: Objection to form.

10:36 1 We took a tour of the office, and I
2 believe he was -- we saw his office. I believe he
3 was there, if I remember correctly. I was one of
4 many advisors that walked through there. Then we
5 went to dinner I believe it was next door or within
6 a close proximity somewhere afterwards, which I did
7 not stay very long. And I can't remember if I spoke
8 to anybody that worked there.

9 BY MS. BERLIN:

10:36 10 Q. And did Mr. LaForte go to dinner with you?

10:37 11 A. I can't remember.

10:37 12 Q. During the tour, you saw Mr. LaForte's
13 office. Did you introduce yourself? Like, how did
14 you know that was Mr. LaForte?

10:37 15 To be clear, if you're confused, how do
16 you know this man you saw at the Complete Business
17 Solutions Group office when you went there on the
18 tour after the agent event, how do you know that
19 that man was Joseph LaForte as opposed to someone
20 else?

10:37 21 A. We were introduced as his name was Joe.
22 And I don't remember the context of how they
23 introduced to him or anybody there. We were taking
24 a tour. He was one of the employees that they
25 introduced as we walked through. But I remember his

1 name Joe. I don't remember if it was specifically
2 myself. I was one of the many people who walked
3 through.

10:38 4 Q. And who made the introduction?

10:38 5 A. I do not recall specifically. One of the
6 hosts, Dean or perhaps even Perry.

10:38 7 Q. You said Perry. Is that Perry Abbonizio?

10:38 8 A. Perry Abbonizio.

10:38 9 Q. I understand that you said they introduced
10 him as Joe. My question is: How do you know that
11 was Joseph LaForte as opposed to a different Joe?

10:38 12 A. I do -- I do not recall when I learned
13 both first and last names, but since the first
14 meeting, I've learned his name. I don't remember
15 the first -- recall the actual introduction word for
16 word, verbatim.

10:38 17 Q. No, I understand. Maybe there's some
18 confusion. You testified earlier today that you met
19 Joseph LaForte for the first time when you visited
20 his office. You don't remember what he said. And
21 when I asked how you -- you saw a man in an office.
22 And somebody pointed him out and told you that was,
23 quote-unquote, Joe.

10:39 24 So I'm just trying to figure out how do
25 you know that the person they pointed to as Joe is

1 Joseph LaForte as opposed to Joseph Cole Barleta,
2 for example, who also works there or anyone else
3 whose first name might be Joe?

10:39 4 How do you know that the man you saw in
5 the office was Joe?

10:39 6 A. We were introduced. That was the name
7 given to me at some point in time.

10:39 8 Q. During that tour?

10:39 9 A. I do not recall if it was that tour or
10 another day.

10:39 11 Q. So at what point did you figure out that
12 the man that was pointed out to you as Joe in the
13 office was Joseph LaForte?

10:39 14 A. I don't remember.

10:40 15 Q. Do you remember what year it was?

10:40 16 A. Again, 2017 or 2018.

10:40 17 Q. And during the tour, did you gain any
18 understanding of what Mr. LaForte's role at Complete
19 Business Solutions Group is or was at that time?

10:40 20 MR. SOTO: Objection to form. Mr. Soto.

10:40 21 THE WITNESS: Objection to form.

10:40 22 I can't remember specifically. I can give
23 a best guess.

24 BY MS. BERLIN:

10:40 25 Q. I'm not asking you to guess anything. You

1 don't have to provide specifics, but can you tell us
2 generally what was your understanding during this
3 tour of --

10:41 4 A. He was in charge of the department. He
5 was in charge of the department. That was one of
6 the various departments there.

10:41 7 MR. SOTO: I didn't have an opportunity to
8 object. I'm going to object to any speculation.

9 BY MS. BERLIN:

10:41 10 Q. Are you speculating, or are you
11 remembering that he was introduced or that you got
12 the impression at that time he was in charge of a
13 department? To be clear, I don't want you to
14 speculate or guess to anything today.

10:41 15 A. I don't remember specifically.

10:41 16 Q. And, again, we're not asking --
17 Mr. Furman, again, I'm not asking you for specifics.
18 You don't have to give me the quote of what the
19 person stated to you. I'm asking generally.

10:41 20 When you were -- when you went and you
21 visited Joe's office and someone introduced you to
22 him, what was your understanding of Mr. LaForte's
23 role at the company?

10:41 24 MR. SOTO: Same objection. Mr. Soto.

10:42 25 THE WITNESS: My understanding was that he

1 oversaw a specific area of the office.

2 BY MS. BERLIN:

10:42 3 Q. Okay. And do you remember which area that
4 was?

10:42 5 A. I believe it was, as you call it,
6 underwriting. That's my best estimate or word that
7 I would use for it.

10:42 8 Q. Okay.

10:42 9 A. Sales and underwriting.

10:42 10 Q. At some point, did you learn that Joseph
11 LaForte had a criminal record?

10:42 12 THE WITNESS: Objection to form.

10:42 13 Can you be more specific?

14 BY MS. BERLIN:

10:43 15 Q. Is there a phrase in there that's
16 confusing to you that you want me to define?

10:43 17 A. Can you repeat the question?

10:43 18 Q. Sure. At some point, did you become aware
19 of the fact that Joseph LaForte had a criminal
20 record?

10:43 21 A. At some point.

10:43 22 Q. When was that, approximately when?

10:43 23 A. I do not remember exactly.

10:43 24 Q. Do you remember what year it was?

10:44 25 A. No, I don't.

10:44 1 Q. Did you learn about it for the first time
2 when you -- did you learn about it after the SEC
3 filed its Complaint against you in this case?

10:44 4 A. No.

10:44 5 Q. Did you learn about it in the year 2020?

10:44 6 A. I do not remember.

10:44 7 Q. How did you learn about Mr. LaForte's
8 criminal history?

10:45 9 A. I do not recall specifically, but it was
10 from a fellow advisor, fund manager conversation.

10:45 11 Q. Who was that?

10:45 12 A. I cannot recall the very first. I believe
13 it was Mark Nardelli.

10:45 14 Q. Did he tell you over the phone, by email,
15 in person?

10:45 16 A. It would have been a phone call.

10:45 17 Q. What was your understanding of
18 Mr. LaForte's criminal record?

10:45 19 MR. SOTO: Objection to form.

10:45 20 THE WITNESS: Objection to form.

21 BY MS. BERLIN:

10:45 22 Q. What did Mr. Nardelli tell you?

10:46 23 A. I do not recall specifically, but
24 generally he told me -- informed me that he had
25 learned that Mr. LaForte had a -- was involved in a

1 family -- I don't know how to -- incident where he
2 was part of a real estate transaction that he was --
3 money was, I believe, taken or lost in some way.
4 But it was a long time ago from what I was told.

10:46 5 Q. I'm sorry. So your understanding was he
6 was involved in a family incident involving money?

10:46 7 A. Real estate.

10:46 8 Q. Involving real estate. And so after you
9 had the conversation with Mr. Nardelli, did you go
10 online or go anywhere else to get more information
11 about this?

10:47 12 A. Generally.

10:47 13 Q. What did you do specifically?

10:47 14 A. I can't remember specifically what I did
15 that day.

10:47 16 Q. You just testified that you generally went
17 and tried to get more information about Mr. LaForte.
18 So I'm asking you to describe what you did.

10:47 19 THE WITNESS: Objection to form.

10:48 20 Tried to have a discussion with him and
21 find out what I could. I believe -- I don't recall
22 exactly. I'm sure I performed some type of online
23 search. I do not remember what company or what
24 date.

25

1 BY MS. BERLIN:

10:48 2 Q. What did you learn when you did the online
3 search?

10:48 4 THE WITNESS: Objection to form.

10:48 5 From what I was able to -- from what I
6 recall, that he was -- I don't remember exactly, but
7 he had a record for -- in the northeast somewhere
8 for a real estate -- I don't know if it was
9 fraudulent or if it was bad in some way. He got a
10 record for a real estate transaction that his --
11 similar to what Mark described and what I was told
12 that occurred years ago.

10:49 13 I was not able to find -- I don't remember
14 seeing anything specific. I can't recall my exact
15 search results.

16 BY MS. BERLIN:

10:49 17 Q. Did you ever learn anything more about
18 Mr. LaForte's criminal history other than what you
19 just testified to?

10:50 20 A. Can you repeat that question?

10:50 21 Q. Sure. Did there ever come a time -- did
22 you ever learn more? You just testified to a few
23 things that you learned about Mr. LaForte's criminal
24 record. My question is --

10:50 25 A. Since that date?

10:50 1 Q. -- did you ever learn more than that?

10:50 2 A. Since that date, yes.

10:50 3 Q. At any time.

10:50 4 A. Yes.

10:50 5 Q. Okay. So tell me what you learned and
6 approximately when you learned it.

10:50 7 A. I since learned --

10:50 8 THE WITNESS: Objection to form.

9 BY MS. BERLIN:

10:50 10 Q. Go ahead.

10:50 11 A. I had since learned that he was -- I don't
12 know if it's -- convicted I guess is the right
13 word -- I don't know -- or pled guilty to. I don't
14 know the difference -- to a real estate scam or
15 incident. And I cannot recall exactly the charge.

10:51 16 I've learned that he did serve prison time
17 or jail time. I don't know the difference. I have
18 since learned that there was a second charge or
19 incident. I believe it may be at the same time that
20 was -- and I believe it was in New York.

10:51 21 Q. And do you know any details about either
22 incident?

10:51 23 THE WITNESS: Objection to form.

10:51 24 MR. SOTO: Objection to form. Mr. Soto.

10:51 25 THE WITNESS: Can you repeat the question,

1 please?

2 BY MS. BERLIN:

10:51 3 Q. Sure. Have you ever learned any other
4 details of about Mr. LaForte's criminal record other
5 than everything you've testified about today?

10:52 6 MR. SOTO: Same objection.

10:52 7 THE WITNESS: Same objection.

10:52 8 Generally, I don't recall exactly what
9 details that I've been able to read during this case
10 and all the evidence. Generally, two charges, two
11 incidents and when they were. I don't remember
12 exactly. I don't have access to that, to be honest.

13 BY MS. BERLIN:

10:52 14 Q. I wonder if we can -- we're going to just
15 take a five-minute personal break, Mr. Furman. So
16 we'll come back at -- it's 10:53. We'll come back
17 at 10:58. Does that give you enough time?

10:53 18 A. Yes. Can I mute? Do I stop the video or
19 just leave it?

10:53 20 Q. It's up to you. I don't disconnect. I
21 stay on and turn off my video.

10:53 22 THE VIDEOGRAPHER: And we're going off the
23 record at 10:53 a.m.

24 (Recess from 10:53 a.m. to 11:00 a.m.)

10:59 25 THE VIDEOGRAPHER: We're back on the

1 record at 11:00 a.m.

2 BY MS. BERLIN:

11:00 3 Q. At any time did you become aware of the
4 fact that Joseph LaForte had been convicted of grand
5 larceny?

11:00 6 MR. SOTO: Object to form. Mr. Soto.

11:00 7 THE WITNESS: Objection to form.

11:00 8 I don't recall if I remember those exact
9 words, perhaps since this case started, those exact
10 words.

11 BY MS. BERLIN:

11:00 12 Q. Mr. Furman, just one moment. I'm having
13 an issue with my display. I don't see you. So just
14 a moment. I'm having an issue on my end.

11:01 15 MS. BERLIN: I wonder if we can just go
16 off the record for a moment.

11:01 17 THE VIDEOGRAPHER: And we're going off the
18 record at 11:02 a.m.

19 (Recess from 11:02 a.m. to 11:03 a.m.)

11:03 20 THE VIDEOGRAPHER: And we're back on the
21 record at 11:03 a.m.

22 BY MS. BERLIN:

11:03 23 Q. So, Mr. Furman, I'm just going to repeat
24 the question. I'm not sure if you recall what I
25 asked before I had the sort of technical issue with

1 my Webex.

11:03 2 A. Please repeat.

11:03 3 Q. Sure. At any time did you become aware
4 that Joseph LaForte had been convicted of grand
5 larceny?

11:03 6 MR. SOTO: Same objection. Soto.

11:03 7 THE WITNESS: Same objection.

11:03 8 I can't recall specifically if it was
9 grand larceny, if I would remember those terms if
10 you didn't just say it just now. But I believe at
11 some point, even during this case, I might have read
12 that, what the charge was.

13 BY MS. BERLIN:

11:03 14 Q. Were you aware of it before the SEC filed
15 this case?

11:04 16 A. It depends. I was aware of his charge, of
17 the charge. I don't remember what I learned what
18 the title was.

11:04 19 Q. Were you aware of charges against
20 Mr. Joseph LaForte for money laundering?

11:04 21 A. No.

11:04 22 Q. And were you ever aware of Mr. LaForte's
23 criminal history in connection with the illegal
24 gambling business?

11:04 25 MR. SOTO: Objection to form. Mr. Soto.

11:04 1 THE WITNESS: Objection to form.

11:05 2 Can you repeat the question just so I can
3 hear it?

4 BY MS. BERLIN:

11:05 5 Q. Sure. Were you ever aware that Mr. Joseph
6 LaForte had a criminal history in connection with a
7 gambling business?

11:05 8 MR. SOTO: Objection.

11:05 9 THE WITNESS: Objection to form.

11:05 10 Ever in my life? Yes.

11 BY MS. BERLIN:

11:05 12 Q. Were you aware of it before the SEC filed
13 this case against you?

11:05 14 THE WITNESS: Objection to form.

11:05 15 Generally. I don't recall when.

16 BY MS. BERLIN:

11:06 17 Q. Are you aware of an article published by
18 Bloomberg about Complete Business Solutions Group?

11:06 19 THE WITNESS: Objection to form.

11:06 20 MR. SOTO: Objection to form. Mr. Soto.

11:06 21 THE WITNESS: Generally.

22 BY MS. BERLIN:

11:06 23 Q. And generally what do you know about that
24 article?

11:06 25 A. From my knowledge, there might be multiple

1 articles posted by Bloomberg somewhere online or in
2 print about Par Funding. But I'm aware at least of
3 the publication or an article about -- many of them
4 now.

11:06 5 Q. Okay. Are you aware of the Bloomberg
6 article about Complete Business Solutions Group that
7 also discussed Mr. LaForte's criminal history?

11:07 8 MR. SOTO: Objection to form. Mr. Soto.

11:07 9 THE WITNESS: Objection to form.

11:07 10 I'm aware there's an article that mentions
11 his criminal history in an article.

12 BY MS. BERLIN:

11:07 13 Q. Have you seen that article?

11:07 14 MR. SOTO: Objection. Mr. Soto.

11:07 15 THE WITNESS: Objection to form.

11:07 16 Maybe not in its entirety, but at some
17 point.

18 BY MS. BERLIN:

11:07 19 Q. Approximately when did you see it?

11:08 20 A. I don't recall exactly. I can give you a
21 general time. My best guess would be 2019. And I
22 saw it in 2020, but never in its entirety.

11:08 23 Q. Did you ever discuss Joseph LaForte's
24 criminal history with Dean Vagnozzi?

11:08 25 THE WITNESS: Objection to form.

11:09 1 Generally at some point, yes.

2 BY MS. BERLIN:

11:09 3 Q. Approximately when?

11:09 4 A. I don't remember exactly. It was sometime
5 after hearing about that article, 2019, 2020, phone
6 conversation some type.

11:09 7 Q. And can you please tell us about that
8 conversation with Mr. Vagnozzi? What was the
9 substance of your discussion?

11:09 10 MR. MILLER: Mr. Miller. Object to the
11 form.

11:09 12 THE WITNESS: Objection to form.

11:09 13 I don't recall the exact conversation. It
14 was my learning about it and my surprise, my just
15 inquiring about its importance for our association
16 with Par or business with Par Funding, if any, that
17 he knew about.

18 BY MS. BERLIN:

11:10 19 Q. And what did Mr. Vagnozzi tell you?

11:10 20 THE WITNESS: Objection to form.

11:10 21 I can only give you a general statement,
22 if that helps. I don't remember his exact words.
23 By my recollection was -- I don't even remember if
24 it was just us. I remember I discussed this with
25 other individuals, everything with Par with other

1 individuals, and it was that he didn't -- I can't
2 speak for him, but I don't remember him being
3 worried and saying that it was not -- it didn't
4 change the investment.

11:10 5 It was something in his past, and it was a
6 family -- like I was told before, something with his
7 family. He paid his dues. It had nothing to do
8 with the investment or the case or the actual fund
9 that we learned about.

10 BY MS. BERLIN:

11:11 11 Q. You just testified you discussed it with
12 other people as well. Who else did you discuss
13 Mr. LaForte's criminal history with?

11:11 14 THE WITNESS: Objection to form.

11:11 15 I do not recall everybody. It's probably
16 a lengthy list at this point.

17 BY MS. BERLIN:

11:11 18 Q. Before the SEC filed its case, did you
19 speak with Mr. LaForte about his criminal history?

11:11 20 THE WITNESS: Objection to form.

11:11 21 No.

22 BY MS. BERLIN:

11:11 23 Q. Did you speak with Perry Abbonizio about
24 Mr. LaForte's criminal history?

11:12 25 THE WITNESS: Objection to form.

11:12 1 Yes, at some point.

2 BY MS. BERLIN:

11:12 3 Q. Approximately when?

11:12 4 THE WITNESS: Objection to form.

11:12 5 I don't recall exactly. It was sometime
6 soon after learning it initially. He was one of the
7 first individuals that I would try to reach out to.

8 BY MS. BERLIN:

11:12 9 Q. And what did Mr. Abbonizio tell you when
10 you reached out to him about the LaForte criminal
11 history?

11:12 12 THE WITNESS: Objection to form.

11:12 13 I don't exactly remember his exact words
14 right at this point, but generally it was that, yes,
15 he works with Par Funding. Yes, he had a criminal
16 history. But that does not -- he had paid his debt
17 to society and that does not -- he tried to put
18 myself at ease that it has nothing to do with the
19 investment or the company and doesn't impact it and
20 he's a wonderful, great employee.

21 BY MS. BERLIN:

11:13 22 Q. Did you discuss Mr. LaForte's criminal
23 history with any agent other than Mark Nardelli?

11:13 24 THE WITNESS: Objection to form.

11:13 25 Yes, at some point. I don't remember who

1 or when.

2 BY MS. BERLIN:

11:14 3 Q. You don't recall the names of any --

11:14 4 A. I can say that I know -- I don't know your
5 definition of -- what did you just call it -- fund
6 manager. I'm going to guess, but I want to say that
7 I know I spoke to -- his name was Mike Tierney. I
8 don't know if you count him as a fund manager. I'm
9 sure there were other individuals that I spoke with
10 over time since that had passed that date.

11:14 11 Q. Do you have a Bloomberg account?

11:14 12 A. No, I do not.

11:14 13 Q. Are you a certified public accountant?

11:14 14 A. No, I am not.

11:14 15 Q. Have you ever been?

11:14 16 A. No. I have never been.

11:14 17 Q. Have you ever held any accounting license?

11:15 18 THE WITNESS: Objection to form.

11:15 19 Can you be more specific? I don't believe
20 so.

21 BY MS. BERLIN:

11:15 22 Q. Have you ever held any license that is in
23 connection with anything having to do with
24 accounting? Let me know if you still don't
25 understand the question.

11:15 1 THE WITNESS: Objection to form.

11:15 2 Having an insurance license or even having
3 a past securities license has to do with numbers and
4 figures. It depends on your definition of
5 accounting. But, no, I'm not a certified public
6 accountant, never have been. I've taken accounting
7 classes in college, but I'm not an accountant, no.

8 BY MS. BERLIN:

11:15 9 Q. Did you incorporate a company called
10 United Fidelis Group?

11:16 11 A. Yes.

11:16 12 Q. And did you operate United Fidelis Group
13 from about 2014 until at least July 2020?

11:16 14 THE WITNESS: Objection to form.

11:16 15 Yes, generally.

16 BY MS. BERLIN:

11:16 17 Q. Is United Fidelis Group located in West
18 Palm Beach, Florida?

11:16 19 A. Yes. Based out of, yes.

11:16 20 Q. Are you familiar with a company called
21 Fidelis Financial Planning, LLC?

11:16 22 A. Can you repeat that question?

11:16 23 Q. Are you familiar with a company called
24 Fidelis Financial --

11:16 25 A. Familiar, yes.

11:16 1 Q. -- Planning, LLC?

11:17 2 A. Yes, yes.

11:17 3 Q. What is it?

11:17 4 A. It was an LLC that I had formed for the
5 purpose of this private placement that invested into
6 Par Funding.

11:17 7 Q. Were you the president of Fidelis
8 Financial Planning?

11:17 9 A. I believe so, yes.

11:17 10 Q. Were there any other officers of Fidelis
11 Financial Planning other than you?

11:17 12 A. Perhaps today, but not at that time when I
13 was, no.

11:17 14 Q. So you incorporated Fidelis Financial
15 Planning in about April 2018; correct?

11:18 16 A. I don't recall exactly when that was
17 started.

11:18 18 Q. But from the time that you incorporated
19 Fidelis Financial Planning until the SEC filed its
20 case against you, were you the sole manager of
21 Fidelis Financial Planning?

11:18 22 A. I cannot recall if it had a registered
23 agent because I believe it was a Delaware
24 corporation. But I would be the only president,
25 yes, the only, sole person, owner.

11:18 1 Q. Did anyone other than you work at Fidelis
2 Financial Planning at any time?

11:18 3 THE WITNESS: Objection to the form.

11:18 4 Before the receivership, there should not
5 have been, no. I don't know about since then.

6 BY MS. BERLIN:

11:18 7 Q. So you made all the business decisions on
8 behalf of Fidelis Financial Planning, is that true?

11:19 9 A. That is true. That was true.

11:19 10 Q. Did Fidelis Financial Planning offer and
11 sell promissory notes?

11:19 12 A. It did at one point, yes.

11:19 13 Q. And were those promissory notes in
14 connection with Complete Business Solutions Group?

11:19 15 A. Can you repeat that question?

11:19 16 Q. Did Fidelis Financial Planning offer and
17 sell promissory notes in connection with Complete
18 Business Solutions Group?

11:20 19 A. It offered promissory notes based on the
20 offering documents. I don't believe it...

11:20 21 Q. Are you finished with your answer?

11:20 22 A. Yes.

11:20 23 Q. Did Fidelis Financial Planning sell
24 promissory notes to investors and then the investor
25 funds were sent to Complete Business Solutions

1 Group?

11:20 2 MR. SOTO: Objection to form. Mr. Soto.

11:20 3 THE WITNESS: Objection to form.

11:21 4 Typically.

5 BY MS. BERLIN:

11:21 6 Q. Were investor funds sent anywhere else by
7 Fidelis Financial Planning?

11:21 8 THE WITNESS: Objection to form.

11:21 9 No.

10 BY MS. BERLIN:

11:21 11 Q. Did Fidelis Financial Planning offer and
12 sell promissory notes to investors through the
13 program that you testified earlier to that Dean
14 Vagnozzi presented to you at the events in
15 Philadelphia?

11:21 16 MR. SOTO: Objection to form.

11:21 17 THE WITNESS: Objection to form.

11:21 18 Yes, through that program.

19 BY MS. BERLIN:

11:22 20 Q. Approximately how many investors did
21 Fidelis Financial Planning offer and sell promissory
22 notes to?

11:22 23 THE WITNESS: Objection to form.

11:22 24 Can you be more specific? I want to make
25 sure I give the correct answer to this because it

1 could be taken in a different context.

2 BY MS. BERLIN:

11:22 3 Q. Okay. Approximately how many people or
4 entities did Fidelis Financial Planning sell
5 promissory notes to?

11:22 6 A. I cannot remember specifically. I
7 would -- my best guess -- again, it depends on your
8 definition of individual investor or entity and
9 whether you want to count the same person twice, but
10 I would say between 40 and 75 over my life.

11:23 11 Q. Approximately how many promissory notes
12 did Fidelis Financial Planning issue?

11:23 13 THE WITNESS: Objection to form.

11:23 14 I don't remember exactly.

15 BY MS. BERLIN:

11:23 16 Q. I was asking for an approximation in my
17 question. Can you give an approximation?

11:23 18 A. I'm not sure I understand your question.
19 Each investment would be one. So the same 40 to 75
20 might be correct. I'm not sure I'm understanding
21 your question.

11:24 22 Q. And can you explain to me the confusion
23 that's raised in the question that I've asked as to
24 approximately how many promissory notes Fidelis
25 Financial Planning issued?

11:24 1 A. From my recollection, a promissory note
2 could be the note between the fund and Par Funding,
3 which could contain multiple investors. And that
4 was, I believe, twice a month, but not every month
5 over the years. I do not recall how many.

11:24 6 Or it could be -- if you're speaking about
7 an individual promissory note between an investor
8 and a fund, which then would be a completely
9 different number. So I do not recall either of
10 those totals.

11:24 11 Q. I understand now your confusion. My
12 question was about the promissory notes that Fidelis
13 Financial Planning issued. My question is not about
14 how many promissory notes Complete Business
15 Solutions Group issued to Fidelis Financial
16 Planning. So I'll ask the question again with that
17 clarification.

11:25 18 Approximately how many promissory notes
19 did Fidelis Financial Planning issue to investors?

11:25 20 THE WITNESS: Objection to form.

11:25 21 I do not recall exactly. My best estimate
22 again, if I understand the question correctly, would
23 be that same, 40 to 75.

24 BY MS. BERLIN:

11:25 25 Q. Approximately how much money did Fidelis

1 Financial Planning raise from investors through the
2 offer and sale of promissory notes?

11:25 3 THE WITNESS: Objection to form.

11:25 4 I do not know that specific number.

5 BY MS. BERLIN:

11:25 6 Q. My question asked you for an
7 approximation, Mr. Furman.

11:26 8 A. It depends on your calculation, but my
9 best estimate, because there are multiple ways to
10 calculate that number, between \$4 and \$8 million, my
11 best guesstimate approximately, over life, I guess.
12 It depends on your definition of raise.

11:26 13 Q. Okay. Well, why don't you tell me. You
14 said between 4 and 8 million. So how would that
15 number vary based on the definition of the word
16 raised?

11:26 17 Under what circumstances is it 4 million
18 and under circumstances is it 8 million?

11:26 19 A. An investor invested January 1 of 2021 and
20 the investment came due on January 1, 2022 and then
21 kept the investment in there, that technically
22 counts as two investors. So that would be \$200,000
23 when technically only \$100,000 might be construed as
24 raised. Or it could be counted as \$200,000 over the
25 life, and that can roll over year to year, month to

1 month. So that's my confusion there. I do not know
2 any specific amounts.

11:27 3 Q. Where did Fidelis Financial Planning have
4 bank accounts?

11:27 5 THE WITNESS: Objection to form.

11:27 6 It had -- Fidelis Financial Planning --

7 BY MS. BERLIN:

11:27 8 Q. Excuse me?

11:27 9 A. I'm trying to remember. There's multiple.

10 They moved it. I believe the first was Wells Fargo.

11 I believe. I do not recall exactly. I believe it

12 was Victory Financial or Victory Bank. And then

13 they made us move to Citizens Bank. No. Yeah.

14 Citizens Bank or Citizens Banking.

11:28 15 I believe those were the only three that I

16 recall. I did not handle the accounting for the

17 majority of that time.

11:28 18 Q. Who did?

11:28 19 A. A Better Financial Plan.

11:28 20 Q. For purposes of today, when I talk about

21 investments, promissory notes in connection with

22 Complete Business Solutions Group, I'm referring to

23 promissory notes and investments where money was

24 raised from investors for purposes of sending those

25 funds to Complete Business Solutions Group.

11:28 1 Do you understand the definition that I'm
2 giving you?

11:28 3 A. I believe so.

11:29 4 Q. Okay. Other than Fidelis Financial
5 Planning, were you involved in any other entity that
6 was offering or selling promissory notes or
7 investments in connection with Complete Business
8 Solutions Group?

11:29 9 THE WITNESS: Objection to form.

11:29 10 If I understand the question correctly,
11 that might include United Fidelis Group because that
12 was a member or in some way involved. I believe it
13 was the managing member of Fidelis Financial
14 Planning, if that counts.

15 BY MS. BERLIN:

11:29 16 Q. Any other entities?

11:29 17 A. Can you restate the question or repeat the
18 question I mean?

11:29 19 Q. Sure. My question was whether you were
20 involved in any entity other than Fidelis Financial
21 Planning that offered investments or promissory
22 notes in connection with Complete Business Solutions
23 Group. You answered possibly United Fidelis Group
24 because it was a manager.

11:30 25 And my question then is: Were there any

1 other entities, or is your answer complete?

11:30 2 A. I don't believe so. Yes. My answer is
3 complete. I don't believe so is the end of my
4 answer.

11:30 5 Q. Okay. How did you go about locating the
6 40 to 70 investors that ultimately invested in the
7 promissory notes Fidelis Financial Planning was
8 offering?

11:30 9 THE WITNESS: Objection to form.

11:30 10 A variety of ways, from personal referrals
11 and insurance clients, general advertising that we
12 tried to do.

13 BY MS. BERLIN:

11:30 14 Q. Please describe the general advertising.

11:31 15 THE WITNESS: Objection to form.

11:31 16 We mostly used a general print ad about
17 investment and seminars, say, a lunch or dinner
18 event, educational event.

19 BY MS. BERLIN:

11:31 20 Q. Where did you place those ads?

11:31 21 A. Typically the Palm Beach Post.

11:31 22 Q. Anywhere else?

11:31 23 A. There was one more publication. I don't
24 remember the name right now. It's The Coastal Star,
25 I believe. I believe I did at some point.

11:32 1 Q. Did you say The Coastal Star?

11:32 2 A. Yes; correct.

11:32 3 Q. And what is The Coastal Star?

11:32 4 A. Another newspaper-type publication, local.

11:32 5 Q. Did Fidelis Financial Planning advertise
6 on the internet?

11:32 7 THE WITNESS: Objection to form.

11:33 8 I wouldn't say that Fidelis Financial
9 Planning advertised on the internet.

10 BY MS. BERLIN:

11:33 11 Q. Okay. Did United Fidelis?

11:33 12 THE WITNESS: Objection to form.

11:33 13 Yes. It owned a website.

14 BY MS. BERLIN:

11:33 15 Q. Did the website have any reference to an
16 investment, the investment that Fidelis Financial
17 Planning was offering?

11:33 18 THE WITNESS: Objection to form.

11:33 19 Generally.

20 BY MS. BERLIN:

11:33 21 Q. When did those -- when did that appear on
22 the United Fidelis website?

11:33 23 A. I do not recall when that started.

11:34 24 Q. Do you recall approximately even a year?

11:34 25 A. To be honest, no.

11:34 1 Q. When did you begin placing the
2 advertisements in the print publications that you
3 testified about?

11:34 4 A. Sometime after starting the fund. I don't
5 recall how long we waited.

11:34 6 Q. Did you place any ads in 2018?

11:34 7 A. Is there a way I can get you to recall a
8 previous answer to help me? You knew the date that
9 Fidelis Financial Planning started. Can I repeat
10 that or can you repeat that date?

11:35 11 Q. You testified earlier that Fidelis
12 Financial Planning was incorporated in about April
13 of 2018.

11:35 14 A. In what month?

11:35 15 Q. I'd rather that you testify. We'd like
16 you to testify about your own personal knowledge.

11:35 17 A. I don't remember specifically.

11:35 18 Q. Okay. So is it your testimony that you
19 don't recall whether you placed any advertisements
20 for the investment Fidelis Financial Planning was
21 offering in 2018?

11:35 22 A. I believe we did, but I can't say for sure
23 when they started, no.

11:35 24 Q. Okay. And what about 2019, did you place
25 any ads for Fidelis Financial Planning's investment

1 in 2019?

11:35 2 THE WITNESS: Objection to form.

11:35 3 I believe so.

4 BY MS. BERLIN:

11:35 5 Q. What about 2020?

11:35 6 A. I believe so.

11:36 7 Q. When was the last time that you placed an
8 ad for Fidelis Financial Planning?

11:36 9 THE WITNESS: Objection to form.

11:36 10 Again, I never advertised Fidelis
11 Financial Planning. I don't recall. I would have
12 to say in 2020.

13 BY MS. BERLIN:

11:36 14 Q. To clarify, you just said that you never
15 placed an ad for Fidelis Financial Planning. I
16 understood your testimony before to be that you
17 would place ads concerning the investments that
18 Fidelis Financial Planning was offering. So can you
19 please clarify your answer?

11:36 20 A. Any ad that was placed was for United
21 Fidelis Group.

11:36 22 Q. But the ads that you testified about today
23 were in connection with the Fidelis Financial Plan
24 offering of the promissory notes in connection with
25 Complete Business Solutions Group; is that accurate?

11:37 1 A. Generally for United Fidelis Group.

11:37 2 Q. Did Fidelis Financial -- did they offer
3 any investment other than the promissory notes that
4 were issued in connection with Complete Business
5 Solutions Group?

11:37 6 A. Fidelis Financial Planning did not.

11:37 7 Q. Did you advertise on the radio for -- let
8 me be clear. If I ask about for Fidelis Financial
9 Planning Group, I'm going to ask it so that we can
10 make sure it encompasses everything.

11:37 11 Did you place any radio ads in connection
12 with the investment that was being offered by
13 Fidelis Financial Plan at any time?

11:38 14 THE WITNESS: Objection to form.

11:38 15 Can you repeat that question?

16 BY MS. BERLIN:

11:38 17 Q. Yeah. Did you ever place any radio
18 advertisements in any way that were in connection
19 with the investment that Fidelis was offering? And
20 I might refer to your company today as Fidelis as
21 shorthand just to keep it simpler. I'll repeat this
22 question you to, but I just want to give you another
23 definition.

11:38 24 If I refer to Fidelis, I'm referring to
25 Fidelis Financial Planning, LLC. Do you understand?

11:38 1 A. Correct. I do understand.

11:38 2 Q. And I'm going to give you another
3 definition. If I refer to the Fidelis investment,
4 I'm referring to the promissory notes that Fidelis
5 Financial Planning, LLC was offering in connection
6 with Complete Business Solutions Group.

11:38 7 Do you understand that definition as well?

11:39 8 A. I do.

11:39 9 Q. Okay. Did you ever place any radio ads in
10 connection with the Fidelis investment offering?

11:39 11 THE WITNESS: Objection to form.

11:39 12 I only used United Fidelis Group ads for
13 radio.

14 BY MS. BERLIN:

11:39 15 Q. I apologize. Your answer was muffled on
16 my end. Can you please repeat it?

11:39 17 A. I only ever tried a United Fidelis Group
18 radio ad briefly.

11:39 19 Q. The beginning of your answer I didn't
20 catch. I'm going to have to ask you again.

11:39 21 Can you tell me, did you ever place radio
22 ads in connection with the offering that Fidelis was
23 making?

11:40 24 A. I only ever placed ads usually in United
25 Fidelis Group.

11:40 1 Q. Okay. I understand, but that's not my
2 question, like who placed the ad. My question is
3 broader than that, Mr. Furman.

11:40 4 My question is whether you ever placed any
5 radio ads in connection with or concerning the
6 investments that Fidelis was offering.

11:40 7 A. I don't recall if it referenced it
8 specifically.

11:40 9 Q. Tell me. What radio ads did you place?

11:40 10 THE WITNESS: Objection. Form.

11:40 11 I don't recall specifically, but they're
12 very general and very brief. I didn't like it and
13 didn't use it for very long. They were very -- they
14 were very general ads on one radio station for a
15 brief time.

16 BY MS. BERLIN:

11:41 17 Q. What radio station was that?

11:41 18 A. I know there were two numbers, the same
19 station, and it was an oldies station. W -- I would
20 have to look it up. I don't recall the exact
21 letters.

11:41 22 Q. Okay. Why don't you take a moment right
23 now and can you look it up on your computer or your
24 phone so you can tell us the radio station that you
25 placed the ads with.

11:41 1 A. I believe it was called True Oldies. I
2 think it's called True Oldies Now. I can't recall
3 if that was the same name before. I was told it was
4 sold.

11:41 5 Q. You said it started with a W. Can you
6 provide the name of the radio station?

11:42 7 THE WITNESS: Objection to form.

11:42 8 I don't see a W. I know that most radio
9 stations have maybe -- again, I was told that this
10 radio station had since been sold, since I knew the
11 person. They left. And the new guy kept calling me
12 later. This was many, many months ago, if not
13 years.

11:42 14 But there's a WIRK at the bottom of this
15 station, the same two numbers, 95.9, 106.9. I'm not
16 sure if the name stayed the name. I do not recall.

17 BY MS. BERLIN:

11:42 18 Q. And how did you select this radio station?

11:42 19 A. Purely by chance. It's an oldies station.

11:42 20 Q. Is it a station that you listen to? Did
21 someone tell you to place the ad there? Can you
22 provide more detail about how it came about that you
23 chose this radio station to place the ad?

11:43 24 THE WITNESS: Objection to form.

11:43 25 I believe it was a family member listened

1 to it and said it might -- I was trying to -- it was
2 just an idea. It didn't last.

3 BY MS. BERLIN:

11:43 4 Q. And where did this radio station
5 broadcast?

11:43 6 THE WITNESS: Objection to form.

11:43 7 In the West Palm Beach area.

8 BY MS. BERLIN:

11:43 9 Q. In what year did you place these ads?

11:43 10 A. I don't recall. It was very brief.

11 Probably 2019 or 2020.

11:43 12 Q. How many ads would you run?

11:43 13 A. I don't recall specifically, but very few.

14 I didn't get any -- maybe -- I did like a month to
15 month, and it probably lasted a month, and it was
16 one or two a day at the most, not even every day.
17 Couple months at the most. So I honestly don't
18 remember.

11:44 19 Q. So approximately one or two a day for
20 approximately one or two months; is that accurate?

11:44 21 A. I can't say specifically. It wasn't every
22 day I remember, but it was based on a schedule that
23 they made up. But it was brief, brief, similar to
24 that, give or take.

11:44 25 Q. And did you place the radio ads directly

1 with the radio station?

11:44 2 A. I'm not sure I understand your question,
3 but I went to the radio station, yeah. It wasn't
4 through an agency or anything.

11:44 5 Q. Okay. And were you provided a script for
6 your radio ads by anyone?

11:45 7 THE WITNESS: Objection to form.

11:45 8 Can you be more specific?

9 BY MS. BERLIN:

11:45 10 Q. Did anyone give you like a script template
11 for your radio ads?

11:45 12 A. I was given a script from Dean Vagnozzi at
13 some point which I was told to use or to try.

11:45 14 Q. And did you use that script?

11:45 15 THE WITNESS: Objection to form.

11:45 16 As a reference.

17 BY MS. BERLIN:

11:45 18 Q. Did your radio ads reference an investment
19 in an MCA, a merchant cash advance, investment?

11:45 20 A. I don't recall the specifics of those ads.
21 They were very general in nature.

11:46 22 Q. Do you have copies of the ads you placed?

11:46 23 A. I don't have original recordings I don't
24 believe. We recorded at the station.

11:46 25 Q. Did anyone call you or United Fidelis

1 after hearing the radio ad?

11:46 2 THE WITNESS: Objection to form.

11:46 3 I believe we got one or two calls, not
4 specifically anything that I remember. It ended up
5 not working, not being useful, and we didn't push --
6 we didn't continue.

7 BY MS. BERLIN:

11:46 8 Q. What was the purpose of the radio ads?

11:46 9 THE WITNESS: Objection to form.

11:47 10 General advertising and branding.

11:47 11 MS. BERLIN: We are going to take a break
12 for lunch right now. I know it's a little bit
13 early, because it's about ten of 12:00 right now.
14 But we're going to take our lunch break right now,
15 and we'll resume at 12:45.

11:47 16 THE VIDEOGRAPHER: And we're going off the
17 record at 11:47 a.m.

18 (Recess from 11:47 a.m. to 12:51 p.m.)

12:51 19 THE VIDEOGRAPHER: And we are on the
20 record at 12:51 p.m.

21 BY MS. BERLIN:

12:51 22 Q. Mr. Furman, was one of the purposes of the
23 radio ads that you testified about earlier today,
24 was one purpose of those radio ads to generate
25 interest in the offering that Fidelis was making at

1 that time?

12:52 2 THE WITNESS: Objection to form.

12:52 3 They were general advertisements to
4 generate -- about United Fidelis, all that United
5 Fidelis Group did.

6 BY MS. BERLIN:

12:52 7 Q. My question is: Was one purpose of these
8 radio ads to generate interest in the investment
9 offering that Fidelis Financial Planning was making?

12:52 10 THE WITNESS: Objection to form.

12:52 11 Generally.

12 BY MS. BERLIN:

12:53 13 Q. Mr. Furman, is your answer complete?

12:53 14 A. Yes. Generally.

12:53 15 Q. And the radio ads mentioned a merchant
16 cash advance investment?

12:53 17 THE WITNESS: Objection to form.

12:53 18 I don't recall if they -- what exactly the
19 radio ads stated specifically.

20 BY MS. BERLIN:

12:53 21 Q. I understand, but I'm asking you a general
22 question. I'm asking you if the radio ads that you
23 placed mentioned an investment relating to a
24 merchant cash advance business.

12:54 25 A. They do not state merchant cash advance.

12:54 1 Q. What about MCA?

12:54 2 A. I do not recall if those words were used.

12:54 3 Q. And how many different advertisements were
4 there, radio advertisements?

12:54 5 A. They varied slightly. They were all brand
6 new, I believe, almost every time, but I could not
7 guesstimate how many, to be honest. They varied.
8 They made us tape new ones.

12:54 9 Q. More than a dozen different radio ads that
10 you recorded?

12:54 11 A. Probably not, not many, just probably
12 under ten maybe.

12:54 13 Q. And did you record those yourself?

12:54 14 THE WITNESS: Objection to form.

12:55 15 I spoke. I wasn't the one recording.

16 BY MS. BERLIN:

12:55 17 Q. Okay. The speaker in the radio
18 advertisements was you; correct?

12:55 19 A. The majority of the time there was the --
20 the guy, the person that spoke very quickly for the
21 disclaimer was not myself at the end.

12:55 22 Q. I'm sorry. I didn't mean to interrupt
23 you. Go ahead.

12:55 24 A. There was of a gentleman that worked at
25 the radio. I don't want to call him a DJ, but he

1 was on air there usually, I believe.

12:55 2 Q. Did you have a script that you read from
3 when you recorded the radio advertisements?

12:55 4 A. Typically.

12:55 5 Q. Who drafted it?

12:56 6 THE WITNESS: Objection to form.

12:56 7 Generally I did.

8 BY MS. BERLIN:

12:56 9 Q. You say: "Generally I did." So is there
10 more you want to add? Did someone else help you?

12:56 11 A. I used the script as referenced that we
12 spoke about earlier from Dean Vagnozzi.

12:56 13 Q. Okay. Anything else?

12:56 14 A. No other scripts, but I didn't put, from
15 my counsel, as well the different phrases or things
16 like that.

12:56 17 Q. Which counsel is that?

12:56 18 A. The counsel that drafted my private
19 placements.

12:56 20 Q. Who is that?

12:56 21 A. The counsel that -- his name is Eric. PPM
22 Lawyers was the firm. I do not recall the exact
23 name right now. PPM Lawyers is what I was using,
24 who I used.

12:57 25 Q. And you had PPM Lawyers also review the

1 radio scripts?

12:57 2 THE WITNESS: Objection to form.

12:57 3 No. I did not have them review the entire
4 scripts.

5 BY MS. BERLIN:

12:57 6 Q. What about a portion of the scripts?

12:57 7 A. He did not review a portion of the script.

12:57 8 Q. So did anyone other than you draft the
9 scripts that you used for the radio ads?

12:57 10 A. Nobody else drafted a script. I used
11 input from others as well, but I drafted the
12 scripts, the scripts I used.

12:58 13 Q. Did you get input from Dean Vagnozzi other
14 than him providing you the initial draft script?
15 Did he provide any other input?

12:58 16 MR. MILLER: Mr. Miller. Object to form.

12:58 17 THE WITNESS: Object to the form.

12:58 18 I don't recall specific discussions, but I
19 know we've had general discussions over time about
20 advertising, especially what he's done over time and
21 used.

22 BY MS. BERLIN:

12:58 23 Q. You said people gave input on the script
24 on the radio ad. Tell me all the people who gave
25 you input on those radio ads.

12:58 1 A. I do not recall specifically. I would
2 bounce ideas off of anyone, from my assistant to
3 friends and family, just ideas of what to say,
4 associates, different advisors that I worked with.

12:59 5 Q. Did anyone at Complete Business Solutions
6 Group give you any input on your scripts?

12:59 7 A. I don't recall so.

12:59 8 Q. Did you utilize a Facebook page in
9 connection with United Fidelis or Fidelis?

12:59 10 A. I believe so at some point.

12:59 11 Q. And were there any posts on those Facebook
12 pages about any events in connection with the
13 Fidelis investment offering?

01:00 14 THE WITNESS: Object to form.

01:00 15 I don't recall specifically, but I do
16 remember there being perhaps an ad, a posting about
17 United Fidelis Group's events.

18 BY MS. BERLIN:

01:00 19 Q. Did United Fidelis ever have any events
20 where the Fidelis investment was discussed?

01:00 21 THE WITNESS: Objection to form.

01:00 22 Can you repeat that question?

23 BY MS. BERLIN:

01:00 24 Q. Yeah. Did United Fidelis ever have any
25 events where you spoke about the Fidelis investment

1 offering?

01:01 2 Do you remember earlier -- I want to just
3 stop you. As I earlier stated today, when I refer
4 to the Fidelis investment or the Fidelis offering,
5 I'm talking about the promissory notes that Fidelis
6 issued to investors and then, you know, sent the
7 money to Complete Business Solutions Group, so that
8 you understand what I'm talking about. Now I'm
9 going to restate the question for you.

01:01 10 Did United Fidelis ever have any events
11 where you discussed the Fidelis investment offering?

01:01 12 A. United Fidelis held events that generally
13 spoke about CBSG and the offering of Fidelis.

01:01 14 Q. Approximately how many events?

01:01 15 A. I don't remember specifically. A handful.
16 Maybe like five.

01:02 17 Q. During what time period?

01:02 18 A. Honestly, I don't remember specifically.
19 2018 to '20, 2020. Perhaps 2019.

01:02 20 Q. Were there also events in 2017?

01:02 21 A. I don't remember the dates specifically.
22 It's possible.

01:02 23 Q. And the purpose of the United Fidelis
24 event was to generate interest from potential
25 investors in investment in the Fidelis offering?

01:02 1 THE WITNESS: Objection to form.

01:03 2 It depends. Generally. That was not the
3 sole purpose of all -- of every event, not at all,
4 but it was part of some events.

5 BY MS. BERLIN:

01:03 6 Q. So we're talking about the five events you
7 said, approximately five events United Fidelis held
8 where you spoke about the Fidelis offering. So I'm
9 asking about those five events.

01:03 10 Those five events where you spoke about
11 the Fidelis investment offering, was the purpose of
12 those events to elicit investors to contribute funds
13 to the Fidelis investment?

01:03 14 A. I would say it was used to generate
15 interest and make awareness.

01:03 16 Q. At this time, this is how you're
17 generating a living; correct? One of the ways you
18 generate a living is by selling investment for the
19 Fidelis offering; correct?

01:04 20 A. One of.

01:04 21 Q. Okay. So when you had these five events,
22 these were events for potential investors in the
23 Fidelis offering?

01:04 24 A. They were general educational events.

01:04 25 Q. Okay. And during these events, you were

1 pitching the Fidelis investment; correct?

01:04 2 THE WITNESS: Object to form.

01:04 3 Generally.

4 BY MS. BERLIN:

01:04 5 Q. Okay. And at these five events, you were
6 also recommending to potential investors that they
7 invest in the Fidelis investment; correct?

01:05 8 THE WITNESS: Object to form.

01:05 9 I would not agree with that statement.

10 BY MS. BERLIN:

01:05 11 Q. So is it your testimony that at none of
12 these events did you recommend the Fidelis
13 investment to potential investors?

01:05 14 A. I never -- I would state that I wasn't
15 recommending any one specific investment or
16 insurance product. It was purely educational at
17 that point, and we would meet on an individual basis
18 afterwards if there was interest and it was
19 available to me.

01:05 20 Q. Right. But the purpose of these events is
21 to generate business and to have these potential
22 investors possibly contribute funds to Fidelis for
23 the purchase of promissory notes; correct?

01:05 24 THE WITNESS: Objection to form.

01:05 25 They were general educational events to

1 gauge and to educate the attendees on what the
2 United Fidelis Group could offer, did for a living,
3 what the business was. And if they were interested,
4 then we could meet on an individual basis.

5 BY MS. BERLIN:

01:06 6 Q. And would you agree with me that these
7 five or so events where you spoke to potential
8 investors about the Fidelis investment, that the
9 events could be characterized as sales events?

01:06 10 THE WITNESS: Objection to form.

01:06 11 I can't agree with you on that case.

12 BY MS. BERLIN:

01:06 13 Q. Why?

01:06 14 A. They were educational events. There were
15 no sales made at any event.

01:07 16 Q. I'm not saying there were sales made
17 during the event. But I just want to be clear.
18 You're testifying that you held these events just to
19 educate people and not to try to generate sales in
20 the Fidelis investment.

01:07 21 Is that your testimony, Mr. Furman?

01:07 22 THE WITNESS: Objection to form.

01:07 23 I was not selling at the event. It was to
24 generate interest to meet on an individual business
25 to potentially work with those individuals if they

1 see fit.

2 BY MS. BERLIN:

01:07 3 Q. Okay. Again, this is the second time I've
4 said it. My questions aren't about whether or not
5 you were actually opening your computer and selling
6 promissory notes during the events.

01:07 7 My question is: Would you agree with me
8 that the purpose of these events was to generate
9 interest from potential investors for them to
10 purchase the Fidelis promissory notes?

01:08 11 THE WITNESS: Objection to the form.

01:08 12 We used those events to generate interest
13 from investors to meet with United Fidelis Group and
14 they could possibly invest or not invest or buy
15 insurance.

16 BY MS. BERLIN:

01:08 17 Q. Okay. Did anyone else at United Fidelis
18 ever participate in the offer or sale of the Fidelis
19 promissory notes?

01:08 20 THE WITNESS: Object to form.

01:08 21 Can you restate or be more specific? I'm
22 not sure what you mean. I'm still a member of
23 Fidelis.

24 BY MS. BERLIN:

01:08 25 Q. So did anyone other than you at United

1 Fidelis participate in the offer or sale of Fidelis
2 promissory notes?

01:09 3 A. I had various employees over time that
4 helped work with clients, but they did not sell. I
5 was the only individual that worked with clients in
6 any capacity, insurance or investment or et cetera.

01:09 7 Q. Did anyone at United Fidelis ever place
8 any cold calls to generate interest in any of the
9 offerings that United Fidelis was making?

01:09 10 THE WITNESS: Objection to form.

01:09 11 No, not to my knowledge.

12 BY MS. BERLIN:

01:09 13 Q. What about with respect to Fidelis
14 promissory notes, did anyone at United Fidelis place
15 cold calls to generate interest in the United
16 Fidelis -- I'm sorry -- in the Fidelis investment?

01:10 17 THE WITNESS: I'm going to say object to
18 form just because I don't know.

01:10 19 Not to my knowledge there was ever -- no.
20 There was no cold calls to either Fidelis, one of
21 the two, both of the two.

22 BY MS. BERLIN:

01:10 23 Q. The five or so events you testified about
24 where you spoke to potential investors about the
25 Fidelis investment, I wonder if you could tell me

1 please where those events occurred.

01:10 2 A. Can I look at my phone real quick to get
3 the name? I know one is Morton's Steakhouse. I'm
4 trying to remember specifically. The Regional was
5 the -- Regional Kitchen House I guess it was called
6 or restaurants. I know I held one at Morton's
7 Steakhouse I believe it's called.

01:11 8 Q. Anywhere else?

01:11 9 A. I believe there was another steakhouse,
10 but I do not recall the name of it.

01:11 11 Q. What about at United Fidelis's office, did
12 you have events there as well?

01:12 13 A. No. We did not hold events at the office.
14 It was quite small.

01:12 15 Q. So on average, approximately how many
16 people attended each of these five or so events
17 where you were discussing Fidelis and its investment
18 offerings?

01:12 19 THE WITNESS: Objection to form.

01:12 20 Again, they were held by United Fidelis,
21 not Fidelis Financial Planning as you called
22 Fidelis. You keep repeating that. I would only be
23 comfortable stating United Fidelis.

01:13 24 They ranged. Quite large. I think we
25 had -- I don't recall exactly, but I know we had as

1 few as 12 or 13 I think one time or 10 to 15 at the
2 most for a small one. And our largest probably was
3 30 to 40. I don't think it held more than 35ish. I
4 don't remember. And that includes all of us, the
5 people that were there, the people that were
6 helping, et cetera. I don't remember the max
7 capacity, but 30 to 40, something to that, and that
8 was rare.

9 BY MS. BERLIN:

01:13 10 Q. Okay. And The Regional Kitchen House and
11 Morton's Steakhouse, are those both in Palm Beach
12 County?

01:13 13 A. There was a third. Like I stated before,
14 there was a third restaurant. They were both right
15 there, yes. They're all in Palm Beach County.

01:14 16 Q. And how was it that the attendees at these
17 events learned about or were invited to these
18 events?

01:14 19 THE WITNESS: Objection to form.

01:14 20 A variety of ways. Word of mouth.
21 General advertising. One of those two.

22 BY MS. BERLIN:

01:14 23 Q. What do you mean by general advertising?

01:14 24 THE WITNESS: Objection to form.

01:14 25 General advertising, the general print ad

1 that we used and for that brief time, the brief
2 radio ad that I might have advertised an event. I
3 do not recall if we actually advertised the event.

4 BY MS. BERLIN:

01:15 5 Q. Is it your testimony that you don't recall
6 if you advertised the five events --

01:15 7 A. No.

01:15 8 Q. -- where the Fidelis investment was
9 offered?

01:15 10 A. I do not recall if I advertised the
11 dinner -- I apologize -- the dinner or the event via
12 radio. I remember generally in the general print
13 ad. Generally it was through print. The radio was
14 very brief.

01:15 15 Q. So by print you mean in the newspaper;
16 correct?

01:15 17 A. Generally, that's correct.

01:15 18 Q. You said: "Generally, that's correct."
19 So please expand and explain the specifics.

01:15 20 A. Through one of the two print ads that we
21 used, the other publication, The Coastal Star.

01:15 22 Q. Okay. So through the two newspapers?

01:16 23 A. Correct.

01:16 24 Q. Okay. Did Dean Vagnozzi attend any of
25 these -- I'm going to refer to them as marketing

1 events for the Fidelis offering throughout the rest
2 of the day so I don't have to keep repeating about
3 what the events are.

01:16 4 Do you understand the definition that I'm
5 using and what I mean when I talk about the
6 marketing events?

01:16 7 A. I agree with market events. Again, I have
8 to always disagree. You're calling it Fidelis
9 Financial Planning event when it's United Fidelis
10 event. But, no, Dean Vagnozzi did not.

01:16 11 Q. Let's be clear because I want to make sure
12 we're getting your complete testimony and that
13 there's not parsing of words to avoid giving a full
14 disclosure of the questions you're being asked.

01:16 15 Let's make the record clear. Are you
16 saying that because United Fidelis is the one that
17 paid for the events?

01:17 18 THE WITNESS: Objection to form.

01:17 19 I'll say that was the name that was used.

20 BY MS. BERLIN:

01:17 21 Q. Was the name that was used to advertise
22 and that's who paid for the events; is that correct?

01:17 23 A. Yeah, myself, or general -- generally,
24 yes.

01:17 25 Q. Okay. And now let's go back in time. You

1 testified about this, that at about five of these
2 events you spoke with the audience of potential
3 investors about, among other things, the Fidelis
4 investment; correct?

01:17 5 A. We generally brought up merchant cash
6 advance in the offering, yes.

01:17 7 Q. And the only merchant cash advance
8 offering that you've ever been involved with is the
9 Fidelis offering; correct?

01:18 10 A. I'm trying to -- it's the only merchant
11 cash advance fund that United Fidelis, yes, has
12 offered. I've known about others. I'm not involved
13 in those.

01:18 14 Q. Okay. So you would believe then that at
15 these five or so events that you identified earlier,
16 that the investment that was ultimately through
17 Fidelis was discussed and presented to the potential
18 investors? Yes?

01:19 19 A. Generally, yes.

01:19 20 Q. Okay. So I am going to refer to those
21 five events where you told potential investors about
22 the Fidelis investment offering as the -- why don't
23 we call them your marketing events.

01:19 24 Do you understand what I mean when I say
25 your marketing events? I'm talking about those five

1 dinners.

01:19 2 A. Correct, five or so. I don't categorize
3 exactly five, but yes.

01:19 4 Q. Okay. Did Dean Vagnozzi attend any of
5 your marketing events?

01:19 6 A. No.

01:19 7 Q. Did Perry Abbonizio attend any of your
8 marketing events?

01:19 9 A. Yes.

01:19 10 Q. How many?

01:20 11 A. I do not recall exactly. Almost every.

01:20 12 Q. Did anyone other than you and
13 Mr. Abbonizio speak at your marketing events?

01:20 14 THE WITNESS: Objection to the form.

01:20 15 Yes.

16 BY MS. BERLIN:

01:20 17 Q. Who?

01:20 18 A. Roland Manuel, enrolled agent.

01:20 19 Q. I'm sorry. Can you spell his name for the
20 court reporter.

01:20 21 A. Make sure I got it. R-O-L-A-N-D Manuel.

01:21 22 Q. Who is Roland Manuel?

01:21 23 A. M-A-N-U-E-L.

01:21 24 Q. Who is he?

01:21 25 A. He's an enrolled agent. He owns Palm

1 Beach Tax Group.

01:21 2 Q. Did he speak about the Fidelis investment
3 or MCA investment at your marketing events?

01:21 4 A. No.

01:21 5 Q. Did anyone else speak at your marketing
6 events?

01:21 7 A. I don't believe so. I've had many -- I've
8 had other events, but not with -- you're
9 specifically talking about those five or so events
10 where Perry and Roland -- I don't believe so. There
11 might have been somebody, an assistant or something
12 stood up and talked, but I wouldn't say they were a
13 speaker.

01:22 14 Q. During your marketing event, what did --
15 first of all, why was Perry Abbonizio a speaker?

01:22 16 THE WITNESS: Objection to form.

01:22 17 He was there to represent Complete
18 Business Solutions Group and introduce the crowd to
19 what they did.

20 BY MS. BERLIN:

01:22 21 Q. Did you invite Mr. Abbonizio to your
22 events?

01:23 23 A. It was a mutual invitation, yes, through
24 the network of advisors and they offered that he
25 could come down. I don't think I instigated it. I

1 don't remember in the very beginning. But they
2 offered, so I accepted.

01:23 3 Q. Who offered?

01:23 4 A. I don't remember the words of the
5 recruiting events. It was brought up over
6 discussions that he would come down and help at
7 events, speak.

01:23 8 Q. Who offered? My question was who. Who
9 offered it?

01:23 10 A. I believe either himself and/or Dean
11 Vagnozzi.

01:23 12 Q. So how would they know you were having an
13 event? If they offered "I'll come down for your
14 event next week," how would they know you were
15 having an event?

01:24 16 A. From our discussions.

01:24 17 Q. Were you keeping Mr. Abbonizio and
18 Mr. Vagnozzi apprised of your marketing event?

01:24 19 THE WITNESS: Objection to form.

01:24 20 MR. MILLER: Mr. Miller. I object to the
21 form.

01:24 22 THE WITNESS: We spoke -- I wouldn't agree
23 with that. I spoke fairly frequently with Perry
24 Abbonizio. I would not say I spoke with Dean
25 Vagnozzi on an ongoing basis in that matter.

1 BY MS. BERLIN:

01:24 2 Q. Okay. So your testimony is that you did
3 not keep them apprised of your marketing events?

01:24 4 THE WITNESS: Object to form.

01:24 5 MR. MILLER: Mr. Miller. Object to the
6 form.

01:24 7 THE WITNESS: That's not what I said.

8 BY MS. BERLIN:

01:24 9 Q. You said: I would not agree with that.
10 Why don't you tell me. Did you or did you not keep
11 Perry Abbonizio apprised of the marketing events
12 that you were having?

01:25 13 THE WITNESS: Object to the form.

01:25 14 We had many discussions. I wouldn't say
15 every -- he wasn't -- he knew about most of them. I
16 kept him apprised of a lot of -- up to date on
17 business.

01:25 18 You're leaving. Hello? Are you guys
19 still there?

20 BY MS. BERLIN:

01:25 21 Q. Yes.

01:25 22 A. You and Annme both just went away. Hello?

01:25 23 Q. We can hear you but not see you.

01:25 24 A. I was going to say both of your videos --
25 there you go. Can you repeat that question? I got

1 lost because your video was going in and out.

01:25 2 Q. I was just asking: Did you keep
3 Mr. Abbonizio apprised of your marketing events?

01:25 4 A. Generally, typically.

01:25 5 Q. Okay. And what about Mr. Vagnozzi?

01:26 6 MR. MILLER: Mr. Miller. Object to form.

01:26 7 THE WITNESS: Object to the form.

01:26 8 We had discussions in the beginning and
9 sought his advice, but I wouldn't -- I didn't check
10 in with Mr. Vagnozzi or have ongoing discussions
11 daily or weekly about my business.

12 BY MS. BERLIN:

01:26 13 Q. And did you utilize a script for your
14 events?

01:26 15 A. I wouldn't call it a script that I read
16 off of, no. I used a PowerPoint presentation as a
17 background.

01:26 18 Q. Who created the PowerPoint presentation?

01:26 19 THE WITNESS: Objection to form.

01:26 20 I generally did, but not the entire thing.

21 BY MS. BERLIN:

01:26 22 Q. List all the people who helped you. You
23 say not the whole thing. So who else other than
24 you? If you could give a complete answer, please.

01:27 25 THE WITNESS: Object to form.

01:27 1 I cannot answer that because I would not
2 know. But I know that Perry would come down and
3 bring slides. I don't know if he created them or
4 they were created by somebody else. I also had
5 input and used slides and used PowerPoint
6 presentations that were provided by Dean Vagnozzi as
7 well as Roland Manuel, his own slides that went in.
8 So put together, it was a team effort.

9 BY MS. BERLIN:

01:27 10 Q. Now, Roland Manuel, just to be clear, he
11 didn't give you any slides about Complete Business
12 Solutions Group or the Fidelis offering; correct?

01:27 13 A. No, he didn't. They were solely on his
14 tax firm.

01:27 15 Q. Okay. But Dean Vagnozzi and Perry
16 Abbonizio, they gave you slides that were in
17 connection with the Fidelis offering or Complete
18 Business Solutions Group; right?

01:27 19 MR. MILLER: Mr. Miller. Object to the
20 form.

01:27 21 THE WITNESS: Object to the form.

01:28 22 Sometimes they used their own slides.
23 Sometimes they provided it, that they made, yes, a
24 combination perhaps.

25

1 BY MS. BERLIN:

01:28 2 Q. My question was just the slides they gave
3 you, were they about Complete Business Solutions
4 Group and the Fidelis offering, or were they about a
5 completely different offering that we haven't talked
6 about today?

01:28 7 MR. MILLER: Same objections. Mr. Miller.

8 BY MS. BERLIN:

01:28 9 Q. Like what the slides were about.

01:28 10 THE WITNESS: Same objection.

11 BY MS. BERLIN:

01:28 12 Q. Let me stop you for a moment because I'm
13 curious. I'd like to know what you mean when you
14 say: "Object to form," Mr. Furman.

01:28 15 A. I'm sorry. I missed the chance because
16 you would not postpone this. So I don't have an
17 attorney present. So I want to make sure that when
18 I hire my attorney and we work it out, that if I
19 need to come back to this in any way. That's what
20 I've been told, so that's what I feel comfortable
21 stating on every question since this was not
22 postponed.

01:28 23 Q. So when you say "Object to form" after
24 every question, you're objecting to the fact the
25 deposition is occurring today and wasn't postponed.

1 Am I understanding correctly?

01:29 2 A. I'm objecting to the fact that I've been
3 told that if I object, I can then go back to it at a
4 later date.

01:29 5 Q. So what we can do, would you like to just
6 state a standing objection so that it applies to
7 every question that is asked today?

01:29 8 A. That would be wonderful. I didn't know
9 that that would be allowed.

01:29 10 Q. So we will just -- that's fine. It's just
11 been put on the record by you saying it.

01:29 12 So my question -- just to back up, my
13 question is pretty simple. It was just about the
14 slides. We'll start with Abbonizio.

01:29 15 Mr. Abbonizio, you testified he brought
16 slides. Were those slides about Complete Business
17 Solutions Group?

01:29 18 A. Yes.

01:29 19 Q. Mr. Vagnozzi, he gave you slides, too;
20 right?

01:29 21 MR. MILLER: Object to the form.
22 Mr. Miller.

01:29 23 THE WITNESS: I don't have to; correct?

24 BY MS. BERLIN:

01:30 25 Q. We understand. Your objection is noted.

01:30 1 A. Slides about various things. That ended
2 up being one of them.

01:30 3 Q. What else? What other kind of offer? Did
4 he give you slides in connection with any investment
5 offering other than the Fidelis offering? And if
6 so, please state what offerings those were.

01:30 7 MR. MILLER: Mr. Miller. I object to the
8 form.

01:30 9 THE WITNESS: They were slides about CBSG
10 or Par Funding. Again not what I would say Fidelis
11 or United Fidelis even, especially that came from
12 Dean. They were -- the slides that I received, from
13 my memory, from what I can recall, were his own
14 slides that he used, many of which did not apply to
15 me.

01:30 16 But they were a basis for some of which
17 what I used, whether it's artwork, whether it's
18 wording, whatever it may be. But that was -- a
19 majority of them were discarded or changed or
20 altered.

21 BY MS. BERLIN:

01:31 22 Q. Okay. But all of this, Complete Business
23 Solutions Group, the only offering you've ever
24 worked on, right, in connection with Complete
25 Business Solutions Group and Par Funding is the

1 Fidelis offer of promissory notes; correct?

01:31 2 A. Correct.

01:31 3 Q. Okay. So what would Perry Abbonizio say?

4 I'm not asking verbatim obviously. I'm asking you

5 to generally state and to paraphrase what

6 Mr. Abbonizio would tell the potential investors at

7 your marketing events.

01:31 8 MR. SOTO: Objection to form. Mr. Soto.

9 Calls for speculation.

01:32 10 THE WITNESS: Mr. Abbonizio typically

11 spoke about his history, about himself, about Par --

12 I'm going to paraphrase and use Par Funding or CBSG,

13 and what they did, what merchant cash advance was,

14 general about their company and what they did as a

15 company.

16 BY MS. BERLIN:

01:32 17 Q. So what did Mr. Abbonizio -- what would he

18 tell the potential investors about his own

19 background?

01:32 20 MR. MARCUS: Objection to form. This is

21 Jeff Marcus on behalf of Mr. Abbonizio.

01:32 22 MR. SOTO: Objection to form. Mr. Soto.

01:32 23 THE WITNESS: Mr. Abbonizio spoke

24 generally that he was a past financial advisor and

25 worked as a head of investor relations I believe was

1 his title at CBSG/Par Funding.

2 BY MS. BERLIN:

01:33 3 Q. Did he tell potential investors he was one
4 of the owners of Par Funding?

01:33 5 A. Yes, he did.

01:33 6 Q. Did he tell -- at these events was there
7 anything else that he discussed about his
8 background?

01:33 9 A. I can't recall specifically. He was from
10 the northeast, that his background of -- his
11 business background, but I honestly don't recall
12 specifically; more that he was a financial advisor
13 for many years and was a shareholder and in charge
14 of investor relations.

01:33 15 Q. During the events, during your marketing
16 events, did Mr. Abbonizio tell the potential
17 investors that he had been sanctioned by the
18 financial industry regulatory authority?

01:34 19 MR. MARCUS: Objection to form.

01:34 20 THE WITNESS: Repeat your question.

21 BY MS. BERLIN:

01:34 22 Q. Did Perry Abbonizio tell the potential
23 advisors that he had been sanctioned by the
24 financial industry regulatory authority?

01:34 25 A. I don't believe so.

01:34 1 Q. During your marketing events, did
2 Mr. Abbonizio tell the potential investors that he
3 had had his license suspended by the financial
4 industry regulatory authority?

01:34 5 MR. MARCUS: Same objection.

01:34 6 THE WITNESS: I don't believe so.

7 BY MS. BERLIN:

01:34 8 Q. When is the last time that you had a
9 marketing event?

01:35 10 A. Actually, I do not remember. Late 2019,
11 early 2020.

01:35 12 Q. Did you have any marketing events in
13 February 2020?

01:35 14 A. It's possible. I don't recall specific
15 dates.

01:35 16 Q. How would you go about determining the
17 last date of your -- the last time you had a
18 marketing event?

01:35 19 A. I would have to try to find credit card
20 statements perhaps which I haven't used since this
21 case started. So it's been well over a year. Maybe
22 a calendar somewhere, but not readily available on
23 me now.

01:36 24 Q. During any of your marketing events, did
25 Mr. Abbonizio tell the potential investors that New

1 Jersey securities regulators had brought an action
2 against Complete Business Solutions Group?

01:36 3 A. May have on an individual basis, but I
4 don't believe so during a presentation.

01:36 5 Q. Did you ever hear him tell -- I'm asking
6 not about maybe. I'm not asking for speculation.
7 I'm asking during any of your marketing events, did
8 you ever hear Perry Abbonizio tell anyone at these
9 marketing events that the New Jersey state
10 regulators had brought an action previously against
11 Complete Business Solutions Group?

01:37 12 MR. MARCUS: Objection to form.

01:37 13 THE WITNESS: Somebody said something.

01:37 14 But no.

15 BY MS. BERLIN:

01:37 16 Q. During any of your marketing events, did
17 you hear Perry Abbonizio tell anyone that the
18 Pennsylvania state regulators had brought an action
19 against Complete Business Solutions Group?

01:37 20 MR. MARCUS: Same objection.

01:37 21 THE WITNESS: Maybe on an individual
22 basis, but I don't believe so on the larger
23 presentation.

24 BY MS. BERLIN:

01:37 25 Q. So I'm asking not for speculation but what

1 you heard. Did you hear Mr. Abbonizio tell anyone
2 at these marketing events that the Pennsylvania
3 state regulators brought a -- had brought an action
4 against Complete Business Solutions Group?

01:37 5 A. I don't believe so.

01:37 6 Q. I wonder if you can clarify what you mean
7 by "I don't believe so." Did you hear it or not?

01:38 8 A. I don't remember. No, not that I can
9 remember.

01:38 10 Q. Are you aware of the fact that there was a
11 New Jersey state securities regulatory action
12 concerning Complete Business Solutions Group?

01:38 13 MR. SOTO: Objection to form. Mr. Soto.

01:38 14 MR. MARCUS: Same objection.

01:38 15 THE WITNESS: Can you repeat that
16 question?

17 BY MS. BERLIN:

01:38 18 Q. Sure. Mr. Furman, are you aware of the
19 fact that New Jersey state securities regulators
20 previously had an action concerning Complete
21 Business Solutions Group?

01:38 22 A. I am now.

01:38 23 Q. When did you learn about it?

01:39 24 A. I do not recall specifically.

01:39 25 Q. How about the year? Did you learn about

1 it after the SEC filed its case or before?

01:39 2 A. I learned -- let me rephrase this, try to
3 rephrase it as best as I can to be accurate for you.
4 Say I learned the truth perhaps after this case
5 happened or in 2020 I learned, let's say, the truth,
6 the actual filing.

01:40 7 Q. Okay. So before the SEC filed its case,
8 did you have any knowledge about anything regarding
9 any New Jersey state regulator and Complete Business
10 Solutions Group? And if so, tell me what you knew.

01:40 11 A. I do not recall when, but I learned that
12 there was an investigation or possible -- an
13 investigation of some type from New Jersey, from the
14 SEC New Jersey to Par Funding.

01:40 15 Q. How did you gain that information?

01:40 16 A. Again, I don't want to say it's a hundred
17 percent, but I know that it was in discussions with
18 other advisors. I specifically remember with Mark
19 Nardelli at some point. I don't remember what day
20 or month, but it was during discussions with him
21 initially at some point.

01:40 22 Q. Approximately when?

01:41 23 A. I don't remember. We're talking about
24 only New Jersey; correct?

01:41 25 Q. We're just talking about New Jersey. I'm

1 asking approximately when.

01:41 2 A. Most likely 2020, maybe late 2019. Most
3 likely 2020. I do not recall. I can't give you a
4 fair answer there.

01:41 5 Q. Okay. And so what did Mr. Nardelli tell
6 you?

01:41 7 A. I don't remember his exact words, but we
8 were discussing when we heard a rumor or a -- I
9 wouldn't say a rumor, but the first initial
10 information that we learned down the grapevine that
11 there was any SEC and it was more specifically I
12 believe Pennsylvania, and it came up in that
13 discussion.

01:42 14 Q. So after learning this information from
15 Mr. Nardelli in late 2019 or early 2020, did you do
16 anything to gather more information about the New
17 Jersey securities regulatory matter?

01:42 18 A. Yes. I reached out to A Better Financial
19 Plan. I believe it was first I called Perry
20 Abbonizio.

01:42 21 Q. Okay. And what did you learn from Perry
22 Abbonizio?

01:42 23 A. I don't want to speculate exact or
24 verbatim. And we spoke multiple times on it, I
25 believe. I made him aware that we had just learned

1 about it. We wanted information. I remember on one
2 phone conversation that they were -- it was similar
3 to a fine that they had gotten from -- we were told
4 there was a fine from Pennsylvania and that there
5 was a potential fine from New Jersey, but they were
6 working through it.

01:43 7 And I had one conversation where
8 specifically he said that they had just gotten an
9 email that it was all good, being worked through,
10 retracted, not going forward. They had worked
11 through it at some point, phone conversation.

01:43 12 Q. Other than speaking with Mr. Abbonizio,
13 did you speak with anyone else at Par Funding
14 concerning the New Jersey regulatory matter?

01:43 15 A. I don't believe so.

01:43 16 Q. You said you spoke with someone at ABFP
17 about the New Jersey regulatory matter. Who did you
18 speak with there?

01:44 19 A. I reached out to them. I can't tell you.
20 I reached out probably for Mike Tierney, probably
21 for Dean Vagnozzi, but I know it was a general -- we
22 were instructed to really reach out to -- we were
23 given only to Mike Tierney. And I might have spoken
24 to Michelle or Anita or somebody else that might
25 have answered the phone.

01:44 1 But the conversation was I was reaching
2 out to Michael Tierney. I don't believe that I
3 reached him. And I don't believe I got the
4 clarification that I was hoping for as I struggled
5 with that.

01:44 6 Q. Did you do anything else other than call
7 Mr. Abbonizio and possibly reach out to Mike Tierney
8 or somebody at ABFP to gain information about the
9 New Jersey regulatory matter?

01:45 10 A. I generally did search from what I was
11 told till I was told it was handled. I was being
12 told it was handled as well. I know I discussed it
13 with other individuals, individuals that I worked
14 with and associates, but nobody that worked for Par
15 Funding.

01:45 16 Q. To gain more information about what had
17 occurred, did you go online and do a Google search,
18 for example? Did you do anything to try to find out
19 what was going on with the New Jersey regulatory
20 action other than what you testified about, calling
21 Perry Abbonizio and ABFP?

01:45 22 A. I know both myself and Mark Nardelli
23 looked online. I don't believe he found anything
24 pertinent though at that point.

01:45 25 Q. When was it that you looked online?

01:45 1 A. Again, I don't remember when we first
2 learned about it. It was when we were discussing
3 it. We went online. We bounced ideas and
4 conversations off each other. I can't give you a
5 specific date. A range of late 2019, early 2020.
6 And, yes, I did more searches since then. So I can
7 tell you that I found things online since then, even
8 as early as today that I had not seen before today.

01:46 9 Q. Your testimony is -- I just want to
10 clarify -- that you did not know about a New Jersey
11 state securities matter, whether it was an
12 investigation or a case, but any New Jersey state
13 regulatory matter concerning Complete Business
14 Solutions Group until late 2019 or early 2020; is
15 that correct?

01:46 16 A. Again, I can't give specific dates.
17 That's my best estimate though, yes.

01:46 18 Q. I know you can't give dates. That's why I
19 just asked you again providing that range. So I
20 want this record to be very clear.

01:46 21 Mr. Furman, is it your testimony that you
22 didn't know about any New Jersey regulatory matter
23 or even a New Jersey regulatory investigation
24 concerning Complete Business Solutions Group until
25 late 2019 to early 2020? Is that your testimony?

01:47 1 A. My best testimony is that it happened --
2 the first inference or knowledge of any
3 investigation would be sometime in 2019 or early
4 2020. I cannot give you a month at that time period
5 though.

01:47 6 Q. Again, I'm not asking for a month. If you
7 could listen to the question, please. I'm trying to
8 narrow down your range and lock it in under oath.

01:47 9 Is it your testimony you had no knowledge
10 of a New Jersey regulatory investigation or case
11 until sometime between late 2019 and early 2020?

01:48 12 A. Can we state 2019 and 2020?

01:48 13 Q. You said late 2019 -- Mr. Furman, you
14 testified that you didn't know. I want to just make
15 sure the record is crystal clear and give you
16 another -- I want to make sure.

01:48 17 You had no idea that there was a New
18 Jersey regulatory matter or investigation or case or
19 anything else until sometime between late 2019 and
20 early 2020. Is that your testimony?

01:48 21 A. The earliest that I can recall would be
22 sometime in 2019 learning about it. I do not know
23 what late -- define late. But if it was mid, it
24 could have been mid. It could have been 2020. But
25 I know it was not -- that would be my testimony,

1 sometime in 2019 to 2020.

01:49 2 Q. Okay. So sometime in 2019. Could it have
3 been early 2019?

01:49 4 A. It's possible, but I don't believe so.

01:49 5 Q. Okay. But your testimony is that you did
6 not know anything, okay, prior to sometime in 2019;
7 correct?

01:49 8 A. Correct.

01:49 9 Q. Okay. Now, for the Pennsylvania
10 regulatory matter, you're familiar with the fact
11 that there is a state regulatory securities matter
12 out of Pennsylvania concerning Complete Business
13 Solutions Group; correct?

01:49 14 A. I am now.

01:49 15 Q. When did you learn about that?

01:49 16 A. Again, I don't recall exactly. A very
17 similar manner, through Mark Nardelli, and I believe
18 it was at the same time perhaps. But we were told
19 it was a fine, where when it was presented to me or
20 I found initial information, it was more of there
21 was a fine from Pennsylvania which was already paid
22 and everything is fine to move forward, where New
23 Jersey was still occurring at that point. Sometime
24 in 2019 maybe or 2020.

01:50 25 Q. Okay. So do I understand you correctly

1 that you learned about both the Pennsylvania
2 securities matter and the New Jersey securities
3 matter concerning Complete Business Solutions Group
4 at the same time from Mark Nardelli; is that right?

01:50 5 A. Close, approximate. It might not have
6 been -- I do not recall if it was the exact same
7 conversation, but basically at close timing there,
8 yes.

01:50 9 Q. Okay. So you learned about the
10 Pennsylvania State securities matter concerning
11 Complete Business Solutions Group and the fine at
12 some point in 2019?

01:51 13 A. What I was told -- what we were told was a
14 fine; correct.

01:51 15 Q. So you learned that the state securities
16 regulators from Pennsylvania had issued a fine
17 against Complete Business Solutions Group and you
18 learned that at some point in 2019; is that correct?

01:51 19 A. Correct.

01:51 20 Q. Are you aware of a regulatory matter that
21 was brought by the Texas securities regulator
22 concerning Complete Business Solutions Group and
23 others? Are you aware of that?

01:52 24 A. I am now. I am now.

01:52 25 Q. When did you become aware of that?

01:52 1 A. 2020.

01:52 2 Q. Okay. Approximately when in 2020?

01:52 3 A. After the pandemic started, perhaps after
4 April or after March.

01:52 5 Q. After March of 2020?

01:52 6 A. Correct.

01:52 7 Q. And did you know about the Texas
8 securities matter regarding Complete Business
9 Solutions Group before the SEC brought its action?

01:52 10 A. Yes.

01:53 11 Q. Did you know -- I'm sorry?

01:53 12 A. This action you stated, yes.

01:53 13 Q. Did you know about the Texas state
14 securities matter concerning Complete Business
15 Solutions Group before the April 2020 exchange
16 offering?

01:53 17 A. I do not recall. I know it was around
18 that time. I don't recall when the exchange offer
19 was started or finished. I know when it started, I
20 guess you could say. When they stopped paying us.
21 But I don't remember when it started.

01:54 22 Q. And how did you learn about the Texas
23 securities regulatory action concerning Complete
24 Business Solutions Group?

01:54 25 A. I don't recall specifically. It was in

1 conversation with either other fund managers or
2 online during the pandemic.

01:54 3 Q. You don't recall how you first heard about
4 it?

01:54 5 A. It was in a discussion with another
6 advisor.

01:54 7 Q. Who?

01:54 8 A. I don't remember if it was on a group call
9 or if it was an individual conversation.

01:54 10 Q. But my question is who. Who did you learn
11 it from?

01:55 12 A. I don't remember specifically.

01:55 13 Q. You don't remember who told you about the
14 Texas securities matter?

01:55 15 A. It was during the pandemic. I know I was
16 locked in the house. I don't remember exactly, no.

01:55 17 Q. Okay. Was the Texas -- did you ever
18 discuss the Texas securities matter with anyone from
19 Complete Business Solutions Group?

01:55 20 A. Yes, I believe so.

01:55 21 Q. Who?

01:55 22 A. Perry Abbonizio.

01:55 23 Q. And tell me about that discussion. What
24 was discussed?

01:55 25 A. I can't recall verbatim. It was something

1 generally about an advisor, I guess, that worked in
2 Texas, that they -- that was -- that they worked
3 with or was part of the program. It was Dean
4 Vagnozzi's program I'm going to take it. I don't
5 recall the name of him.

01:56 6 Q. So did you reach out to Mr. Abbonizio to
7 ask him about the Texas securities matter after you
8 learned about it?

01:56 9 A. It was part of our conversation, yeah. I
10 brought it up. I don't know if I specifically
11 called just for that reason. But, yes, I reached
12 out to him.

01:56 13 Q. Okay. And other than telling you
14 generally what the case was about, did Mr. Abbonizio
15 tell you anything else about the Texas matter?

01:56 16 A. Again, not verbatim. But I generally
17 remember that he had their counsel -- CBSG was on
18 top of it and was trying to handle it and it only
19 really concerned that state.

01:57 20 I was in Florida. I did not do any work
21 or ever -- I think I might have stopped at an
22 airport in Texas in my life, but I did not do any
23 business in Texas at that point.

01:57 24 Q. I'm sorry. The question was what
25 Mr. Abbonizio told you about the Texas regulatory

1 action. So have you told me everything he had to
2 say to you about the Texas securities regulatory
3 action?

01:57 4 A. Again, I stated I don't remember his
5 verbatim -- our verbatim conversation, but we
6 generally -- he said that CBSG was handling that and
7 it really only regarded their business in the State
8 of Texas. I was in the State of Florida. I had
9 nothing to worry about.

01:57 10 Q. Okay.

01:57 11 MS. BERLIN: Let's take a five-minute
12 break. Let's come back at 2:05. We'll go off the
13 record.

01:58 14 THE VIDEOGRAPHER: And we're going off the
15 record at 1:58 p.m.

16 (Recess from 1:58 p.m. to 2:07 p.m.)

02:07 17 THE VIDEOGRAPHER: And we're back on the
18 record at 2:07 p.m.

19 BY MS. BERLIN:

02:07 20 Q. Mr. Furman, did you have an agreement with
21 Dean Vagnozzi at ABFP management for ABFP management
22 to provide administrative services in connection
23 with United Fidelis or Fidelis?

02:08 24 A. Yes. There was a management agreement
25 that we had signed for them to manage the funds.

02:08 1 Q. And are you aware of whether or not
2 Mr. Vagnozzi himself or any of his companies have
3 had any actions brought against them by any state
4 regulatory agencies?

02:08 5 MR. MILLER: Mr. Miller. Object to the
6 form.

02:08 7 THE WITNESS: I am now.

8 BY MS. BERLIN:

02:08 9 Q. When did you become aware?

02:08 10 A. I don't remember specifically. I believe
11 it was 2019.

02:08 12 Q. What did you learn then?

02:09 13 A. I learned again in conversation that he
14 was being fined without admitting or denying, from
15 what I was told, being fined for his use of
16 solicitor's agreements I guess it was, and I believe
17 it was his -- there were multiple things that I
18 learned. I cannot remember. I do not recall what
19 the order of those actions or investigations were at
20 that point, something about his life settlements in
21 Texas, I believe.

02:09 22 Q. Okay. Did you learn about an action by
23 the Pennsylvania state securities regulators
24 concerning Mr. Vagnozzi or any of his entities?

02:10 25 A. At some point.

02:10 1 Q. When?

02:10 2 MR. SOTO: Mr. Soto. Object to the form.
3 Asked and answered.

02:10 4 THE WITNESS: Again, I don't remember
5 specifically. I believe it was 2019.

6 BY MS. BERLIN:

02:10 7 Q. Did you tell any potential investors about
8 the New Jersey regulatory matter concerning Complete
9 Business Solutions Group?

02:10 10 A. Repeat that question.

02:11 11 Q. Yes. Did you tell any potential investors
12 about the New Jersey regulatory action concerning
13 Complete Business Solutions Group?

02:11 14 A. I believe I did.

02:11 15 Q. Who did you tell?

02:11 16 A. I don't remember specific individuals.

02:11 17 Q. So why do you believe you did?

02:12 18 A. Because I know I have.

02:12 19 Q. Can you identify a single investor or
20 potential investor whom you told about the New
21 Jersey regulatory matter concerning Complete
22 Business Solutions Group?

02:12 23 A. Roland Manuel.

02:12 24 Q. Spell the name, please.

02:12 25 A. R-O-L-A-N-D M-A-N-U-E-L.

02:12 1 Q. Roland Manuel who you testified about
2 earlier today?

02:12 3 A. Yeah, same spelling, same everything.

02:12 4 Q. Is Roland Manuel an investor in the
5 Fidelis promissory notes?

02:12 6 A. Yes.

02:12 7 Q. And when did you tell Roland Manuel?

02:13 8 A. I don't remember.

02:13 9 Q. Was it before or after he invested?

02:13 10 A. I believe it was after when we learned of
11 it.

02:13 12 Q. I'm sorry. Your answer was muffled.
13 Could you repeat it?

02:13 14 A. I believe it was after when we learned of
15 it, when we had the information.

02:13 16 Q. And is Mr. Manuel a friend of yours?

02:13 17 A. I would call him a friend or associate.

02:13 18 Q. Okay. And do you also do business
19 together other than him investing in Fidelis?

02:14 20 A. Can you be more specific?

02:14 21 Q. What part of the question -- if you tell
22 me what part of the question is confusing to you, I
23 can then be specific.

02:14 24 A. I'm a client of his, yes.

02:14 25 Q. What kind of client?

02:14 1 A. Tax. I previously was payroll and
2 bookkeeping.

02:14 3 Q. And you had Mr. Manuel speak at some of
4 your marketing events; correct?

02:14 5 A. As I stated before, yes.

02:14 6 Q. And what is the purpose? Is he offering
7 services to people at your marketing events?

02:14 8 A. He was generally advertising his tax and
9 accounting firm.

02:14 10 Q. Okay. Did he pay you? Did he pay you or
11 any of your companies for advertising at your
12 marketing events?

02:15 13 A. No.

02:15 14 Q. So why did you let him advertise at your
15 marketing events?

02:15 16 A. It was a generally value-added service to
17 clients, potential clients.

02:15 18 Q. Other than Roland Manuel, did you tell
19 anyone else about the New Jersey regulatory matter
20 concerning Complete Business Solutions Group?

02:15 21 A. Yes. I don't recall which individuals at
22 this time or when.

02:15 23 Q. So you can't identify anyone other than
24 Roland Manuel; is that correct?

02:16 25 A. That has come up since. I'm sure I've had

1 numerous discussions with different investors since
2 that occurred. I don't recall specifically, no.
3 I've had many. And I've been through quite a lot
4 since then, so I do not recall specifically, no.

02:16 5 Q. Did you tell the audience about the New
6 Jersey regulatory matter concerning Complete
7 Business Solutions Group while you were presenting
8 at your marketing events?

02:16 9 A. I don't believe that came up.

02:16 10 Q. Does Roland Manuel have a company?

02:17 11 A. I'm not sure of the corporate structure,
12 but yes.

02:17 13 Q. What is that?

02:17 14 A. Palm Beach Tax Group I believe is the main
15 name. It was a family company. I know it's his
16 now, I believe. I can't -- it's private.

02:17 17 Q. Okay. Now, with respect -- and, by the
18 way, what did you -- going back to Roland Manuel,
19 what did you tell him about the New Jersey
20 regulatory matter?

02:17 21 A. I don't remember verbatim. We've had
22 numerous discussions since then, since this. I
23 brought up that we had heard there was a New Jersey
24 SEC investigation pending at some point when we
25 learned about it.

02:18 1 Q. Okay. Did you tell him anything else?

02:18 2 A. I told him that I spoke with Par Funding
3 and they said that they were handling it. The
4 information I was provided I passed on. I don't
5 recall verbatim, no.

02:18 6 Q. Did you tell any investor or potential
7 investor that the New Jersey regulatory matter
8 concerning Complete Business Solutions Group had
9 been retracted?

02:19 10 A. I remember at some point -- I do not
11 recall when -- passing that information along to an
12 investor that I was told by CBSG.

02:19 13 Q. And who was that investor?

02:19 14 A. I don't remember.

02:19 15 Q. Was it only one person?

02:19 16 A. I don't -- I don't remember. I remember
17 the time period, but I don't remember if I discussed
18 it with more than one.

02:19 19 Q. Okay. Why did you tell an investor or
20 potential investor that the New Jersey regulatory
21 matter had been retracted?

02:20 22 A. Because that was what I was told.

02:20 23 Q. By whom?

02:20 24 A. Perry Abbonizio.

02:20 25 Q. Did Mr. Abbonizio tell you that over the

1 phone, or was it in some sort of written
2 correspondence?

02:20 3 A. I believe it was a phone call most of the
4 time. We were not in the same area.

02:20 5 Q. Before telling any investor or potential
6 investor that the New Jersey regulatory matter had
7 been retracted, did you do anything to confirm
8 whether or not that was accurate?

02:20 9 A. I don't remember. I remember it being --
10 making a phone call, I believe, in front of an
11 investor at one point.

02:21 12 Q. That's the phone call with Mr. Abbonizio?

02:21 13 A. Correct.

02:21 14 Q. Do you ever go online and just do a search
15 to see what the status of the New Jersey regulatory
16 action was?

02:21 17 A. Since then I have, but I don't know where
18 to do that, to be honest. I remember we researched
19 what we could.

02:21 20 Q. So at the time in --

02:21 21 A. (Indecipherable) provided.

02:21 22 Q. I apologize. I thought you were finished.
23 In 2019 you went online to see what you could learn?

02:21 24 A. I don't recall when.

02:21 25 Q. What search browser do you use on the

1 internet?

02:22 2 A. I've used various.

02:22 3 Q. Do you use Google?

02:22 4 A. I have used Google.

02:22 5 Q. In 2019?

02:22 6 A. I've used Google in 2019 I'm sure.

02:22 7 Q. Okay. What about Yahoo?

02:22 8 A. It's possible.

02:22 9 Q. Okay. Bing?

02:22 10 A. Less likely.

02:22 11 Q. Okay. Would it be any search engine other
12 than those three that you use on your computer?

02:22 13 A. It could be whatever the default is. I'm
14 not a computer expert.

02:22 15 Q. Let me ask you a better way. When you go
16 to your computer and you hit the internet and it
17 gives you I'm imagining some sort of box if you want
18 to do a search, is it a Google box? Is it a Yahoo
19 box? What is it?

02:22 20 A. I haven't had access to that computer in
21 well over a year. So I honestly don't remember what
22 that computer come up with.

02:23 23 Q. Okay. But other than Google, Yahoo or
24 Bing, can you identify any other search engine that
25 you use?

02:23 1 A. Maybe Internet Explorer has one. I don't
2 know.

02:23 3 Q. All right. By the way, did you ever go to
4 the New Jersey state securities regulator's website?
5 Have you ever been to their website?

02:23 6 A. I don't remember if I have ever been
7 there, specifically New Jersey.

02:24 8 Q. Did you ever go to the New Jersey state
9 securities board's website to just search there and
10 look at the documents relating to the Complete
11 Business Solutions Group matter?

02:24 12 A. Perhaps since then. Not generally.

02:24 13 Q. Do you mean perhaps after the SEC filed
14 its case?

02:24 15 A. Since I learned it was an individual --
16 individual action or an action, let's say.

02:24 17 Q. Okay. So you might have gone to that
18 website sometime after you learned about the action
19 in 2019; is that accurate?

02:24 20 A. Or 2020.

02:25 21 Q. Okay. But in one of those two years, you
22 might have gone to the New Jersey securities board's
23 website to review the status of their matter
24 concerning Complete Business Solutions Group. Is
25 that an accurate statement?

02:25 1 A. No. I never went there to check the
2 status. I don't know how to do that. I might have
3 been doing a search, and it might have brought up a
4 page at some point in my lifetime that would have
5 been through the New Jersey, but I don't recall ever
6 being at the New Jersey -- specifically the New
7 Jersey SEC site, if there is a specific New Jersey
8 SEC website.

02:25 9 Q. Okay. So let me try to back this up. My
10 question to begin with was whether or not you have
11 been to the website for the New Jersey state
12 securities regulators agency.

02:25 13 Have you ever been to that agency -- the
14 state securities regulator for New Jersey, have you
15 ever gone to their website?

02:26 16 A. It's possible, but not that I can recall.

02:26 17 Q. Okay. And did you go to that website to
18 look for information about Complete Business
19 Solutions Group and that matter after you learned
20 about their matter in 2019?

02:26 21 A. Again, I don't recall being at the New
22 Jersey SEC site, but I remember doing research,
23 trying to do research. I don't remember what
24 website I was able to eventually find anything.

02:26 25 Q. Okay. And did you research? Did you find

1 anything when you went online trying to find
2 information about the New Jersey regulatory matter
3 and Complete Business Solutions Group?

02:26 4 A. Not initially. I don't believe so.

02:26 5 Q. Eventually?

02:26 6 A. Eventually.

02:26 7 Q. When and what did you learn?

02:26 8 A. Sometime in 2020, there was a -- from what
9 I recall, I believe it's called a Cease-and-Desist.

10 I don't remember the exact verbiage. If I'm
11 correct, I believe that was New Jersey.

02:27 12 Q. Okay. And you say you found the
13 Cease-and-Desist Order?

02:27 14 A. Sometime in 2020.

02:27 15 Q. Was it before or after the SEC filed its
16 case?

02:27 17 A. I cannot recall exactly. It was around
18 that time.

02:27 19 Q. And were you aware that the Texas
20 regulatory action concerning Complete Business
21 Solutions Group and others concerned violations of
22 the securities laws for failure to disclose, among
23 other things, the New Jersey matter?

02:28 24 A. Can you repeat that question?

02:28 25 Q. Were you aware of what the Texas state

1 securities action concerning Complete Business
2 Solutions Group -- are you aware of what the
3 allegations were?

02:28 4 A. Not entirely. I know it's a
5 Cease-and-Desist Order for violating securities
6 registration.

02:28 7 Q. Were you aware that it included
8 allegations of securities law violations for failure
9 to disclose, among other things, the New Jersey
10 regulatory matter against Complete Business
11 Solutions Group?

02:28 12 A. I am now.

02:28 13 Q. When did you become aware of it?

02:28 14 A. I believe it was 2020.

02:28 15 Q. Before or after the SEC filed its case?

02:29 16 A. I don't remember specifically.

02:29 17 Q. Did you know at the time of the exchange
18 offering?

02:29 19 A. No, I don't believe so. I don't remember
20 exactly when the exchange offering was.

02:29 21 Q. Did you know before mid April 2020?

02:29 22 A. I don't recall specifically when.

02:29 23 Q. Did you tell any investors or potential
24 investors about the Pennsylvania securities
25 regulatory matter concerning Complete Business

1 Solutions Group?

02:30 2 A. I remember generally discussing it with
3 different investors.

02:30 4 Q. Who?

02:30 5 A. I don't recall specifics, specifically
6 who.

02:30 7 Q. Can you recall a single person that you
8 told?

02:30 9 A. Again, Roland Manuel. I could name a few
10 that I know I had discussions with. Again, I don't
11 remember -- it wasn't about an action specifically.
12 It was about Pennsylvania and a fine.

02:30 13 Q. So who did you -- who did you tell
14 anything at all about a securities violation or a
15 securities matter concerning Complete Business
16 Solutions Group? I'd like you to list each person
17 and then for each person we'll go back. I'm going
18 to have you testify as to what exactly you told each
19 person. So let's just start with getting a list of
20 names.

02:30 21 You said Roland Manuel?

02:30 22 A. I know he's one.

02:31 23 Q. Okay. Who else?

02:31 24 A. Honestly, I can't remember every person
25 that I spoke with and what we spoke about.

02:31 1 Q. I'm asking for any person you can remember
2 other than Roland Manuel, any other person. Can you
3 recall anyone else?

02:31 4 A. At any time, even since this occurred,
5 that would be I don't recall specifically. It's
6 come up in conversation at varying times in varying
7 degrees. I don't have a client list in front of me.

02:31 8 Q. We can pull up your client list. Would
9 that help you if we go through client by client?

02:31 10 A. Again, I'm not going to remember a
11 specific name or instance of this. It could have
12 been a brief conversation.

02:31 13 Q. Well, it would have been something
14 unusual. So I imagine it would stand out in your
15 mind; right?

02:31 16 A. Quite a lot of unusual happened since
17 then, yes. This is a long time ago.

02:31 18 Q. We're talking about the time period when
19 you were offering the Fidelis investment. You
20 understand that; correct?

02:32 21 A. 2019, 2020. Even 2020 is a long time ago
22 right now. I've not been able to work with those
23 clients on a regular basis.

02:32 24 Q. Okay. But that's not the question I
25 posed. I have asked you to identify, or if you

1 don't remember, you can say. I've asked you if you
2 can identify anyone other than Roland Manuel that
3 you told about a Pennsylvania regulatory action
4 against Complete Business Solutions Group during --
5 obviously, I'm asking you about disclosures that you
6 would have made during the Fidelis offering.

02:32 7 Let me restate because I can see you
8 looking puzzled, and I realize that was a compound
9 question. So let me restate it for you.

02:33 10 During the time that you were offering the
11 Fidelis investment, did you tell anyone other than
12 Roland Manuel about the Pennsylvania securities
13 matter against Complete Business Solutions Group?

02:33 14 A. I know I have and I brought it up to as
15 many individuals that I -- everyone that I spoke to
16 that I could. I don't recall individually, each
17 individual conversations of when that occurred once
18 I learned about it.

02:33 19 Q. But, Mr. Furman, I'm not asking when it
20 occurred. I'm just asking you to name the names of
21 anyone that you told.

02:33 22 A. It's possible I spoke to every investor
23 about it. I don't recall between when it was
24 offered, when the pandemic started, when this case
25 started. It could have come up since then.

02:33 1 Q. But I'm talking about before people are
2 investing and you're talking to them about the
3 investment.

02:34 4 Can you tell me who -- which of the
5 investors or potential investors you told about the
6 Pennsylvania securities regulatory matter concerning
7 Complete Business Solutions Group?

02:34 8 MR. SOTO: Objection to the form. This
9 has been asked a number of times and answered a
10 number of times. Mr. Soto.

02:34 11 THE WITNESS: Again, I can't recall
12 specific sitdowns with every single client of mine.
13 I have hundreds of clients, insurance, investments,
14 potential clients. I brought it up. When I learned
15 about it and what I learned, I would bring up to who
16 I spoke to after that date.

17 BY MS. BERLIN:

02:34 18 Q. Mr. Furman, you're still not answering my
19 question. I'm not going to move on until you
20 answer. I've asked you for names. And I've also --
21 I've asked you to identify the names of anyone that
22 you told, and you so far said Roland Manuel.

02:34 23 So, again, if your answer is you don't
24 know, you can just say that, but instead you're
25 providing testimony about other things. Listen to

1 the question.

02:35 2 Please state the names of every person
3 other than Roland -- let me do it this way. Please
4 state the name of any single investor or potential
5 investor that you told about the Pennsylvania state
6 securities regulatory action concerning Complete
7 Business Solutions Group.

02:35 8 MR. SOTO: Same objection. Mr. Soto.

02:35 9 THE WITNESS: Steven Bernardo.

10 BY MS. BERLIN:

02:35 11 Q. Okay. How do you spell his name?

02:35 12 A. S-T-E-V-E-N B-E-R-N-A-R-D-O, I believe.

13 Again, I do not have client files in front of me.

02:35 14 Q. Where does Mr. Bernardo live? Is he also
15 a Florida resident?

02:36 16 A. He's a Florida resident. Multiple homes.

02:36 17 Q. Okay. And who else did you tell?

02:36 18 A. Again, I can't recall every name.

02:36 19 Q. Please again provide the name of any
20 person other than Roland Manuel and Steven Bernardo
21 that you told about this Pennsylvania securities
22 matter.

02:36 23 A. Kristin Groleau, Mark Nardelli. I
24 discussed it with Christine Furman.

02:36 25 Q. Just a moment. Back up. Before Mark

1 Nardelli, what was the name of the person and can
2 you spell the names for the court reporter?

02:36 3 A. Kristin Groleau. That's going to be
4 K-R-I-S-T-I-N G-R-O-L-E-A-U, I believe.

02:36 5 Q. Thank you. And who else?

02:36 6 A. Christine Furman.

02:36 7 Q. Christine Furman?

02:36 8 A. Yes.

02:36 9 Q. And who else?

02:36 10 A. Mark Nardelli.

02:37 11 Q. Is Mark Nardelli one of the investors in
12 Fidelis?

02:37 13 A. No. He's a fellow fund manager.

02:37 14 Q. So remember the question I've been trying
15 to get an answer to is what investors -- you know
16 what? That's fine. Let's just keep going. You can
17 say people even if they're not investors or
18 potential investors. Christine Furman. Who else?

02:37 19 A. Again, I don't remember specifically
20 everybody that I've ever mentioned that to over time
21 since I learned about it.

02:37 22 Q. That doesn't answer the question. I'm
23 just asking you to list the ones that you can
24 recall.

02:37 25 A. Frank Nash.

02:37 1 Q. Okay. Who else?

02:38 2 A. Sorry. I don't remember everybody's name
3 at this time. That's all I can remember.

02:38 4 Q. Again, because I think you keep answering
5 to avoid answering that you don't remember everyone,
6 and I just want to make sure the record is clear and
7 you understand what I'm asking you to do, is list
8 everyone, anyone, anyone you can recall.

02:38 9 So far you have testified that you told
10 Roland Manuel, Steven Bernardo, Mark Nardelli,
11 Kristin Groleau, Christine Furman and Frank Nash
12 about the Pennsylvania regulatory matter.

02:38 13 Did you tell any other investor or
14 potential investor of Fidelis about the Pennsylvania
15 regulatory action concerning Complete Business
16 Solutions Group?

02:39 17 A. I did. I don't recall their names, which
18 ones I did since it happened.

02:39 19 Q. Just one moment. So did you tell all of
20 the potential investors and investors about the
21 Pennsylvania regulatory action?

02:39 22 A. I'm not sure if I spoke to every investor
23 after learning about that investigation or action.

02:39 24 Q. So is it your testimony that if you spoke
25 with an investor or potential investor after the

1 Pennsylvania action, then you did tell them about
2 it?

02:39 3 A. Can you repeat that question?

02:39 4 Q. Mr. Furman, you didn't make it your
5 practice to tell investors and potential investors
6 about the Pennsylvania regulatory action; correct?

02:40 7 A. I wouldn't agree with that question.

02:40 8 Q. So if the individuals who invested in
9 Fidelis have stated that you did not tell them about
10 the Pennsylvania regulatory action, is it your
11 testimony that they are perjuring themselves?

02:40 12 MR. SOTO: Objection to the form.

13 Mr. Soto.

02:40 14 MR. MARCUS: Same objection. Mr. Marcus.

02:40 15 THE WITNESS: I don't know. I can't
16 recall what they said or I don't know what somebody
17 else has said. I can't speak for anybody else.

18 BY MS. BERLIN:

02:40 19 Q. My question is about you. You're claiming
20 that you told investors and potential investors.
21 And my question is: If your investors say that you
22 didn't, is it your testimony that they're lying,
23 that your investors are lying?

02:41 24 MR. SOTO: Same objection. Mr. Soto.

02:41 25 MR. MARCUS: Same for me, too.

02:41 1 MS. BERLIN: Just a moment. I'd like to
2 point out I can't tell who is objecting. I think it
3 was Mr. Soto, and then there was a second voice.
4 Who is the second voice?

02:41 5 MR. MARCUS: Mr. Marcus.

02:41 6 MS. BERLIN: I just want to be clear for
7 the record. Neither of you represent Mr. Furman;
8 correct?

02:41 9 MR. MARCUS: That's right.

02:41 10 MR. SOTO: That is correct.

02:41 11 MS. BERLIN: I just want to make sure it's
12 clear on the record.

13 BY MS. BERLIN:

02:41 14 Q. Mr. Furman, your investors, is it your
15 testimony then that they're lying if they say you
16 didn't tell them about the Pennsylvania regulatory
17 action?

02:41 18 MR. SOTO: Same objection. Soto.

02:41 19 THE WITNESS: I can't speak for any
20 investor I've discussed it with. I can't remember
21 who I discussed it with when I learned about it,
22 after learning about it. I've stated that I might
23 not have spoken with every investor since learning
24 about it, and they might not remember. So I can't
25 speak for anybody else. I can only speak for

1 myself.

2 BY MS. BERLIN:

02:42 3 Q. And why did you tell the investors,
4 according to you, that you told about the
5 Pennsylvania regulatory action? Why did you tell
6 them about it?

02:42 7 A. Because it came up in conversation, I
8 believe, about Par Funding and about their
9 practices, that they were doing things correctly
10 actually. We were told that there was -- generally
11 that there was an SEC action, that they had to pay a
12 fine, but they were able to continue forward through
13 that. And that showed that they were doing things
14 correctly.

02:42 15 Q. Did you communicate to investors and
16 potential investors that the Pennsylvania regulatory
17 action against Complete Business Solutions Group
18 showed that they were doing things correctly?

02:43 19 A. That's not what I said.

02:43 20 MR. SOTO: Objection. Mischaracterizes
21 the testimony. Mr. Soto.

22 BY MS. BERLIN:

02:43 23 Q. Please answer the question.

02:43 24 A. Can you restate it? Sorry. I got
25 interrupted there.

02:43 1 Q. My question is: Did you tell investors or
2 potential investors that the Pennsylvania regulatory
3 action against Complete Business Solutions Group
4 reflected that Complete Business Solutions Group was
5 doing things correctly?

02:43 6 A. I do not recall verbatim, but we
7 generally -- I was told by CBSG that they were --
8 they had to pay a fine, but they were able and
9 allowed to move forward. And so that was
10 portrayed -- that's how it was portrayed. And I
11 then relayed that to an investor after that.

02:43 12 Q. My question is "yes" or "no." Did you or
13 did you not tell investors -- and I'm not talking
14 verbatim. I want to make sure you're also not
15 evading answering by saying that you didn't say
16 specific words verbatim.

02:44 17 So for purposes of today's deposition, I
18 want to make sure that you understand, Mr. Furman,
19 that if I ask you if you communicated something,
20 that I'm not asking you if you used the precise
21 words that I'm using. Do you understand?

02:44 22 A. Yes. That's why I say (indecipherable).

02:44 23 Q. Okay. Good. Mr. Furman, did you or did
24 you not tell investors or potential investors that
25 the Par Funding -- I'm sorry -- that the

1 Pennsylvania securities matter concerning Par
2 Funding/Complete Business Solutions Group reflected
3 that Complete Business Solutions Group was actually
4 now doing things correctly?

02:45 5 A. No. I stated that they were -- I was told
6 and this was reiterating what I was told in my --
7 that the SEC fine, which is obviously an infraction,
8 so that was not doing it correctly, but they were
9 able to move -- since they were able to move
10 forward, that was what they told us. So that showed
11 that they were able to move forward as a positive.

02:45 12 Q. So you presented it to investors and
13 potential investors as a positive. Am I
14 understanding you correctly?

02:45 15 A. No. I'm not saying that a fine from the
16 SEC is a positive.

02:45 17 MR. SOTO: Objection. Mischaracterizes
18 his testimony. Asked and answered.
19 BY MS. BERLIN:

02:45 20 Q. We're going to take a five-minute break,
21 and we're going to try to get the investor list and
22 then we can ask you about each of them and what you
23 told them. I think that will help move things along
24 tremendously. Because, otherwise, I'm worried -- I
25 don't think we're going to finish today, by the way.

02:46 1 So let's go ahead and take a break. I'm
2 going to need about 10 minutes to get that. We'll
3 come back on at 2:55. We're off the record.

02:46 4 THE VIDEOGRAPHER: And we're going off the
5 record at 2:46 p.m.

6 (Recess from 2:46 p.m. to 3:02 p.m.)

03:02 7 THE VIDEOGRAPHER: And we're back on the
8 record at 3:02 p.m.

9 BY MS. BERLIN:

03:02 10 Q. Mr. Furman, we're not going to go down the
11 list of every single investor because I think that
12 we will definitely not finish today if we do that.
13 So instead, I'm just going to continue to ask you
14 about any, and you can name all the ones that you
15 disclosed things to.

03:03 16 So I wanted to talk about Steven Bernardo.
17 When did you tell him about the Pennsylvania
18 regulatory action concerning CBSG?

03:03 19 A. I don't remember, recall exactly when.
20 One of our meetings or discussions. We have many.
21 We had many before.

03:03 22 Q. Was it before or after Mr. Bernardo
23 invested in Fidelis?

03:03 24 A. Again, I don't know the dates of when he
25 invested. He had multiple investments. So you

1 could treat each one separately or together. But I
2 learned about it after, I believe, he became an
3 investor initially.

03:03 4 Q. But did you tell him before, let's say --
5 I understand that sometimes the investor's principle
6 would be due and instead they would have you
7 reinvest it; correct?

03:03 8 A. Correct. Plus I know he's -- from what I
9 recall, I know he's done many smaller investments.

03:04 10 Q. So did you tell Mr. Bernardo about the
11 Pennsylvania regulatory action before he rolled over
12 any of his principal into another Fidelis
13 investment?

03:04 14 A. Again, I don't recall exactly when the
15 conversation or when his rollovers were. He had
16 multiple.

03:04 17 Q. So for purposes of today, when we talk
18 about investing or when an investor invested, you
19 can assume that I mean either gave you their money
20 individually or chose to make follow-up investments
21 either through rollover or another type of
22 investment.

03:04 23 Do you understand that investment for the
24 purposes of the Fidelis offering is broadly defined?

03:04 25 A. I agree. That's a broad definition, yes.

1 There's multiple ones.

03:04 2 Q. Did you tell Mr. Bernardo by -- was it
3 verbal or was it in writing?

03:04 4 A. I believe it was verbal.

03:05 5 Q. Was it over the phone or in person?

03:05 6 A. Perhaps both. I can't recall
7 specifically, but we had many meetings in person and
8 over the phone.

03:05 9 Q. How did it come up?

03:05 10 A. Just updates on how Par Funding was doing
11 and different occurrences in the northeast that I
12 learned about.

03:05 13 Q. Did you volunteer the information, or did
14 Mr. Bernardo bring it up to you because he had
15 learned about it?

03:05 16 A. I brought it up myself.

03:05 17 Q. And did you also tell Mr. Bernardo about
18 the New Jersey regulatory action concerning Complete
19 Business Solutions Group?

03:05 20 A. Again, I don't recall verbatim or exactly
21 what was spoken, but when I learned about them, I
22 believe they were at similar times, and I believe we
23 discussed briefly both. I didn't know about the
24 action until lately specifically what happened.

03:05 25 Q. So with respect to Mr. Bernardo, my

1 question is: Did you tell him about the New Jersey
2 regulatory action concerning Complete Business
3 Solutions Group?

03:06 4 A. I would say that there was a discussion
5 involving both New Jersey and Pennsylvania.

03:06 6 Q. Okay. So you told Mr. Bernardo about both
7 the New Jersey and the Pennsylvania regulatory
8 matters relating to Complete Business Solutions
9 Group. Is that your testimony?

03:06 10 A. No. I would say again I only knew that
11 there was an investigation. I do not remember -- I
12 was not told that there was a fine for New Jersey in
13 the beginning.

03:06 14 Q. So let's be clear then. Are you
15 testifying that you told Mr. Bernardo about the New
16 Jersey investigation concerning Complete Business
17 Solutions Group?

03:06 18 A. That would be more correct, yes, that
19 there was an SEC matter being investigated or
20 handled at that point.

03:06 21 Q. And so Kristin Groleau was another person.
22 Is she an investor in Fidelis?

03:07 23 A. No. She was my assistant.

03:07 24 Q. Right. And Christine Furman. Christine
25 Furman, was she an investor in Fidelis?

03:07 1 A. No. She was also an assistant at my
2 office, family member as well, more the office
3 manager.

03:07 4 Q. Right. You also told Roland Manuel,
5 correct, about the Pennsylvania regulatory action?

03:07 6 A. Correct.

03:07 7 Q. And Roland Manuel, you were his client for
8 tax and accounting work?

03:07 9 A. I am a client of his, yes, correct.

03:07 10 Q. And I asked you earlier about any business
11 relationship with Roland Manuel. And you said you
12 were his client for tax and accounting and before
13 that maybe some bookkeeping; is that right?

03:07 14 A. We worked together in that capacity, yes.

03:08 15 Q. Anything else? Any other business or
16 professional relationship with Roland Manuel?

03:08 17 A. We worked insurance cases together.

03:08 18 Q. Okay. And what do you mean "we worked
19 insurance cases together"? What does that mean?

03:08 20 A. We had previously -- we generally had
21 mutual clients that we shared a life insurance or
22 annuity case where we worked together on.

03:08 23 Q. When you say case, do you mean like a
24 litigation case? What do you mean?

03:08 25 A. No. I mean as in a life insurance case.

1 There's underwriting involved. When you buy life
2 insurance, I call that a case. But policy might be
3 better for you, insurance policy.

03:08 4 Q. Okay. So meaning that Roland Manuel --
5 what was it called again, his company?

03:08 6 A. Palm Beach Tax Group.

03:08 7 Q. Roland Manuel at the Palm Beach Tax Group
8 would sometimes have matters, insurance matters that
9 had some overlap with your work at United Fidelis.
10 Am I understanding correctly?

03:09 11 A. Typically, yes.

03:09 12 Q. Okay. Any other business or professional
13 dealings or relationship with Mr. Manuel?

03:09 14 A. I have known him for many years. I'm sure
15 others are possible, but those were the majority.

03:09 16 Are you still there?

03:09 17 Q. Yes, here.

03:09 18 A. I saw your picture and there's an
19 exclamation across from there.

03:09 20 Q. On our end I can see myself and your video
21 is gone.

03:09 22 A. Annme and you are gone and you have a
23 triangle with exclamation on there now. But I can
24 hear you fine.

03:09 25 Q. So, Mr. Furman, why don't you take a

1 moment and try to correct your settings. I think
2 the issue is on your end. Because I can see the
3 others, and I can see the court reporter. I just
4 cannot see you.

03:09 5 Do you want to take a moment, maybe hit
6 your stop video and then hit restart.

03:10 7 A. There you go.

03:10 8 Q. We can see you now. So any other business
9 or professional dealings with Roland Manuel?

03:10 10 A. It's possible over the years. I've known
11 him since college. So we're going over 20 years at
12 this point perhaps. But generally it was insurance,
13 financial and related accounting related to the two
14 businesses, United Fidelis Group and his group that
15 we worked and passed clients back and forth and
16 referred each other business and ideas.

03:10 17 Q. Is he an officer, director, employee or
18 agent of United Fidelis?

03:10 19 A. He was for a very short time at the end.
20 We were, as he became a bookkeeper, trying to form a
21 board. So he came on as, I believe, an accountant
22 or a bookkeeper. He was part of the United Fidelis
23 Group at the very end. He has since resigned from
24 that role.

03:11 25 Q. Okay. So he came in as an accountant,

1 like in-house accountant for United Fidelis?

03:11 2 A. He was added to the corporation at some
3 point later, and I do not recall his title.
4 Treasurer I believe is what it was. It's listed on
5 the state -- it was listed on the state website.
6 I'm sure it's still there. He has since resigned.

03:11 7 Q. Was he also a director of United Fidelis?

03:11 8 A. I don't remember if he was exactly used as
9 a director. He wasn't initially. Like I said, he
10 was added very late at some point when he started to
11 work more hands-on in accounting and record keeping,
12 in that sense. But it was, I believe -- and again I
13 don't remember the exact title. I believe it was
14 treasurer. It's on the state website.

03:12 15 Q. My question is just whether he's a
16 director. So is your answer that you don't recall?
17 I'm just trying to get an answer. It's a pretty
18 simple question.

03:12 19 A. What do you mean as a director?

03:12 20 Q. So United Fidelis is your company;
21 correct?

03:12 22 A. It was.

03:12 23 Q. It was your company. Until the
24 receivership occurred last year; right?

03:12 25 A. Correct.

03:12 1 Q. And so at all given times -- and you're
2 the one that handled like the corporation paperwork;
3 correct?

03:12 4 A. Generally, yes.

03:12 5 Q. And so were you a director of United
6 Fidelis?

03:12 7 A. I believe I was listed as president.

03:12 8 Q. So my question is different. My question
9 is: Were you a director of the company?

03:12 10 A. I do not recall if I was specifically
11 listed as director. I believe so, but I know I was
12 listed as president.

03:13 13 Q. And Roland Manuel, what did he do for the
14 company as the treasurer for United Fidelis?

03:13 15 A. Accounting, bookkeeping, payroll, various
16 accounting and tax -- taxes for the company. He
17 helped with consulting, a little bit of everything
18 eventually, but that was at the very end.

03:13 19 Q. Now, earlier today you testified, and I
20 asked you very directly if he -- you testified that
21 he did the accounting work and tax work for the
22 company, and you testified that he did it through a
23 company that he had, the Palm Beach Tax Group.

03:13 24 Now that I've asked you directly if he was
25 an officer or director of the company, it sounds

1 like your testimony is a little different and you're
2 testifying that he was providing the accounting
3 services for United Fidelis as an actual officer or
4 employee of United Fidelis. Can you just explain
5 which one is accurate?

03:14 6 A. I was only the sole owner and president of
7 the company, and he always did his work through Palm
8 Beach Tax Group. We had -- were in talks of adding
9 him to the corporation. We did right after the
10 pandemic and right before this receivership started.

03:14 11 So it was maybe filed and then had to be
12 unfiled because of the receivership. But there was
13 a very brief time at the end that we were trying to
14 form a board. It never really came to fruition
15 because of this.

03:14 16 Q. Did you pay him a flat sum each month for
17 his services to United Fidelis?

03:14 18 A. There were various, flat and -- he billed
19 in various ways. I can't speak to how he billed.
20 Some things were flat. Some things were hourly. I
21 don't know.

03:14 22 Q. I'm not asking how he billed. I'm asking
23 how you paid him. Did you pay him \$5,000 a month?

03:15 24 A. It was not usually the same amount.

03:15 25 Q. Okay. What was he doing for the company

1 that you were paying him every month?

03:15 2 A. Various bookkeeping, accounting, payroll,
3 tax, planning, various items that I did not handle
4 and I outsourced to him.

03:15 5 Q. He's one of your best friends or he was?

03:15 6 A. I would call him a friend.

03:15 7 Q. You've known him since college you said.

03:15 8 A. Correct. That's where we initially met.

03:15 9 Q. In 2018 and '19, how often would you
10 socialize?

03:15 11 A. I can't speak verbatim. Probably daily.
12 Speak, socialize, text, there's different verbs, but
13 often.

03:16 14 Q. So with respect to the Pennsylvania
15 regulatory action disclosures, I asked you about
16 which investors or potential investors you disclosed
17 the Pennsylvania regulatory action concerning
18 Complete Business Solutions Group. And you
19 testified -- so far you've identified two actual
20 investors, Roland Manuel and Steve Bernardo -- I'm
21 sorry -- three, and Frank Nash; correct?

03:16 22 A. Correct.

03:16 23 Q. The other people you identified are not
24 investors or potential investors. They're your
25 employees or another agent fund manager; is that

1 correct?

03:17 2 A. Correct.

03:17 3 Q. In fact, Roland Manuel was also your
4 co-director of your company, and you told him;
5 right?

03:17 6 A. I told Roland.

03:17 7 Q. He's the treasurer of United Fidelis?

03:17 8 A. Correct.

03:17 9 Q. Okay. So you told him. So please list
10 any and all other investors or potential investors
11 that you told about the Pennsylvania State
12 securities action concerning Complete Business
13 Solutions Group.

03:17 14 A. Again, I can't speculate on who --
15 specific names of who and when. I know that once I
16 learned about it and if I was able to speak with a
17 client, we tried to have discussions, general
18 discussions about it from what I knew, what I
19 learned.

03:18 20 I don't remember specific names, date. I
21 don't remember when I learned about it specifically
22 either.

03:18 23 Q. You testified it was sometime in 2019.

03:18 24 A. I believe it was sometime in 2019 or 2020.
25 We're talking New Jersey or Pennsylvania right now?

03:18 1 Q. Pennsylvania.

03:18 2 A. I believe it was 2019. To the best of my
3 knowledge, that's my guesstimate.

03:18 4 Q. So I'm just asking you to identify the
5 names of anyone else, any other investor or
6 potential investor that you would have told. I'm
7 not asking for a general discussion about anything
8 other than that. But I'm asking you to provide
9 names. And if you can't recall them, you can just
10 testify that way. If you could just answer --

03:18 11 A. I can't recall specific names at this
12 time.

03:18 13 Q. Thank you. With respect to the criminal
14 history of Joseph LaForte -- with respect to the --
15 going back to the marketing events that you had, did
16 Roland Manuel -- I just want to make sure I
17 understood correctly -- did Roland Manuel ever give
18 any presentations concerning Complete Business
19 Solutions Group merchant cash advances or the
20 Fidelis promissory notes?

03:19 21 A. I believe that was asked and answered, but
22 no.

03:19 23 Q. Okay. Prior to the SEC filing its case
24 against you, did you tell any investor or potential
25 investor that Joseph LaForte had a criminal record?

03:20 1 A. Yes.

03:20 2 Q. Who did you tell?

03:20 3 A. I don't recall specifically which persons
4 I did or I was able to inform or we had a discussion
5 about.

03:20 6 Q. Can you remember the name of any single
7 person that you told?

03:20 8 A. Roland Manuel.

03:20 9 Q. Anyone else?

03:20 10 A. I can't recall specific names or times.

03:20 11 Q. I'm not asking for times, Mr. Furman. I'm
12 just asking you if you can identify the name of any
13 investor or potential investor who you told that
14 Joseph LaForte had a criminal record.

03:21 15 A. I know me and Eugene Sheldon had a
16 conversation at some point.

03:21 17 Q. Eugene Sheldon, is he an investor in
18 Fidelis?

03:21 19 A. Yes.

03:21 20 Q. Anyone else?

03:21 21 A. There were others. I don't remember which
22 names or who, which investors.

03:21 23 Q. What about Steven Bernardo, did you tell
24 him?

03:21 25 A. I know we had a discussion at some point.

03:21 1 Q. My question is not whether you had a
2 general discussion with Steven Bernardo at some
3 point.

03:21 4 My question is: Did or did not tell
5 Steven Bernardo that Joseph LaForte had a criminal
6 record before the SEC filed its case?

03:22 7 A. I know we had a discussion about that. I
8 do not recall when that happened or when that
9 occurred.

03:22 10 Q. What about Frank Nash?

03:22 11 A. Again, I know we had a discussion about
12 that, but I do not recall exactly when that
13 happened. There were multiple times.

03:22 14 Q. So anyone else? So far we have -- you're
15 testifying that you told Roland Manuel, Eugene
16 Sheldon, Steven Bernardo and Frank Nash that Joseph
17 LaForte had a criminal record.

03:22 18 Do you remember the name of any other
19 person, any other investor or potential investor
20 that -- to whom you communicated that Joseph LaForte
21 had a criminal record?

03:23 22 A. Again, I don't want to speculate on who.
23 I know I've had many conversations about it, but I
24 don't want to misspeak.

03:23 25 Q. So is your answer that you don't recall

1 the name, the identity of any other person that you
2 told?

03:23 3 A. At this time, without a client list, yes.

03:23 4 Q. Would looking at your client list help you
5 answer this question?

03:23 6 A. Not that I can remember, no. I don't
7 remember any specific conversations.

03:23 8 Q. Okay. And so when did you tell Roland
9 Manuel that Joseph LaForte had a criminal record?

03:24 10 A. After learning it, but I can't recall
11 exactly when that was.

03:24 12 Q. Was it before or after Mr. Manuel invested
13 in Fidelis?

03:24 14 A. We learned about it after.

03:24 15 Q. And did you understand that Joseph LaForte
16 had some sort of management role at Complete
17 Business Solutions Group when you learned about his
18 criminal record?

03:24 19 A. Define management.

03:24 20 MR. SOTO: Object to the form. Mr. Soto.

21 BY MS. BERLIN:

03:24 22 Q. You're asking me to define the word
23 management?

03:24 24 A. From what I was told, he was -- he
25 appeared. I wasn't given his title.

03:24 1 Q. I'm not asking if you knew his title. Did
2 you have a sense of Mr. LaForte and what his role
3 at --

03:25 4 A. I had a sense that he was not an entry
5 level employee, no.

03:25 6 MR. SOTO: Objection to form regarding
7 what his sense might have been.

8 BY MS. BERLIN:

03:25 9 Q. So why did you tell Mr. Manuel that Joseph
10 LaForte had a criminal record?

03:25 11 A. I had many discussions with Mr. Manuel.
12 He was an investor. And it was something I had
13 learned through the advisors, the fund managers I
14 guess you could say through the program, on our own.
15 It was not disclosed to us. So I thought it was --
16 it just came up in conversation. I don't recall
17 exactly how it came up.

03:25 18 Q. I understand your testimony thus far is
19 that you understood -- you never -- you didn't
20 understand that Mr. LaForte was an entry level
21 employee. So what level employee or individual did
22 you believe he was at Complete Business Solutions
23 Group?

03:26 24 MR. SOTO: Objection to form.

03:26 25 THE WITNESS: I wouldn't speculate. When

1 I first met him, as I said before, I don't want to
2 speculate on what he was or wasn't. He wasn't
3 introduced in any specific capacity, but he had an
4 office, not a cubicle.

5 BY MS. BERLIN:

03:26 6 Q. Why would it be relevant if some random
7 person at a company had a criminal record? Was it
8 relevant to you and you discussed it with Mr. Manuel
9 and, according to you, with other investors because
10 you understood that Mr. LaForte had some management
11 position or control at Complete Business Solutions
12 Group?

03:26 13 MR. SOTO: Objection to form.

03:26 14 THE WITNESS: I don't recall specifically.
15 We were told that he was part of his family money or
16 he was helped in the very beginning of it. So it
17 was pertinent to the company. It's just how we
18 learned about it, something that we learned about
19 the company. It was up to date who was in there.

20 BY MS. BERLIN:

03:27 21 Q. Didn't you understand that Mr. LaForte was
22 one of the founders of the company?

03:27 23 MR. SOTO: Objection to form.

03:27 24 THE WITNESS: We were told he helped start
25 the company.

1 BY MS. BERLIN:

03:27 2 Q. Did you understand -- did you have any
3 sense of who Lisa McElhone was at Complete Business
4 Solutions Group?

03:27 5 MR. SOTO: Objection to form.

03:27 6 THE WITNESS: We were told she was one of
7 the owners.

8 BY MS. BERLIN:

03:27 9 Q. Who told you that?

03:27 10 A. I believe it was Dean or Perry. And I had
11 discussions with Mark Nardelli and among other
12 people. But I don't know who told me first.

03:27 13 Q. When did you first learn that Lisa
14 McElhone was an owner of Complete Business Solutions
15 Group?

03:27 16 A. I don't remember when I learned that.

03:27 17 Q. Did you learn that in 2017? We'll go year
18 by year. Did you know that in 2017?

03:28 19 A. I don't remember if I learned that in
20 2017.

03:28 21 Q. How about 2018?

03:28 22 A. I don't remember what year I learned that.
23 We can go year by year. I'm just letting you know.

03:28 24 Q. You don't remember what year you learned
25 that she was an owner of the company?

03:28 1 A. I would probably say -- no. I don't
2 remember specifically when I learned. I was told
3 that she was one of the owners.

03:28 4 Q. But you don't know what year you learned
5 that; right?

03:28 6 A. Right, 2017 or '18.

03:28 7 Q. 2017 or 2018?

03:28 8 A. Again, I don't recall when I learned that,
9 no.

03:28 10 Q. I'm sorry. Because you've given different
11 years, are you speculating? Do you know or not when
12 you learned --

03:28 13 A. I do not know. I wouldn't want to
14 speculate.

03:28 15 Q. So you're like investing all of your
16 client's, all these investors' money in Complete
17 Business Solutions Group. And you're soliciting
18 investors starting in about late 2017; correct?

03:29 19 A. I do not recall when Fidelis Financial
20 Planning started, but when that started, yes.

03:29 21 Q. And so during the time that you're
22 offering and that your company is purchasing
23 promissory notes from Complete Business Solutions
24 Group, who did you think owned and operated Complete
25 Business Solutions Group?

03:29 1 MR. SOTO: Objection to form.

03:29 2 THE WITNESS: We were told there was
3 multiple owners.

4 BY MS. BERLIN:

03:29 5 Q. Who?

03:29 6 A. I know that Lisa McElhone was one of them.
7 I know it was money raised by family. We were not
8 given a hierarchy structure.

03:29 9 Q. How much money did your company, United
10 Fidelis, invest in these promissory notes from
11 Complete Business Solutions Group?

03:30 12 A. Money was not invested through United
13 Fidelis. It was invested through Fidelis Financial
14 Planning.

03:30 15 Q. I'm sorry. Fidelis Financial Planning.
16 How much money did Fidelis send to CBSG in exchange
17 for promissory notes that CBSG issued to Fidelis?

03:30 18 A. As I stated before, I do not recall
19 exactly how much.

03:30 20 Q. But it's millions; correct? You said
21 between 4 and \$8 million.

03:30 22 A. North of 1 million, yes.

03:30 23 Q. Okay. And so at any time did you make any
24 inquiry about who owns this company that I'm sending
25 all of this money to? Who operates it? Did you

1 ever inquire?

03:30 2 A. Yes.

03:30 3 Q. Okay. And who did you inquire of and what
4 did you learn?

03:30 5 A. (Indecipherable) we asked Perry as we
6 always did. I discussed it with other management or
7 other fund managers.

03:30 8 Q. But at Par Funding you asked Perry, who
9 runs CBSG, which is Complete Business Solutions
10 Group, and who operates it? And what did he tell
11 you?

03:31 12 MR. SOTO: Objection to form.

03:31 13 THE WITNESS: That there's a number of
14 owners.

15 BY MS. BERLIN:

03:31 16 Q. And he didn't identify any of them?

03:31 17 A. He was one. Lisa was one. I was told
18 there were other families that invested, and they
19 then were part owners over time.

03:31 20 Q. And he didn't tell you the names of anyone
21 other than him and Lisa; is that correct?

03:31 22 A. Eventually I learned that Joe was an
23 owner. There was a Joe. Joe -- originally I
24 thought it was both -- or Joe --

03:31 25 Q. Joe Cole Barleta?

03:31 1 A. Initially I thought he might be as a CFO,
2 but I've never seen proof or documentation. Since
3 then, I've learned Joseph LaForte.

03:31 4 Q. Okay. And in March of 2020, you received
5 a video of Joseph LaForte talking about the status
6 of Complete Business Solutions Group as a result of
7 COVID; correct?

03:32 8 A. I believe it was March 2020.

03:32 9 Q. And so when you saw that video, did you
10 have a sense that Mr. LaForte was speaking on behalf
11 of Complete Business Solutions Group?

03:32 12 MR. SOTO: Objection to form.

03:32 13 THE WITNESS: Yes.

14 BY MS. BERLIN:

03:32 15 Q. Was that a shock to you?

03:32 16 A. I wouldn't use the word shock.

03:32 17 Q. What word would you use?

03:32 18 A. At that point, I was shocked at the world,
19 so I wasn't -- it was a message from the company.
20 It was a company representative at that point. I
21 didn't question who represented the company on the
22 video.

03:32 23 Q. Have you ever emailed with Joseph LaForte?

03:33 24 A. I believe I tried to send him one email.
25 I cannot say if I ever got a reply.

03:33 1 Q. When did you email him?

03:33 2 A. I don't recall exactly.

03:33 3 Q. Why? Why did you email him?

03:33 4 A. From my recollection, I tried to sell him
5 insurance in the very beginning.

03:33 6 Q. What kind of insurance?

03:33 7 A. An annuity.

03:33 8 Q. Did you email other people at Complete
9 Business Solutions Group to try to sell them
10 annuities?

03:33 11 A. There were others that I tried to, yes.

03:34 12 Q. Did you ever know a person named Joe Mack?

03:34 13 A. I know of a nickname Joe Mack. I wouldn't
14 say another person.

03:34 15 Q. So tell me about that. The nickname Joe
16 Mack, who was that?

03:34 17 A. Joseph LaForte.

03:34 18 Q. So how do you know -- did you ever have
19 any interaction with Joseph LaForte when he was
20 using the name Joe Mack?

03:34 21 A. Somebody said his name before. They
22 actually said Macki or Mack. I thought it was his
23 middle name, to be honest with you, initially.

03:34 24 Q. And was that when you took the tour of
25 Complete Business Solutions Group and had the brief

1 introduction?

03:35 2 A. I don't recall if that was when I learned
3 what name they used at that point.

03:35 4 Q. So when did you learn that Joe Mack was a
5 nickname for Joseph LaForte?

03:35 6 A. I always referred to him as Joe. I don't
7 recall when I learned that.

03:35 8 Q. Did you learn it before the SEC filed its
9 case?

03:35 10 A. Again, that was always the nickname. I
11 don't recall if that was substituted. I don't
12 recall when.

03:35 13 Q. I just asking if you understood that --
14 like when you learned approximately Joe Mack --

03:36 15 A. (Indecipherable.)

03:36 16 Q. I'm sorry. I have to stop you because the
17 court reporter can't take both of us down. So just
18 wait until I finish my question to speak.

03:36 19 My question is this: When did you learn
20 that Joe Mack or Joe Macki was the same person as
21 Joseph LaForte?

03:36 22 A. I don't remember exactly when that
23 occurred or when that realization came to be.

03:36 24 Q. Okay. Can you tell me approximately when?

03:36 25 A. 2019.

03:36 1 Q. Early or mid or late or can you remember a
2 season?

03:36 3 A. Honestly, I can't remember the weather or
4 the season. We don't have seasons here.

03:37 5 Q. That's true. I forget that you're in
6 Florida. That's hard with seasons.

03:37 7 Do you remember what time of the year it
8 was, the beginning, middle or end of 2019?

03:37 9 A. No, I don't.

03:37 10 Q. Okay. And how did you come to realize
11 that Joseph LaForte used the nickname Joe Mack or
12 Joe Macki?

03:37 13 MR. SOTO: Objection to form.

03:37 14 THE WITNESS: Again, I always thought that
15 was just a nickname. Macki was just probably a
16 pronunciation of somebody. I don't really still see
17 the difference between those two. I never saw it in
18 writing.

19 BY MS. BERLIN:

03:37 20 Q. My question is a little different. Did
21 you learn that Joseph LaForte used the nickname Joe
22 Mack or Joe Macki?

03:37 23 A. When I learned of his criminal history, I
24 knew that his name was LaForte and they referred to
25 the same person as Macki. I just figured that's his

1 middle name or a nickname.

03:38 2 Q. Okay. You said they referred to him as
3 Joe Macki. Who are you referring to?

03:38 4 A. No one specific, whether Perry, Dean,
5 somebody up north maybe. I don't remember.

03:38 6 Q. So just to summarize, then we'll move on,
7 at the same time that you learned about Joseph
8 LaForte's criminal record, you also learned that Joe
9 Mack or Joe Macki is a nickname that he uses; is
10 that correct?

03:38 11 A. Sounds about right. I don't remember
12 seeing his name in writing before that.

03:38 13 Q. I'm not asking if you saw his name in
14 writing. I'm just asking you -- I'm just trying to
15 get down the timing. So I'm going to ask the
16 question again. And there's nothing in my question
17 about seeing anything in writing.

03:39 18 My question is: Do I understand correctly
19 that you learned that Joseph LaForte uses the
20 nickname Joe Mack or Joe Macki at the same time that
21 you learned that Joseph LaForte had a criminal
22 record?

03:39 23 MR. SOTO: Objection to form.

03:39 24 THE WITNESS: Again, I don't remember
25 specifically exactly when I learned that his name

1 was Joseph LaForte. I know that once I saw or
2 learned about the criminal investigation or past,
3 that was the first time I was able to confirm that
4 it wasn't both names at one time or in writing.

5 BY MS. BERLIN:

03:39 6 Q. Okay. I'm still confused.

03:39 7 A. Until I saw -- until I learned about the
8 criminal past, that was the first time I saw his
9 name -- I believe that's the first time I remember
10 seeing his name in writing with LaForte.

03:40 11 Q. Okay. So how did you piece it together
12 when you learned about the criminal history of
13 Joseph LaForte that that was Joe Mack or Joe Macki?

03:40 14 A. Because they were referring to the same
15 person working there, and there wasn't the other
16 Joe, Joe Cole.

03:40 17 Q. When you say "they," who are you referring
18 to in your answer?

03:40 19 A. I believe Perry Abbonizio. I don't
20 remember who even or when I said that. But probably
21 Perry Abbonizio and I discussed or perhaps Dean
22 Vagnozzi in the beginning.

03:41 23 Q. So let me see if I understand this
24 correctly. You learned about the criminal history
25 of Joseph LaForte in 2019, at some point in 2019.

03:41 1 And was it shortly after that that you
2 learned that Joe Mack or Joe Macki was the same
3 person as Joseph LaForte?

03:41 4 A. One in the same person, I learned it when
5 I saw that. Somebody referred to him. I don't
6 remember specifically when.

03:41 7 Q. You said: "I learned that when I saw
8 that." What are you referring to when you say I saw
9 that? What did you see that told you that?

03:41 10 A. Somebody brought up the criminal past.
11 And I did a search, and I know his name came up.
12 They gave me his name or (indecipherable) his name.

03:41 13 Q. I think you testified earlier it was Mark
14 Nardelli.

03:41 15 A. I believe so.

03:41 16 Q. So he gave you the name what? Joseph
17 LaForte?

03:42 18 A. Correct.

03:42 19 Q. And then you looked up Joseph LaForte.
20 And how did that lead you to figure out that Joseph
21 LaForte was the same person as Joe Mack or Joe
22 Macki?

03:42 23 A. Discussion with Mark Nardelli, I believe.

03:42 24 Q. Okay. And so you learned that Joseph
25 LaForte -- let me start again.

03:42 1 You learned that the names Joseph LaForte,
2 Joe Mack and Joe Macki all related to the same
3 person whose legal name is Joseph LaForte at the
4 same time you learned about Joseph LaForte's
5 criminal record; is that accurate?

03:42 6 A. Around that time in discussion with him,
7 yes.

03:42 8 Q. Okay. So that was sometime in 2019;
9 right?

03:43 10 A. From the best of my knowledge, what I
11 recall, yeah.

03:43 12 Q. I'm sorry. Did you say "yes" at the end?

03:43 13 A. From what I can recall.

03:43 14 Q. You testified about this earlier today. I
15 think we nailed it down to it could have been as
16 early as 2019, but it was at some point in 2019 and
17 you don't recall precisely when; is that correct?

03:43 18 A. Correct. I do not recall exactly when.

03:43 19 Q. But sometime in the year 2019? Yes?

03:43 20 A. I don't recall. When we learned about
21 that, it was '18 or '19. I believe it was '19, yes.

03:43 22 Q. Okay. Eugene Sheldon, Steven Bernardo and
23 Frank Nash, if you could just go through each of
24 them and tell me when did you tell them about
25 LaForte's criminal record and what did you tell

1 them?

03:44 2 A. I do not recall when we had any
3 discussions at this point. And that's a compound
4 question. Repeat the second part of it. What we
5 discussed?

03:44 6 Q. Was did you tell Eugene Sheldon about
7 Joseph LaForte and his criminal record?

03:44 8 A. We were told that a member of Par Funding,
9 one of the managers or potential was -- had a
10 criminal past from before Par Funding.

03:44 11 Q. What did you tell Steven Bernardo?

03:44 12 A. A member of Par Funding had a -- we found
13 out afterwards had a criminal past, that he was from
14 a real estate -- something with his family up in --
15 up north.

03:45 16 Q. Okay. And what about Frank Nash, what did
17 you tell him?

03:45 18 A. The same.

03:45 19 Q. Okay. And did you make these
20 representations to Eugene Sheldon, Steve Bernardo
21 and Frank Nash in writing or verbally?

03:45 22 A. Verbally in some way, phone or in person.
23 I don't remember.

03:45 24 Q. Why did you tell -- what did you tell them
25 about Joseph LaForte having a criminal record?

03:45 1 A. As we always -- it was an update. They
2 wanted updates about Par Funding, anything that I
3 had learned potentially. That was new news.

03:46 4 Q. Did they raise Joseph LaForte's criminal
5 record with you first, or did you voluntarily
6 disclose it to them?

03:46 7 A. I disclosed it to them first.

03:46 8 Q. Why when you're giving them an update did
9 you mention that? Was it information that you
10 thought they should be aware of?

03:46 11 MR. SOTO: Objection. Asked and answered.
12 This is Mr. Soto.

03:46 13 THE WITNESS: As I stated before, I
14 brought it up for general updates about Par Funding
15 to try and inform them because I was told.

16 BY MS. BERLIN:

03:46 17 Q. Did you think it was information that was
18 important for them to know?

03:47 19 A. Generally.

03:47 20 Q. So generally, yes or generally, no?

03:47 21 A. I always tried to update them on news that
22 I found out from Par Funding about Par Funding.

03:47 23 Q. So that's not my -- my question is this:
24 Did you think that the criminal record of Joseph
25 LaForte was important information for these

1 investors to know? And your answer was the word
2 "generally."

03:47 3 My follow-up question you to is: When you
4 answered the word "generally," are you indicating
5 generally, yes, or are you indicating generally, no?

03:47 6 A. Just on the information, I generally tried
7 to give them all the information that I had at that
8 time.

03:47 9 Q. Okay. But my question is this. I'm going
10 to ask it again. Your answer -- I asked you,
11 Mr. Furman, if you thought the information about
12 Mr. LaForte's criminal record was important
13 information for these investors to know, and you
14 testified generally, quote, generally, end quote.

03:48 15 So I'm asking you: Did you think it
16 was -- I'm just going to start from the beginning,
17 and I'm going to ask you the same question again.
18 Let's see if we -- please listen carefully and
19 answer.

03:48 20 Did you think that information about
21 Mr. LaForte having a criminal record was important
22 information for the investors to know?

03:48 23 MR. SOTO: Objection to form.

03:48 24 MR. MILLER: Mr. Miller. I join.

03:48 25 THE WITNESS: It was generally important

1 for me to forward all information that I found out
2 about Par Funding to the investors.

3 BY MS. BERLIN:

03:48 4 Q. I'm not asking that. I'm not asking about
5 that. My question is: Did you think it was -- did
6 you think that Mr. LaForte having a criminal record
7 was important information for investors to know?

03:49 8 MR. SOTO: Same objection.

03:49 9 MR. MILLER: Mr. Miller. Join.

03:49 10 THE WITNESS: A simple "yes" or "no"
11 answer that would be misleading. I can't define
12 what those investors would find important or not.

13 BY MS. BERLIN:

03:49 14 Q. I'm asking you what you think, Mr. Furman.
15 You've been a securities professional for a very
16 long time. Mr. Furman, I'm going to ask again.

03:49 17 Mr. Furman, do you believe that the fact
18 that Mr. LaForte had a criminal record was important
19 information for investors contributing money that
20 was going to be sent to Complete Business Solutions
21 Group --

03:50 22 MR. MILLER: Mr. Miller.

03:50 23 MS. BERLIN: I hadn't finished the
24 question.

03:50 25 MR. MILLER: Oh, I apologize.

03:50 1 MS. BERLIN: That's okay. I'm going to
2 ask it again. Then, court reporter, I'm just going
3 to have you keep reading it back until we get an
4 answer, just to flag it for you.

5 BY MS. BERLIN:

03:50 6 Q. Mr. Furman, do you believe that the fact
7 that Mr. LaForte had a criminal record was important
8 information for investors to know?

03:50 9 MR. SOTO: Objection to the form. Asked
10 and answered. Calls for speculation. Mr. Soto.

03:50 11 MR. MILLER: It's Mr. Miller. I join in
12 all of those objections.

03:50 13 MR. MARCUS: And Mr. Marcus also joins in
14 those same objections.

15 BY MS. BERLIN:

03:50 16 Q. Mr. Furman, please answer.

03:50 17 A. Generally, I try to pass on all
18 information that I have to the investor at that
19 time. Let them decide what is important.

03:51 20 Q. My question isn't about that. I'm asking
21 about what you think.

03:51 22 MS. BERLIN: Madam court reporter, I'm
23 going to ask you to please read the question back to
24 Mr. Furman again.

25

1 BY MS. BERLIN:

03:51 2 Q. Mr. Furman, please listen carefully.

3 (The following record was read back:

4 "Q Mr. Furman, do you believe that the
5 fact that Mr. LaForte had a criminal record
6 was important information for investors to
7 know?")

03:51 8 THE WITNESS: I do now.

03:51 9 MR. SOTO: I'm going to ask for a standing
10 objection on this question since you're going to
11 maybe ask it again. Mr. Soto. Same grounds.

03:52 12 MR. MILLER: It's Mr. Miller. I agree
13 with that.

03:52 14 MS. BERLIN: There's no question pending.
15 So please stop objecting. I don't have a question
16 pending. I understand. We do a premature. I get
17 it. But I'm not asking that question again. So
18 let's move on. I understand. Just to nip this in
19 the bud.

20 BY MS. BERLIN:

03:52 21 Q. So let's now talk about the Pennsylvania
22 regulatory action concerning Mr. Vagnozzi and his
23 company A Better Financial Plan. You testified
24 earlier that you were aware of that case; correct?

03:52 25 A. Not initially. I eventually learned of

1 it.

03:52 2 Q. Yes. And you learned about it in 2019;
3 correct?

03:53 4 A. The first one, I guess. He's had
5 multiple; correct?

03:53 6 Q. So did you tell any of the potential
7 investors or investors of Fidelis about any
8 Pennsylvania securities regulatory matter relating
9 to Mr. Vagnozzi or his companies?

03:53 10 A. Maybe it's come up over time, but I did
11 not work for Mr. Vagnozzi. So, no, I did not
12 discuss Mr. Vagnozzi's companies with my clients
13 typically.

03:53 14 Q. I'm sorry. You did not discuss what? Can
15 you repeat your answer?

03:53 16 A. I did not discuss Mr. Vagnozzi typically
17 with my clients or with every client. He does not
18 work for my company and didn't represent my company
19 ever.

03:54 20 Q. I'm sorry. The question -- so is the
21 answer no, you did not tell investors or potential
22 investors of Fidelis about any Pennsylvania
23 securities regulatory matter concerning Dean
24 Vagnozzi or any of his companies?

03:54 25 MR. MILLER: Mr. Miller. Asked and

1 answered.

03:54 2 THE WITNESS: Again, as I stated a couple
3 minutes ago, I know we had discussions and it came
4 up with a few people, but I did not represent
5 Mr. Vagnozzi or his companies and did not discuss,
6 when I learned of it very late on, anything that
7 happened to him with my clients. It did not pertain
8 to them. They did not invest with him or through
9 (indecipherable).

10 BY MS. BERLIN:

03:54 11 Q. So you did not disclose it to potential
12 investors or investors; is that correct?

03:54 13 A. &&& There were some conversations that I
14 know has come up, but not for -- over time I cannot
15 recall exactly which ones. It was not something
16 that I -- I did not bring up Mr. Vagnozzi to my
17 clients typically.

03:55 18 Q. You testified that it came up with some
19 investors or potential investors. I wonder if you
20 can identify who.

03:55 21 A. I don't remember. It was very brief. I
22 remember it coming up maybe once or twice briefly,
23 but I don't recall exactly who they were. It was
24 very small in nature.

03:55 25 Q. So why did you -- let me ask you this:

1 According to your testimony, you told Eugene Sheldon
2 that Joseph LaForte had a criminal record.

03:56 3 Did you tell Mr. Sheldon about the
4 Pennsylvania regulatory matters concerning
5 Mr. Vagnozzi or his companies?

03:56 6 A. I don't believe Mr. Vagnozzi has come up
7 with Mr. Sheldon.

03:56 8 Q. So why did you tell Mr. Sheldon about
9 Mr. LaForte's criminal record and not tell
10 Mr. Sheldon about the regulatory matters concerning
11 Mr. Vagnozzi and his companies?

03:56 12 A. Because Mr. -- I didn't discuss Dean
13 Vagnozzi with my client. He wasn't investing with
14 Dean Vagnozzi. But I can't speak to when I learned
15 about that or when Mr. Sheldon invested. So it
16 might have happened after, occurred after. I might
17 have learned after I had a discussion with
18 Mr. Sheldon.

03:57 19 Q. So the reason that you told Mr. Sheldon
20 about Mr. LaForte and his history, but you didn't
21 tell him about Mr. Vagnozzi and his history, is that
22 Mr. Sheldon wasn't investing his money with
23 Mr. Vagnozzi. Did I understand you correctly?

03:57 24 A. You asked me why I did not tell him about
25 Mr. Vagnozzi. I did not tell him about Mr. Vagnozzi

1 because I don't know if I learned about Mr. Vagnozzi
2 when I spoke with Mr. Sheldon, first of all.

03:57 3 Q. If you had known, would you have told
4 Mr. Sheldon?

03:57 5 A. I can't speculate on what I would have
6 done in that situation at that point in time. I
7 don't remember when that was specifically, but I
8 typically did not speak about Mr. Vagnozzi to most
9 of my clients.

03:57 10 Q. But why would you treat the disclosure of
11 Mr. Vagnozzi's regulatory history differently from
12 the disclosure of Mr. LaForte's criminal record?

03:58 13 A. Mr. LaForte works at Par Funding and
14 Complete Business Solutions Group, and Mr. Vagnozzi
15 does not.

03:58 16 Q. Mr. Vagnozzi and his entities were
17 providing the management services for United
18 Fidelis; correct?

03:58 19 MR. MILLER: It's Mr. Miller. I'll object
20 to the form.

21 BY MS. BERLIN:

03:58 22 Q. For Fidelis. For Fidelis; correct?

03:58 23 MR. MILLER: Same objection.

03:58 24 THE WITNESS: His management company was.
25 I don't believe he was personally.

1 BY MS. BERLIN:

03:58 2 Q. His management company, A Better
3 Financial -- I'm sorry -- ABFP Management; correct?

03:58 4 A. To the best of my knowledge, I believe
5 that was ABFP Management; correct.

03:58 6 Q. And Mr. Vagnozzi is the one who signed the
7 contract with you for ABFP Management to provide the
8 management services for Fidelis; correct?

03:58 9 A. I believe so, yeah, with (indecipherable).

03:58 10 Q. And you've even turned over some of the
11 control over the Fidelis bank accounts, meaning the
12 investors funds, to an individual at Mr. Vagnozzi's
13 company ABFP Management; correct?

03:59 14 MR. MILLER: Mr. Miller. I'll certainly
15 object to that one.

03:59 16 THE WITNESS: There was an additional
17 certified public accountant there who was the
18 additional signer at the management corporation,
19 yes.

20 BY MS. BERLIN:

03:59 21 Q. You added someone from ABFP Management as
22 a signatory on the Fidelis bank account; correct?

03:59 23 A. That was the way it was established,
24 correct, together, yes.

03:59 25 Q. So Mr. Vagnozzi's company had the ability

1 to move and control the investor funds that were in
2 the Fidelis bank account; correct?

03:59 3 MR. MILLER: It's Mr. Miller. Object to
4 the form.

03:59 5 THE WITNESS: He was not the signer on the
6 bank account.

7 BY MS. BERLIN:

03:59 8 Q. My question is: Isn't it true that an
9 employee at Mr. Vagnozzi's company ABFP Management
10 was a signatory on the Fidelis bank account and had
11 the power to move investor funds of the account?

04:00 12 A. An employee did; correct.

04:00 13 MR. MILLER: Same objection.

14 BY MS. BERLIN:

04:00 15 Q. And yet you didn't think it was relevant
16 to disclose to investors that Dean Vagnozzi had a
17 regulatory history?

04:00 18 MR. MILLER: Mr. Miller. Object to the
19 form.

04:00 20 THE WITNESS: It was brought up eventually
21 after learning as I made a transition away from
22 Mr. Vagnozzi's management company.

23 BY MS. BERLIN:

04:00 24 Q. So did you start disclosing -- when you
25 learned about Mr. Vagnozzi's regulatory history, is

1 it your testimony that you started disclosing it to
2 investors?

04:00 3 A. It would come up. It could come up in
4 conversation, as part of our conversation.

04:01 5 Q. And that's because investors would
6 sometimes ask you about it because they had read
7 about it?

04:01 8 A. I wouldn't go to that degree. It wasn't
9 brought up many times.

04:01 10 Q. It didn't happen very often that you would
11 talk to an investor or potential investor about
12 Mr. Vagnozzi's regulatory history?

04:01 13 A. No. I stated it was not likely -- it was
14 not often that an investor brought it up to me or
15 looked it up or found it.

04:01 16 Q. So how often was it that you brought it up
17 and told -- involuntarily disclosed it to an
18 investor or potential investor of Fidelis?

04:01 19 A. I don't recall how many times I did.

04:01 20 Q. More than once?

04:01 21 A. Yes.

04:01 22 Q. More than five times?

04:01 23 A. It came up in more than five discussions,
24 yes.

04:02 25 Q. With five different investors?

04:02 1 A. Correct, yes.

04:02 2 Q. What percentage of the Fidelis investors
3 would you estimate you disclosed the Vagnozzi
4 regulatory history to?

04:02 5 A. I have no idea what the percentage of. It
6 could have come up in conversation as we tried to --
7 as I tried to move the accounting over.

04:02 8 Q. Is it your testimony that you told most of
9 the investors?

04:02 10 A. I attempted to.

04:02 11 Q. I'm not asking what you attempted. I'm
12 asking what you did.

04:02 13 Did you tell most of the investors about
14 Mr. Vagnozzi's regulatory history and that of his
15 companies?

04:02 16 A. Generally.

04:02 17 Q. Is that a generally, yes or generally, no?

04:02 18 A. Generally, yes.

04:03 19 Q. Okay. What about the Texas securities
20 action that we discussed earlier today, the Texas
21 securities action that the state regulators brought
22 against CBSG and others. Did you disclose the Texas
23 regulatory action to the Fidelis investors?

04:03 24 A. I learned that after taking over the
25 accounting. So he was no longer involved.

04:03 1 Q. I'm sorry?

04:03 2 A. I learned about that after I took over the
3 accounting. ABFP Management was no longer involved.

04:03 4 Q. Okay. My question isn't who was doing
5 your managing at that time.

04:03 6 My question was: Did you disclose to the
7 Fidelis investors that there was the Texas
8 securities regulatory action against Complete
9 Business Solutions Group and others?

04:04 10 MR. SOTO: Objection. Asked and answered.
11 Mr. Soto.

04:04 12 THE WITNESS: Don't recall when that came
13 up.

14 BY MS. BERLIN:

04:04 15 Q. Did you disclose the existence of the
16 Texas state regulatory action to any Fidelis
17 investor?

04:04 18 A. Yes.

04:04 19 Q. Who?

04:04 20 A. Roland Manuel.

04:04 21 Q. Your business partner; right?

04:04 22 A. Investor.

04:04 23 Q. And your business partner as well;
24 correct.

04:04 25 A. One of.

04:04 1 Q. Excuse me?

04:04 2 A. I wouldn't call him a business partner.
3 We worked together, associates.

04:04 4 Q. And he was your co-director of United
5 Fidelis; correct?

04:04 6 A. Incorrect. I never said he was
7 co-director.

04:04 8 Q. Okay. He was not a director of United
9 Fidelis?

04:04 10 A. I don't remember if the word director was
11 there. I believe I recall his being a treasurer.
12 It's on the state website. I do not remember exact
13 titles.

04:05 14 Q. So you told the treasurer of your company.
15 Who else did you tell who was an investor of
16 Fidelis?

04:05 17 A. I don't recall specifically.

04:05 18 Q. You only recall the treasurer of your
19 company?

04:05 20 A. It might have come up in conversation for
21 Dean Vagnozzi. I didn't -- it was learned after the
22 pandemic. I didn't meet many clients at that point.

04:05 23 Q. Mr. Furman, you were sending a lot of
24 emails to the Fidelis investors in March and
25 April 2020; isn't that correct?

04:05 1 A. Correct.

04:05 2 Q. And so in any of those email messages did
3 you disclose to the investors that the Texas
4 securities regulators had filed their action against
5 Complete Business Solutions Group?

04:05 6 A. I can't recall an email specifically.

04:06 7 Q. So you don't remember whether or not you
8 included that in any of your messages?

04:06 9 A. I don't recall when I learned that, as I
10 stated before.

04:06 11 Q. But that's not my question. My question
12 was whether or not it was in the emails.

04:06 13 A. I cannot remember if it was in any emails.

04:06 14 Q. Well, if you had known about the Texas
15 regulatory action by March or April 2020, would you
16 have told your investors about it?

04:06 17 MR. SOTO: Objection to form.

04:06 18 THE WITNESS: If I had known, yes.

19 BY MS. BERLIN:

04:06 20 Q. And why would you have told them?

04:06 21 A. An update on Par Funding.

04:06 22 MR. SOTO: Same objection.

23 BY MS. BERLIN:

04:06 24 Q. Would you consider the Texas regulatory
25 action against Par Funding something that investors

1 would want to know?

04:07 2 MR. SOTO: Objection to form. This is
3 Mr. Soto.

04:07 4 MR. MILLER: Mr. Miller. I join.

04:07 5 THE WITNESS: I would generally say yes,
6 that they would want to know any and all information
7 that they could learn. I don't want to speculate on
8 the importance.

9 BY MS. BERLIN:

04:07 10 Q. But you're a securities professional and
11 you're well aware of the rules governing material
12 information about investments and disclosure
13 obligations; correct?

04:07 14 A. Incorrect. I'm not a securities
15 professional.

04:07 16 Q. I'm sorry. Well, you were selling
17 promissory notes for a number of years; correct?

04:07 18 A. That is correct.

04:07 19 Q. Okay. And at some point you had
20 securities licenses?

04:07 21 A. Many years ago in my life.

04:08 22 Q. So you took the securities exams and you
23 took classes or educated yourself about the
24 securities laws to do that; correct?

04:08 25 A. At that point.

04:08 1 Q. Would you agree with me that the fact that
2 investor money was going to a company that was the
3 subject of a securities regulatory action for fraud
4 is important information to consider when deciding
5 whether or not to invest funds?

04:08 6 MR. SOTO: Objection to form. This is
7 Mr. Soto.

04:08 8 MR. MILLER: Mr. Miller. I join.

04:08 9 THE WITNESS: I don't want to speculate on
10 what an investor might find important.

11 BY MS. BERLIN:

04:08 12 Q. Well, Mr. Furman, I'm not asking you to
13 speculate about a specific investor. I'm asking for
14 your personal opinion and your opinion as someone
15 who invests in Par Funding using promissory notes.

04:09 16 A. Not necessarily.

04:09 17 Q. So you don't think it's important?

04:09 18 A. I said not necessarily.

04:09 19 Q. Okay. So not necessarily, can you expand
20 on that?

04:09 21 A. Not necessarily. If there's an allegation
22 in Texas would it necessarily apply to an investor
23 or myself in Florida and the difference between an
24 allegation and something that's proven.

04:09 25 Q. What if it's an order, a Cease-and-Desist

1 Order with findings concerning Complete Business
2 Solutions Group and others engaging in fraud? What
3 about that? Is that information that you would
4 consider important in connection with an investment?

04:09 5 A. I consider all information of some type of
6 importance, yes.

04:09 7 MR. MILLER: Mr. Miller. I'm just going
8 to object to the form.

9 BY MS. BERLIN:

04:10 10 Q. Did you tell investors and potential
11 investors of Fidelis that the investments were
12 insured?

04:10 13 A. No.

04:10 14 Q. Did you tell them that Par Funding had
15 insurance?

04:11 16 A. Have you finished your question?

04:11 17 Q. Yes.

04:11 18 A. Can you be more specific on that?

04:11 19 Q. Did you make any representations to any
20 investors or potential investor of Fidelis about
21 insurance in connection with the Fidelis offering?

04:11 22 A. At some point they changed their brochure
23 and added an insurance program against their
24 advances.

04:11 25 Q. So did you tell investors or potential

1 investors about the insurance? I asked you that,
2 but you testified it was in a brochure.

04:11 3 I'm asking: Did you ever communicate
4 anything about insurance to the investors or
5 potential investors?

04:12 6 A. We communicated about insurance, that Par
7 Funding held insurance on their advances to
8 companies, not insurance on the investment.

04:12 9 Q. So on the loans that they were making that
10 they have insurance; is that correct?

04:12 11 A. Correct. And that was at some point in
12 the middle. They changed it. It was an added value
13 that they started to roll out.

04:12 14 Q. So what did you tell investors or
15 potential investors about that?

04:12 16 A. We were told that they were starting to
17 insure advances over...

04:12 18 Q. Over what?

04:12 19 A. I believe it was 50,000. I don't want to
20 misspeak. It's in the brochure. And it was not
21 going to be every advance, but it was going forward.
22 So they would be blended in, I guess you could say.
23 That was their new value add for added value to the
24 company and safety for the company and getting paid
25 back.

04:13 1 Q. So who told you that information?

04:13 2 A. Perry Abbonizio.

04:13 3 Q. Anyone else?

04:13 4 A. It might have come up in discussions, but
5 not that I remember. I mostly communicated only
6 with Perry and maybe Joe Cole. But Joe Cole, we
7 didn't have many discussions, to be honest.

04:13 8 Q. At some point, did investors come to you
9 and ask you about the insurance coverage?

04:13 10 A. They asked many questions. I'm sure that
11 there were questions about insurance, yes. I got
12 that asked quite a lot.

04:13 13 Q. In approximately April 2020, did you tell
14 the Fidelis investors that Par Funding's insurance
15 did not cover the loans that Par Funding had been
16 making?

04:14 17 A. We forwarded the information that they
18 said that they were not able to insure those
19 advances at some point. I don't remember the exact
20 date.

04:14 21 Q. You said we forwarded it. Did you do it?
22 And if so, whose information were you forwarding?

04:14 23 A. We received an email with -- a pretty
24 lengthy email. It was part of that email as well.
25 I believe it was written either by CBSG or Dean

1 Vagnozzi. I don't remember.

04:14 2 Q. Who did you receive it from?

04:14 3 A. Either Dean Vagnozzi or somebody at CBSG.
4 I don't recall exactly what email it came from.

04:14 5 Q. Did you tell the investors that there was
6 no coverage because of an act of God?

04:14 7 A. I believe it was along those lines of an
8 exclusion, something along those lines of being
9 insurance. I know act of God or something like
10 that. I believe it was act of God.

04:15 11 Q. So why did you tell investors there was no
12 coverage on the basis of there being an act of God?

04:15 13 A. That's what we were told as fund managers
14 from the management, John Pauciulo from CBSG, the
15 group up north, through Zoom and phone calls and
16 email.

04:15 17 Q. I'm sorry. Who told you? You said John
18 Pauciulo?

04:15 19 A. He was on a Zoom call and phone calls.

04:15 20 Q. I'm not asking if he was present. I'm
21 asking who made that representation to you that
22 there was no insurance coverage due to an act of
23 God.

04:15 24 A. It was a conversation with everybody on
25 the line. I can't recall who from up north actually

1 said those words.

04:15 2 Q. When you say everybody on the line, who
3 was that?

04:15 4 A. We had multiple calls of all the fund
5 managers, Dean Vagnozzi, Perry Abbonizio, and I know
6 that there were other -- maybe other representatives
7 from CBSG as well as John Pauciulo was on the line
8 as the in-between.

04:16 9 Q. So you don't recall who told you it was an
10 act of God exclusion that applied?

04:16 11 A. Those words, I believe it was an email,
12 but it probably came up in conversation as well. I
13 mean, there was --

04:16 14 Q. My question is who told you.

04:16 15 A. One of those three parties. I don't know
16 who. Out of those three, I can't recall exactly who
17 said it over the phone.

04:16 18 Q. When you say those three, are you
19 referring to John Pauciulo, Dean Vagnozzi or Perry
20 Abbonizio?

04:16 21 A. Correct. I don't remember if there was
22 another representative from Par Funding. Maybe even
23 Joe Cole. We had conversations. But I believe it
24 was Perry, Dean or John Pauciulo.

04:16 25 Q. Did you ever do anything or take any steps

1 to confirm whether or not that was true, there was
2 no insurance coverage because of an act of God?

04:17 3 A. Other than repeatedly questioning, I don't
4 see -- I'm not sure what steps you're referring to.

04:17 5 Q. Well, I'm asking you. Did you take any
6 steps to figure out if that was true? And if so,
7 then you would tell me the steps you took.

04:17 8 A. I researched what act of God meant and
9 exclusions.

04:17 10 Q. What did you learn?

04:17 11 A. That at that point because of COVID, there
12 were many people claiming that that was under that
13 exclusion for various reasons at that point.

04:17 14 Q. So how did you go about doing this
15 research?

04:17 16 A. Some search engines.

04:17 17 Q. Like online?

04:17 18 A. We were stuck in our house. We were
19 ordered not to leave. So it was basically online at
20 some point. Whether it was by phone or computer, I
21 don't remember. And then obviously questioning
22 people that I could, talked to Perry, that kind of
23 thing.

04:18 24 Q. Who did you question? Perry Abbonizio?

04:18 25 A. Yes. That was my main -- only contact

1 there.

04:18 2 Q. Did you ever speak with anyone at the
3 insurance company?

04:18 4 A. No.

04:18 5 Q. Did you ever ask to see an insurance
6 policy?

04:18 7 Excuse me? I'm sorry. I can't tell if
8 you answered.

04:18 9 A. I'm trying to remember if I've -- I was
10 never given one. I don't recall if I asked or not.

04:19 11 Q. So after you were told there was no
12 insurance coverage because of an act of God, other
13 than searching online yourself, did you do anything
14 else?

04:19 15 A. I looked at policies on my own. They're
16 not the same type of policy. I'm not sure of their
17 policy. I looked if there was an exclusion called
18 act of God which there was during Corona. And I
19 can't say what a pandemic was. It was the first one
20 I've ever gone through.

04:19 21 Q. Okay. But you looked at other policies,
22 not any insurance policy that --

04:19 23 A. My car insurance or something to see if it
24 was part of -- as an insurance agent, I was curious.
25 But I did not see a Par Funding or CBSG insurance

1 policy.

04:19 2 Q. And you don't recall whether or not you
3 requested it?

04:19 4 A. I do not remember. I don't recall that
5 now.

04:20 6 Q. Did you make representations to investors
7 or potential investors of Fidelis about the default
8 rate on the Complete Business Solutions Group loans?

04:20 9 A. I provided investors with the financial
10 information that Par Funding provided to us each
11 month and in their brochures.

04:20 12 Q. So is the answer yes? My question is:
13 Did you provide information to investors or
14 potential investors about the default rate on the
15 Complete Business Solutions Group loans?

04:20 16 A. I provided investors with the default rate
17 that I was given by Par Funding.

04:20 18 Q. Okay. And what was that?

04:20 19 A. It changed every month.

04:21 20 Q. Did you tell investors and potential
21 investors that the default rate on the Complete
22 Business Solutions Group loans was 1 percent?

04:21 23 A. I would not say I used those words. I
24 showed them an average.

04:21 25 Q. And what was the average that you showed

1 them?

04:21 2 A. It varied. It changed every month. It
3 was an ongoing figure. I showed them on their
4 financial summary that was provided to us every
5 month.

04:21 6 Q. And what did it range from? What was the
7 range without us having to pull all those up and
8 show them to you?

04:21 9 A. Every month was different. I remember in
10 the .65 range all the way up to probably like
11 6 percent. But the ongoing average was, you know, 1
12 to 2 percent.

04:21 13 Q. And did you think that 1 to 2 -- on
14 average 1 to 2 percent default rate on those loans
15 was accurate? Did you question it?

04:22 16 MR. SOTO: Object to form. This is
17 Mr. Soto.

04:22 18 THE WITNESS: Based on the information
19 provided, I concluded their information every month
20 that was given to us was accurate.

21 BY MS. BERLIN:

04:22 22 Q. So you didn't think that the default rate
23 was higher than 1 to 2 percent?

04:22 24 MR. SOTO: Objection to form.

04:22 25 THE WITNESS: Not at that time.

1 BY MS. BERLIN:

04:22 2 Q. At any time before the SEC brought its
3 case.

04:22 4 A. Now I do. It's an open question.

04:22 5 Q. Listen to the question, please. My
6 question actually excluded the time period after the
7 SEC brought its case. So I'm going to ask it again.

04:22 8 Before the SEC filed this case against
9 you, did you believe that the default rate on the
10 Complete Business Solutions Group loans was actually
11 higher than an average of 1 to 2 percent?

04:23 12 A. Not until perhaps after the pandemic
13 started.

04:23 14 Q. And when specifically did you determine
15 that the loan default rate was actually higher than
16 an average of 1 to 2 percent?

04:23 17 MR. SOTO: Objection to form.

04:23 18 THE WITNESS: I'm not able to determine
19 that even today.

20 BY MS. BERLIN:

04:23 21 Q. You just said after the pandemic. So in
22 March 2020, did you think that the average 1 to
23 2 percent default rate was accurate?

04:23 24 A. At that time we were told that they had
25 many more defaults happening because of the

1 pandemic. We were not told an exact rate.

04:23 2 Q. Okay. How about in 2018, did you believe
3 that the -- let me just ask this another way.

04:23 4 Did you believe that the -- that an
5 average of 1 to 2 percent default rate on the Par
6 Funding loans was accurate all the way up until the
7 time of the pandemic in the spring of 2020?

04:24 8 A. Correct.

04:24 9 MR. SOTO: Same objection.

10 BY MS. BERLIN:

04:24 11 Q. Mr. Furman, I think you --

04:24 12 A. That's correct. He said something when I
13 said, "Correct."

04:24 14 Q. Okay. Did you ever tell anyone or any
15 potential investor that you thought the default rate
16 on the Par Funding loans was in truth higher than
17 the 1 to 2 percent default rate that was advertised?

04:25 18 A. Not I can recall before the -- perhaps
19 after the pandemic.

04:25 20 Q. Right. But before the pandemic?

04:25 21 A. Not that I can recall.

04:25 22 Q. I imagine that if you did come to that
23 realization or if you did think that before the
24 pandemic, then you would have at a minimum disclosed
25 that to the investors; right?

04:25 1 A. If I was provided with financial
2 information that was different, yes, definitely.

04:25 3 Q. With respect to the marketing brochures
4 that you testified to a bit earlier, can you tell me
5 a little bit about the brochures that you utilized
6 in the offer and sale of the Fidelis investment?

04:26 7 A. Can you clarify? The CBSG brochure?

04:26 8 Q. Did you use any brochures? Did you hand
9 out any brochures to any potential investors in
10 connection with --

04:26 11 A. It was a general -- I don't remember the
12 size -- 8 by 12 brochure that Par Funding provided
13 in a little bound book.

04:26 14 Q. And is that something that you had
15 received like from Par Funding via email or mail?

04:26 16 A. By mail or Perry would bring it down in a
17 box for the presentations.

04:26 18 Q. And you handed out those brochures at your
19 presentations or if people went to your office to
20 meet with you about the Fidelis offering?

04:27 21 A. They were provided to them for their use,
22 yes.

04:27 23 Q. Okay. And so did you use any other
24 marketing materials in addition to the marketing
25 brochure?

04:27 1 A. There were when we sent people to their
2 website if they wanted to. I know there was a
3 couple one-pagers, maybe two page. I don't remember
4 how many pages there were. I wouldn't call them
5 brochures. They were files. I can say they were
6 printed and could be provided or were shown.

04:27 7 Q. And all of this was effective and
8 initially given to you by Par Funding?

04:27 9 A. Correct. I want to clarify. It might
10 have also been emailed to us directly from Dean in
11 the beginning, but provided by Par Funding, yeah,
12 provided by CBSG.

04:28 13 Q. So you would receive it from someone at
14 CBSG or from Dean Vagnozzi?

04:28 15 A. From ABFP, specifically not always Dean,
16 but the management, or Mike Tierney who was usually
17 in charge of us.

04:28 18 Q. Okay. When you say "usually in charge of
19 us," what do you mean?

04:28 20 A. When we started, we met Dean Vagnozzi. As
21 we joined the -- I don't remember your verbiage of
22 the group of advisors that become fund managers. We
23 were all -- he put Mike Tierney in charge of all the
24 fund managers. So that was our go-to person just as
25 (indecipherable) was our go-to person at Par

1 Funding. That was who we would call or speak to.

04:28 2 Q. The promissory notes, what was the
3 interest rate that Complete Business Solutions Group
4 gave to Fidelis on the promissory notes that
5 Complete Business Solutions Group issued to Fidelis?

04:29 6 A. Two things. I just want to clarify. I do
7 want to take a quick bathroom break after this
8 question. I want to clarify. The note between CBSG
9 and the fund?

04:29 10 Q. Yes.

04:29 11 A. The total, 20 percent was the total amount
12 the fund was initially paid. It varied after the
13 exchange rate.

04:29 14 Q. You mean after the exchange offering in
15 April 2020?

04:29 16 A. Yeah. It was 20 percent to start. That
17 was not what -- that was the beginning rate. It
18 changed after.

04:29 19 Q. So to be clear, up until April of 2020,
20 the CBSG promissory notes that were issued to
21 Fidelis had a 20 percent interest rate. And then
22 after the exchange offering in about April 2020, the
23 CBSG promissory notes issued to Fidelis had a lower
24 interest rate; is that correct?

04:30 25 A. Correct.

04:30 1 Q. And so was it 5 percent after the exchange
2 offering?

04:30 3 A. That is correct.

04:30 4 Q. And what interest rate did Fidelis offer
5 to investors up until the exchange offering in
6 April 2020?

04:30 7 A. 9 to 15 percent. I do need to take a
8 bathroom break, a short bathroom break right now.

04:30 9 Q. Let's do it. Why don't we take a
10 ten-minute break. So we'll come back on at 4:40.

04:30 11 THE VIDEOGRAPHER: And we are going off
12 the record at 4:30 p.m.

13 (Recess from 4:30 p.m. to 4:44 p.m.)

04:44 14 THE VIDEOGRAPHER: And back on the record
15 at 4:44 p.m.

16 BY MS. BERLIN:

04:44 17 Q. You have an insurance license; is that
18 correct, Mr. Furman?

04:45 19 A. That is correct.

04:45 20 Q. What kind of insurance do you sell?

04:45 21 A. Life, health, annuities, disability,
22 long-term care over the years.

04:45 23 Q. Do you sell insurance policies to people
24 or companies or both?

04:45 25 A. People.

04:45 1 Q. Do you ever sell insurance to companies?

04:45 2 A. No. I don't believe that's part of my
3 licensing.

04:45 4 Q. Have the insurance policies -- have
5 insurance policies on your clients like been
6 canceled due to an act of God because of COVID?

04:46 7 A. Not as of today that I know of.

04:46 8 Q. I'm just trying to understand why -- did
9 you believe that CBSG had insurance that wasn't
10 providing coverage because of an act of God due to
11 COVID?

04:46 12 A. I believe that we were told that their
13 insurance policies would not pay out due to an
14 exclusion they said was act of God. I'm not a
15 specialist on group or business insurance, let alone
16 a pandemic.

04:47 17 Q. You're an expert on insurance though, like
18 insurance. You do have an insurance license;
19 correct?

04:47 20 A. Individual license, yeah, individual
21 insurance.

04:47 22 Q. And some of those policies have act of God
23 provisions I assume; is that correct?

04:47 24 A. They have various provisions as life
25 insurance.

04:47 1 Q. Is act of God one of them?

04:47 2 A. I believe it is in many. I won't say
3 every life insurance policy, but it is one of the
4 provisions in many.

04:47 5 Q. But did it make sense to you that COVID,
6 which has impacted the entire world, would be
7 considered an act of God that could warrant an
8 insurance company not providing coverage?

04:47 9 A. Certainly possible.

04:47 10 Q. Wouldn't that mean that every insurance
11 company in the world could deny coverage because
12 everyone in the world is impacted by a world
13 pandemic?

04:48 14 A. If it was applicable to those that are
15 impacted.

04:48 16 Q. But at this time, none of the insurance
17 policies -- and you're in this industry. Were you
18 aware of any other policy anywhere that was being --
19 where there was a coverage denial due to COVID being
20 an act of God?

04:48 21 A. None of my clients died at that point.

04:48 22 Q. I'm not asking that.

04:48 23 A. They're life insurance policies, so they
24 don't pay out until you pass. At that point, I had
25 heard -- read things online of different exclusions,

1 but I can't recall any specific instances right now.

04:48 2 Q. Did you ever take a look at the Par
3 Funding provided information regarding the loans in
4 default and calculate yourself to determine whether
5 the default rate was higher than advertised?

04:49 6 A. I had done some based on the information
7 they provided. I added and subtracted and
8 multiplied a few columns out on my own over time.

04:50 9 Q. And what conclusion did you come to?

04:50 10 A. Based on what they provided when I did it,
11 it was accurate.

04:50 12 Q. Okay. And so it was accurate that the
13 average was about 1 to 2 percent based on the
14 calculation that you did?

04:50 15 A. For that one instance or two instances. I
16 did not recalculate their entire spreadsheet or
17 financials every month, which is when they provided
18 it. That would defeat the purpose of them providing
19 their own financials.

04:50 20 Q. Of course. I'm asking about the times
21 when you did do it. You've testified that at a
22 certain point, you wanted to do your own
23 calculations to do the math and figure it out. And
24 my question is when you did that.

04:50 25 A. I don't recall specifically exactly when,

1 which month.

04:51 2 Q. I'm sorry. I wasn't finished with my
3 question. I wasn't asking when you did that. When
4 you made the calculations, when you, Michael Furman,
5 went in and did your own calculations of the default
6 rate, did that show that the default rate was the
7 same as what was being advertised to investors?

04:51 8 A. Again, they changed every month, but the
9 one month that I did my own shorthand and divided it
10 out, it was in line with the form that I was given.
11 The numbers added up.

04:51 12 Q. Okay. And with an average of about 1 to
13 2 percent?

04:51 14 A. Sounds about right. I don't recall
15 exactly what it was at that month again. It changed
16 every month, but, yeah, around that average.

04:51 17 Q. Do you remember what your calculations
18 showed as far as what the default rate was?

04:52 19 A. No, I don't.

04:52 20 Q. Was it around -- like do you remember if
21 it was around 1 or 2 percent or if it was like a lot
22 higher, like 5 percent?

04:52 23 A. Each month was different. Again, there
24 were some months that even on their -- on the
25 financial summary were over 4 or 5 percent, but the

1 lifetime average was --

04:52 2 Q. But I'm asking about when you went and did
3 your own calculations, you, Michael Furman, go and
4 do your own calculations. And at the end, I'm
5 guessing that you had a calculation that shows you a
6 percentage. Are you with me so far?

04:52 7 A. Correct. I am so far.

04:52 8 Q. So when you did that, do you remember what
9 that percentage was?

04:52 10 A. Not specifically.

04:52 11 Q. Okay. Do you remember generally if it was
12 low, like around 1 to 2 percent, or it was a lot
13 higher, like around 5 percent?

04:52 14 A. It was lower. It was 1 to 2 point
15 something, 1 point something. I don't remember
16 specifically.

04:53 17 Q. Okay. We were talking about the interest
18 that was -- that Fidelis gave to investors, and you
19 said there was a range and it was up to 15 percent
20 that you offered to investors through the Fidelis
21 promissory notes; right?

04:53 22 A. To the investor; correct.

04:53 23 Q. And what was the average interest rate
24 that you offered to investors?

04:53 25 A. Before the exchange note or after?

04:53 1 Q. Yes, yes, before the exchange.

04:53 2 A. 9 to 15 percent.

04:53 3 Q. I'm asking what was the average. Like
4 within that range of 9 to 15 percent, what was
5 average? Like did most investors -- I'll ask it a
6 different way.

04:53 7 Did most investors get something closer to
8 9 or something closer to 15? Was 15 an outlier?
9 Can you give me a general sense?

04:54 10 A. It was based on investment size. I can't
11 say percentage-wise, but there was a larger
12 percentage, between 9 and 12 or 14, and then 15 was
13 only one category.

04:54 14 Q. How many investors were at the 15 percent
15 interest rate level?

04:54 16 A. I do not remember at this point.

04:54 17 Q. Was Roland Manuel at the 15 percent level?

04:54 18 A. I don't believe so, no.

04:54 19 Q. So it's accurate to say that you would
20 get -- you would take investor money, give it either
21 directly or indirectly using ABFP Management to
22 CBSG, and CBSG would then issue a promissory note to
23 Fidelis offering 20 percent on the amount of
24 investor funds that you had forwarded to CBSG; is
25 that right?

04:55 1 A. I wouldn't agree with that entirely.
2 There's many different moving parts there. Some of
3 that would be incorrect, or I wouldn't state it the
4 way you stated it.

04:55 5 Q. Okay. Tell me then. Why don't you state
6 it in your own words.

04:55 7 A. What I want to clarify, that there was a
8 point in time -- I don't remember the exact date.
9 I'm sure you have it -- that CBSG no longer managed
10 the Fidelis fund, as you call it. So up until that
11 point, the funds went into the Fidelis bank account,
12 but then ABFP Management would handle all payments
13 to and from of interest payments and investing the
14 actual principal between CBSG and the fund and then
15 paying the clients the interest and then paying
16 themselves their management fee.

04:56 17 Q. So did Fidelis add any additional money to
18 the amount that was sent to Complete Business
19 Solutions Group in exchange for a promissory note,
20 or did it simply forward directly or indirectly
21 through ABFP Management the investor money?

04:56 22 A. I'm not sure I understand your question.
23 Can you restate it?

04:56 24 Q. Sure. By the way, when I say -- when I
25 refer to Fidelis sending money to CBSG directly or

1 indirectly, when indirectly is used is because I'm
2 including the fact that sometimes someone at ABFP
3 Management goes into the Fidelis bank account and
4 moves the money to CBSG. Do you understand?

04:56 5 A. Understood.

04:56 6 Q. Okay. So my question is: Is it accurate
7 that Fidelis would collect the investor funds
8 directly or indirectly and then send those funds,
9 either directly or through someone at ABFP
10 Management to Par Funding and Par Funding would then
11 issue a promissory note to Fidelis management for
12 the amount of the investor funds it had received
13 from Fidelis and would provide 20 percent interest
14 on that amount?

04:57 15 A. Well, the promissory note was started
16 before, I believe, the actual transfer indirectly or
17 directly was done by ABFP Management. And you did
18 state Fidelis management. It's not
19 Fidelis management. But if you mean Fidelis, then
20 Fidelis. That would be -- the promissory note was
21 started before the transfer was or indirectly funds
22 were transferred. And it was started and initiated
23 once the transfer went through as far as I was
24 concerned.

04:58 25 Q. Right. You would report to either someone

1 at ABFP Management or to someone at Par Funding how
2 much investor money Fidelis was sending.

04:58 3 A. Well, prior to sending it, we would sign
4 those documents, yes.

04:58 5 Q. Right. Based on the amount of investor
6 funds that had been raised; correct?

04:58 7 A. Correct, or that would be sent.

04:58 8 Q. But the amount that you already knew was
9 coming in?

04:58 10 A. Correct, correct.

04:58 11 Q. The investors had already committed and
12 you were then going to forward the money. So you
13 would report it to them. And they would then issue
14 a promissory note in the amount that Fidelis
15 represented it was going to be sending out; is that
16 accurate?

04:58 17 A. That sounds accurate.

04:58 18 Q. Okay. So my question is the promissory
19 notes that CBSG issued, the principal figure from
20 those promissory notes was a figure that was based
21 on investor funds, not any money that Fidelis was
22 putting in separately; correct?

04:59 23 A. If I understand your question correctly,
24 yes, those were investments.

04:59 25 Q. So, in other words, if CBSG/Par Funding --

1 if it issued a promissory note to Fidelis for
2 \$100,000, that \$100,000 was based on \$100,000 of
3 investor money that Fidelis had sent up to Par
4 Funding; is that accurate?

04:59 5 A. Correct.

04:59 6 Q. Did Fidelis ever invest any Fidelis money
7 in exchange for a promissory note from Par Funding?

04:59 8 A. I'm not sure I understand the question.
9 Fidelis money is the investor money.

04:59 10 Q. Okay. So was anything other than investor
11 money ever utilized by Fidelis to obtain a
12 promissory note?

05:00 13 A. No.

05:00 14 Q. Around what time period did Fidelis stop
15 utilizing ABFP Management to manage the fund?

05:00 16 A. When I initiated the process or when I
17 actually started doing it -- when I actually did any
18 of the, as you call it, direct or indirect transfers
19 myself?

05:00 20 Q. You can answer the question however you
21 need to.

05:00 22 A. I started in late -- I obtained an
23 attorney and started in I believe it was -- again, I
24 do not recall exact dates. I'm sure you have them.
25 I started talking to an attorney and retained an

1 attorney I believe it was late 2019. And early 2020
2 is when we initiated that process formally.

05:01 3 And then if I recall correctly, the
4 pandemic hit, and I only really made the -- United
5 Fidelis or Fidelis Financial Planning, I finally
6 really made the payments without the management. I
7 don't recall what month it started, but it was in
8 2020.

05:01 9 Q. So up until -- from the beginning of
10 Fidelis up until early 2020, Fidelis was operating
11 under the management agreement with ABFP Management;
12 is that true?

05:01 13 A. Correct.

05:01 14 Q. And under that agreement, ABFP would
15 receive a 5 percent fee?

05:01 16 A. You broke up there. Can you repeat that
17 real quick?

05:01 18 Q. Sure. What compensation did ABFP
19 Management receive in exchange for the management
20 services it provided?

05:02 21 A. ABFP Management's fee, management fee was
22 25 percent. I believe it was 25 percent of the
23 interest.

05:02 24 Q. You said of the interest. Do you mean
25 25 percent of the 20 percent interest on the

1 promissory note? Can you explain?

05:02 2 A. Correct, of the interest between what the
3 investor got and the 20 percent.

05:02 4 Q. So let me try to clarify this. Is it true
5 that after Fidelis received funds from CBSG, it
6 would pay the investors their interest and then keep
7 the remainder. Is that accurate?

05:02 8 A. ABFP would pay the clients their interest,
9 and then they would pay themselves 25 percent of the
10 remaining interest.

05:03 11 Q. Okay. And then 75 percent of the
12 remaining interest would go where?

05:03 13 A. It would stay in the fund, be paid to the
14 fund.

05:03 15 Q. In Fidelis?

05:03 16 A. In Fidelis.

05:03 17 Q. And how much did you pay yourself from
18 Fidelis?

05:03 19 A. I don't recall specifically. It varied.
20 I paid myself through United Fidelis Group.

05:03 21 Q. So would you transfer the funds from
22 Fidelis to United Fidelis and then pay yourself?

05:04 23 A. Correct.

05:04 24 Q. So the 75 percent -- hold on just a
25 moment.

05:04 1 MS. BERLIN: I'm so sorry. I hope that
2 you didn't hear. In the background I have some,
3 like, teenage noise. I don't know if you can hear.
4 But I asked everyone to be quiet. I'm not sure if
5 you guys can hear it on your end.

05:04 6 MR. SOTO: Amie, we heard it. No need to
7 apologize. We're all dealing with the same thing.
8 It's not your fault.

05:04 9 MS. BERLIN: I'm sorry.

10 BY MS. BERLIN:

05:05 11 Q. So the 75 percent -- I'm sorry. Do you
12 recall how much you received from United Fidelis
13 from the time the Fidelis offering began until the
14 SEC filed its case?

05:05 15 A. That was my -- no, I don't. That was
16 my -- that was my main company from insurance. That
17 was my only income.

05:05 18 Q. Go ahead. I'm sorry.

05:05 19 A. From United Fidelis you asked.

05:05 20 Q. And you don't recall approximately how
21 much you received?

05:05 22 A. Exactly, no. There's approximate numbers
23 on what was in receivership and what was not in
24 receivership. I couldn't divide that out. I don't
25 recall.

05:06 1 Q. I'm sorry. I'm asking what you paid
2 yourself from United Fidelis during the time of the
3 Fidelis offering, or an approximate number. How
4 much did you personally profit?

05:06 5 A. Well, United Fidelis was my insurance
6 agency as well. So it's hard to -- I don't
7 remember. My salary increased. My wages increased
8 as I produced. I was a sole employer there.

05:06 9 Q. Okay. And I'm just asking for an
10 approximate figure.

05:06 11 A. I believe -- I don't remember. I paid
12 myself it was probably 6 to \$10,000 a month.

05:06 13 Q. During the time that ABFP Management was
14 providing the management services for Fidelis, what
15 services was Fidelis providing in connection with
16 its offering?

05:07 17 A. Can you restate that question?

05:07 18 Q. Sure. During the time up until early
19 2020, so during the entire time that ABFP management
20 was providing all the management services for
21 Fidelis, what services was Fidelis providing for the
22 investment fund?

05:07 23 A. We were generally finding investors.

05:07 24 Q. Anything else?

05:07 25 A. Marketing.

05:08 1 Q. Marketing to investors?

05:08 2 A. General, general marketing, talking to
3 investors, potential investors.

05:08 4 Q. Okay. So it was doing sales-related work
5 with respect to investors or potential investors; is
6 that correct?

05:08 7 A. Typically.

05:08 8 Q. Was it doing anything else? During the
9 time from the beginning up until when ABFP
10 Management stopped providing the management services
11 in early 2020, was Fidelis providing any other
12 services other than marketing and sales to
13 investors?

05:08 14 A. Payments were coming from the Fidelis bank
15 account, and it just was being handled by ABFP
16 Management.

05:09 17 Q. I understand that ABFP Management was
18 handling the money. So I'm not asking what they
19 were doing. I'm asking what Fidelis was doing. And
20 you testified it was doing the sales and marketing.

05:09 21 So my question is: Was there anything
22 else that Fidelis was doing, or is your answer
23 complete?

05:09 24 A. Not typically anything else.

05:09 25 Q. What about atypically?

05:09 1 A. Not that I can recall, anything specific.

05:09 2 Q. Okay. Did you ever tell any of the other
3 agent fund managers about Mr. LaForte had some sort
4 of a criminal record?

05:10 5 A. Again, I know I had conversation with Mark
6 Nardelli about it. And I know I had a conversation
7 with the accountant, Mike Tierney, as a fund
8 manager.

05:10 9 Q. Anyone else?

05:10 10 A. Not that I can recall.

05:11 11 Q. Turning back to the radio show, the radio
12 advertisements that were placed and the newspaper
13 advertisements that United did in connection with
14 the Fidelis offering, would individuals contact
15 United Fidelis after hearing or seeing those
16 advertisements in order to learn more about
17 investment offerings?

05:11 18 A. Sometimes they would reach out directly.
19 Sometimes they would leave us a message to get more
20 information about United Fidelis Group and
21 everything that we did.

05:11 22 Q. Okay. And you would call them back and
23 provide information to them?

05:12 24 A. Usually my assistant, but yes.

05:12 25 Q. In addition to having your own, sort of

1 your own marketing event, would you also invite
2 potential investors to attend marketing events that
3 Dean Vagnozzi was hosting?

05:12 4 MR. MILLER: Mr. Miller. Object to the
5 form.

05:12 6 THE WITNESS: I don't believe I ever did,
7 no. I'm not in the same area as him. No. I've
8 never invited a client to Dean Vagnozzi's events
9 ever.

10 BY MS. BERLIN:

05:12 11 Q. And I just want to make sure that I
12 understood you correctly. You testified earlier,
13 and I just want to confirm, did Mr. Vagnozzi ever
14 attend or speak at one of your marketing events?

05:12 15 A. No.

05:12 16 Q. So have you and Mr. Vagnozzi ever been
17 together at an event for potential investors where
18 an investment was discussed or marketed to potential
19 investors that concerned Complete Business Solutions
20 Group?

05:13 21 MR. MILLER: Mr. Miller. Object to the
22 form.

05:13 23 THE WITNESS: No.

24 BY MS. BERLIN:

05:13 25 Q. Mr. Furman, I am going to stop for the

1 day. It's 5:13. So at this time, I have no further
2 questions for today. If we determine that we need
3 to continue or do a second day of depositions, I'll
4 contact you or send you interrogatory questions in
5 writing.

05:14 6 Mr. Furman, are you aware of the fact that
7 the court in this case against you has denied your
8 motion to dismiss the Complaint?

05:14 9 A. I just learned that today. I'm not
10 receiving emails or any filings I guess in a sense,
11 and I tried to file something yesterday. I guess it
12 was yesterday I tried to -- they made me sign
13 something in order to get that. But I do not know
14 if that's working. So, no, I just learned that this
15 morning.

05:14 16 Q. Okay. Do you intend to file an answer to
17 the Complaint?

05:14 18 A. I believe, yes. I believe so. I'm going
19 to file an extension with somebody else and then
20 file the answer so I have time to properly put it
21 together.

05:14 22 Q. Okay. You're going to file a motion
23 asking the court for permission to have more time?

05:14 24 A. And then file the answer, yes.

05:14 25 Q. Well, feel free to email me if you want to

1 confer about the extension of time. You know how to
2 reach me. I don't have any further questions.

05:15 3 MR. ROSENBLUM: May I place something on
4 the record, Ms. Berlin?

05:15 5 MS. BERLIN: Sure.

05:15 6 MR. ROSENBLUM: Good afternoon. This is
7 Doug Rosenblum. I'm counsel for the receiver, Ryan
8 Stumphauzer. My colleague, Tim Kolaya, was on for
9 most of the day as well. I just wanted to state for
10 the record that the receivership order in this case
11 grants the receiver authority to conduct discovery
12 himself as well.

05:15 13 And on behalf of my client, I reserve the
14 right to schedule another deposition of Mr. Furman
15 at the request of the receiver.

05:15 16 MR. SOTO: This is Alex Soto on behalf of
17 Joseph LaForte. We also reserve the right to ask
18 cross-examination or clarifying questions within the
19 scope of the questions asked by Ms. Berlin once
20 she's done. We're obviously not going to do that
21 now, but we just want to make sure we put on the
22 record that we're reserving the right to do exactly
23 that.

05:16 24 MS. BERLIN: I should clarify I think I'm
25 done. And if we have further questions for

1 Mr. Furman, I'm going to send him interrogatories.

05:16 2 MR. SOTO: Oh, okay. I'm sorry. I
3 misunderstood.

05:16 4 MS. BERLIN: I apologize. I should
5 clarify. I think rather than doing this a second
6 day, we would just send Mr. Furman interrogatory
7 questions is my plan. So I don't know if you want
8 to -- do you want to go ahead and cross-examine? I
9 have no further questions.

05:16 10 MR. SOTO: We have quite a bit, and I
11 don't think it makes sense to do that now. So I'm
12 just going to go ahead and reserve my right to
13 recall him for purposes of cross-examination or
14 clarification, again, within the scope of your
15 direct because we didn't cross notice. That's all I
16 have.

05:16 17 MS. BERLIN: Or you could always just
18 notice his deposition, too. But either way.

05:17 19 MR. SOTO: Yeah, I could.

05:17 20 MS. BERLIN: Either way is good. Okay.
21 And I assume like everybody can -- if anybody wants
22 to take his deposition, you can notice it, or if
23 they want to do something that's a
24 cross-examination, we'll schedule that.

05:17 25 MR. SOTO: It's just late in the day.

1 That's all I have. I don't know if anybody else has
2 anything before we close.

05:17 3 MS. BERLIN: No.

05:17 4 Mr. Furman, do you have any
5 cross-examination of yourself that you wanted to do
6 before we conclude?

05:17 7 THE WITNESS: I don't believe so.

05:17 8 MS. BERLIN: Okay. All right. Well,
9 thank you so much. I think we're off the record.

05:17 10 THE VIDEOGRAPHER: And this concludes
11 today's videotape deposition. We're going off the
12 record at 5:17 p.m.

13 (Whereupon, at 5:17 p.m., the taking of
14 the instant deposition ceased.)

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1 COMMONWEALTH OF PENNSYLVANIA)

2 COUNTY OF ALLEGHENY) SS:

3 C E R T I F I C A T E

4 I, Ann Medis, Registered Professional
5 Reporter, Certified Livenote Reporter and Notary
6 Public within and for the Commonwealth of
7 Pennsylvania, do hereby certify:

8 That MICHAEL C. FURMAN, the witness whose
9 deposition is hereinbefore set forth, was duly sworn
10 by me and that such deposition is a true record of
11 the testimony given by such witness.

12 I further certify the inspection, reading
13 and signing of said deposition were not waived by
14 counsel for the respective parties and by the
15 witness.

16 I further certify that I am not related to
17 any of the parties to this action by blood or
18 marriage and that I am in no way interested in the
19 outcome of this matter.

20 IN WITNESS WHEREOF, I have hereunto set my
21 hand this 7th day of June, 2021.

22

23

24



Notary Public

25

Commonwealth of Pennsylvania - Notary Seal
Ann Medis, Notary Public
Allegheny County
My commission expires January 7, 2025
Commission number 1109616
Member, Pennsylvania Association of Notaries

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CERTIFICATE OF WITNESS

I, MICHAEL C. FURMAN, do hereby declare under penalty of perjury that I have read the entire foregoing transcript of my deposition testimony, or the same has been read to me, and certify that it is a true, correct and complete transcript of my testimony given on May 26, 2021, save and except for changes and/or corrections, if any, as indicated by me on the attached Errata Sheet, with the understanding that I offer these changes and/or corrections as if still under oath.

_____ I have made corrections to my deposition.

_____ I have NOT made any changes to my deposition.

Signed: _____
MICHAEL C. FURMAN

Dated this _____ day of _____ of 20____.

