

**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**  
**APRIL 1, 2023 THROUGH JUNE 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 June 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](http://www.cncreceiver.com).

**I. Overview** – The only active, ongoing matter for the Receivership is the previously reported litigation brought by a group of investors regarding the Court’s earlier ruling on direct ownership of certain policies. The Court has not yet issued a ruling on the pending motions in that case. Other than the pending litigation, there has been little activity in the Receivership, so the Receiver’s objective remains to minimize the costs of continuing the Receivership and to get distributions to the investors as quickly as possible. As soon as the current litigation is concluded, the Receiver will file a motion to terminate the entire Receivership. Until then, the Receivership’s assets are invested in an interest-bearing account currently yielding 2.28% per annum. 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.<sup>1</sup> The status and operations of NVI are covered in Part III of this report.

**A. Overview**

During the second 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 June 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. We will retain Policy #63031, though we have been advised that the anticipated Accelerated Death Benefit provision of Policy # 63031 is not available to the Receivership. This policy is fully paid, so there is no cost to retain it.

*Litigation* – CNC’s ongoing litigation consists of the following two matters, which are largely unchanged since the previous quarterly report:

- **Richard Sutherland, et al.** This case has been returned to the District Court for reconsideration of the distribution plan originally approved by Judge

---

<sup>1</sup> 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.

Duffey. The Court heard oral arguments on the matter on June 18, 2021, but has not issued a ruling as of the date of this report. The Receiver remains optimistic that the Court's initial ruling will be upheld and the Court will, therefore, follow the Receiver's proposed distribution plan.

- **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 does not consider this an active litigation matter and believes there is little chance of recovery in this matter.

## **B. Financial Status**

CNC's second quarter financial results and status are summarized on the balance sheet attached as Exhibit CNC-1 (as of June 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 June 30, 2023) and CNC-4 (from the commencement of the Receivership through June 30, 2023).

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

<b>Policy</b>	<b>Type of Policy</b>	<b>Policy Death Benefit</b>	<b>Most Recent Life Expectancy*</b>	<b>Estimated Net Proceeds to Receivership</b>	<b>% of Death Benefit and/or Pooled by CNC</b>	<b>Anticipated Disposition</b>
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 June 30, 2023, of \$1,267,821.97. The Receiver's fees and expenses for the quarter, including legal fees, were as follows: April 2023: \$243.00; May 2023: \$607.50; and June 2023: \$486.00.

### **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 current litigation is completed, at which time the Receiver will seek Court approval to make a final distribution and 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**

There have not been any new activities with respect to NVI. The Receiver has filed a motion with the Court to declare NVI a total loss, to transfer its remaining assets to CNC and to terminate the Receivership with respect to NVI. As of the date of this Quarterly Status Report, the Court has not ruled on that motion.

**B. Financial Status**

NVI's financial situation as of June 30, 2023 is summarized on the Statement of Assets and Liabilities attached as Exhibit NVI-1, including a cash balance of \$343,783.85 which, with Court approval, will be transferred to CNC upon termination of the Receivership with respect to NVI. The Receiver does not anticipate any future activity with respect to NVI, so the projected cash flow report has been discontinued. The cash balance of NVI is invested in an interest bearing account yielding 2.28% per annum. The Receiver did not charge any fees to NVI during the second quarter.

**C. Future Activities**

When approved by the Court, the Receiver will distribute NVI's assets to CNC and will notify the investors via the Receivership website and direct correspondence.

**D. Recommendation**

It is the recommendation of the Receiver that the NVI Receivership continue in effect until the Court's ruling on the pending motion for termination.

Respectfully submitted, this 31<sup>st</sup> day of July, 2023.

/s/ William G. Leonard  
WILLIAM G. LEONARD  
Georgia Bar No. 446912  
bleonard@continuumlg.com  
Continuum Legal Group LLP  
5605 Glenridge Drive, Suite 600  
Atlanta, Georgia 30342  
Main: 770.800.1538  
Direct: 470.763.6225

*Attorney for Receiver Al B. Hill*

# EXHIBIT

CNC-1



# Balance Sheet

## Credit Nation Capital

As of June 30, 2023

### Assets

#### Current Assets

Cash	\$	1,267,821.97
Accounts receivable	\$	368,157.12
Policies Pooled by Receivership	\$	55,000.00
<b>Total</b>	<b>\$</b>	<b>1,690,979.09</b>

#### Fixed Assets

Policies Wholly Owned	\$	127,893.02
<b>Total</b>	<b>\$</b>	<b>127,893.02</b>

<b>Total Assets</b>	<b>\$</b>	<b>1,818,872.11</b>
---------------------	-----------	---------------------

### 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
<b>Total</b>	<b>\$</b>	<b>18,854,186.30</b>

#### Long-term Liabilities

Notes Payable (over 1)	\$	33,223,108.64
<b>Total</b>	<b>\$</b>	<b>33,223,108.64</b>

<b>Total Liabilities</b>	<b>\$</b>	<b>52,077,294.94</b>
--------------------------	-----------	----------------------

### Equity

Total		(\$50,258,422.83)
-------	--	-------------------

<b>Total Liabilities &amp; Stockholder Equity</b>	<b>\$</b>	<b>1,818,872.11</b>
---	-----------	---------------------

**EXHIBIT**  
**CNC-2**

## Statement of Cash Flows

Credit Nation Capital

April through June 2023

### Operating Activities

Net Income - CNC	\$ (2,948.57)
<b>Net cash provided by Operating Activities:</b>	<b>\$ (2,948.57)</b>

### Investing Activities

Sale or Maturity of Policies	
<b>Net cash provided by Investing Activities:</b>	<b>\$ -</b>

### FINANCING ACTIVITIES

<b>Net cash provided by Financing Activities:</b>	<b>\$ -</b>
---	-------------

Net cash increase for period - CNC	\$ (2,948.57)
Cash at beginning of period - CNC	\$ 1,270,770.54
<b>Cash At End of Period</b>	<b>\$ 1,267,821.97</b>

**EXHIBIT**  
**CNC-3**

## Income Statement

### Credit Nation Capital

April through June 2023

#### Ordinary Income/Expense

	<b>Income</b>	\$	-
	<b>Total Income</b>	\$	-
<b>Gross Profit</b>		\$	-
	<b>Expense</b>		
	Bank Service Charges	\$	915.07
	Computer & Internet Expenses	\$	374.70
	Professional Fees	\$	8,687.76
	<b>Total Expense</b>	\$	<b>9,977.53</b>
<b>Net Ordinary Income</b>		\$	<b>(9,977.53)</b>
<b>Other Income/Expense</b>			
	<b>Income</b>		
	Interest Income - Bank	\$	7,028.96
	<b>Total Other Income</b>	\$	<b>7,028.96</b>
<b>Net Income</b>		\$	<b>(2,948.57)</b>

**EXHIBIT**  
**CNC-4**

## Income Statement

### Credit Nation Capital

April 26, 2016 through June 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)
	<b>Total Income</b>	<b>\$</b>	<b>2,022,819.67</b>
<b>Gross Profit</b>		<b>\$</b>	<b>2,022,819.67</b>
Expense			
	Advertising & Marketing**	\$	26,500.00
	Bad Debt Expense	\$	4,727,975.15
	Bank Service Charges	\$	11,115.07
	Computer & Internet Expenses	\$	38,973.39
	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**	\$	2,892,852.69
	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
	<b>Total Expense</b>	<b>\$</b>	<b>12,039,466.60</b>

#### Other Income/Expense

Income			
	Clawback Recovery	\$	938,858.12
	Interest Income - Bank	\$	10,343.98
<b>Net Income</b>		<b>\$</b>	<b>(9,067,444.83)</b>

\*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

April through October 2023

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
<b>1. Cash On Hand - Beginning of Month</b>	\$ 1,267,822	\$ 1,267,043	\$ 1,266,263	\$ 1,265,481	\$ 1,264,697	\$ 1,263,912	\$ 1,263,125
<b>2. Cash Receipts</b>							
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clawback Settlements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ 2,641	\$ 2,640	\$ 2,638	\$ 2,636	\$ 2,635	\$ 2,633	\$ 2,632
<b>3. Total Cash Receipts</b>	\$ 2,641	\$ 2,640	\$ 2,638	\$ 2,636	\$ 2,635	\$ 2,633	\$ 2,632
<b>4. Total Cash Available</b>	\$ 1,270,463	\$ 1,269,683	\$ 1,268,901	\$ 1,268,117	\$ 1,267,332	\$ 1,266,545	\$ 1,265,757
<b>5. Cash Paid Out</b>							
Commission on Policy Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computer and Internet	\$ 120	\$ 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	\$ 3,000
Bank Service Fees	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
Tracking Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>6. Total Cash Paid Out</b>	\$ 3,420	\$ 3,420	\$ 3,420	\$ 3,420	\$ 3,420	\$ 3,420	\$ 3,420
<b>7. Cash Position - End of Month</b>	\$ 1,267,043	\$ 1,266,263	\$ 1,265,481	\$ 1,264,697	\$ 1,263,912	\$ 1,263,125	\$ 1,262,337

**EXHIBIT**  
**NVI-1**

---

## Statement of Assets and Liabilities

---

National Viatical, Inc.

as of June 30, 2023

### Assets

Cash*	\$	343,783.85
<b>Total</b>	<b>\$</b>	<b>343,783.85</b>

### Liabilities

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

\*Proposed transfer to CNC for excess liabilities owed.

**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

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day electronically filed the foregoing Quarterly Status Report of Receiver for April 1, 2023, through June 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 31<sup>st</sup> day of July, 2023.

*/s/ William G. Leonard*  
\_\_\_\_\_  
WILLIAM G. LEONARD  
Georgia Bar No. 446912  
bleonard@continuumlg.com