

**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, 2020 THROUGH JUNE 30, 2020**

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 (“River Green”), 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, 2020. 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 – As a result of the ongoing Covid-19 epidemic, federal and state courts in Georgia have been restricted in their operations, and the litigation in which the Receivership is involved has not progressed. Consequently, there is little to report during the second quarter. At this point, the Receiver’s objective is to minimize ongoing costs of continuing the Receivership and to get distributions to the investors as quickly as possible. To that end, the Receiver has filed a motion to terminate the River Green receivership. The court has not ruled on that motion. For the CNC and NVI entities, it remains the Receiver’s intention to file a motion to terminate the Receivership as soon as the litigation is concluded. 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 River Green and NVI are covered in Parts II and III, respectively, of this report.

A. Overview

During the second calendar quarter of 2020, the Receivership continued to manage the ongoing litigation while maintaining its remaining policies. Specific activities are described below.

Policies - The only policies remaining in the portfolio as of March 31, 2020, are listed in subpart B below. Policy # 4104 (see item B below) matured in 2019, but the Receiver is still awaiting receipt of \$55,000 in 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 the cost of retaining it is negligible.

Litigation – Most of CNC’s “clawback” litigation has been concluded. To date, clawback demands have yielded \$265,975.00 in settlement proceeds. CNC’s ongoing litigation consists of the following three matters:

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.

- **Richard Sutherland, et al.** A group of investors appealed the district court's pooling order [Doc. 120] and the CNC Distribution Plan [Doc. 484 and 501]. Antonio Duscio, et al. v. Al Hill, et al., United States Court of Appeals for the Eleventh Circuit, Docket 17-13651-F; and Richard Sutherland et al., v. Al Hill, et al., United States Court of Appeals for the Eleventh Circuit, Docket 17-13650-F. On April 30, 2019, the appellate court found that some of the summary procedures employed by the district court did not give the objecting direct investors sufficient opportunity to defend against the Receiver's claims to recover "fictitious profits" from them. These issues have now returned to the District Court. In February and March 2020, the Receiver filed briefs and supporting evidence addressing the issues as the Eleventh Circuit directed so that the District Court can rule on the recovery of fictitious profits and the value of other services from the objecting direct investors.

- **Al Hill, as Receiver for CNC vs. Antonio Duscio, et al.** This clawback action is pending in this District Court, 1:16-cv-4767-ELR-CCB. Cross motions for summary judgment were filed in September and October of 2018, and the parties await the District Court's ruling. The Receiver has been notified of a third-party claim against Mr. Duscio with respect to Policy #5209 (see Section IV.B below), which has now matured. The third-party

claimant alleges that the policy was purchased by Mr. Duscio using funds obtained from the third party via a fraudulent scheme. Accordingly, the third party is seeking recovery of the full death benefit of Policy #5209 (\$1,200,000), as is the Receiver. In the second quarter of 2020, the Receiver and the third party briefed issues relating to the Receiver's pending motion for summary judgment.

- **Al Hill, as Receiver for CNC vs. Michael Sweet, et al.** This clawback action is pending in this District Court, 1:16-cv-4770-ELR. The Receiver's motion for summary judgment has been pending since January 2, 2018.

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, 2020), 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, 2020) and CNC-4 (from the commencement of the Receivership through June 30, 2020).

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 addition to the policies, CNC had cash on hand on June 30, 2020, of \$785,167.68 after having made two distributions totaling \$9,500,000. The Receiver's fees for the quarter, including legal fees, were as follows: April 2020: \$5,332.50; May 2020: \$1,833.00; and June 2020: \$1,328.00.

C. Future Activities

The Receiver's cash projections for CNC's next six months of operations are set forth on Exhibit CNC-5. Actual expenditures will be largely dependent upon the results of the ongoing litigation mentioned above. Receipts are nearly complete, but the final count will be dependent upon the disposition of Policy #63031 and any recoveries from or costs of the litigation.

Since the asset side of the ledger is nearly complete, the Receiver's focus from this point forward will be on successfully completing the ongoing litigation, after which time the Receiver will propose a final distribution in accordance with the distribution plan previously approved.

D. Recommendation

It is the recommendation of the Receiver that the CNC Receivership continue until the current litigation is completed.

III. River Green Capital, LLC – This section of this Quarterly Status Report addresses River Green, an entity affiliated with CNC through common ownership and operation. River Green was added to the Receivership by order of the Court on October 25, 2016.

A. Overview

As previously reported, River Green has only a single policy – Policy #4105. This policy has a “no lapse” guarantee, so there is no cost of maintaining it, but, due to a long life expectancy and young age of the insured, it has no market value. The Receiver will seek approval from the Court prior to final disposition of this policy. Other than Policy #4105, approximately \$18,067.70 in cash, and a receivable from First Citizens Bank for \$12,038, River Green does not have any assets, activities, employees or identified claims against third parties.

B. Financial Status

As of June 30, 2020, River Green has cash on hand of \$17,927.70. River Green’s financial status as of June 30, 2020, is summarized on the Statement of Assets and Liabilities attached as Exhibit RG-1. River Green’s expected cash flow

for the next six months is set forth on Exhibit RG-2. The Receiver did not charge any fees to River Green during the second quarter.

C. Future Activities

In November 2019, the Receiver filed a motion seeking Court approval to distribute all remaining River Green cash to CNC in payment of accrued receivables owed to CNC and to terminate the Receivership. The Court set January 8, 2020, as the deadline for investors and creditors of River Green to file claims and objections to the Receiver's plan. No such claims or objections were filed. The Court has not yet ruled on the motion, but the Receiver expects to complete the liquidation of River Green soon after the Court rules.

D. Recommendation

It is the recommendation of the Receiver that the River Green Receivership continue as long as necessary to obtain Court approval of the final distribution and dissolution of River Green.

IV. 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

As reported previously, the Receiver has identified additional liabilities, including a debt to CNC of approximately \$1 million resulting when CNC assumed certain liabilities of NVI, leaving NVI with liabilities greatly exceeding its assets, even if additional amounts are recovered pursuant to the policies described in part B below. Accordingly, the Receiver intends to ultimately file 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. The Receiver has already notified the NVI investors that his plan to terminate will result in no additional monetary recoveries for those investors. NVI is a party to the lawsuit against Antonio Duscio (described above) and is asserting a claim that a life insurance policy owned by NVI was fraudulently transferred to Mr. Duscio. The NVI receivership cannot be terminated until that claim is decided.

B. Financial Status

NVI currently has potential rights in two life settlement policies, as shown on the following table:

Policy	Policy Death Benefit	Most Recent Life Expectancy	Est. Net Proceeds to Receivership	% of Death Benefit and/or Pooled by CNC	Anticipated Disposition
5207	\$ 180,000	25	\$ 10,469.14	100%	Transfer to CNC
5209	\$ 1,200,000	2	TBD	100%	Transfer to CNC

LE as of 10/30/2019

With respect to Policy #5207, the Receivership has the right to recover fictitious profits from Tony Duscio in the amount of \$10,469.14. The Receiver believes that a recovery of this amount is highly unlikely. Policy #5209 has matured, so the full death benefit of \$1,200,000 is theoretically available, but the right to that benefit is being contested in the Duscio litigation described above. See further description under Section II.A above (litigation).

In addition to the policies described above, NVI currently has \$344,106.00 in cash, but its liabilities to CNC greatly exceed the value of its assets. NVI's financial situation as of June 30, 2020 is summarized on the Statement of Assets and Liabilities attached as Exhibit NVI-1. NVI's expected cash flow for the next six months is set forth on Exhibit NVI-2. The Receiver did not charge any fees to NVI during the second quarter.

C. Future Activities

Given the current illiquid position of NVI, the Receiver intends to move for the liquidation of NVI and termination of the Receivership as soon as the claim

described above is decided. The Receiver will keep the investors apprised of his filings for NVI via the Receivership website and direct correspondence.

D. Recommendation

It is the recommendation of the Receiver that, upon the successful conclusion of the litigation, the NVI Receivership transfer all rights in the two policies listed above, including all proceeds thereof, and all other assets, to CNC in full satisfaction of the debt that NVI owes CNC and that the Receivership be terminated with respect to NVI and NVT at that time. The Receiver will seek this Court's approval before proceeding with this plan.

Respectfully submitted, this 29th day of July, 2020.

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

EXHIBIT CNC-1**Balance Sheet****Credit Nation Capital**

June 30, 2020

Assets**Current Assets**

Cash	\$	785,167.68
Accounts receivable	\$	394,262.47
Policies Pooled by Receivership	\$	55,000.00
Total	\$	1,234,430.15

Fixed Assets

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

Total Assets**\$ 1,362,323.17****Liabilities****Current Liabilities**

Accounts Payable - Trade Creditors	\$	476,447.67
Escrow of Sixes Tavern Proceeds	\$	55,129.54
Investor Notes Payable (under 1 year)	\$	5,766,922.37
Liability Subject to Compromise	\$	12,508,928.61
Total	\$	18,807,428.19

Long-term Liabilities

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

Total Liabilities**\$ 52,030,536.83****Equity**

Total		(\$50,668,213.66)
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Total Liabilities & Stockholder Equity**\$ 1,362,323.17**

EXHIBIT CNC-2

Statement of Cash Flows

Credit Nation Capital
April through June 2020

Operating Activities

Net Income - CNC	\$ (33,837.34)
Net cash provided by Operating Activities:	\$ (33,837.34)

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	\$ (33,837.34)
Cash at beginning of period - CNC	\$ 819,005.02
Cash At End of Period	\$ 785,167.68

EXHIBIT CNC-3

Income Statement

Credit Nation Capital
April through June 2020

Ordinary Income/Expense

	Income		
	Life Settlement Maturity	\$	-
	Total Income	\$	-
Gross Profit		\$	-
	Expense		
	Bank Service Charges	\$	459.26
	Computer & Internet Expenses	\$	360.00
	Professional Fees	\$	33,038.83
	Total Expense	\$	33,858.09
Net Ordinary Income		\$	(33,858.09)

Other Income/Expense

	Income		
	Interest Income - Bank	\$	20.75
	Total Other Income	\$	20.75
Net Income		\$	(33,837.34)

EXHIBIT CNC-4**Income Statement****Credit Nation Capital**

April 26, 2016 - June 30, 2020

Ordinary Income/Expense

Income			
	Clawback Settlements & Mgmt Fees	\$	298,835.76
	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	\$	2,321,655.43
Gross Profit		\$	2,321,655.43
Expense			
	Advertising & Marketing**	\$	26,500.00
	Bad Debt Expense	\$	4,713,479.97
	Bank Service Charges	\$	3,192.91
	Computer & Internet Expenses	\$	34,898.05
	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**	\$	2,679,575.87
	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	\$	11,799,697.10
Other Income/Expense			
Income			
	Interest Income - Bank	\$	806.01
Net Income		\$	(9,477,235.66)

EXHIBIT CNC-6

Cash Flow Projection

Receivership of Credit Nation Capital, LLC

July 2020 - December 2020

	July-20	August-20	September-20	October-20	November-20	December-20
1. Cash On Hand - Beginning of Month	\$ 785,168	\$ 773,948	\$ 762,728	\$ 806,508	\$ 795,288	\$ 784,068
2. Cash Receipts						
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clawback Settlements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ -
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Cash Receipts	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ -
4. Total Cash Available	\$ 785,168	\$ 773,948	\$ 817,728	\$ 806,508	\$ 795,288	\$ 784,068
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	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Premium Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Supplies & Postage	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Tracking Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 11,220	\$ 11,220	\$ 11,220	\$ 11,220	\$ 11,220	\$ 11,220
7. Cash Position - End of Month	\$ 773,948	\$ 762,728	\$ 806,508	\$ 795,288	\$ 784,068	\$ 772,848

EXHIBIT NV-1**Statement of Assets and Liabilities**

National Viatical, Inc.

6/30/2020

Assets

Cash	\$	344,106.00
LS Policies*	\$	652,789.11
Total	\$	996,895.11

Liabilities

Notes Payable	\$	386,176.18
LS Investors	\$	1,567,123.39
Payable to CNC	\$	2,207,199.33
Total	\$	4,160,498.90

**Proposed transfer to CNC for excess liabilities owed.*

EXHIBIT NV-2

Cash Flow Projection

Receivership of National Viatical, Inc.
July 2020 - December 2020

	July-20	August-20	September-20	October-20	November-20	December-20
1. Cash On Hand - Beginning of the Month	\$ 344,096.79	\$ 344,026.79	\$ 343,956.79	\$ 343,886.79	\$ 343,816.79	\$ 343,746.79
2. Cash Receipts						
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Surrenders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Cash Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Total Cash Available	\$ 344,096.79	\$ 344,026.79	\$ 343,956.79	\$ 343,886.79	\$ 343,816.79	\$ 343,746.79
5. Cash Paid Out						
Premium Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payout to Direct Investor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Fees	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00
Accounts Payable - CNC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00
7. Cash Position	\$ 344,026.79	\$ 343,956.79	\$ 343,886.79	\$ 343,816.79	\$ 343,746.79	\$ 343,676.79

EXHIBIT RGC-1

Statement of Assets and Liabilities

River Green
6/30/2020

Assets

Cash	\$	17,927.70
Receivable from First Citizens	\$	12,038.36
Total	\$	29,966.06

Liabilities

Creditors	\$	5,157,949.13
Accounts Payable	\$	28,389.47
Total	\$	5,186,338.60

EXHIBIT RGC-2

Cash Flow Projection

Receivership of River Green Capital, LLC
July 2020 - December 2020

	July-20	August-20	September-20	July-20	August-20	September-20
1. Cash On Hand	\$ 17,927.70	\$ 17,857.70	\$ 17,787.70	\$ 17,717.70	\$ 17,647.70	\$ 17,577.70
2. Cash Receipts						
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Cash Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Total Cash Available	\$ 17,927.70	\$ 17,857.70	\$ 17,787.70	\$ 17,717.70	\$ 17,647.70	\$ 17,577.70
5. Cash Paid Out						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Service Charges	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00
Distribution to Creditors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Premium Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00
7. Cash Position	\$ 17,857.70	\$ 17,787.70	\$ 17,717.70	\$ 17,647.70	\$ 17,577.70	\$ 17,507.70

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
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SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

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JAMES A. TORCHIA, CREDIT
NATION CAPITAL, LLC, CREDIT
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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, 2020 through June 30, 2020, 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 29th day of July, 2020.

/s/ William G. Leonard

WILLIAM G. LEONARD

Georgia Bar No. 446912

bleonard@taylorenghish.com