

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA**

**CASE NO.: 20-cv-81205-RAR**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

COMPLETE BUSINESS SOLUTIONS  
GROUP, INC. d/b/a PAR FUNDING, et al,

Defendants.

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**DEFENDANTS' JOINT MEMORANDUM TO THE COURT REGARDING THE SCOPE  
OF THE RECEIVER'S ACTIVITIES PURSUANT TO THE CURRENT TRO**

Defendants Complete Business Solutions Group, Inc. d/b/a Par Funding, Full Spectrum Processing, Inc., Lisa McElhone, Joseph Cole Barleta and Joseph W. LaForte, and Relief Defendant L.M.E 2017 Family Trust, respectfully submit this Joint Memorandum in advance of the August 4, 2020, 3:30 pm conference on the scope of the Receiver's activities under the TRO.<sup>1</sup>

**Procedural History**

On July 24, 2020, the SEC sought an *ex parte* Order appointing a Receiver claiming that, "for the protection of the investors," the Receiver needed to be vested with "full and exclusive power, duty, and authority to: administer and manage their business affairs, funds, assets, causes of action and any other property of the Companies; marshal and safeguard all of the assets of the

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<sup>1</sup> The Court permitted each party to file a 10-page Memorandum. Rather than burden the Court with multiple filings, we have filed herein a single joint Memorandum of 15 pages.

Companies...” SEC’s Motion for the Appointment of a Receiver dated July 24, 2020 (Dkt. No. 4). The Commission proposed an extraordinarily broad order (*see* sealed ECF 4-2), which sought to provide the receiver with all of the “powers, authorities, rights and privileges heretofore possessed by the officers, directors, managers, and general and limited partners of the entity Receivership Entities under applicable state and federal law, by the governing charters, by-laws, articles and/or agreements in addition to all powers and authority of a receiver at equity, and all powers conferred upon a receiver by the provisions of 28 U.S.C. §§ 754, 959 and 1962 and Fed.R.Civ.P. 66.” *Id.* at ¶1. The SEC’s proposed order would have led to the immediate dismissal of the “trustees, directors, officers, managers, employees, investment advisors, accountants, attorneys and other agents of the Receivership Entities.” *Id.* at ¶2. And it would have empowered the receiver to transfer all bank accounts to the receiver’s control and, remarkably, to “transfer, compromise, or otherwise dispose of any Receivership Property,” *without further Order of this Court.* *Id.* at ¶¶ 30-34. (Emphasis added).

Defendants did not object to Mr. Stumphauzer to be a neutral party in this case. However, Defendants strenuously objected to the imposition of a receiver that would liquidate and destroy these legitimate businesses and cause unnecessary harm to the very investors that the Commission is charged with protecting. *See* Defendants’ July 28 Response, ECF 43, at pages 3-6, citing law limiting the scope of a Receivership Order to prevent the unnecessary liquidation of legitimate businesses. *See also Tucker v Baker*, 214 F.2d 627, 631 (5<sup>th</sup> Cir. 1954) (“[a] receivership is only a means to reach some legitimate end sought through the exercise of the power of the court of equity; it is not an end in itself.”); *In re Wiand*, Case No. 8:10-CV-71-T-17MAP, et al, 2011 WL

4530203 at \*7 (M.D. Fl. Sept. 29, 2011)(Receivership proceeding arising out of SEC enforcement action, citing *Tucker*)

On July 27, 2020, the Court entered an Order appointing a Receiver. The Court specifically did not confer the overbroad and sweeping powers sought by the Commission. Instead, the Court provided the Receiver with measured powers to monitor the affairs of these legitimate businesses, without empowering him to immediately displace management and, effectively, liquidate the company. *Id.* at p. 3-4. However, since that Order and as described below, the SEC is effectively causing the demise of an otherwise thriving business, violating its fundamental obligation to “First, do no harm.” *See* Comments on Proposed Rule (SEC Release No. IA-1812; File No. S7-19-99, Oct. 28, 1999), 1999 WL 33949884. Without a significant and immediate course correction by this Court, the SEC – not the Defendants – will cause enormous losses to large and small investors as well as hundreds of small businesses across the country.

### **POINT ONE**

#### **Since its Founding, CBSG has Consistently Utilized Excellent Counsel to Identify and Address Compliance Issues**

We respectfully suggest that this Court may find relevant that CBSG has always strived for compliance and utilized excellent counsel. In 2014, the law firm Offit Kurman produced CBSG initial promissory note/security agreement (hereinafter “Note” or “Notes”) for use in raising capital through third party creditors in the form of debt. The instrument typically provided for monthly interest and principal payments over 12 to 24 months. The notes ranged between \$50K - \$500K in principal, with some creditors purchasing multiple concurrent notes. Importantly, Offit Kurman issued an opinion letter, dated April 25, 2014, on the legality of the funding business under Pennsylvania law and the purchase and sale of future receivables agreement.

In July 2016, an expert business and securities lawyer at DLA Piper reviewed and edited the Notes. DLA Piper added the language that, "This note has not been registered under the securities act of 1933..." making clear to creditors that the notes were debt instruments and not securities. Impressively, interest rates paid to investors averaged 25% annually.

In December 2017, CBSG retained noted securities regulation expert, Philip Rutledge. Mr. Rutledge has a national reputation in securities regulation and was instrumental in shaping various provisions of significant US financial services legislation, including the Securities Markets Improvement Act of 1996, the *Gramm-Leach-Bliley Financial Modernization Act of 1999*, the *Sarbanes-Oxley Act of 2002*, and the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010*. While in government, Mr. Rutledge served as an expert witness on behalf of the Pennsylvania Office of the Attorney General in civil securities litigation and has testified as a securities expert before the United States Senate Permanent Subcommittee on Investigations. Mr. Rutledge was empowered to make any changes in CBSG's business structure in order to address any regulatory concerns. For example, to improve CBSG's compliance, Mr. Rutledge introduced a note purchase agreement and began changing the business structure so that CBSG would not be involved with soliciting and raising capital from creditors. He also registered CBSG in Pennsylvania under SEC 503b for its non-principal debt instruments. In January 2019, CBSG counsel reviewed and filed all state registrations needed for CBSG's current creditors.<sup>2</sup>

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<sup>2</sup> Throughout the course of CBSG's ongoing business operations, CBSG retained and worked with nationally known accounting firms such as Clifton Larson Allen, Friedman LLP and Rod Erml Associates to undertake comprehensive reviews and audits of the financial aspects and structure of CBSG's business. In doing so, these respected accounting firms undertook detailed review and analysis of the financials, client receivables and structure of investor notes. This additional detail

In February 2020, CBSG engaged Fox Rothschild LLP to take over the function of serving as primary counsel to assist the company in dealing with litigation concerning defaults by merchants, which included handling existing and new litigation in Philadelphia (as all of the CBSG agreements have Philadelphia venue provisions). Fox Rothschild also was engaged to defend against litigation (albeit meritless) brought by a select group of merchants that instituted litigation by and through one Philadelphia law firm that engaged in a pattern of abusive and aggressive litigation surrounding the merchant defaults.

In early March, Haynes Boone, and key lawyers from that firm with substantial SEC and regulatory experience, were engaged to review and defend against issues raised by the Texas Securities Commission.

In March 2020, at the outset of the COVID-19 pandemic, as experienced by nearly every business in America at the time, issues arose with increased merchant defaults caused by government shut-down orders. As a result of these issues, CBSG sought to engage in a note restructure to address the business-related issues caused by COVID – with the purpose of protecting the investors and the businesses. In doing so, CBSG retained Phil Rutledge to again review the notes outstanding with investors and to create a comprehensive Exchange Offer that sought to recapitalize the existing debt. In doing so, a formal Exchange Offer was created and sent to all existing investors. (An example of the Exchange offer is annexed hereto as Exhibit 1) This Offer included the issuance of new notes (but did not include any new debt raises as no new debt

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will be provided to the Court as part of the comprehensive brief to be submitted in the coming days.

capital had brought into the business since late January or early February). As part of the Exchange Offer, CBSG provided substantial and significant disclosures regarding the various regulatory actions that had occurred in Pennsylvania, New Jersey and Texas, along with significant disclosures concerning litigation, UCC liens, potential new note offerings, risks associated with the MCA business and other key points. Moreover, as part of the Exchange Offer, Phil Rutledge filed public disclosure documents with the SEC and various state law blue sky filings.

On the afternoon of July 28, the SEC advised that Mr. Stumphauzer would cause the immediate dismissal of all the employees of the businesses and that no employees of the business would be permitted to enter the premises – leading to over 100 employees being barred from the business premises for the last week despite the fact that thousands of merchants around the country rely on ongoing communication with CBSG to ensure the ongoing viability of their business operations. The SEC further advised that Fox Rothschild would be terminated from representing Defendants’ businesses in ongoing litigation and collection work which, in fact, is a part of the process of providing funds for the repayment of the investors. In that regard, the SEC filed another “Urgent” motion regarding the collection litigation and settlements that are a normal aspect of this business. The SEC directed the Receiver to change the locks on the businesses and bar employees from working, along with barring any employees from having any access to CBSG systems, when it is clear that the Receiver has no idea (and could have no idea) how to manage this complex operation. On behalf of CBSG, Fox Rothschild has been attempting to provide information and access to key employees to implore the receiver to take immediate action to begin doing daily ACH draws (which brings in nearly \$2 million per day), allow employees access to systems to work with merchants and to continue servicing existing contractual terms on merchant deals and

to work to keep the nearly \$500,000,000 of outstanding merchant agreements performing so that the debt to investors can be repaid. To date, not a dollar has been taken in by the Receiver to pay investors, and they have not been paid. The Receiver's and SEC's actions are ruining a business with excellent fundamentals and a strong financial base and essentially putting it into an ineffective liquidation causing huge financial losses. In taking this course of action against a fully operational business, the key fact that has been lost by the SEC, is that their actions are going to unilaterally lead to massive investor defaults. That cannot be the outcome that this Court sought when it appointed a limited receiver based on the *ex-parte* submissions of the SEC.

## **POINT TWO**

### **The Business of CBSG is Strong and Supported by Large, Sophisticated Investors**

Begun in 2012, the business of CBSG and its related business has grown into 150 employees and attracts large, sophisticated investors. CBSG employs 15 accountants, outside auditors and excellent counsel to guide its affairs and ensure compliance. The business model is easy enough to describe, but its operations are extremely complex and require teams of people expert in the particular financial calculations at the heart of the business. In essence, CBSG has two related businesses. On one side is its merchant funding business. CBSG funds merchants and receives a portion of the merchants' receivables. Picking the right merchants by analyzing the creditworthiness and history of the merchant, and gauging the proper terms of the funding, are crucial to the success of this business. Contrary to the suggestion in the SEC's Complaint, this is a perfectly lawful practice as courts have found throughout the country.

An important part of the business is collections. Merchants sometimes do not pay or get into arrears. Lawyers bring actions or reach settlements. There are currently about 1,000 such

collection actions across the country, being handled by Fox Rothschild and other excellent counsel around the country. This is typical for the business.

On the other side of the business is the receipt of investor funds which are used to make the merchant advances. Investors receive Notes reflecting their investment and which provide for a rate of interest on the principle. Although the SEC has attached to its Complaint previously utilized Notes – all drafted by esteemed counsel such as DLA Piper – the Exchange Offer used since March 2020 by a vast majority of the investors are excellent with fulsome disclosures that were understood and agreed to by the existing note holders.

Since CBSG began receiving investor funds in 2012, it has never missed a payment to an investor, but for the short Covid-19-related moratorium in April 2020. And, it has paid interest averaging 15-20% per annum to investors. Because of this, and because of the extraordinarily sophisticated financial models and calculations used to run the business, it has attracted large, sophisticated investors. For example, two brothers conducted a thorough due diligence and invested \$40 million. Similarly, another very sophisticated investor conducted a comprehensive due diligence and invested \$60 million. And an attorney for a fund invested approximately \$10 million into CBSG. In filings we will make this Friday, or whenever our principle opposition filings are due, this Court will see that these investors beseech this Court to permit CBSG to continue in business and squarely refute claims made by the SEC in this action. As one investor writes:

The Commission has not spoken to me, or anyone at my fund, regarding their current actions, despite their claims of trying to protect us. I am entirely against liquidation or closure of Par as it will not only hurt myself, but also hundreds of investors. In fact, if liquidation were to occur, it is highly likely that many of my investors who are senior citizens would lose much of their life savings and homes.

And that is just one investor fund. The SEC's slow liquidation here will unquestionably wreak financial devastation upon countless innocent investors - in the midst of a pandemic.

**POINT THREE**

**Since its Founding in 2012, and Until the SEC Action and the Involvement of the Receiver, Investors have Made Very Healthy Interest and there Are No Investor Losses. In Just Seven Days, However, the SEC and the Receiver Have Converted their Restraint of this Company into a Slow and Ineffective Liquidation which will Cause Investors and Merchants to Lose Their Money**

Since its founding in 2012, and until the SEC's action here and the involvement of the Receiver, CBSG has never missed a payment to investors a pre-Covid-19 and investors have made very healthy interest. Pre and Post-Covid 19, there is zero default on principal payments to an investor. Pre and Post-Covid 19, there is zero default on interest to an investor, although Notes were renegotiated in March 2020 to a lower interest rate due to Covid-19's effect on the economy (after years of 15-20% returns). CBSG has never missed a redemption to an investor.

And the merchant default rates are excellent. Put simply, the merchant cash over cash default exposure is 1.2%. That means that of all merchants receiving \$100 in cash from CBSG, only \$1.20 (1.2%) is defaulted on. Outside audits to GAAP were performed by Clifton Larson Allen, Friedman LLP and others in 2017, 2018 and 2019 and the most recent audit finished just days ago in July 2020.

Current financials are strong and can survive Covid – until the SEC started its liquidation. At the close of the business day on Tuesday, July 28, 2020, the balance sheet for CBSG - prior to the Receiver taking over - reflected the following:

1. Bank balance – cash on hand was \$18 million.

2. Fixed receivables from the merchants for whom CBSG enters into factoring agreements was \$413 million.

The company's monthly cash flow from client deposits is approximately \$30 million. From this amount, the company sustains its monthly operating costs of \$5 million which includes salaries, office rent and other monthly business expenses. Two million is earmarked for interest paid to creditors. With the balance of retained earnings of approximately \$25 million, the company funds new factoring agreements after a thorough review of the merchant's businesses. Many of the businesses which enter into factoring agreements with the company include seasonal businesses such as landscaping and certain retail businesses which add new employees during summer or winter months. The company uses best business practices and has a full-time compliance officer on staff. In order to sustain this business, it is imperative that daily active management of its portfolio is maintained to ensure that client payments are consistently received via ACH payments.

The strength of the company portfolio and its growth over the last year is detailed on the Financial Summary attached. The Net Equity line under liabilities shows strong, consistent growth with use of retained earnings. The company went from approximately \$85M at the beginning of 2019 to \$104M in retained earnings before the Covid-19 crisis reduced a significant amount of the account receivable portfolio due to bad debt. Even then, however, through prudent management, CBSG was able to rebuild its portfolio to a secure a profitable position even after the height of the Covid-19 pandemic. As of July 2020, CBSG was communicating frequently with merchants to renegotiate terms due to Covid-19 interruption of their businesses and income.

In February 2020, CBSG made a decision not to raise any new capital since they anticipated Covid-19 related business closures. CBSG has renegotiated with its creditors as well since the Covid crisis. Prior to the pandemic, creditors were receiving interest rates of approximately 15%. Since Covid-19, rates were reduced to 5% across the board to account for reduced receipt of merchant payments. Indeed, CBSG paid \$18M in interest, including through the Covid moratorium from March through May 2020 and, but for the SEC's action, expects to pay approximately \$46M in total interest for the year under the restructured notes. Through careful, diligent management, CBSG was able to regrow its equity position during the past two months.

However, once the Receiver, at the direction of the SEC, took over and locked out the employees, the day to day management of the business could not be maintained. Although, through careful stewardship, CBSG was able to navigate the storm of Covid-19, the SEC's actions with the Receiver are cratering the business. To make it absolutely crystal clear, the financial data shows that, for one week that the Receiver has been in place, July 29, 2020 through August 4, 2020, the total loss in ACH payments is approximately \$6,592,991.59.

Similarly, Full Spectrum Processing ("FSP") employed approximately 80 people in its two offices in Philadelphia. Since the Covid-19 crises, and just before the Receiver, it employed approximately 60 people and hoped to rehire 10-15 more. FSP provides all of the processing services for CBSG's portfolio. These services include day to day processing of ACH payments, technology services including computer services, collections work and other office services. In addition to CBSG, FSP provides these services for other clients as well, including a solar panel construction company, a physical therapy business, a property management company and other businesses. Acting at the behest of the SEC, the Receiver expelled the employees and closed these

offices and froze the related merchant client bank accounts. These actions have caused these businesses to suffer significant losses. The SEC's actions will close these businesses and their employees will join the ranks of the millions of unemployed. The SEC's actions have also done severe harm to the CBSG's banking and processing relationships. It is time-consuming to organize the merchant cash advance structure pursuant to industry standards. Even if the company's employees return immediately, the general chaos caused by the SEC's actions will take the company time to recover.

As we show next, the SEC's plan, to install a new company (DSI) to start anew on extraordinarily detailed work in which CBSG's employees are expert, is a complete waste of time and money and totally unworkable. It is also totally unnecessary. It will, however, without doubt, result in the demise of CBSG and the loss of over 100 jobs in Pennsylvania, not to mention severe injury to investors and merchants who have long relied on CBSG's operations.

**This case is Not 1 Global. The SEC's Plan to Install A New Company to take over CBSG's operations is Totally Unnecessary, Unworkable and will Result in the Demise of CBSG**

The SEC may cite to *1 Global Capital, LLC*, 18-19121-RBR. This is a markedly different case. In *1 Global Capital*, the owners of the business filed a voluntary petition for Chapter 11 reorganization in U.S. Bankruptcy Court before the SEC filed its enforcement action. The Debtor remained in lawful possession of its business, and a senior management overseer was appointed with the consent of the Debtor. Only later did the SEC file its securities action, and the Receiver appointed in that case, Jon Sale, Esq., was appointed as an overseer to management. *See* First Amended Disclosure Statement in Support of Liquidation Plan, describing the history of that litigation in Bankruptcy Court and District Court. 18-19121-RBR, ECF 806. In one year, the company appointed in *1 Global*, (the very same professionals that the SEC and

Receiver propose to use in this case), billed \$3,339,000 for their “liquidation” plan. (*See* 1 Global, “Plan of Liquidation,” annexed hereto as Exhibit 2)

Here, this Court has before it a fully operational, ongoing, 100-plus employee business that is relied upon by investors who have millions of dollars at stake and hundreds of merchants who rely on their relationship with CBSG – a company which has very significant longstanding outside legal and accounting resources. The SEC’s erroneous plans will cause millions in losses.

### **Conclusion**

Despite this Court’s clear direction to the Receiver (“to take...action as necessary and appropriate for the preservation of the [entities] property interests,” and “to prevent the dissipation...of such property interests,” and not “interfere or hinder” with “efforts to preserve” the entities property interests), the SEC’s direction of the Receiver is, right now, each and every day, destroying this business and with it, hundreds of millions of dollars in value. This gross harm, to a business that just days ago was profitable and paying regularly on every Note, is not being caused by the Defendants – it is unquestionably being caused by the actions of the SEC. The SEC - not the Defendants - are creating hundreds of millions of dollars in potential liability and losses to large and small investors.<sup>3</sup>

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<sup>3</sup> Defendants have no objection to the Receiver performing monitoring functions to insure and verify the lawful, proper and compliant operations of CBSG. They will find a house in solid order.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that, on August 4, 2020, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system which will send a notice of electronic filing to all counsel of record.

s/Joel Hirschhorn  
JOEL HIRSCHHORN

# **EXHIBIT**

**1**

Name: **WELLEN FUND I**

**CONFIDENTIAL**

Restated Note Amount: **\$2,654,100.00**

**COMPLETE BUSINESS SOLUTIONS GROUP, INC.**

**EXCHANGE OFFER OF OUTSTANDING NOTES FOR  
AMENDED AND RESTATED NOTES**

Complete Business Solutions Group, Inc., a Delaware corporation (the “Company”) d/b/a PAR Funding, is offering to exchange all issued and outstanding notes to which the Company granted a security interest in the tangible and intangible personal property of the Company (the “Outstanding Notes”) for new notes in the amount of the aggregate and outstanding balance of the Outstanding Note as of the Effective Date (as defined herein) (taking into account the moratorium on interest – See Recent Developments) but with a different term, interest rate and repayment schedule that was applicable to the Outstanding Notes and as to which the Company will grant a similar security interest in its tangible and intangible personal property (the “Restated Notes”).

The exchange offerees are all persons who are current holders of the Outstanding Notes.

The exchange offer expires at 5:00 pm, Eastern Daylight Time, on April 24, 2020, unless extended in the sole discretion of the Company (the “Expiration Date”).

The exchange offer is not conditioned upon the acceptance of the exchange offer by a minimum number of holders of Outstanding Notes or a minimum aggregate principal amount of Outstanding Notes by the Expiration Date.

In all respects, the information contained herein is qualified in its entirety by reference to the Amended and Restated Note Purchase Agreement appearing in Exhibit A hereto (the “Restated Note Purchase Agreement”), the Amended and Restated Non-Negotiable, Non-Transferable Term Promissory Note appearing in Exhibit B hereto (the “Restated Note”) and the Amended and Restated Security Agreement appearing in Exhibit C hereto (the “Restated Security Agreement”), all of which are incorporated by reference herein. ***Each person receiving this exchange offer is encouraged to read these documents carefully.***

Execution and submission of the above-referenced documents to the Company by the holder of an Outstanding Note constitutes an irrevocable acceptance of the exchange offer and after submitting them to the Company, the holder of the Outstanding Note has no right to withdraw his acceptance of the exchange offer.

Due to the exigencies described under “Recent Developments,” the Company intends to counter-sign the Restated Note Purchase Agreement, Restated Note and Restated Security Agreement upon receipt.

Certain risks associated with the exchange offer appear on page 3.

**Neither the U.S. Securities and Exchange Commission (“SEC”) nor any state securities commission has passed upon the merits of the exchange offer or the accuracy or adequacy of this document or exhibits thereto. It is unlawful to make any representation to the contrary.**

**The date of this Exchange Offer is April 8, 2020.**

**The Restated Notes have not been registered under the Securities Act of 1933, as amended (“1933 Act”) or any state securities laws in good faith reliance upon an exemption from registration for offerings made in reliance on Rule 506(b) of SEC Regulation D.**

**This Exchange Offer does not constitute an offer of securities in any jurisdiction in which, or to any person to whom, it is not permitted.**

**Neither the delivery of this Exchange Offer nor any sale made pursuant thereto shall create any implication that the information contained herein is correct as of any time subsequent to the date hereof or any supplement thereto.**

**Exchange offerees are not to construe this Exchange Offer or information provided by professionals who have been engaged by the Company to render professional services in connection with the preparation of this Exchange Offer as constituting legal, tax, accounting or investment advice. Exchange offerees should consult their own legal, tax, accounting and financial advisors with respect to acceptance of the exchange offer.**

**This Exchange Offer does not address any resales of Restated Notes during or after completion of the exchange offer and no person is authorized to make use of this document in connection with any resale.**

### **FORWARD LOOKING STATEMENTS**

This document may contain various forward-looking statements which may include statements about expectations, beliefs, plans, objectives, assumptions or future events which are not historical facts and may be forward-looking. These forward-looking statements often can be, but are not always, identified by the use of words such as “assume,” “expect,” “intend,” “plan,” “project,” “believe,” “estimate,” “predict,” “anticipate,” “may,” “might,” “should,” “could,” “goal,” “potential” and similar expressions. Should any statement containing these words included herein not materialize or should any or all underlying assumptions prove to be incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not promise to update forward looking information to reflect actual results or changes to assumptions or other factors that could affect such information.

### **THE COMPANY**

The Company provides small and mid-size businesses with various financing options to fund their day-to-day operations and growth. A significant service provided by the Company to these customers is an agreement to advance funds to the customer in exchange for an obligation on the customer to sell future receivables to the Company at stated periods which often is referred to as merchant cash advances (“MCA”).

Joe Cole is the Chief Financial Officer of the Company and is the person to whom exchange offerees may ask questions or request additional information concerning this exchange offer. No other person is authorized to give information or make any representation not contained herein.

Mr. Cole can be contacted by email at [joecole@parfunding.com](mailto:joecole@parfunding.com). The Company's principal office is located at 2000 PGA Blvd., Suite 4440, Palm Beach Gardens, FL 33408.

### RECENT DEVELOPMENTS

The COVID-19 pandemic in the United States has resulted in government orders in almost all states for non-essential businesses to close and for the population of those states to isolate themselves at home. These government measures have wiped out the ability of the Company's customer base to satisfy their MCA obligations to the Company.

To address this dramatic loss of revenue to the Company and to preserve its ability to continue as a going concern, the Company has taken several important steps. The first step was to declare a moratorium on payment of interest on all Outstanding Notes with no exceptions, effective March 16, 2020.

The second step is to restructure the terms of the Outstanding Notes through this exchange offer by lowering the interest rate and lengthening the term. Although the Restated Note will mature and be payable on the seventh anniversary of the Effective Date as defined in the Restated Note, it offers holders of the Outstanding Notes the opportunity for the return of principal which opportunity would be lost if the Company were to cease operations and declare bankruptcy. By accepting the exchange offer, the Company believes it will have a path toward repayment of its debt.

The Company's management team remains strong and is committed to continuing the Company as a going concern but this can only happen if the exchange offer is accepted by substantially all of the holders of the Outstanding Notes. The third step being taken by the Company is to identify potential sources of new capital, primarily from institutional investors.

### RISKS RELATING TO THE EXCHANGE OFFER

***If the exchange offer is not accepted by substantially all of the holders of the Outstanding Notes, the Company likely will not be able to continue as a going concern.***

In order to have any reasonable prospect of continuing as a going concern, the Company must restructure its Outstanding Notes to lower the interest rate and lengthen the repayment period as provided in the exchange offer. Failure of holders of substantially all of the Outstanding Notes to accept the exchange offer likely would result in the Company seeking the protection of the bankruptcy courts as it would be unable to meet its obligations under the Outstanding Notes as they become due.

***If the Company would file for bankruptcy, holders of the Outstanding Notes most likely would not recover their entire principal amount and interest.***

If the Company would file for bankruptcy, any disbursements to holders of the Outstanding Notes would be subject to approval of the bankruptcy court and there is no assurance that the bankruptcy estate will have sufficient assets to permit holders of the Outstanding Notes to recover

either the entire principal amount of the Outstanding Note or any accrued but unpaid interest. In addition, the debt represented by the Restated Notes could be reviewed under the Federal bankruptcy laws and comparable provisions of state fraudulent transfer laws.

***A holder of an Outstanding Note may not withdraw from the exchange offer after the holder has executed the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement and submitted them to the Company.***

Execution and submission of the above-referenced documents to the Company by the holder of an Outstanding Note constitutes an irrevocable acceptance of the exchange offer and after submitting them to the Company, the holder of the Outstanding Note has no right to withdraw his acceptance of the exchange offer.

***The exchange offer is not conditioned upon the acceptance of the exchange offer by a minimum number of holders of Outstanding Notes or a minimum aggregate principal amount of Outstanding Notes by the Expiration Date.***

Due to the exigencies described under “Recent Developments,” the Company intends to counter-sign the Restated Note Purchase Agreement, Restated Note and Restated Security Agreement upon receipt. Therefore, at the time of submission of these documents to the Company which constitutes an irrevocable acceptance of the exchange offer, the holder of the Outstanding Notes accepting the exchange offer will not know how many other holders of Outstanding Notes have accepted the exchange offer or the principal amount of such Outstanding Notes and whether a sufficient number of holders of the Outstanding Notes or a sufficient aggregate principal amount of the Outstanding Notes have accepted or will accept the exchange offer by the Expiration Date, all of which will have a material effect on the Company’s ability to continue as a going concern.

***The Company may borrow funds from other lenders in the future.***

Nothing in the Restated Note Purchase Agreement or the Restated Notes prohibits the Company from borrowing funds from other lenders at any time in the future and in such amounts and on such terms as it deems appropriate. Absent a corresponding increase in the Company’s asset base, such borrowings could result in a reduced collateral pool available to existing lenders. *See Description of Restated Notes and the Restated Note Purchase Agreement*

***The Restated Notes will be subordinate to any New Senior Indebtedness.***

As provided in the Restated Note Purchase Agreement, if the Company enters into a borrowing constituting New Senior Indebtedness, the Restated Notes will be subordinate to any New Senior Indebtedness which is defined generally to include indebtedness incurred for borrowed funds in the amount of \$100 million or more from a single lender or a group of a lender and its affiliates.

In the event the Company enters into other borrowings for an amount that does not constitute New Senior Indebtedness, any security interest granted to such new holder of indebtedness in the collateral, as defined in the Restated Security Agreement (the “Collateral”),

shall be *pari passu* with the security interest in the Collateral granted under the Restated Security Agreements. *See Description of Restated Notes and the Restated Note Purchase Agreement.*

***The Restated Notes are non-negotiable and non-transferable.***

The Restated Notes cannot be negotiated, transferred, assigned, pledged or hypothecated. *See Description of Restated Notes and the Restated Note*

***The Company, in its discretion, may pre-pay a Restated Note at any time.***

The Restated Notes do not contain a pre-payment penalty and the Company, in its discretion, may pre-pay a Restated Note at any time. *See Description of Restated Notes and the Restated Note*

***The terms of the Restated Notes may be amended or waived upon the approval of the holders of a majority of the then-outstanding balances of the Restated Notes.***

The terms of the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement may be amended or waived upon written consent of the Company and the holders of a majority of the then-outstanding balances of the Restated Notes, except that the financial terms of a Restated Note may not be amended or waived without the consent of the holder of such Restated Note. *See Description of Restated Notes and the Restated Note.*

***The Restated Notes are not guaranteed as to repayment of principal or interest.***

Payment of interest and principal when due on the Restated Notes is not guaranteed by any other entity or individual and the holders of the Restated Notes must look to the Company as the sole source for repayment of the Restated Notes. The Restated Notes are secured by a security interest in substantially all of the Company's tangible and intangible assets, which security interest is *pari passu* with the other Restated Notes. *See Description of Restated Notes and the Restated Note Purchase Agreement*

***The Restated Notes will not be registered with the SEC or with any state securities commission and will be subject to a restriction on resale.***

The Company is undertaking this exchange offer in good faith reliance on the exemption from registration under Rule 506(b) of SEC Regulation D adopted under the 1933 Act and the Restated Notes to be issued in the exchange offer are deemed to be "restricted securities" under federal securities laws. Purchasers of such securities are subject to the holding periods described in SEC Rule 144. Generally, "restricted securities" cannot be resold or transferred for one (1) year from the date of purchase absent compliance with the registration requirements of Section 5 of the 1933 Act or the availability of an exemption from registration. A legend describing these restrictions will be placed on each Restated Note. However, the Restated Notes, pursuant to their terms, are non-transferable.

***The Restated Notes are not being issued pursuant to a trust indenture.***

The Restated Notes are being issued in reliance on Rule 506(b) of SEC Regulation D and no indenture in respect of the Restated Notes is required to be qualified under the Trust Indenture Act of 1939, as amended. *See Description of Restated Notes and the Restated Note*

***The Company has not sought an independent tax opinion on the treatment of the exchange offer under Federal, state or local income tax laws.***

The Company has not sought nor will it seek an independent tax opinion on the treatment of the exchange offer under Federal, state or local income tax laws and exchange offerees are encouraged to seek relevant advice in this regard from their accounting, tax and financial advisors. *See Description of Restated Notes*

***The nature of its business subjects the Company to litigation.***

The Company is in the business of providing MCAs to small and mid-size businesses. In connection with its collection efforts against MCA customers and in other similar contexts involving its MCA customers, the Company has been subject to a substantial number of lawsuits. It is not unusual for MCA customers to resort to litigation against the Company in defense of selling its future receivables when the customer is in default of its MCA obligations and the Company initiates collection efforts. Although the Company believes that lawsuits of this nature are an ordinary and necessary part of the MCA business, the Company cannot assure that these legal proceedings will not singularly, or in the aggregate, have a material adverse effect on the business of the Company. *See Restated Note Purchase Agreement.*

**RESTATED NOTE PURCHASE AGREEMENT**

To accept the exchange offer, the holders of the Outstanding Notes will be required to execute the Restated Note Purchase Agreement appearing as Exhibit A hereto which contains important information concerning the exchange offer including, without limitation, specific representations, warranties and covenants being made to the Company, certain disclosures, governing law and jurisdiction, provisions relating to subordination and repayment of the Restated Notes, indemnification provisions and a mutual release with respect to any claims arising out of the Outstanding Notes. *Each person receiving this exchange offer is encouraged to read this document carefully.*

**DESCRIPTION OF RESTATED NOTES**

The information set forth below is qualified in its entirety by the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement. In the event that there is any discrepancy between the information set forth herein and the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement, the terms and conditions of the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement shall govern.

### **Principal Amount; Interest and Repayment**

Each Restated Note to be issued in the exchange offer will be in the amount of the aggregate and outstanding balance of the Outstanding Note as of the Effective Date (as defined herein) (taking into account the moratorium on interest – See Recent Developments) as of the date the Company accepts each exchange offeree’s irrevocable acceptance of the exchange offer by counter-signing the Restated Note Purchase Agreement (the “Effective Date”). The Restated Note shall mature and be payable on the seventh anniversary of the Effective Date.

Interest accruing on the principal amount of each Restated Note is five percent (5%) per annum calculated on the actual number of days elapsed. Commencing on the first business day of the month following the Effective Date of the Restated Note, interest will be paid in arrears in eighty-four (84) installments.

Commencing on the first business day of the month following the first anniversary of the Effective Date of the Restated Note, the principal amount shall be paid in seventy-two (72) installments, each in the amounts set forth in in Schedule A to each Restated Note, with the final installment of interest and principal in an amount to fully pay the remaining balance in accordance with the amortization schedule attached as Schedule A to each Restated Note.

All payments made by the Company will be applied first to accrued interest, then to any and all sums, other than principal, due under the Restated Note, and then to principal. In no event shall the charges constituting interest under the Restated Note exceed the rate permitted under any applicable law or regulation.

### **Subordination**

Nothing in the Restated Note Purchase Agreement or the Restated Notes prohibits the Company from borrowing funds from other lenders after the Effective Date and in such amounts and on such terms as it deems appropriate. The Restated Notes will be subordinate to New Senior Indebtedness as defined in the Restated Note Purchase Agreement incurred after the Effective Date. In the event the Company enters into other borrowings after the Effective Date for an amount that is less than \$100 million, any security interest granted to such new holder of indebtedness in the Collateral shall be *pari passu* with the security interest in the Collateral granted under the Restated Security Agreements to holders of the Restated Notes.

### **Security for the Restated Notes**

To secure the obligations of the Company under the Restated Note, the Company will enter into a Restated Security Agreement set forth in Exhibit C hereto. Each Restated Note will be secured by a security interest in substantially all of the tangible and intangible assets of the Company, which security interest will be *pari passu* with the other Restated Notes.

### **Negotiability, Assignment, Transfer, Pledge, Hypothecation,**

The Restated Notes cannot be negotiated, transferred, assigned, pledged or hypothecated.

### **Restrictions on Resale or Transfer**

The Restated Notes are being offered in reliance on an exemption from registration under Section 4(a)(2) of the 1933 Act and Rule 506(b) of SEC Regulation D. Securities sold in reliance on this exemption are deemed to be “restricted securities” under federal securities laws and purchasers of such securities are subject to the holding periods described in SEC Rule 144. Generally, “restricted securities” cannot be resold or transferred for one (1) year from date of purchase absent compliance with the registration requirements of Section 5 of the 1933 Act or the availability of an exemption from registration. A legend to this effect will be placed on each Restated Note. However, the Restated Notes, pursuant to their terms, are non-transferable.

### **No Guarantee**

Payment of interest and principal when due on the Restated Notes is not guaranteed by any other entity or individual and the holders of the Restated Notes must look to the Company as the sole source for repayment of the Notes.

### **Early Repayment**

The Restated Notes do not contain a pre-payment penalty and the Company, in its discretion, may pre-pay a Restated Note at any time.

### **Rights in Event of Default**

The Restated Note sets forth what circumstances constitute an event of default by the Company under the Restated Note. Upon a failure to make any required payment of principal, accrued interest or any other amount under the Restated Note on or before the date on which it shall fall due; or a breach or violation by the Company of any representation, warranty, term, provision or covenant of the Restated Note Purchase Agreement, the Restated Note or the Restated Security Agreement, the holder of the Restated Note, at the holder’s option, may declare the unpaid principal balance of, all accrued and unpaid interest on, and all other sums payable with regard to the Restated Note to be immediately due and payable and demand payment therefor, and may exercise any of the holder’s rights and remedies for collection of the Restated Note whether set forth in the Restated Note or otherwise.

In the event of filing a voluntary petition in bankruptcy by the Company or the filing of any involuntary petition against the Company in bankruptcy, the unpaid principal balance of, all accrued, unpaid interest on, and all other sums payable with regard to, the Restated Note automatically and immediately become due and payable without any further action by the holder of the Restated Note.

### **Amendment**

The terms of the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement may be amended or waived upon the written consent of the Company and the holders of a majority of the then-outstanding balances of the Restated Notes, except that the

financial terms of a Restated Note may not be amended or waived without the consent of the holder of such Restated Note.

### **THE EXCHANGE OFFER**

The Company is offering to exchange each Outstanding Note for a Restated Note in the amount of the aggregate and outstanding balance of the Outstanding Note as of the Effective Date (taking into account the moratorium on interest – See Recent Developments) but with a different term, interest rate and repayment schedule that was applicable to the Outstanding Note and as to which the Company will grant a similar security interest in its tangible and intangible personal property. The exchange offerees are all persons who are current holders of the Outstanding Notes.

The exchange offer expires at 5:00 pm, Eastern Daylight Time, on April 24, 2020, unless extended in the sole discretion of the Company (the “Expiration Date”).

The exchange offer is not conditioned upon the acceptance of the exchange offer by a minimum number of holders of Outstanding Notes or a minimum aggregate principal amount of Outstanding Notes by the Expiration Date.

Execution and submission of the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement to the Company by the holder of an Outstanding Note constitutes an irrevocable acceptance of the exchange offer and after submitting them to the Company, the holder of the Outstanding Note has no right to withdraw his acceptance of the exchange offer. Due to the exigencies described under “Recent Developments,” the Company intends to counter-sign the Restated Note Purchase Agreement, Restated Note and Restated Security Agreement upon receipt.

### **ACCEPTING THE EXCHANGE OFFER**

To accept the exchange offer, the holder of the Outstanding Notes should follow the process set forth below.

1. Complete the Purchaser Qualification Supplement to the Signature Page and sign the Restated Note Purchase Agreement which appears as Exhibit A hereto.
2. Sign the acknowledgement and agreement as “Payee” on the Restated Note which appears as Exhibit B hereto.
3. Sign as the “Secured Party” the Restated Security Agreement which appears as Exhibit C hereto.
4. Submit the documents specified in #1-3 to the attention of Joe Cole, Chief Financial Officer, Complete Business Solutions Group, Inc.

BY EMAIL: [joecole@parfunding.com](mailto:joecole@parfunding.com)  
BY OVERNIGHT  
COURIER OR US Mail: 205 Arch Street, Floor 2  
Philadelphia, PA 19106

Execution and submission of the Restated Note Purchase Agreement, the Restated Note and the Restated Security Agreement to the Company by the holder of an Outstanding Note

constitutes an irrevocable acceptance of the exchange offer and after submitting them to the Company, the holder of the Outstanding Note has no right to withdraw his acceptance of the exchange offer.

The Company intends to counter-sign the Restated Note Purchase Agreement, Restated Note and Restated Security Agreement upon receipt and will return a fully executed copy of the above-referenced documents to the exchange offeree.

#### **PLAN OF DISTRIBUTION**

The exchange offer is being undertaken by employees of the Company under the direction of Joe Cole, Chief Financial Officer of the Company. None of these individuals will receive any compensation, directly or indirectly, in connection with soliciting the exchange offer.

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## EXHIBIT C

### REGULATORY MATTERS

On November 28, 2018, without or admitting or denying certain allegations of the staff of the Pennsylvania Department of Banking and Securities (“PADOBS”), the Company agreed to issuance of an order wherein PADOBS found that the Company had employed at least one unregistered agent in violation of Section 301(b) of the Pennsylvania Securities Act of 1972 in connection with the offer and sale of its promissory notes in Pennsylvania for which the Company paid a monetary assessment (the “PA Order”). The Company has continued to offer and sell notes in Pennsylvania in compliance with that order. The order can be found at:

[www.dobs.pa.gov/Documents/Enforcement%20Orders/2018/112818\\_CompleteBusinessSolutions.pdf](http://www.dobs.pa.gov/Documents/Enforcement%20Orders/2018/112818_CompleteBusinessSolutions.pdf)

On December 27, 2018, the New Jersey Bureau of Securities issued a Cease and Desist Order against the Company alleging that the Company sold unregistered securities and employed agents who were not registered under the New Jersey Securities Act (the “NJ Order”). The order did not impose any sanctions or other penalties against the Company. The Company retained New Jersey counsel and made appropriate filings with the New Jersey Bureau of Securities and no further action has been taken against the Company. The order can be found at:

[www.nj.gov/oag/newsreleases18/CBSG-dba-PAR-Funding-Order.pdf](http://www.nj.gov/oag/newsreleases18/CBSG-dba-PAR-Funding-Order.pdf)

On February 25, 2020, the Texas State Securities Board (“TSSB”) issued a Cease and Desist Order against the Company and several other entities unrelated to the Company alleging that the Company offered and sold unregistered securities, acted as an unregistered dealer and omitted disclosure of the PA Order, the NJ Order and certain information about the Company’s ownership and management in violation of the Texas Securities Act. (the “TX Order”). The TX Order did not impose any sanctions or other penalties against the Company. The Company is complying with the TX Order. The Company has engaged Texas counsel and has requested a hearing on the TX Order. The TX Order can be found at: [www.ssb.texas.gov/sites/default/files/Beasley\\_ENF\\_CDO\\_20\\_1798.pdf](http://www.ssb.texas.gov/sites/default/files/Beasley_ENF_CDO_20_1798.pdf)

# **EXHIBIT**

# **2**

# 1 Global Capital, LLC and 1 West Capital, LLC Liquidation Analysis August 1, 2019

	NOTES	Plan of Liquidation	Chapter 7
<b>Cash Balance</b>	<b>1</b>	<b>\$88,819,000</b>	<b>\$88,819,000</b>
<b>Future Collections Estimates</b>			
MCA	2	\$15,000,000	\$7,500,000
Litigation - Collections	3	\$5,500,000	\$4,125,000
Receivership	4	\$4,500,000	\$4,500,000
Litigation - Bankruptcy	5	\$4,000,000	\$2,000,000
		<b>\$29,000,000</b>	<b>\$18,125,000</b>
<b>Gross Recovery Estimate</b>	<b>6</b>	<b>\$117,819,000</b>	<b>\$106,944,000</b>
<b>Administration Claims:</b>			
Fees/holdback through 10-01-19	7	(\$2,000,000)	(\$2,000,000)
Operating Budget thru 10-01-19	8	(\$1,077,000)	(\$1,000,000)
Insurance	9	(\$150,000)	
Prof Fees Thru Confirmation 10-01-19	10	(\$3,339,000)	(\$3,339,000)
<b>Total Administration Claims</b>		<b>(\$6,566,000)</b>	<b>(\$6,339,000)</b>
<b>Projected Total Cash for Trust</b>		<b>\$111,253,000</b>	<b>\$100,605,000</b>
<b>Liquidating Trust Expenses - Operating Period</b>			
Operating Budget	11	(\$681,000)	(\$500,000)
Professional Fees	12	(\$1,758,000)	(\$5,000,000)
US Trustee Fees	13	(\$600,000)	
Chapter 7 Fee (3%)	14		(\$3,018,150)
Non Operating Professional Fees	15	(\$2,000,000)	
<b>Total Plan Expenses</b>		<b>(\$5,039,000)</b>	<b>(\$8,518,150)</b>
<b>Projected Cash to Distribute</b>		<b>\$106,214,000</b>	<b>\$92,086,850</b>
<b>Secured and Priority Claims</b>			
Secured claims	16	(\$2,500,000)	(\$2,500,000)
Priority claims	17	(\$1,000,000)	(\$1,000,000)
<b>Sub Total</b>		<b>(\$3,500,000)</b>	<b>(\$3,500,000)</b>
<b>Projected Cash to General Unsecured Claims</b>	<b>18</b>	<b>\$102,714,000</b>	<b>\$88,586,850</b>
Estimate of Claims Basis	19	<b>\$300,000,000</b>	<b>\$400,000,000</b>
<b>Projected Distribution Recovery</b>	<b>20</b>	<b>34%</b>	<b>22%</b>

# 1 Global Capital, LLC and 1 West Capital, LLC Liquidation Analysis August 1, 2019

## NOTES:

- 1 Cash balance is as of July 15, 2019.
- 2 MCA portfolio collections managed in house by the collection department with a team in place.
- 3 Litigation collections are outside contingent collection firms.
- 4 Receivership matters include future receipts from Bright Smile, Ganador and other receivership related matters.
- 5 Litigation - Bankruptcy is an estimate of general bankruptcy litigation matters, including preference and avoidance matters and professional litigation.
- 6 Gross recovery estimate is a projection and may materially change.
- 7 Projection of professional fee holdbacks for the Chapter 11 period.
- 8 Operating Budget is staff and operations through the plan Effective Date.
- 9 Insurance includes Director and Officer insurance.
- 10 Professional Fees includes an estimate of fees yet to be incurred through October 1.
- 11 Liquidating Trust expenses are a budget and at a run rate through December 31, 2019.
- 12 Professional fees are related to the Liquidating Trust. Chapter 7 Fees would be materially higher based upon a new team and a new strategy to manage the matter.
- 13 US Trustee Fees are estimated based upon distributions.
- 14 Chapter 7 compensation is capped at a statutory 3% fee.
- 15 Non Operating Professional fees includes fees for counsel, accountants and litigation matters for the duration of the case post operations.
- 16 Secured claims are currently an estimate, subject to further review and objections.
- 17 Priority claims are currently an estimate, subject to further review and objections.
- 18 Projected Cash to distribute is an estimate, subject to material changes and will occur over a time period of one to three years.  
The current estimate does not include:  
\* The SEC claim of \$285,599,532, which the Plan Proponents believe will resolved consensually.  
\* The Travis, Oliphant and Collins claims totaling \$151,778,601, subject to pending objection and pending litigation.
- 19 The estimate of claims basis is a projection assuming gross claims will be reduced to an amount in this range. Material changes can occur to the final claims basis. The claims basis will likely be higher in a Chapter 7.
- 20 Projected distribution and recovery is a projection based upon a number of estimates for the amount of recoveries and the amount of costs incurred and to be incurred by the estate to finalize the matter.