

Six Years Into Receivership, Amid \$247 Million Recovery, Ex-Par Funding CEO Still Faults Liquidation

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By Milton Allimadi

Six years after a court-appointed receiver seized control of Philadelphia-based Par Funding, the merchant cash advance company's former CEO and his lawyers insist nearly a quarter-billion dollars in recovery to date refutes claims that it was a Ponzi scheme.

The most recent court-mandated receiver's quarterly filing show that approximately \$247.4 million has been recovered through merchant collections, settlements, and asset sales since 2020, despite the fact that no new merchant cash advances have been issued during the receivership period.

Former Par Funding chief executive Joseph LaForte and his attorneys argue that those continued recoveries "seriously challenge" the government's long-standing portrayal of the company as a Ponzi scheme.

"Generally, a Ponzi scheme collapses because there are no real assets or revenue streams," one lawyer associated with the defense previously told *Black Star News*. "Here, collections continued for years after operations stopped."

Federal prosecutors, however, alleged that Par Funding — formally known as Complete Business Solutions Group (CBSG) — engaged in widespread fraud by misleading investors about underwriting practices, concealing default rates, and using new investor money to repay earlier investors.

Prosecutors described LaForte as a “career grifter” who led a sweeping conspiracy that defrauded investors out of hundreds of millions of dollars.

The U.S. Attorney’s Office for the Eastern District of Pennsylvania has previously stated that Par Funding operated through “a wide-ranging scheme that defrauded investors” and concealed the true risks associated with its merchant cash advance portfolio.

Yet six years after the Securities and Exchange Commission obtained the receivership in July 2020, the receiver’s own filings continue to document substantial cash recoveries from Par Funding’s underlying business operations and merchant receivables as previously reported.

An SEC spokesperson, in an e-mail message said, “...in our complaint we never refer to this case as a Ponzi scheme so we would take issue if you refer to it as such in any context attributed to the SEC.”

The U.S. Attorney’s Office for the Eastern District of Pennsylvania previously declined comment in an e-mail message this evening.

Court-appointed receiver Ryan K. Stumphauzer has not responded to multiple e-mail messages from *Black Star News*, including today, seeking comment on whether he still maintains that Par Funding functioned as a Ponzi scheme in light of the continuing recoveries or whether he has reassessed the circumstances based on new information over the years.

According to the receiver’s most recent quarterly filings, professional fees connected to the receivership have now reached approximately \$29.7 million. The largest share of those billings came from Development Specialists, Inc. (DSI), the restructuring and liquidation consulting firm hired by the receiver to oversee operations after the takeover of Par Funding. DSI has billed approximately \$15 million since 2020. The Pittsburgh-based law firm Pietragallo Gordon Alfano Bosick & Raspanti LLP, retained by the receiver as additional counsel, has billed approximately \$10.4 million.

Receiver Stumphauzer and his law firm have billed several million additional dollars, bringing the combined total close to [\\$30 million](#).

LaForte and his lawyers argue that the structure of the receivership created financial incentives that encouraged continued liquidation rather than rehabilitation of the business.

According to LaForte's legal team, DSI — which had no prior experience operating a merchant cash advance company — was initially retained because the receiver argued he needed outside professionals to run day-to-day operations. But LaForte's attorneys contend DSI later played a far more consequential role by producing the so-called "Sharp Report," a non-GAAP compliant financial analysis they say became central to advancing the Ponzi scheme narrative.

The defense points instead to the "Glick Report," prepared by Berkowitz Pollack Brant, which they say concluded that Par Funding was profitable under [GAAP accounting standards](#) after reviewing millions of transactions across the company's merchant portfolio.

LaForte's attorneys argue that DSI's continued role in the receivership — and its continued quarterly billings — raises legitimate questions about financial incentives.

"They have squeezed nearly \$30 million out of this estate to pay themselves and their network of legal and financial operatives, all while claiming the business is a fraud," LaForte and his attorneys stated in public communications reviewed by *Black Star News*.

"DSI had a clear conflict of interest in making the report that ultimately helped determine the company's fate and expand the receivership into the personal lives of the CEO and his wife," LaForte and his lawyers said.

The defense contends that the so-called "Sharp Report," prepared under DSI's supervision, should never have been treated as an objective forensic accounting analysis. "No major financial institution would accept an audit or financial analysis from a conflicted party using non-GAAP methodology and prepared by someone who was not a CPA," LaForte's attorneys said. "If a bank would require a truly independent third-party review before making a financial determination, why should a court apply a lower standard when a man's liberty and livelihood are at stake?"

According to court filings, DSI has billed approximately \$15 million since 2020.

With respect to the fees, the [SEC](#) spokesperson said *Black Star News* “may want to take a deeper look into how those fees are being applied and maybe how they compare to similar receiverships.”

“It is the equivalent of appraising your own house for a bank loan,” the defense said. “No lender would accept that. They would require an independent third party. Once DSI had a financial stake in the continuation of the receivership, the independence of the analysis became a serious issue.”

LaForte and his lawyers also alleged that the analysis underlying the report was fundamentally flawed, arguing that it did not follow Generally Accepted Accounting Principles, failed to properly examine the company’s QuickBooks records, and relied on accounting methodologies they say materially distorted the company’s financial condition.

They argue that beyond the financial losses, the consequences of the receivership cannot be fully quantified.

“The evictions, the destroyed business relationships, the reputational damage, and the personal losses can never truly be recovered,” the defense said.

The receiver has not responded to questions concerning the fee structure, the basis for DSI’s analysis, or whether any review was conducted into possible conflicts or financial incentives tied to the continuation of the receivership.

The receiver’s own filings have also provided LaForte’s defense with another argument — concerning allegations of tax evasion brought against LaForte and his wife, Lisa McElhone.

The receiver finalized tax returns for 2018, 2019, and 2020 and subsequently filed for an approximately \$10.5 million federal tax refund from the Internal Revenue Service.

“How can you be guilty of tax evasion when the IRS owes your business \$10.5 million?” LaForte’s legal team argues.

The latest quarterly report filed by the receiver also disclosed that the estate has reserved or written off approximately \$216 million in merchant receivables. As of March 31, 2026, the receivership entities reportedly held approximately \$218.8 million in accounts receivable before adjustments. The

report stated that the receivership continued to evaluate collectability, including accounts tied to bankruptcies and businesses believed to have ceased operations.

“The ongoing process has resulted in reserves and scheduled write-offs of approximately \$216 MM,” the receiver’s filing stated, reducing the receivables balance to approximately \$2.7 million.

LaForte and his attorneys strongly object to those write-offs. “Every single merchant that was extended a cash advance from Par Funding signed a personal guarantee and a confession of judgment,” they said. “A receiver has a strict fiduciary duty to maximize the value of the estate.”

They argue that aggressively pursuing collateral and guarantees could have generated substantially greater recoveries for investors.

The defense also continues to question why the receivership evolved into what they characterize as a full-scale liquidation despite the company’s continuing collections.

They point to remarks made by U.S. District Judge Rodolfo A. Ruiz II during an Aug. 21, 2020 preliminary injunction hearing, when the court discussed efforts to avoid liquidation and potentially keep the business alive.

“And we don’t find ourselves in a situation of liquidation,” Judge Ruiz said during the proceeding while discussing the possibility of bringing employees back and stabilizing operations.

LaForte’s attorneys argue that by that point the receiver already knew Par Funding controlled hundreds of millions of dollars in cash and receivables, yet substantial funds were not distributed to investors until many months — and in some cases years — later.

According to prior quarterly reports, the receivership held more than \$217 million in cash at the time of LaForte’s sentencing in March 2025, along with more than \$253 million in receivables as previously reported.

Defense lawyers have argued that more than \$105 million in liquid funds was not distributed to investors until months after sentencing, which they say

inflated the government's loss calculations under federal sentencing guidelines.

Federal prosecutors have consistently maintained that investor losses were massive and that Par Funding's business model was fundamentally fraudulent.

But the continuing recoveries, the delayed distributions, the mounting professional fees, and the receiver's own tax refund filings have increasingly complicated what once appeared to be a straightforward government fraud narrative.

For LaForte and his attorneys, the central argument remains unchanged: that the company's continued ability to generate substantial recoveries years after operations ceased fundamentally undermines the claim that Par Funding was merely a Ponzi scheme—which the SEC says is not a characterization it has used—sustained only by incoming investor cash.

Whether courts ultimately accept that argument remains uncertain.