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Instrument: ANSWER

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Index #: E2024015444

Date: 10/16/2024

Time: 6:06:34 PM

Return To:  
AMOS WEINBERG  
49 Somerset Dr. S.  
Great Neck, NY 11020

Fincoast Capital LLC

Mermosa Wines LLC DBA Mermosa Wines/Mermosa PDX  
NOISETTE FAMILY WINERY, INC  
CELESTINE BLU, LLC  
Davis, Aaron Matthew  
Noisette, Desiree Delia

Total Fees Paid: \$0.00

Employee:

State of New York

MONROE COUNTY CLERK'S OFFICE  
WARNING – THIS SHEET CONSTITUTES THE CLERKS  
ENDORSEMENT, REQUIRED BY SECTION 317-a(5) &  
SECTION 319 OF THE REAL PROPERTY LAW OF THE  
STATE OF NEW YORK. DO NOT DETACH OR REMOVE.

JAMIE ROMEO

MONROE COUNTY CLERK



SUPREME COURT OF THE STATE OF  
NEW YORK : COUNTY OF MONROE

Index No  
E2024015444

-----X

Fincoast Capital LLC,

**ANSWER**

Plaintiff,

-against-

Mermosa Wines LLC DBA Mermosa Wines/Mermosa PDX  
NOISETTE FAMILY WINERY, INC  
CELESTINE BLU, LLC  
Davis, Aaron Matthew  
Noisette, Desiree Delia,

Defendants.

-----X

Defendants by their attorney retained solely therefor answer the complaint:

1. Deny paragraph 1. The complaint was verified in Miami-Dade County, Florida, by Frank Shreyberg. Mr. Shreyberg is the manager of FINCOAST CAPITAL LLC formed in Florida:



<https://search.sunbiz.org/Inquiry/CorporationSearch/SearchResultDetail?inquirytype=EntityName&directionType=Initial&searchNameOrder=FINCOASTCAPITAL%20L210004855560&aggregateId=flal-121000485556-f0923646-bca0-4ebc-9dca-9a0e79f0ca3e&searchTerm=fincoast%20capital&listNameOrder=FINCOASTCAPITAL%20L210004855560>

**Detail by Entity Name**

Florida Limited Liability Company  
FINCOAST CAPITAL LLC

**Filing Information**

Document Number L21000485556 FEI/EIN Number 81-1520892  
Date Filed 11/10/2021 Effective Date 11/05/2021 State FL Status ACTIVE

**Principal Address**

16850 COLLINS AVE  
112616  
NORTH MIAMI BEACH, FL 33160

**Mailing Address**

16850 COLLINS AVE  
112616  
NORTH MIAMI BEACH, FL 33160

**Registered Agent Name & Address**

SHREYBERG, FRANK  
16850 COLLINS AVE  
112616  
NORTH MIAMI BEACH, FL 33160

**Authorized Person(s) Detail Name & Address**

Title MGR  
SHREYBERG, FRANK  
16850 COLLINS AVE, 112616  
NORTH MIAMI BEACH, FL 33160

2. Admit paragraphs 2, 3, 4, 5, 6.
3. Paragraph 7: Admit the date of the contract and that the parties' transaction was for the amount stated, but otherwise denies. The contract had nothing to do with any purchase.
4. Admit paragraph eight only as to personal jurisdiction due to a forum selection clause but not subject matter jurisdiction.
5. Admit paragraph 9 but deny "purchased receivables".
6. Admit paragraph 10.

7. Deny paragraph 11 and each and every subsequent allegation of the complaint not expressly admitted above.

**First Affirmative Defense: Illusory Contract. No Risk**

8. To find as a matter of law that the contract was a genuine purchase, and not a loan, the transaction must be “sufficiently risky” for the funder. Strategic Funding Source, Inc. v. Takeastrole, LLC, 2023 NY Slip Op 33062(U), 4; LG Funding, LLC v United Senior Props. of Olathe, LLC, 181 A.D.3d 664 [2020]: “These provisions suggest that the plaintiff did not assume the risk that United would have less-than-expected or no revenues.”

9. Plaintiff’s contract eliminated the risk.

10. Here, the numbers prove that the reconciliation could only exist in the real world if there was criminal usury.

11. The plaintiff’s funding/loan started at a 71% annual rate of interest. 71% is 2.83 times the 25% maximum under the criminal usury statute.

12. **Calculation of Interest:** Under the Agreement, the total payable to Defendant was \$25,079, less startup fees, for which Defendant had to pay plaintiff back \$34,860, by a daily payment of \$249.00 per day. Defendant getting gross proceeds from plaintiff of \$25,079, and having to pay back \$34,860, the difference, of \$9,781, was the interest that Defendant had to pay

on the \$25,079. \$9,781 interest on \$25,079, if it had to be paid back over a year, would have been 39% interest. The agreement required payments of \$249.00 per day, which meant 140 payments of \$249.00 each, or 140 days, to pay the \$34,860. However, the \$249.00 payments were only to be debited on banking, or weekdays. There being five banking days each week and taking into account the nation's annual 10 banking holidays, this meant that the 140 payments of \$249.00 each were going to take 196 days total. 196 days is 55% of a year. Since 39% interest had to be paid back in 55% of a year, that was an annual interest rate of 71%.

13. The daily receipts of defendant needed for the fixed daily payment under the contract, at the specified percentage of 4.88%, equaled \$5,102.46 (\$249.00 divided by 4.88% \$5,102.46).

14. The initial 71% interest rate was 2.83 times the 25% criminal usury cap.  $25 \text{ times } 2.83 = 71\%$ .

15. By the 25% criminal usury cap, the Legislature determined that any higher rate was utterly unaffordable and took criminal advantage of a borrower.

16. If the fixed daily payment was reduced so that 4.88% of receipts equaled the 25% maximum criminal usury rate rather than the 71% criminal rate, the receipts needed would only be \$1,824.36. **Calculation:** The 71%

interest rate divided by 25 = 2.83. The \$5,102.46 receipts needed under the contract to cover the 4.88% Specified Percentage divided by 2.83 = \$1,824.36.

17. Therefore, until the plaintiff granted a reconciliation taking 4.88% of only \$1,824.36 of receipts, the funding was criminally usurious.

18. If \$34,860 has to be paid back after receipt of \$25,079 with fixed daily payments each business day and an annual interest rate of 25%, each daily payment would equal \$89.03 which at 4.88% of daily receipts would equal \$1,824.36 of receipts.

19. Until receipts dropped to \$1,824.36, the 4.88% specified percentage was criminally usurious.

20. If the defendant's receipts diminished from \$5,102.46 to \$1,824.36, it would obviously be unable to continue proper business, unable to properly function or pay everyone. It would have insufficient money to pay any employee, any landlord, any tax, any materials, any work expense, etc. Assuming that someone in business for themselves, like the individual defendant, needed some kind of draw from his business to live on, his family was going hungry and homeless.

21. It is as if the \$210,900 salary of a New York Supreme Court justice was reduced by 2.83 times = \$74,522.97 ( $210,900/2.83$ ).

22. For plaintiff to then use a reconciliation to deduct a fixed daily payment of 4.88% of the \$1,824.36 could not reasonably be contemplated under the parties' contract since the debtor would be forced to block plaintiff's 4.88% debit if receipts dropped to \$1,824.36.

23. This would enable plaintiff to declare a default.

24. In sum, taking the position that a debtor whose receipts stayed the same has no excuse not to suffer this \$249.00 fixed daily payment is enforcing criminal usury.

25. Taking the position that a debtor who has not requested a reconciliation has no excuse not to pay this \$249.00 fixed daily payment is enforcing criminal usury.

26. The agreement was for a finite term of 196 days with payments of \$249.00 each business day.

27. The entire premise of the contract was false and illusory because it purported to restrict defendants from any personal use of the business account:

18.5 \*\*\* (iii) the Account is a legitimate, open, and active bank account used solely for business purposes and not for personal, family or household purposes

28. To the contrary, it was obvious from the inception that the said account would be the source of the individual defendant's livelihood. People

do not form a company in order to serve as its unpaid volunteer director/officer but, instead, to draw their livelihood from it. People's livelihood includes not only basics but other expenses such as children's college tuition, annual vacations, etc.

29. The entire premise of the contract was illusory because it purported to be a purchase of receivables, or receipts, payable from future sales, but if there was a default, the entire purchase price for such future sales was immediately due and payable even though such sales perforce did not exist.

30. It has already been established that there is no such thing as a purchase of future receivables. Stathos v. Murphy, 26 A.D.2d 500 First Dept. [1966] "(affirmed \*\*\* upon the opinion at the Appellate Division" 19 N.Y.2d 883, 885 [1967]):

"The confusion in this area of the law arises primarily from a failure to distinguish between the assignment of future rights, such as future wages, revenues on contracts yet to be made, and the like, regarded as after-acquired property, and the assignment of present rights, typically choses in action, which have yet to ripen into deliverable assets, particularly money. \* \* \*

There is no doubt that the assignment of a truly future claim or interest does not work a present transfer of property. It does not because it cannot; no property yet exists."



31. The contract was full of promised benefits and rights which were illusory and false, having been taken away or made impossible by other provisions.

32. The contract indicated that payments made to plaintiff would be conditioned upon defendant's sale of products and services, and the payment therefore by defendant's customers:

33. This benefit was illusory because under the contract, plaintiff intended to ACH-debit the fixed daily payment each business day regardless of receipts:

Seller authorizes Buyer to debit the Daily Amount from the Account each business day by either ACH or electronic check

34. The contract did not expressly make bankruptcy a default and purported to permit bankruptcy without a default.

35. The individual guarantor, under the contract, guaranteed the performance of the "merchant" defendant. This guaranty of performance did not cease upon a bankruptcy.

36. Bankruptcy was effectively barred by the parties' agreement, among others, because the plaintiff's contract prohibited defendants from changing the approved bank account or depositing receipts into any other account:

1. Delivery of Purchased Amount: Seller must deposit all Future Receipts into the Account and must instruct Seller's credit card processor, which must be approved by Buyer (the "Processor") to deposit all Payment Card receipts of Seller into the Account

37. A bankrupt or debtor in possession violates Federal Law by failing to open a debtor-in-possession account or failing to deposit receipts into the debtor-in-possession account.

Rushton v. American Pac. Wood Prods. (In re Americana Expressways), 133 F.3d 752, 756-757 [1997]:

"The United States Trustee has the responsibility for supervising Chapter 11 debtors in possession. The trustee's Operating Guidelines and Reporting Requirements mandate that the debtor in possession close prepetition bank accounts and open new accounts that include the words "Debtor in Possession." See Appellees' Supp. App. 91. 4 The debtor in possession is an officer of the court and subject to the bankruptcy court's power and control. See Chmil v. Rulisa Operating Co. (In re Tudor Assocs. Ltd. II), 64 B.R. 656, 661 (E.D.N.C. 1986)."

C.C Canal Realty Trust v. Harrington, (In re Spenlinhauer), 2017 WL 1098820; 2017 U.S. Dist. LEXIS 42336, \*9:

"Debtors-in-possession are also required to deposit post-petition funds into designated debtor-in-possession bank accounts. See In re Sieber, 489 B.R. 531, 548-49 (Bankr. D. Md. 2013)."

Jackson v. GSO Bus. Mgmt., LLC (In re Jackson), 643 B.R. 664, 699 [2022]:

"The unauthorized withdrawal of funds from a debtor-in-possession bank account is an affront to the integrity of the bankruptcy process."

38. Bankruptcy, under which a bankrupt must transfer all assets to a trustee in bankruptcy was prohibited by this provision:

17.6 \*\*\* Seller will not sell, dispose, transfer or otherwise convey all or substantially all of its business or assets without (i) the express prior written consent of Buyer

39. The following provision effectively prohibited bankruptcy:

17.1. Good Faith, Best Efforts and Due Diligence. Seller will conduct its business in good faith and will use its best efforts to continue its business at least at its current level, to ensure that Buyer obtains the Purchased Amount.

40. The Security Agreement portion of the contract stated

18.1 \*\*\* . Seller further agrees that, with or without an Event of Default, Buyer may notify account debtors, or other persons obligated on the Future Receipts, of Seller's sale of the Future Receipts and may instruct them to make payment or otherwise render performance to or for the benefit of Buyer

41. That made the entire contract illusory it enabling the plaintiff to grab all assets at any time for any reason or no reason at all and thereby cause the business defendant to breach the contract by plaintiff's appropriation of the assets and funds of the business defendant.

42. The contract purported to be a purchase. This was illusory. Plymouth Venture Partners, II, L.P. v. GTR Source, LLC, 37 N.Y.3d 591, [Now Chief Justice] Rowan Wilson Diss. Op. (4-3 majority held that a CPLR

5240 motion is required, not a tort action, to attack the illegal enforcement method of a judgment):

“Although the GTR and CMS agreements are described as “factoring” agreements, they do not bear several of the hallmarks of traditional factoring arrangements, in that FutureNet did not sell any identifiable receivable to GTR or CMS; GTR and CMS did not collect any receivables; GTR and CMS received fixed daily withdrawals from FutureNet’s bank account regardless of whether or how much FutureNet collected from or billed to its clients; and GTR and CMS did not bear the risk of nonpayment by any specific customer of FutureNet. The arrangements FutureNet entered with GTR and CMS appear less like factoring agreements and more like high-interest loans that might trigger usury concerns (*see Adar Bays, LLC v GeneSYS ID*, — NY3d —, 2021 NY Slip Op 05616 [2021])”

Home Bond Co. v. McChesney, 239 U.S. 568, 575-576 [1916]:

“[A]ppellant, by virtue of the contracts between it and the bankrupts \*\*\* did not become the purchaser or owner of the accounts receivable in question, and \*\*\* the transactions were really loans, with the accounts receivable transferred as collateral security. \*\*\* To quote from the opinion of the District Court: “The considerations which support this conclusion are that the bankrupts were to and did collect the accounts and bear all expense in connection with their collection \* \* \* In so far as the contracts in question here use words fit for a contract of purchase they are mere shams and devices to cover loans of money at usurious rates of interest.”

Endico Potatoes v. CIT Group/Factoring, 67 F.3d 1063, 1069, 2d Cir.

Ct. of App. N.Y. [1995]:

“Where the lender has purchased the accounts receivable, the borrower’s debt is extinguished and the lender’s risk with

regard to the performance of the accounts is direct, that is, the lender and not the borrower bears the risk of non-performance by the account debtor. If the lender holds only a security interest, however, the lender's risk is derivative or secondary, that is, the borrower remains liable for the debt and bears the risk of non-payment by the account debtor, while the lender only bears the risk that the account debtor's non-payment will leave the borrower unable to satisfy the loan.”

43. None of these defects constituted invented or theoretical defenses. Crystal Springs Capital v Big Thicket Coin, 220 AD3d 745, 747, 748 [2023] held that the language in the merchant funding agreement, alone, will establish these defenses.

“Here, the defendants established that the agreement constituted a criminally usurious loan. \*\*\* [T]he defendants conclusively established through the submission of the agreement that it constituted a criminally usurious loan (see Adar Bays, LLC v GeneSYS ID, Inc., 37 NY3d at 332; LG Funding, LLC v United Senior Props. of Olathe, LLC, 181 AD3d at 666).”

44. The foregoing has reasonably placed the plaintiff on notice of the defense that the contract was illusory, nor need the defendants enumerate every manner in which the contract could be found illusory.

**Second Affirmative Defense: Appellate Division Opinion of Nov. 28, 2023, Guiding Whether Transaction Is a Loan**

45. Kapitus Servicing, Inc. v Point Blank Constr., Inc., 221 A.D.3d 532 [2023]:

“Further, although the presence in an agreement of a right to reconciliation may be an indication of whether an

agreement constitutes a loan, the agreement here does not make clear on its face whether it conferred that right (see *Davis v Richmond Capital Group, LLC*, 194 AD3d 516, 517 [1st Dept 2021]).”

46. The plaintiff’s contract had multiple, duplicative, conflicting reconciliation provisions, including paragraph 2 and then paragraphs 5 through 8.

47. Paragraph 2 stated:

2. Seller May Request Changes to the Daily Amount (IMPORTANT PROTECTION FOR SELLER): The initial Daily Amount is intended to represent the Specified Percentage of Seller’s daily Future Receipts. **For as long as no Event of Default has occurred**, once each calendar month, Seller may request that Buyer adjust the Daily Amount **to more closely reflect the Seller’s actual Future Receipts** times the Specified Percentage. **Seller agrees to provide Buyer any information requested by Buyer to assist in this reconciliation. Upon reasonable verification** of such information, Buyer shall adjust the Daily Amount on a going-forward basis to more closely reflect the Seller’s actual Future Receipts times the Specified Percentage. **Buyer will give Seller notice five business days prior to any such adjustment.** After each adjustment made pursuant to this paragraph, the new dollar amount shall be deemed the Daily Amount until any subsequent adjustment.

48. The provision that, “Seller agrees to provide Buyer any information requested by Buyer to assist in this reconciliation. Upon reasonable verification \*\*\*” gave plaintiff the right of disclosure before implementing any adjustment.

49. The CPLR has already codified by section 3212(f) that where a party is found to have the right to disclosure, the adversary may not then request summary judgment until the disclosure is completed.

50. Here, the above quoted language in plaintiff's agreement means that plaintiff has given itself the right of disclosure which inescapably means that the debtor has no right to the adjustment until plaintiff completes its disclosure process.

51. Period. End of story. Plaintiff wrote this language. Not defendants.

52. This allowed plaintiff to interminably delay any adjustment by requesting more information and verification while quixotically hunting for diverted receipts.

53. Paragraph 23.2 stated:

**23.2. Notices from Seller to Buyer. Seller may send any notices to Buyer by e-mail only upon the prior written consent of Buyer, which consent may be withheld or revoked at any time in Buyer's sole discretion.** Otherwise, any notices or other communications from Seller to Buyer must be delivered by certified mail, return receipt requested, to Buyer's address set forth in this Agreement. Notices sent to Buyer shall become effective only upon receipt by Buyer

54. This has already been held to indicate a criminally usurious contract requiring the denial of summary judgment to a plaintiff. Wynwood Capital v God's Love Outreach, 2022 NY Slip Op 33211(U):

“However, plaintiff’s counsel omits relevant language, and the Court finds that when the reconciliation provision is read in its entirety, there is a triable issue of fact as to whether the reconciliation provision was mandatory or discretionary. To wit, the reconciliation provision provides that “[a] reconciliation may also be requested by email to [sic] and such notice will be deemed to have been received if and when [plaintiff] sends a reply e-mail [but not a read receipt]’ [emphasis supplied]. The language “if and when” indicates that it was in the plaintiff’s discretion as to whether to send a reply e-mail, which would begin the time on the plaintiff’s obligation to conduct the requested reconciliation. As the reconciliation provision in the parties’ agreement afforded the plaintiff with the discretion as to whether it was obligated to conduct the reconciliation, the plaintiff failed to establish the absence of triable issues of fact as to whether the reconciliation provision in the parties’ agreement was discretionary, the Court finds that there are issues of fact as to whether the parties’ transaction was a criminally usurious loan. (Davis v. Richmond Capital Group, LLC, 194 AD3d 516, 517 [1st Dept 2021]).

In light of the foregoing, the plaintiff’s motion for summary judgment pursuant to CPLR § 3212 is DENIED, in its entirety.”

55. The further provision that “must be delivered by certified mail, return receipt requested, to Buyer’s address set forth in this Agreement. Notices sent to Buyer shall become effective only upon receipt by Buyer” let



plaintiff delay and reject all notices by either failing to answer the door when a postal service person appeared or refusing to sign for certified mail.

56. A separate reconciliation provision stated:

6.2. Any such request for Reconciliation of the Seller's Initial Daily Installments for a specific Reconciliation Month shall be in writing, shall include a copy of Seller's bank statement and credit card processing statements for the Reconciliation Month at issue, and shall be received by Buyer via email to [EMAIL], with the subject line "REQUEST FOR RECONCILIATION," **within five (5) Workdays after the last day of the Reconciliation Month at issue** (time being of the essence as to the last day of the period during which such demand for Reconciliation shall be received by Buyer).

57. This prevented any reconciliation except during the first 5 workdays of the month, a provision found by the NY Attorney General (below) to indicate a criminally usurious, predatory loan.

58. The reconciliation provision further stated:

59. 6.3. Buyer's receipt of Seller's request for Reconciliation after the expiration of the five (5) Workday period following the last day of the Reconciliation Month for which such Reconciliation is requested nullifies and makes obsolete Seller's request for Reconciliation for that specific Reconciliation Month.

60. This completely prevented any reconciliation since plaintiff had to first approve an email request and there was no way that a debtor had any way of ensuring that certified mail would arrive and be signed for within the five days.

61. A conflicting adjustment provision stated:

7.2. The Adjustment of the Initial Daily Installment shall be performed by Buyer **within five (5) Workdays following its receipt of the Seller's request for Adjustment** by modifying the amount of the Initial Daily Installment that shall be debited from the Approved Bank Account until the Purchased Amount is paid in full. Notwithstanding anything to the contrary set forth in Sections 12 and 13 hereof, **no Adjustment shall take place until and unless Reconciliation for at least one (1) Reconciliation Month takes place resulting in the reduction of the total amount debited from Seller's Approved Bank Account during the Reconciliation Month by at least fifteen percent (15%)** in comparison to the amount that would have been debited during that month without Reconciliation.

62. These provisions effectively barred the plaintiff from implementing any adjustment. Even if plaintiff received all requests within five working days, an extra month would elapse before any adjustment since there first had to be undertaken the reconciliation procedure.

63. The plaintiff's contract stated, "8.2. A request for Adjustment (an "Adjustment Request") shall be in writing, and shall include copies of: (i) Seller's last three (3) consecutive bank statements of the Approved Bank Account and credit card processing statements".

64. That meant that the adjusted fixed daily payment would be based on the prior three months, not just the prior month when receipts dropped.

65. The NY Attorney General stated that such provision indicated a criminally usurious, predatory loan.

66. At no time in its existence has the plaintiff ever refunded to any “merchant” any amount previously ACH-debited from the merchant because a reconciliation found that the total previously ACH-debited exceeded the Specified Percentage of the prior sales, receipts, revenue, or receivables.

67. At no time in its existence has the plaintiff ever credited to any “merchant” any amount previously ACH-debited from the merchant because a reconciliation found that the total previously ACH-debited exceeded the Specified Percentage of prior sales, receipts, or revenue, receivables.

68. The same section stated, “Seller or Buyer may request an adjustment to the Daily Amount to more closely reflect the Seller’s actual Future Receipts times the Specified Percentage.”

69. “Actual Future Receipts” is an oxymoron.

70. Any predilection or prognostication of the future receipts was entirely subjective.

### **Third Affirmative Defense: Criminal Usury.**

71. Oakshire Props., LLC v Argus Capital Funding, LLC, \_\_\_ AD3d \_\_\_, 2024 NY Slip Op 03943, Fourth Dept. Appellate Division, held that:

A. “although there is a reconciliation provision in the agreement, the provision appears illusory inasmuch as Argus may not be subject to any consequences for failing to comply with its terms”

Here, while not stating that failure to reconcile would constitute a breach, neither did the contract provide any remedy or consequences to plaintiff in the event that plaintiff failed to reconcile, and permitted plaintiff to continue to ACH-debit the automatic payments even if it did not reconcile.

B. “Argus has sole discretion to adjust the amount of the daily payments.”

Here, plaintiff had sole discretion to refuse delivery of any reconciliation or adjustment request.

C. “a default on the part of Oakshire would occur where, inter alia, "two or more [automatic withdrawal] transactions attempted by [Argus] within one calendar month are rejected by [the] bank," immediately accelerating the entire amount”

The contract stated, 19 \*\*\* (f) Seller fails to provide timely notice to Buyer such that in any given calendar month there are four or more ACH

transactions attempted by Buyer are rejected by Seller's bank."

The contract enabled plaintiff to bar any such notice.

D. "there was an implied finite term in the agreement inasmuch as plaintiffs allege that the daily payment amount was set to ensure that Argus's targeted return would be met in a predetermined period of time as opposed to having been set based on the specified percentage of Oakshire's sales"

It has already been demonstrated, above, that the fixed payment was to be ACH-debited by plaintiff regardless of any receipts, and not as a percentage of any receipts.

E. "the agreement allowed Argus, in its sole discretion, to continue making daily payment withdrawals even if the daily payment amount exceeded Oakshire's sales, thereby providing Argus with a means to compel an event of "default" upon which it could then immediately accelerate the entire debt".

It has already been demonstrated, above, that the fixed payment was to be ACH-debited by plaintiff regardless of any receipts at all, and not as a percentage of any receipts,

providing plaintiff with a means to compel a default upon which it could immediately accelerate the entire debt.

72. For the reasons outlined in this answer, the transaction was criminally usurious, the interest rate being above the maximum legal threshold of 25%.

73. The idea that a reconciliation provision creates risk that precludes usury is absurd. The initial interest far exceeded the 25% interest rate above which the Legislature has determined a loan is criminally usurious. By stating that an interest rate above 25% is criminally usurious, the Legislature believed that any higher rate was utterly unaffordable and took criminal advantage of a borrower. Therefore if receipts stayed exactly the same, the funding was already deemed utterly unaffordable. The idea that such a borrower could be faulted for not seeking a reconciliation if receipts plummeted even further endorses the criminally usurious funding. Criminal usury has been rebuked by the Court of Appeals in the strongest possible terms. Adar Bays, LLC v. GeneSYS ID, Inc., 37 NY3d 320 [2021].

74. Crystal Springs Capital v Big Thicket Coin, 220 AD3d 745, 747, 748 [2023] held that criminal usury was demonstrated by “in the event of the [ ] defendants' default by changing their payment processing arrangements or declaring bankruptcy.”

75. The plaintiff's contract prohibited any change of the payment processing arrangements.

76. The plaintiff's contract effectively made bankruptcy a default (above).

77. Crystal Springs Capital v Big Thicket Coin, 220 AD3d 745, 747, 748 [2023] found that the agreement was a criminally usurious loan because "the plaintiff was "under no obligation" to reconcile the payments to a percentage amount of the [ ] defendants' sales rather than the fixed daily amount".

78. Here, while the contract did not expressly state that plaintiff was "under no obligation" to provide a reconciliation, the contract effectively permitted plaintiff to avoid any reconciliation.

79. Nothing in the plaintiff's contract enabled defendants to stop the fixed daily or weekly payment without being in default, nor did anything in plaintiff's contract force plaintiff to stop its ACH-debit of the fixed daily or weekly payment.

80. Nothing in the contract avoided the fixed daily or weekly payment if defendants had no receipts.

81. The contract eliminated all risk (provisions quoted herein).

82. While the initial interest rate could have been theoretically reduced by a reconciliation, this would not negate the usury:

Band Realty Co. v. North Brewster, Inc., 37 N.Y.2d 460 [1975] (quoting Feldman v Kings Highway Sav. Bank (278 App Div 589, 590, affd 303 NY 675) “[So] long as all payments on account of interest did not aggregate a sum greater than the aggregate of interest that could lawfully have been earned had the debt continued to the earliest maturity date, there would be no usury.”); Canal v Munassar, 144 A.D.3d 1663 [2016]; Norstar Bank v. Pickard & Anderson, 140 A.D.2d 1002, [1988]; DeStaso v Bottiglieri, 25 Misc. 3d 1213(A), 2009 NY Slip Op 52082(U); Fremont Inv. & Loan v. Haley, 23 Misc. 3d 1138(A), 2009 NY Slip Op 51186(U).

Canal v Munassar, 144 A.D.3d 1663, 1664 [2016]:

In determining whether the interest charged exceeded the usury limit, courts must apply the traditional method for calculating the effective interest rate as set forth in *Band Realty Co. v North Brewster, Inc.* (37 NY2d 460, 462 [1975], *rearg denied* 37 NY2d 937 [1975]) (see *Oliveto Holdings, Inc. v Rattenni*, 110 AD3d 969, 972 [2013]). According to that method, “[s]o long as all payments on account of interest did not aggregate a sum greater than the aggregate of interest that could lawfully have been earned had the debt continued to the earliest maturity date, there would be no usury” (*Band Realty Co.*, 37 NY2d at 464 [internal quotation marks omitted]).

Norstar Bank v. Pickard & Anderson, 140 A.D.2d 1002, [1988]: “[T]he bank contended that the variable rate of interest charged on the loan should be averaged over the term of the loan for the purpose of determining whether the interest rate was usurious. \*\*\*. Although there is a conflict in authority (see, Annotation, Usury in Connection with Loan Calling for Variable Interest Rate, 18 ALR4th 1068), we believe the better rule is that, in the case of a loan at a variable rate of interest, the interest charged should not be averaged over the term of the loan in determining whether a usurious rate has been charged [citations] \* \* \* If defendants were compelled to average the rate of interest charged over the full term of the loan, they would not know whether a usurious rate was being charged until the end of the term. Thus, they would be compelled to make excessive interest payments



for a substantial period and would not be able to seek relief from the usurious payments until the expiration of the loan. On the other hand, the bank could have readily avoided charging usurious interest on its loan by placing a cap on the charges for interest so that no payment would exceed the variable legal rate”.

American Express Natl. Bank v. Ellis, 2023 NY Slip Op 51428(U), 2 That the initial interest rate of 0% is legal under GOL § 5-501 would not save the agreement, given the contemplated increase to rates that exceed New York's 16% cap.<sup>1</sup> (*See Fremont Inv. & Loan v Haley*, 23 Misc. 3d 1138[A], 889 N.Y.S.2d 505, 2009 NY Slip Op 51186[U], at \*7 [Sup Ct, Queens County 2009]; *accord Norstar Bank v Pickard & Anderson*, 140 AD2d 1002, 1002-1003, 529 N.Y.S.2d 667 [4th Dept 1988] [holding that "in the case of a loan at a variable rate of interest, the interest charged should not be averaged over the term of the loan in determining whether a usurious rate has been charged"].)

83. The above and foregoing has reasonably placed the plaintiff on notice of the defense of criminal usury.

**Fourth Affirmative Defense: Opinion Granting Summary Judgment in Case Brought By Letitia James, New York State Attorney General, Requires Dismissal**

84. Under People v. Richmond Capital Group LLC, 2023 NY Slip Op 50975(U), 3 (Andrew Borrok, J.) the plaintiff’s MCA agreement was a predatory, illegal, criminally usurious loan, because [the plaintiff knew from the very beginning of the MCA transaction that the defendant was going to be in default of the agreement,

85. Here, plaintiff knew from the outset that defendants would be in default because the agreement forbade the individual defendant from earning a livelihood from the proceeds of the business. (Quoted above).

86. Under People v. Richmond Capital Group LLC, 2023 NY Slip Op 50975(U), 3 (Andrew Borrok, J.) the plaintiff's MCA agreement was a predatory, illegal, criminally usurious loan, because [1] there was one or more prior UCC's filed against the defendant, prior to plaintiff's MCA contract, [2] the plaintiff's MCA contract provided that the defendant represented that there were no prior UCC liens, [3] the plaintiff's MCA contract provided that any breach of such representation was a default, [4] the plaintiff therefore had actual or constructive knowledge, from the very beginning of the MCA transaction that the defendant was in default of the agreement, [5] the annualized interest rate was far above 25%.

87. The parties' contract was dated: June 20, 2024.

88. Annexed as Exhibit A are UCC-1's filed against the principal defendant, including one active UCC-1 preceding the plaintiff's contract (Record #2 of 3).

89. The contract stated:

18.1.Acknowledgment of Security Interest and Security Agreement. The Future Receipts sold by Seller to Buyer pursuant to this Agreement are "accounts" or "payment intangibles" as those terms are defined in the Uniform Commercial Code as in effect in the state in which the Seller is located (the "UCC") and such sale shall constitute and shall be construed and treated for all purposes as a true and complete sale, **conveying good title to the Future Receipts free and clear of any liens and encumbrances, from Seller to Buyer.**

90. People v. Richmond Capital Group LLC, 2023 NY Slip Op 50975(U), 3 (Andrew Borrok, J.), held that the reconciliation provision was “a total sham” because “[a]lthough the MCAs provided for mandatory reconciliation of the daily amounts collected with the amounts of accounts receivable actually received” “the Borrowers were required to send bank statements to the Predatory Lenders”.

91. Similarly, here, the plaintiff’s MCA contract provided that, at all times, defendant was required to provide its bank statements to plaintiff:

1 \*\*\* Seller will provide Buyer with all required access codes and agrees not to change them without prior written consent from Buyer.

13. Financial Information. Seller authorizes Buyer and its agents to investigate its financial responsibility and history, and will provide to Buyer any authorizations, bank or financial statements, tax returns, etc., as Buyer deems necessary in its sole discretion prior to or at any time after execution of this Agreement.

**Fifth Affirmative Defense: Violations Found in Action by the New York State Attorney General**

92. Her Honor, Letitia James, Attorney General, filed an action against a host of merchant cash advance lenders on March 5, 2024, People v Yellowstone et al., Supreme Court, Albany County, Index No. 450750/2024, for \$1.3B.

93. This action was based upon an investigation by the New York Attorney General and proves that none of the defenses recited in this answer were invented by defense counsel.

94. At paragraph 384 of her petition, Attorney General noted that the “Agreements also require full, immediate payment of the entire Payback Amount in the event of default—discarding altogether the notion of payments tied to the merchants’ revenue.” The same provision is in plaintiff’s contract.

3. Daily Amount Upon Default. Upon the occurrence of an Event of Default, the Daily Amount shall equal 100% of all Future Receipts.

20. Remedies. If any Event of Default occurs, Buyer may proceed to protect and enforce its rights including, but not limited to, the following: 20.1. The Specified Percentage shall equal 100%.

95. Further divorcing the agreement from any relation to receipts or receivables is a default provision letting plaintiff grab all accounts of the debtor, regardless of the source of funds: 20.5. Buyer may debit Seller’s depository accounts wherever situated.

96. At paragraph 387 of her petition (NYSCEF Doc. No. 1), the Attorney General noted that “These secured interests give Respondents priority status in the event of a merchant’s bankruptcy, ensuring that they can still recover in full against the merchant’s assets—even if the merchant has collected zero dollars in revenue”.

97. The contract of plaintiff had a similar secured interest.

98. The Attorney General noted that a reconciliation was blocked,

under the same provision as here: Petition page 91, paragraph 262 and 263:

“262\*\*\* Reconciliation was not available at all to merchants whose declining revenues left insufficient funds in their bank accounts to accommodate debits of the Daily Amounts \*\*\* 263. Respondents accomplished this through contractual language barring merchants from Reconciliation if the merchant was “in default” of its Agreement, and by deeming a “default” to include four bounced payments.

99. The contract of plaintiff had a similar provision:

For as long as no Event of Default has occurred, once each calendar month, Seller may request that Buyer adjust the Daily Amount

100. The Attorney General pointed out that a reconciliation was abridged by the ability to demand one only within a five day window period each month:

(NYSCEF Doc. No.3 ) page 17 of 39:

(b) “there was no time to [reconcile] because [the merchant] could request reconciliation only within five business days following the end of a business month,” and (c) “the fixed daily payment . . . was not a good faith estimate of 15% of [the merchant’s] receivables.”

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e, Respondents restricted reconciliation in additional ways, including by allowing merchants to request relief only during a narrow, five-day window each month. Petition ¶¶ 287-88. Consequently, a “mid-month decline in revenues” could “trigger a default under the contract

and entitle the lender to immediately seek the whole uncollected amount.” Haymount, 609 F. Supp. 3d at 248; accord McNider Marine, 2019 WL 6257463, at \*4

101. The contract of plaintiff had the same provision, quoted above.

102. The Attorney General stated at page 98 of her petition:

281. In addition, because Yellowstone and Delta Bridge’s Reconciliation procedures looked at merchants’ payments over the entire term of the MCA [citation] Reconciliation refunds continued to be unavailable in the case of a sudden drop in revenue.

103. Plaintiff had a similar provision.

#### **Sixth Affirmative Defense: Illegal Contract**

104. The contract stated:

4 \*\*\* Seller agrees that it will treat Purchase Price and Purchased Amount in a manner consistent with a sale in its accounting records and tax returns. Seller agrees that Buyer is entitled to audit Seller’s accounting records upon reasonable Notice in order to verify compliance.

17.9. Seller to Pay Taxes Promptly. Seller will promptly pay all necessary taxes, including but not limited to employment and sales and use taxes.

105. This rendered the contract illegal and unenforceable. It meant that defendants had to immediately pay sales and income taxes on the entire funded amount and ensuing payment of the “purchased amount”. Matter of Darman Bldg. Supply Corp. v. Mattox, 106 A.D.3d 1150, 1151 [2013]:

“In any event, sales tax is required to be remitted for the period in which the sale is made, regardless of the amount collected (*see* 20 NYCRR 532.1 [a] [2]).”

106. The provision that plaintiff inserted into its contract is completely illegal and violates the tax laws of the United States by forcing the defendant to absorb the tax burden and obligation of the plaintiff.

<https://en.wikipedia.org/wiki/Loan>  
United States taxes[edit]

Most of the basic rules governing how loans are handled for tax purposes in the United States are codified by both Congress (the Internal Revenue Code) and the Treasury Department (Treasury Regulations— another set of rules that interpret the Internal Revenue Code).[6]:111

1. A loan is not gross income to the borrower.[6]:111 Since the borrower has the obligation to repay the loan, the borrower has no accession to wealth.[6]:111[7]

2. The lender may not deduct (from own gross income) the amount of the loan.[6]:111 The rationale here is that one asset (the cash) has been converted into a different asset (a promise of repayment).[6]:111 Deductions are not typically available when an outlay serves to create a new or different asset.[6]:111

3. The amount paid to satisfy the loan obligation is not deductible (from own gross income) by the borrower.[6]:111

4. Repayment of the loan is not gross income to the lender.[6]:111 In effect, the promise of repayment is converted back to cash, with no accession to wealth by the lender.[6]:111

5. Interest paid to the lender is included in the lender’s gross income.[6]:111[8] Interest paid represents compensation for the use of the lender’s money or property and thus represents profit or an accession to wealth to the lender.[6]:111 Interest income can be

attributed to lenders even if the lender doesn't charge a minimum amount of interest.[6]:112

6. Interest paid to the lender may be deductible by the borrower.[6]:111 In general, interest paid in connection with the borrower's business activity is deductible, while interest paid on personal loans are not deductible.[6]:111The major exception here is interest paid on a home mortgage.[6]:111

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107. The plaintiff has never declared as taxable income any receipt or repayment under its MCA contract.

108. The plaintiff's contract seeks to violate the tax law of the United States.

109. The contract should be stricken and the action dismissed.

Rosenblum v. Manufacturers Trust Co., 270 N.Y. 79, 84-85[1936]:

“[E]quity can interfere in a suit for cancellation or rescission to prevent the enforcement of an unjust agreement induced by a unilateral mistake of fact. A mistake not mutual but only on one side may be ground for rescinding but not for reforming a contract. (Smith v. Mackin, 4 Lans. 41, 44, 45; Moffett, Hodgkins & Clarke Co. v. Rochester, 178 U.S. 373.) If the erroneous transaction was such as to involve the act of the plaintiff only and the effect of the transaction would be the unjust enrichment of the defendant, the plaintiff is entitled to have the transaction rescinded, although he was the only party mistaken. (Clark on Equity, § 372.)”.

Metropolitan Model Agency USA v. Rayder, 168 Misc. 2d 324, 326 [1996]:

“[I]t is well-settled law that a contract which violates a State statute is void and unenforceable. (New York State Med. Transporters Assn. v Perales, 77 NY2d 126, 133; Weir Metro Ambu-Serv. v Turner, 57 NY2d 911; Village



of Upper Nyack v Christian & Missionary Alliance, 143 Misc 2d 414, affd 155 AD2d 530.)”

110. The contract requiring defendant to pay sales and income taxes on the purchased amount, in addition to the unheard of interest and repayment, it is illusory.

### **Seventh Affirmative Defense: Arbitration**

111. The plaintiff’s contract had an arbitration clause.

33. ARBITRATION. IF BUYER, SELLER OR ANY GUARANTOR REQUESTS, THE OTHER PARTIES AGREE TO ARBITRATE ALL DISPUTES AND CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT. IF BUYER, SELLER OR ANY GUARANTOR SEEKS TO HAVE A DISPUTE SETTLED BY ARBITRATION, THAT PARTY MUST FIRST SEND TO ALL OTHER PARTIES, BY CERTIFIED MAIL, A WRITTEN NOTICE OF INTENT TO ARBITRATE. IF BUYER, SELLER OR ANY GUARANTOR DO NOT REACH AN AGREEMENT TO RESOLVE THE CLAIM WITHIN 30 DAYS AFTER THE NOTICE IS RECEIVED, BUYER, SELLER OR ANY GUARANTOR MAY COMMENCE AN ARBITRATION PROCEEDING WITH THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) OR NATIONAL ARBITRATION FORUM (“NAF”).

112. Defendants reserve the right to demand arbitration. De Sapio v. Kohlmeyer, 35 N.Y.2d 402, 405-406 [1974]: “[A] defendant's right to compel arbitration, and the concomitant right to stay an action, does not remain absolute regardless of the degree of his participation in the action. (Matter of Zimmerman v. Cohen, 236 N. Y. 15.) \*\*\* On the other hand, interposing an

answer of itself does not work to waive a defendant's right to a stay. (Matter of Hosiery Mfrs. Corp. v. Goldston, 238 N. Y. 22, 27.) \*\*\* Of course, the existence of an arbitration agreement is not a defense. (American Reserve Ins. Co. v. China Ins. Co., 297 N. Y. 322, 327; Aschkenasy v. Teichman, 12 A D 2d 904.)”

**Eighth Affirmative Defense. Lack of Subject Matter Jurisdiction.**

113. The plaintiff was formed in a state other than New York. The business defendant was formed in a state other than New York and was never registered or authorized to do business in New York. No party is a resident of New York. The parties’ transaction was for less than \$1,000,000. The object of the action does not affect the title of real property in New York.

114. Under Business Corporation Law §1314(b), the court lacks subject matter jurisdiction. Parkview Advance LLC v High Purity, 2023 NY Slip Op 32976(U); Pearl Beta Funding, LLC v Elegant, 2023 NY Slip Op 31936(U); Harper Advance LLC v Reynolds, 2023 NY Slip Op 31191(U).

115. Techo-TM, LLC v Fireaway, Inc., 123 A.D.3d 610 [2014], where the First Department dismissed for lack of subject matter jurisdiction an action by a limited liability company, confirmed that any type of forum selection clause could not confer subject matter jurisdiction: “However, while New York recognizes consent as a basis for personal jurisdiction (see CPLR 301

and Vincent C. Alexander, Practice Commentaries, McKinney's Cons Laws of NY, Book 7B, CPLR 301:1), it does not recognize consent as a basis for long-arm jurisdiction (see *Graham v New York City Hous. Auth.*, 224 AD2d 248 [1st Dept 1996]).”

116. Techo-TM, though a First Department opinion, is binding on all trial courts in New York, there being no contrary appellate division opinion from any other department. Mountain View Coach Lines, Inc. v. Storms, 102 A.D.2d 663, 665, Second Department. [1984].

117. Actions required to be dismissed under BCL §1314(b) are routinely dismissed against the foreign entity defendant as well as the individual defendant. *Mobile Programming LLC v. Tallapureddy*, 2021 NY Slip Op 50411(U); *Pearl Beta Funding, LLC v Eleant*, 2023 NY Slip Op 31936(U); *Harper Advance, LLC v Reynolds*, 2023 NY Slip Op 31191(U); *Parkview Advance, LLC v High Purity*, 2023 NY Slip Op 32976(U); *Fox Capital Group Corp. v Tomassetti*, Sup. Ct., Kings Cty. Index No. 523737/2021 (NYSCEF Doc. No. 60, Dec. 23, 2022).

118. The exception to BCL §1314(b) is if the transaction arose in New York. The test for this was established by Kapitus Servicing, Inc. v Point Blank Constr., Inc., 221 A.D.3d 532 [2023]:

“We agree with Supreme Court's finding that it had subject matter jurisdiction over the action, but on grounds

different from those that the court stated. An action against a foreign corporation may be maintained "where it is brought to recover damages for a breach of contract made within New York State" (Business Corporation Law § 1314[b][1]). Here, the agreement was made in New York. As this Court has held, the "place of making of [a] contract is established when the last act necessary for its formulation is done, and at the place where that final act is done" (Fremay, Inc. v Modern Plastic Mach. Corp., 15 AD2d 235, 237 [1st Dept 1961] [internal quotation marks omitted]). According to the affidavit of plaintiff's vice president, plaintiff performed the last necessary act in New York by sending funds to Point Blank's Florida bank account; the sending of those funds, not Point Blank's passive receipt of them in Florida, was the last act necessary for formulation of the agreement."

119. Plaintiff's funding was wired to defendant from a bank outside of New York.

#### **Ninth Affirmative Defense: Lack of Standing**

120. The complaint states that plaintiff is a Delaware limited liability company.

121. The answer demonstrates that plaintiff is, in fact, a Florida limited liability company.

122. There is no Florida limited liability company registered to do business in New York, but only a Delaware limited liability company:

<https://apps.dos.ny.gov/publicInquiry/>

ENTITY NAME:FINCOAST CAPITAL, LLC

DOS ID:4895940

ENTITY TYPE:FOREIGN LIMITED LIABILITY COMPANY

SECTION OF LAW: 802 LLC - LIMITED LIABILITY  
COMPANY LAW  
ENTITY STATUS: ACTIVE  
FOREIGN FORMATION DATE: 02/08/2016  
JURISDICTION: **DELAWARE**, UNITED STATES

123. Plaintiff lacks standing to recover under the agreement. Plaintiff is not registered to do business in New York.

124. Limited Liability Company Law § 808: “Doing business without certificate of authority. (a) A foreign limited liability company doing business in this state without having received a certificate of authority to do business in this state may not maintain any action, suit or special proceeding in any court of this state unless and until such limited liability company shall have received a certificate of authority in this state.”

125. Plaintiff is doing steady business in New York, among others by regularly filing its collection lawsuits here.

126. Its action must be dismissed. Caring People Mgt. Servs., LLC v Assistcare Home Health Servs. LLC, 162 A.D.3d 509 [2018]:

“Plaintiff, as the assignee of contract rights of nonparty Homestar LLC, commenced this action against defendants to enforce its rights. It is undisputed that Homestar, a New Jersey limited liability company, did not obtain a certificate of authority to do business in New York State and thereby was barred from maintaining an action in New York courts (see Limited Liability Company Law § 808 [a]). Although plaintiff obtained a certificate of authority prior to commencing this action, it nonetheless lacks capacity to sue, as it has no greater rights than Homestar

(see *Halsey v Jewett Dramatic Co.*, 190 NY 231, 234-235 [1907]; *Manufacturers' Commercial Co. v Blitz*, 131 App Div 17, 20 [1st Dept 1909]; *Kinney v Reid Ice Cream Co.*, 57 App Div 206, 209 [2d Dept 1901]).”

**Tenth Affirmative Defense: Unconscionability/Adhesion Contract**

127. By the very nature of their transaction, as more fully set forth below, the parties had completely unequal bargaining power, defendants were not in the least “sophisticated,” and any review of plaintiff’s contract by any counsel for defendants was known to be incongruous with the parties’ transaction.

128. The parties’ transaction was the very antithesis of two sophisticated parties hammering out the terms of a contract through experienced counsel.

129. Under the circumstances, as more fully set forth below, unconscionability and adhesion contract is an available defense, notwithstanding that the one-person business defendant was filed as a business entity. *Gillman v Chase Manhattan*, 135 A.D.2d 488, 491, Second Dept. [1987]:

“[T]he doctrine of unconscionability has little applicability in the commercial setting because it is presumed that businessmen deal at arm's length with relative equality of bargaining power [string cite]. Apparently, the doctrine is primarily a means with which to protect the`commercially

illiterate consumer beguiled into a grossly unfair bargain by a deceptive vendor or finance company' [citation]."

Delphi-Delco Elecs. Sys. v. M/V Nedlloyd Europa, 324 F. Supp. 2d 403, 414, S.D.N.Y. [2004]:

"Allied Chemical Intern. Corp. v. Companhia de Navegacao Lloyd Brasileiro, 775 F.2d 476, 482 (2d Cir. 1985) ("We bear in mind that bills of lading are contracts of adhesion and, as such, are strictly construed against the carrier.")."

130. Plaintiff advertised its funding/loan as being immediate funding/loan available in 24 hours.

131. Plaintiff knew that its borrowers came to it for immediate funding available in 24 hours/

132. Plaintiff knew that there was neither time, opportunity, nor ability to review the fine print of the documents that it submitted for DocuSigning by defendants for emailing to plaintiff and that the transaction was designed for no review of plaintiff's contract. *Cf.*, Empery Asset Master, Ltd. v. AIT Therapeutics, Inc., 197 A.D.3d 1064, 1065 [2021]:

"We cannot conclude, as a matter of law, that a reasonable person reviewing a 20-page warrant and a 42-plus-page Securities Purchase and Registration Rights Agreement would have realized that the word "sentence" (in "immediately preceding sentence") should have been "sentences." "

133. Plaintiff's lengthy contract is pre-printed in fine print and not available for negotiation by borrowers like defendant.

134. Plaintiff knew but failed to inform defendants of provisions of the agreement known by plaintiff to be intended and used by plaintiff to the detriment of defendants, such as:

- The exorbitant interest rate.
- That plaintiff would not routinely lower the interest rate after the first set of payments.
- The funding was unaffordable especially by a borrower needing instant cash financing.
- The fixed daily payment or fixed weekly payment was immutable with no way of defendants to avoid it and with no ability to obtain any immediate relief from the fixed payments.
- a secured interest provision under which plaintiff would and could send UCC lien notices to defendant's customers to cut off payments to defendant and disable defendant from any further business with such customer with such UCC lien notices demanding inflated unjustified amounts.
- inclusion of additional guarantors other than the individual defendant.



- a reconciliation provision, never actually employed by plaintiff, but used by plaintiff to confuse a court into believing that its loan was an investment.
- the fact that plaintiff would not accord with the underlying assumption of defendants that plaintiff was *loaning monies* but that the transaction would be claimed by plaintiff not to be a loan at all but to be a purchase and sale in order to justify the criminally usurious rate of interest.
- a forum selection clause under which the defendants would be sued in New York in any random county.

135. There is no term in plaintiff's contract that should shield it from the defense of unconscionability of adhesion contract. *Cf.*, Danann Realty Corp. v. Harris, 5 N Y 2d 317 [1959].

136. The foregoing has reasonably placed the plaintiff on notice of the defense of unconscionability and adhesion contract.

**Eleventh Affirmative Defense: The Contract Caused Its Own Breach**

137. Plaintiff's contract stated a "Specified Percentage.

138. The contract also stated a fixed daily or weekly payment that plaintiff was to ACH-debit from defendant's bank account.

139. The fixed payment is generally held to be alleged by the funder to be an estimate of the Specified Percentage of the future receipts. Apex Funding Source LLC v. Boomer Naturals Inc., 2023 N.Y. Misc. LEXIS 3854, 2023 NY Slip Op 32595(U); Capybara Capital LLC v. Zilco NW LLC, 2023 N.Y. Misc. LEXIS 2395; 2023 NY Slip Op 50476(U).

140. The contract prevented under any and all circumstances a prompt payment adjustment.

141. Therefore, even if receipts plummeted to near zero, there was no right to a prompt payment reduction and plaintiff was still debiting the fixed daily or weekly payment.

142. With receipts near zero, or any substantially diminished amount, the fixed daily payment or fixed weekly payment from defendant's bank was no longer anything near the Specified Percentage but substantially higher, up to 100% if there were zero receipts.

143. The terms of the contract therefore permitted plaintiff to breach its fundamental provision: the repayment term. If receipts diminished, the repayment fixed weekly ACH-debit, originally estimated at the Specified Percentage, increased up to 100%.

144. A debtor's only recourse would be to block any further ACH-debit, but under the contract's terms, this would be a default.

## Twelfth Affirmative Defense: Unenforceable Default Fee

145. Plaintiff has no right to any default fee. Rubin v. Napoli Bern

Ripka Shkolnik, LLP, 179 AD3d 495 [2020]:

“Although the party challenging the liquidated damages provision has the burden to prove that the liquidated damages are, in fact, an unenforceable penalty (see JMD Holding Corp. v Congress Fin. Corp., 4 NY3d 373, 380 [2005]; Parker v Parker, 163 AD3d 405, 406 [1st Dept 2018]), the party seeking to enforce the provision must necessarily have been damaged in order for the provision to apply (see e.g. J. Weinstein & Sons, Inc. v City of New York, 264 App Div 398, 400 [1st Dept 1942].”

Trustees of Columbia Univ. in the City of N.Y. v D'Agostino

Supermarkets, Inc., 36 N.Y.3d 69, 73, 74-77 [2020]:

"(W)here the breach of contract was a failure to pay money, plaintiff should be limited to a recovery of the contract amounts plus appropriate interest] [citation omitted]; Cotheal v Talmage, 9 NY 551, 554, Seld. Notes 238 [1854] ["Where there is a contract to pay money, the damages for its breach are fixed and liquidated by law, and require no liquidation by the parties"]; 36 NY Jur 2d, Damages § 173 [stating that liquidated damages clauses in contracts for the payment of money are typically inappropriate because "for the nonpayment of money, the law awards interest as damages"]).

146. Plaintiff has no right to the amount of the contractual attorney fee claimed. Kamco Supply Corp. v. Annex Contr. Inc., 261 A.D.2d 363, 364-365 [1999]; First Nat'l Bank v. Brower, 42 N.Y.2d 471, 474 [1977]; Fed. Land Bank of Springfield v. Ambrosano, 89 A.D.2d 730, 731 [1982]; Community

Nat'l Bank & Trust Co. v. I.M.F. Trading, Inc., 167 A.D.2d 193 [1990]; Korea

First Bank v. Chung Jae Cha, 259 A.D.2d 378, 379.

**WHEREFORE**, defendants respectfully demand judgment dismissing the complaint.

Dated: October 16, 2024



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VERIFICATION: State of New York, County of Nassau, ss.: The undersigned attorney for defendants, duly admitted to practice in the courts of the State of New York, affirms under penalties of perjury: that he has read the foregoing answer, and knows the contents thereof; that it is true upon information and belief and I believe it to be true. This verification is made by me because defendants are not in the county where I have my office. The source of my information is privileged emails and discussions with the individual defendant and review of plaintiff's documents.

Dated: October 16, 2024



Amos Weinberg