

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

JAMES A. TORCHIA, CREDIT
NATION CAPITAL, LLC, CREDIT
NATION ACCEPTANCE, LLC,
CREDIT NATION AUTO SALES,
LLC, AMERICAN MOTOR CREDIT
LLC, AND SPAGHETTI JUNCTION,
LLC,

Defendants.

Civil Action File No.
1:15-cv-3904-ELR-CCB

**QUARTERLY STATUS REPORT OF RECEIVER FOR
JULY 1, 2023 THROUGH SEPTEMBER 30, 2023**

Pursuant to the Opinion and Order (the “Order”) entered on April 25, 2016, this Court appointed Al Hill as Receiver for James A. Torchia, Credit Nation Capital, LLC (“CNC”), Credit Nation Acceptance, LLC, Credit Nation Auto Sales, LLC, American Motor Credit, LLC (“AMC”), and Spaghetti Junction, LLC (collectively, the “Defendants” and, excluding Mr. Torchia, the “Companies”). A subsequent Opinion and Order issued by the Court on October 25, 2016, added River Green

Capital, LLC, National Viatical, Inc. (“NVI”) and National Viatical Trust (“NVT”) to the Receivership. The Order requires the Receiver to file and serve a full report and accounting of the Defendants’ assets entitled “Quarterly Status Report” within thirty (30) days after the end of each calendar quarter. This is the Receiver’s Quarterly Status Report for the calendar quarter ending September 30, 2023. For an overview of the history of the Receivership, including details of its past operations and investments, investors should visit the Receivership’s website at www.cncreceiver.com.

I. Overview – During the third quarter, the Court issued several rulings effectively bringing all current litigation to an end. With these decisions, the Receivership is now in position to determine a final distribution schedule and seek Court approval of that schedule. The Receiver is now contacting investors to ensure that mailing addresses are up to date for the final distribution. The Receiver expects that those payments will go out by year-end to investors who confirm their current mailing addresses. Until then, the Receivership’s assets are invested in an interest-bearing money market account with immediate liquidity. The details with respect to each Receivership entity are set forth below.

II. Credit Nation Capital – This section of this Quarterly Status Report covers the status of CNC only.¹ The status and operations of NVI are covered in Part III of this report.

A. Overview

During the third calendar quarter of 2023, the Receiver continued to monitor the ongoing litigation while maintaining its remaining policies. Specific activities are described below.

Policies - The only policies remaining in the portfolio as of September 30, 2023, are listed in subpart B below. Policy # 4104 (see item B below) matured in 2019, but the Receiver has not been able to recover any proceeds but will continue to attempt recovery until the Receivership is liquidated. We have retained Policy #63031, which is fully paid, so there is no cost to retain it. We will attempt to market that policy before the Receivership is liquidated.

Litigation – CNC’s ongoing litigation consists of the following matters:

- **Richard Sutherland, et al.** The Court overruled objections filed by several investors regarding the distribution plan proposed by the Receiver.

The Court granted the Receiver’s “Motion for Order Confirming Application

¹ The other CNC-related entities, Credit Nation Auto Sales, LLC, AMC and Spaghetti Junction, LLC, are not in operation. All known assets of these entities have been consolidated into CNC.

of Distribution Plan to Objecting Investors” [Doc. 732] and denied the objecting investors’ “Motion for Disgorgement of Funds” [Doc. 676].

- **Al Hill, as Receiver for CNC vs. Michael Sweet, et al.** This clawback action is pending in this District Court, case number 1:16-cv-4770-ELR-CCB. The Receiver’s motion for summary judgment has been pending since January 2, 2018. The Receiver believes there is little chance of recovery in that matter and filed a motion asking the Court to dismiss the Receiver’s complaint. The Court granted that motion on September 30, 2023. That lawsuit had ended.

- **Disposition of insurance policy proceeds claimed by Stephanie Segarra and others.** Ms. Segarra, the wife of James Torchia, claimed proceeds of two life policies that Torchia transferred to her. The Receiver maintains that the proceeds of one policy belong to the receivership. The Receiver does not challenge Ms. Segarra’s claim to the proceeds of the second policy, but a third party objected to the transfer of the proceeds to her. Those competing claims remain before the Court and will have to be resolved before the final termination of the receivership, but they will not interfere with the upcoming distribution to investors.

B. Financial Status

CNC's third quarter financial results and status are summarized on the balance sheet attached as Exhibit CNC-1 (as of September 30, 2023), the Statement of Cash Flows for the second quarter attached as Exhibit CNC-2 and the income statements attached as Exhibits CNC-3 (as of September 30, 2023) and CNC-4 (from the commencement of the Receivership through September 30, 2023).

CNC's current portfolio of policies and the anticipated disposition of each policy are shown below:

Policy	Type of Policy	Policy Death Benefit	Most Recent Life Expectancy*	Estimated Net Proceeds to Receivership	% of Death Benefit and/or Pooled by CNC	Anticipated Disposition
4104	Group	\$55,000.00	-	\$55,000.00	100%	Matured
63031	Term	\$250,000.00	14	\$250,000.00	100%	Retain to Maturity

*As of 01/24/2019 (in months)

In addition to the policies, CNC had cash on hand on September 30, 2023, of \$1,604,495.90, which includes \$335,782.22 which has been transferred from NVI to CNC after September 30, 2023. The Receiver's fees and expenses for the quarter, including legal fees, were as follows: July 2023: \$1,217.00; August 2023: \$2,622.00; and September 2023: \$8,354.00.

C. Future Projections

The Receiver's cash projections for CNC's next six months of operations, including anticipated interest income, are set forth on Exhibit CNC-5.

D. Recommendation

It is the recommendation of the Receiver that the CNC Receivership continue until the the final distribution to investors is approved and completed, at which time the Receiver will terminate the receivership.

III. National Viatical, Inc. – This section of this Quarterly Status Report addresses the status of National Viatical, Inc. (“NVI”) and NVT Trust (“NVT”). NVI is an entity affiliated with CNC through common ownership and operation. NVT is a trust created to be the owner or assignor of life settlement policies purchased by NVI on behalf of the NVI investors, including promissory note holders. NVI and NVT were added to the Receivership by order of the Court on October 25, 2016.

A. Overview

On September 21, 2023, the Court granted the Receiver's motion, approving the final distribution of assets of NVI and NVT and the closing of the receivership as to those entities. The Receiver has since transferred the remaining assets to CNC, in accordance with the Court's order.

B. Financial Status

NVI's financial situation as of September 30, 2023 is summarized on the Statement of Assets and Liabilities attached as Exhibit NVI-1. The receivership as to NVI and NVT is now closed. The Receiver did not charge any fees to NVI during the third quarter.

Respectfully submitted, this 31st day of October, 2023. This document was prepared using Times New Roman 14-point font.

/s/ William G. Leonard
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Attorney for Receiver Al B. Hill

EXHIBIT

CNC-1

Balance Sheet

Credit Nation Capital

As of September 30, 2023

Assets

Current Assets

Cash	\$	1,268,713.68
Accounts receivable	\$	335,782.22
Policies Pooled by Receivership	\$	55,000.00
Total	\$	1,659,495.90

Fixed Assets

Policies Wholly Owned	\$	127,893.02
Total	\$	127,893.02

Total Assets	\$	1,787,388.92
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Liabilities

Current Liabilities

Accounts Payable - Trade Creditors	\$	492,717.67
Escrow of Sixes Tavern Proceeds	\$	55,129.54
Investor Notes Payable (under 1 year)	\$	5,766,922.37
Liability Subject to Compromise	\$	12,539,416.72
Total	\$	18,854,186.30

Long-term Liabilities

Notes Payable (over 1)	\$	33,223,108.64
Total	\$	33,223,108.64

Total Liabilities	\$	52,077,294.94
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Equity

Total	(\$50,289,906.02)
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Total Liabilities & Stockholder Equity	▶ \$	1,787,388.92
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EXHIBIT
CNC-2

Statement of Cash Flows

Credit Nation Capital

July through September 2023

Operating Activities

Net Income - CNC	\$ (31,483.19)
Receivable - NVI	\$ 32,374.90
Net cash provided by Operating Activities:	\$ 891.71

Investing Activities

Sale or Maturity of Policies	
Net cash provided by Investing Activities:	\$ -

FINANCING ACTIVITIES

Net cash provided by Financing Activities:	\$ -
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Net cash increase for period - CNC	\$ 891.71
Cash at beginning of period - CNC	\$ 1,267,821.97
Cash At End of Period	\$ 1,268,713.68

EXHIBIT
CNC-3

Income Statement

Credit Nation Capital

July through September 2023

Ordinary Income/Expense

	Income	\$ -
	Total Income	\$ -
Gross Profit		\$ -
	Expense	
	Bad Debt Expense	\$ 32,374.90
	Bank Service Charges	\$ 35.00
	Computer & Internet Expenses	\$ 144.00
	Professional Fees	\$ 6,053.00
	Total Expense	\$ 38,606.90
Net Ordinary Income		\$ (38,606.90)
Other Income/Expense		
	Income	
	Interest Income - Bank	\$ 7,123.71
	Total Other Income	\$ 7,123.71
Net Income		\$ (31,483.19)

EXHIBIT
CNC-4

Income Statement

Credit Nation Capital

April 26, 2016 through September 2023

Ordinary Income/Expense

Income	
Life Settlement Maturity	\$ 1,812,178.14
Life Settlement Sale - Whole*	\$ (779,189.53)
Pooled Asset Income - Debt Forgiveness	\$ 77,141.63
Sales Not Recognized - Post 2015	\$ 1,236,488.54
Sales Recognized - Prior to 2015	\$ (323,799.11)
Total Income	\$ 2,022,819.67
Gross Profit	\$ 2,022,819.67
Expense	
Advertising & Marketing**	\$ 26,500.00
Bad Debt Expense	\$ 4,760,350.05
Bank Service Charges	\$ 11,150.07
Computer & Internet Expenses	\$ 39,117.39
Copier Expense	\$ 5,580.90
Distribution to Policy Investor	\$ 1,206,985.52
Insurance Expense	\$ 82,407.66
Investor Fees	\$ 1,265.00
Legal Expenses	\$ 30,587.36
Loss on Policy	\$ 2,247,668.52
Marketing Reps	\$ 3,616.67
Office Cleaning	\$ 275.00
Office Security**	\$ 1,363.10
Office Supplies**	\$ (8,161.61)
Payroll Expenses	\$ 385,624.59
Postage & Mailing	\$ 3,399.26
Premium Expense	\$ 170,773.53
Professional Fees**	\$ 2,898,905.69
Rent Expense**	\$ 159,606.78
Taxes	\$ (3,810.87)
Telephone Expenses	\$ 3,177.47
Tracking Expenses	\$ 38,013.98
Travel Expense	\$ 3,414.61
Utilities	\$ 10,262.83
Total Expense	\$ 12,078,073.50

Other Income/Expense

Income	
Clawback Recovery	\$ 938,858.12
Interest Income - Bank	\$ 17,467.69
Net Income	\$ (9,098,928.02)

*Loss calculated upon recording creditor liability against previously recorded sales income.

**Includes distribution payments to trade creditors.

EXHIBIT
CNC-5

Cash Flow Projection

Receivership of Credit Nation Capital, LLC

October through March 2024

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
1. Cash On Hand - Beginning of Month	\$ 1,268,714	\$ 1,603,919	\$ 1,604,041	\$ 1,604,162	\$ 1,604,284	\$ 1,604,407
2. Cash Receipts						
Accounts Receivable	\$ 335,782	\$ -	\$ -	\$ -	\$ -	\$ -
Clawback Settlements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ 2,643	\$ 3,341	\$ 3,342	\$ 3,342	\$ 3,342	\$ 3,343
3. Total Cash Receipts	\$ 338,425	\$ 3,341	\$ 3,342	\$ 3,342	\$ 3,342	\$ 3,343
4. Total Cash Available	\$ 1,607,139	\$ 1,607,261	\$ 1,607,382	\$ 1,607,504	\$ 1,607,627	\$ 1,607,749
5. Cash Paid Out						
Commission on Policy Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computer and Internet	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
Distribution to Direct Investors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution to Pooled Creditors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Payroll Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Premium Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Bank Service Fees	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Tracking Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 3,220	\$ 3,220	\$ 3,220	\$ 3,220	\$ 3,220	\$ 3,220
7. Cash Position - End of Month	\$ 1,603,919	\$ 1,604,041	\$ 1,604,162	\$ 1,604,284	\$ 1,604,407	\$ 1,604,529

EXHIBIT
NVI-1

Statement of Assets and Liabilities

National Viatical, Inc.
as of September 30, 2023

Assets

Cash*	\$	335,782.22
Total	\$	335,782.22

Liabilities

Notes Payable	\$	386,176.18
LS Investors	\$	1,567,123.39
Payable to CNC	\$	1,567,176.97
Total	\$	3,520,476.54

*Proposed transfer to CNC for excess liabilities owed.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day electronically filed the foregoing Quarterly Status Report of Receiver for July 1, 2023, through September 30, 2023, with the Clerk of the Court using the CM/ECF system which will automatically send e-mail notification of such filing to all attorneys of record.

This 31st day of October, 2023.

/s/ William G. Leonard

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