

**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, 2021 THROUGH SEPTEMBER 30, 2021**

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, 2021. 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 – The previously scheduled hearing concerning the ongoing litigation brought by a group of investors was held on June 18, 2021. The Court has not yet issued a ruling, but, on a recent status call, Magistrate Judge Bly indicated that he expects a ruling late this year or early next. During the quarter, the Court approved the settlement between the Receiver and the third party who claimed Lovell policy proceeds pursuant to a judgment from a Canadian court. The Receiver has now received the proceeds of the Lovell policy, with the Receivership’s share winding up at \$640,022.36, a significant cash boost for the Receivership. Otherwise, there continues to be 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. 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 2021, 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 September 30, 2021, 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 there is no cost to retain it.

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

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.** As reported previously, this case has been returned to the District Court for reconsideration of the distribution plan originally approved by Judge 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. Antonio Duscio, et al.** This litigation has been resolved, with the Receivership receiving proceeds of \$640,022.36 from the Lovell policy in which Mr. Duscio claimed an interest. The Receiver does not anticipate any further activity with respect to this claim.
- **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 third quarter financial results and status are summarized on the balance sheet attached as Exhibit CNC-1 (as of September 30, 2021), the Statement of Cash Flows for the third quarter attached as Exhibit CNC-2 and the income statements attached as Exhibits CNC-3 (as of September 30, 2021) and CNC-4 (from the commencement of the Receivership through September 30, 2021).

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, 2021, of \$1,382,447. The Receiver's fees and expenses for the quarter, including legal fees, were as follows: July 2021: \$2,378.00; August 2021: \$6,104.50; and September 2021: \$5,467.00.

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. The Receiver's plan remains the same: to complete the current litigation, then propose a final distribution in accordance with the distribution plan finally approved by the Court.

D. Recommendation

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

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 intends to 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. NVI claimed an interest in the Lovell policy, which was the only outstanding issue for the Receivership with regard to NVI. Now that the settlement has been approved and the Lovell policy proceeds have been received, the Receiver will take the necessary steps to terminate the Receivership as to NVI.

B. Financial Status

NVI currently has potential rights in only one life settlement policy (Policy #5207), with respect to which 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.

NVI's financial situation as of September 30, 2021 is summarized on the Statement of Assets and Liabilities attached as Exhibit NVI-1, including a cash balance of \$343,077 which 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 Receiver did not charge any fees to NVI during the third 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 now that the dispute regarding the Lovell policy has been resolved. 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 the NVI Receivership transfer all rights in the remaining policy, and any 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 October, 2021.

/s/ William G. Leonard
WILLIAM G. LEONARD
Georgia Bar No. 446912
Continuum Legal Group LLP
bleonard@continuumlg.com
227 Sandy Springs Place, Suite D-355
Atlanta, Georgia 30328
Main: 770.800.1538
Direct: 470.763.6257

Attorney for Receiver Al B. Hill

Exhibit CNC-1

Balance Sheet**Credit Nation Capital**

As of September 30, 2021

Assets**Current Assets**

Cash	\$	1,382,447.21
Accounts receivable	\$	365,711.00
Policies Pooled by Receivership	\$	55,000.00
Total	\$	1,803,158.21

Fixed Assets

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

Total Assets**\$ 1,931,051.23****Liabilities****Current Liabilities**

Accounts Payable - Trade Creditors	\$	482,447.67
Escrow of Sixes Tavern Proceeds	\$	55,129.54
Investor Notes Payable (under 1 year)	\$	5,766,922.37
Liability Subject to Compromise	\$	12,539,416.72
Total	\$	18,843,916.30

Long-term Liabilities

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

Total Liabilities**\$ 52,067,024.94****Equity**

Total		(\$50,135,973.71)
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Total Liabilities & Stockholder Equity**\$ 1,931,051.23**

Exhibit CNC-2

Statement of Cash Flows

Credit Nation Capital
July through September 2021

Operating Activities

Net Income - CNC	\$ 607,003.09
AP	\$ (9,000.00)
Net cash provided by Operating Activities:	\$ 598,003.09

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	\$ 598,003.09
Cash at beginning of period - CNC	\$ 784,444.12
Cash At End of Period	\$ 1,382,447.21

Exhibit CNC-3

Income Statement

Credit Nation Capital

July through September 2021

Ordinary Income/Expense

Income	\$	-
Total Income	\$	-
Gross Profit	\$	-
Expense		
Bank Service Charges	\$	643.95
Computer & Internet Expenses	\$	360.00
Professional Fees	\$	32,049.55
Total Expense	\$	33,053.50
Net Ordinary Income	\$	(33,053.50)
Other Income/Expense		
Income		
Clawback Recovery	\$	640,022.36
Interest Income - Bank	\$	34.23
Total Other Income	\$	640,056.59
Net Income	\$	607,003.09

Exhibit CNC-4

Income Statement

Credit Nation Capital

April 26, 2016 - September 30, 2021

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	\$ 4,727,975.15
Bank Service Charges	\$ 5,980.64
Computer & Internet Expenses	\$ 36,678.69
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**	\$ 2,768,404.76
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	\$ 11,907,589.54
Other Income/Expense	
Income	
Clawback Recovery	\$ 938,858.12
Interest Income - Bank	\$ 916.04
Net Income	\$ (8,944,995.71)

*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 2021 - March 2022

	October-21	November-21	December-21	January-22	February-22	March-22
1. Cash On Hand - Beginning of Month	\$ 1,382,447	\$ 1,376,127	\$ 1,712,884	\$ 1,761,564	\$ 1,755,244	\$ 1,748,924
2. Cash Receipts						
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clawback Settlements	\$ -	\$ 343,077	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ -
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Cash Receipts	\$ -	\$ 343,077	\$ 55,000	\$ -	\$ -	\$ -
4. Total Cash Available	\$ 1,382,447	\$ 1,719,204	\$ 1,767,884	\$ 1,761,564	\$ 1,755,244	\$ 1,748,924
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	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Bank Service Fees	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Tracking Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 6,320	\$ 6,320	\$ 6,320	\$ 6,320	\$ 6,320	\$ 6,320
7. Cash Position - End of Month	\$ 1,376,127	\$ 1,712,884	\$ 1,761,564	\$ 1,755,244	\$ 1,748,924	\$ 1,742,604

Exhibit NVI-1

Statement of Assets and Liabilities

National Viatical, Inc.

9/30/2021

Assets

Cash	\$	343,076.79
Total	\$	343,076.79

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.*

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COMMISSION,

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NATION CAPITAL, LLC, CREDIT
NATION ACCEPTANCE, LLC,
CREDIT NATION AUTO SALES,
LLC, AMERICAN MOTOR CREDIT
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LLC,

Defendants.

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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, 2021 through September 30, 2021, 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 October, 2021.

/s/ William G. Leonard

WILLIAM G. LEONARD
Georgia Bar No. 446912
bleonard@continuumlg.com