

**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
OCTOBER 1, 2020 THROUGH DECEMBER 31, 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 December 31, 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 – There continues to be little activity in the Receivership pending resolution of the Receiver’s litigation against a former investor and two former salesmen and resolution of claims of several investors who challenged the distribution plan adopted by the Court. The Receiver’s objective remains to minimize the costs of continuing the Receivership and to get distributions to the investors as quickly as possible. On November 30, 2020, the Court granted the Receiver’s motion to terminate the River Green Receivership. In December, the Receiver transferred \$17,537.70 from River Green’s bank account to CNC and closed the River Green account, bringing the River Green receivership to an end. For the CNC and NVI entities, it remains the Receiver’s intention to file a motion to

terminate the entire 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 fourth 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 December 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 –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. 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. The Receiver also provided documents and testimony to the objecting investors. The parties await the Court's decision on the pending motions.

- **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. In the third quarter of 2020, the Court allowed a creditor to intervene in the case. The creditor holds a judgment from a Canadian court against Mr. Duscio and claims some of the assets that are the subject of the Receiver's lawsuit against Mr. Duscio. The primary asset is Policy #5209 (see Section IV.B below), which has now matured with a death benefit of \$1.2 million. In the fourth quarter of 2020, the other creditor sought entry of a default judgment after Mr. Duscio failed

to respond to the creditor's Complaint in Intervention. The Court held a status conference with counsel for the Receiver and the creditor and mapped out a process for deciding the competing claims. Counsel for the Receiver and counsel for the creditor may conduct limited additional discovery if needed and submit supplemental briefs to the Court relating to the Receiver's pending motion for summary judgment, and then the Court will consider and decide that motion.

- **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 fourth quarter financial results and status are summarized on the balance sheet attached as Exhibit CNC-1 (as of December 31, 2020), the Statement of Cash Flows for the fourth quarter attached as Exhibit CNC-2 and the income statements attached as Exhibits CNC-3 (as of December 31, 2020) and CNC-4 (from the commencement of the Receivership through December 31, 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 months)*

In addition to the policies, CNC had cash on hand on December 31, 2020, of \$816,451.82. The Receiver's fees and expenses for the quarter, including legal fees, were as follows: October 2020: \$1,541.00; November 2020: \$4,346.00; and December 2020: \$4,021.00.

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. 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 part of the liquidation of River Green, the Receiver has transferred all River Green assets to CNC in partial payment of payables owed by River Green to CNC. The assets consisted of Policy #4105, which has no market value, cash in the amount of \$ \$17,537.70, and a receivable from First Citizens Bank for \$12,038. After these liquidating transfer, River Green does not have any other assets. The Receiver's fees for River Green during the fourth quarter were \$418.00.

B. Final Report

Pursuant to the Court's November 30, 2020 order, the River Green Receivership has been terminated. Investors may contact the Receiver with regarding any remaining issues. River Green will not be included in future Quarterly Reports.

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 of NVI, 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, at the appropriate time, 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 continues to be 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 \$343,701.79 in cash, but its liabilities to CNC greatly exceed the value of its assets. NVI's financial situation as of December 31, 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 fourth 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 conclusion of the litigation, the NVI Receivership transfer all rights in the two policies listed above, including all proceeds thereof, to the extent awarded by the Court, 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 1st day of February, 2021.

/s/ William G. Leonard

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CNC-1

Balance Sheet

Credit Nation Capital
December 31, 2020

Assets**Current Assets**

Cash	\$	816,451.82
Accounts receivable	\$	365,711.00
Policies Pooled by Receivership	\$	55,000.00
Total	\$	1,237,162.82

Fixed Assets

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

Total Assets	\$	1,365,055.84
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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	\$	12,552,255.22
Total	\$	18,850,754.80

Long-term Liabilities

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

Total Liabilities	\$	52,073,863.44
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Equity

Total	(\$50,708,807.60)
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Total Liabilities & Stockholder Equity	\$	1,365,055.84
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CNC-2

Statement of Cash Flows

Credit Nation Capital

October through December 2020

Operating Activities

Net Income - CNC	\$ (28,050.97)
Net cash provided by Operating Activities:	\$ 500.50
Net cash provided by Operating Activities:	\$ 500.50

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	\$ 500.50
Cash at beginning of period - CNC	\$ 815,951.32
Cash At End of Period	\$ 816,451.82

CNC-3

Income Statement

Credit Nation Capital
October through December 2020

Ordinary Income/Expense

Income			
	Life Settlement Maturity	\$	-
	Total Income	\$	-
Gross Profit		\$	-
Expense			
	Bad Debt - RGC Receivable	\$	14,495.18
	Bank Service Charges	\$	567.84
	Computer & Internet Expenses	\$	340.64
	Professional Fees	\$	12,667.55
	Total Expense	\$	28,071.21
Net Ordinary Income		\$	(28,071.21)
Other Income/Expense			
Income			
	Interest Income - Bank	\$	20.24
	Total Other Income	\$	20.24
Net Income		\$	(28,050.97)

CNC-4

Income Statement

Credit Nation Capital

April 26, 2016 - December 31, 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	\$	4,727,975.15
	Bank Service Charges	\$	4,187.91
	Computer & Internet Expenses	\$	35,598.69
	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**	\$	2,704,028.48
	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	\$	11,840,340.53

Other Income/Expense

Income			
	Interest Income - Bank	\$	855.50
Net Income		\$	(9,517,829.60)

CNC-5

Cash Flow Projection

Receivership of Credit Nation Capital, LLC

January - June 2021

	January-21	February-21	March-21	April-21	May-21	June-21
1. Cash On Hand - Beginning of Month	\$ 816,452	\$ 810,232	\$ 804,012	\$ 797,792	\$ 846,572	\$ 840,352
2. Cash Receipts						
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clawback Settlements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ -	\$ 55,000	\$ -	\$ -
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Cash Receipts	\$ -	\$ -	\$ -	\$ 55,000	\$ -	\$ -
4. Total Cash Available	\$ 816,452	\$ 810,232	\$ 804,012	\$ 852,792	\$ 846,572	\$ 840,352
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
Supplies & Postage	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Tracking Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 6,220	\$ 6,220	\$ 6,220	\$ 6,220	\$ 6,220	\$ 6,220
7. Cash Position - End of Month	\$ 810,232	\$ 804,012	\$ 797,792	\$ 846,572	\$ 840,352	\$ 834,132

NVI-1

Statement of Assets and Liabilities

National Viatical, Inc.

12/31/2020

Assets

Cash	\$	343,701.79
LS Policies*	\$	652,789.11
Total	\$	996,490.90

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.*

NVI-2
Cash Flow Projection
 Receivership of National Viatical, Inc.
 December - June 2021

	January-21	February-21	March-21	April-21	May-21	June-21
1. Cash On Hand - Beginning of the Month	\$ 343,701.79	\$ 343,636.79	\$ 343,571.79	\$ 343,506.79	\$ 343,441.79	\$ 343,376.79
2. Cash Receipts						
Policy Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Claim Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Policy Surrenders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Cash Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Total Cash Available	\$ 343,701.79	\$ 343,636.79	\$ 343,571.79	\$ 343,506.79	\$ 343,441.79	\$ 343,376.79
5. Cash Paid Out						
Premium Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payout to Direct Investor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Fees	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00
Accounts Payable - CNC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Total Cash Paid Out	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00
7. Cash Position	\$ 343,636.79	\$ 343,571.79	\$ 343,506.79	\$ 343,441.79	\$ 343,376.79	\$ 343,311.79

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Defendants.

Civil Action File No.
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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 October 1, 2020 through December 31, 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 1sts day of February, 2021.

/s/ William G. Leonard _____

WILLIAM G. LEONARD

Georgia Bar No. 446912

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