

**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, 2021 THROUGH JUNE 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 June 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. A ruling by the Court is expected during the third quarter of 2021. The Receiver has also resolved the dispute with respect to the Lovell insurance policy and expects to receive a deposit of one-half of the proceeds of that policy (the Receivership’s share will be approximately \$600,000) once the Court approves the settlement. 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 second 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 June 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 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:

- **Richard Sutherland, et al.** As reported previously, this case has been returned to the District Court for reconsideration of the distribution plan

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.

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.** The main asset that is the subject of this clawback action is a policy on the life of Mr. Lovell, which has matured. The claims against the policy have been settled, with the Receivership and the third-party claimant agreeing to evenly split the proceeds of the policy, which have previously been deposited in the Court registry. The settlement is subject to the Court's approval, which the Receiver has requested and is awaiting.

- **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, 2021), 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, 2021) and CNC-4 (from the commencement of the Receivership through June 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 June 30, 2021, of \$784,444.12. The Receiver's fees and expenses for the quarter, including legal fees, were as follows: April 2021: \$5,089.50; May 2021: \$5,827.00; and June 2021: \$4,460.00.

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

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. The NVI receivership cannot be terminated until the proceeds from the Lovell policy have been distributed.

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 (the Lovell policy) has matured and the Receiver is awaiting distribution of one-half of the policy proceeds (see further description under Section II.A above).

In addition to the policies described above, NVI currently has \$343,176.18 in cash, but its liabilities to CNC greatly exceed the value of its assets. NVI's financial situation as of June 30, 2021 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 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.

[continued on next page]

Respectfully submitted, this 30th day of July, 2021.

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

EXHIBIT CNC-1

Balance Sheet

Credit Nation Capital

June 30, 2021

Assets

Current Assets

| |
|---------------------------------|
| Cash |
| Accounts receivable |
| Policies Pooled by Receivership |
| Total |

Fixed Assets

| |
|-----------------------|
| Policies Wholly Owned |
| Total |

Total Assets

Liabilities

Current Liabilities

| |
|---------------------------------------|
| Accounts Payable - Trade Creditors |
| Escrow of Sixes Tavern Proceeds |
| Investor Notes Payable (under 1 year) |
| Liability Subject to Compromise |
| Total |

Long-term Liabilities

| |
|------------------------|
| Notes Payable (over 1) |
| Total |

Total Liabilities

Equity

| |
|--------------|
| Total |
|--------------|

Total Liabilities & Stockholder Equity

| | |
|----|--------------|
| \$ | 784,444.12 |
| \$ | 365,711.00 |
| \$ | 55,000.00 |
| \$ | 1,205,155.12 |

| | |
|----|------------|
| \$ | 127,893.02 |
| \$ | 127,893.02 |

\$ 1,333,048.14

| | |
|----|---------------|
| \$ | 491,447.67 |
| \$ | 55,129.54 |
| \$ | 5,766,922.37 |
| \$ | 12,539,416.72 |
| \$ | 18,852,916.30 |

| | |
|----|---------------|
| \$ | 33,223,108.64 |
| \$ | 33,223,108.64 |

\$ 52,076,024.94

(\$50,742,976.80)

▶ \$ 1,333,048.14

EXHIBIT CNC-2

Statement of Cash Flows

Credit Nation Capital

April 2021 to June 2021

Operating Activities

| | |
|---|----------------------|
| Net Income - CNC | \$ (14,025.08) |
| AP | \$ 9,000.00 |
| Net cash provided by Operating Activities: | \$ (5,025.08) |

Investing Activities

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

FINANCING ACTIVITIES

| | |
|---|-------------|
| Net cash provided by Financing Activities: | \$ - |
|---|-------------|

| | |
|------------------------------------|----------------------|
| Net cash increase for period - CNC | \$ (5,025.08) |
| Cash at beginning of period - CNC | \$ 789,469.20 |
| Cash At End of Period | \$ 784,444.12 |

EXHIBIT CNC-3

Income Statement

Credit Nation Capital

April through June 2021

Ordinary Income/Expense

| Income | | |
|----------------------------|---|-----------------------|
| | Total Income | \$ - |
| Gross Profit | | \$ - |
| Expense | | |
| | Bank Service Charges | \$ 580.56 |
| | Computer & Internet Expenses | \$ 360.00 |
| | Professional Fees | \$ 13,091.00 |
| | Total Expense | \$ 14,031.56 |
| Net Ordinary Income | | \$ (14,031.56) |
| Other Income/Expense | | |
| Income | | |
| | Interest Income - Bank | \$ 6.48 |
| | Total Other Income | \$ 6.48 |
| Net Income | | \$ (14,025.08) |

EXHIBIT CNC-4

Income Statement

Credit Nation Capital

April 26, 2016 - June 30, 2021

Ordinary Income/Expense

Income

Clawback Settlements & Mgmt Fees
 Life Settlement Maturity
 Life Settlement Sale - Whole*
 Pooled Asset Income - Debt Forgiveness
 Sales Not Recognized - Post 2015
 Sales Recognized - Prior to 2015

Total Income

Gross Profit

Expense

Advertising & Marketing**
 Bad Debt Expense
 Bank Service Charges
 Computer & Internet Expenses
 Copier Expense
 Distribution to Policy Investor
 Insurance Expense
 Investor Fees
 Legal Expenses
 Loss on Policy
 Marketing Reps
 Office Cleaning
 Office Security**
 Office Supplies**
 Payroll Expenses
 Postage & Mailing
 Premium Expense
 Professional Fees**
 Rent Expense**
 Taxes
 Telephone Expenses
 Tracking Expenses
 Travel Expense
 Utilities

Total Expense

Other Income/Expense

Income

Interest Income - Bank

Net Income

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

***Includes distribution payments to trade creditors.*

\$ 298,835.76
 \$ 1,812,178.14
 \$ (779,189.53)
 \$ 77,141.63
 \$ 1,236,488.54
 \$ (323,799.11)
\$ 2,321,655.43
 \$ 2,321,655.43

\$ 26,500.00
 \$ 4,727,975.15
 \$ 5,336.69
 \$ 36,318.69
 \$ 5,580.90
 \$ 1,206,985.52
 \$ 82,407.66
 \$ 1,265.00
 \$ 30,587.36
 \$ 2,247,668.52
 \$ 3,616.67
 \$ 275.00
 \$ 1,363.10
 \$ (8,161.61)
 \$ 385,624.59
 \$ 3,399.26
 \$ 170,773.53
 \$ 2,736,355.21
 \$ 159,606.78
 \$ (3,810.87)
 \$ 3,177.47
 \$ 38,013.98
 \$ 3,414.61
 \$ 10,262.83
\$ 11,874,536.04

\$ 881.81
\$ (9,551,998.80)

; income.

EXHIBIT CNC-5

Cash Flow Projection

Receivership of Credit Nation Capital, LLC
July - December 2021

| | July-21 | August-21 | September-21 | October-21 | November-21 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1. Cash On Hand - Beginning of Month | \$ 784,444 | \$ 778,324 | \$ 772,204 | \$ 766,084 | \$ 759,964 |
| 2. Cash Receipts | | | | | |
| Accounts Receivable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Clawback Settlements | \$ - | \$ - | \$ - | \$ - | \$ - |
| Policy Claim Payments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Policy Sales | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3. Total Cash Receipts | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4. Total Cash Available | \$ 784,444 | \$ 778,324 | \$ 772,204 | \$ 766,084 | \$ 759,964 |
| 5. Cash Paid Out | | | | | |
| Commission on Policy Sale | \$ - | \$ - | \$ - | \$ - | \$ - |
| Computer and Internet | \$ 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 |
| Premium Expense | \$ - | \$ - | \$ - | \$ - | \$ - |
| Professional Fees | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 |
| Supplies & Postage | \$ - | \$ - | \$ - | \$ - | \$ - |
| Tracking Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| 6. Total Cash Paid Out | \$ 6,120 | \$ 6,120 | \$ 6,120 | \$ 6,120 | \$ 6,120 |
| 7. Cash Position - End of Month | \$ 778,324 | \$ 772,204 | \$ 766,084 | \$ 759,964 | \$ 753,844 |

December-21
\$ 753,844

\$ -
\$ -
\$ -
\$ -

\$ -

\$ 753,844

\$ -
\$ 120
\$ -
\$ -
\$ 1,000
\$ -
\$ 5,000
\$ -
\$ -

\$ 6,120

\$ 747,724

EXHIBIT NVI-1

Statement of Assets and Liabilities

National Viatical, Inc.

6/30/2021

Assets

| | | |
|--------------|-----------|-------------------|
| Cash | \$ | 343,286.79 |
| LS Policies* | \$ | 652,789.11 |
| Total | \$ | 996,075.90 |

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.*

EXHIBIT NVI-2

Cash Flow Projection

Receivership of National Viatical, Inc.

July - December 2021

| | July-21 | August-21 | September-21 | October-21 |
|---|---------------|---------------|---------------|---------------|
| 1. Cash On Hand - Beginning of the Month | \$ 343,286.79 | \$ 343,216.79 | \$ 343,146.79 | \$ 343,076.79 |
| 2. Cash Receipts | | | | |
| Policy Sales | \$ - | \$ - | \$ - | \$ - |
| Policy Claim Payments | \$ - | \$ - | \$ - | \$ - |
| Policy Surrenders | \$ - | \$ - | \$ - | \$ - |
| 3. Total Cash Receipts | \$ - | \$ - | \$ - | \$ - |
| 4. Total Cash Available | \$ 343,286.79 | \$ 343,216.79 | \$ 343,146.79 | \$ 343,076.79 |
| 5. Cash Paid Out | | | | |
| Premium Expense | \$ - | \$ - | \$ - | \$ - |
| Payout to Direct Investor | \$ - | \$ - | \$ - | \$ - |
| Professional Fees | \$ - | \$ - | \$ - | \$ - |
| Bank Fees | \$ 70.00 | \$ 70.00 | \$ 70.00 | \$ 70.00 |
| Accounts Payable - CNC | \$ - | \$ - | \$ - | \$ - |
| 6. Total Cash Paid Out | \$ 70.00 | \$ 70.00 | \$ 70.00 | \$ 70.00 |
| 7. Cash Position | \$ 343,216.79 | \$ 343,146.79 | \$ 343,076.79 | \$ 343,006.79 |

| November-21 | December-21 |
|----------------------|----------------------|
| \$ 343,006.79 | \$ 342,936.79 |

| | |
|----------------------|----------------------|
| \$ - | \$ - |
| \$ - | \$ - |
| \$ - | \$ - |
| \$ - | \$ - |
| \$ 343,006.79 | \$ 342,936.79 |

| | |
|----------------------|----------------------|
| \$ - | \$ - |
| \$ - | \$ - |
| \$ - | \$ - |
| \$ 70.00 | \$ 70.00 |
| \$ - | \$ - |
| \$ 70.00 | \$ 70.00 |
| \$ 342,936.79 | \$ 342,866.79 |

**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, 2021 through June 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 30th day of July, 2021.

/s/ William G. Leonard

WILLIAM G. LEONARD
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