

Lawyer Claims Procedural Shortcuts In Prosecution of LaForte, Ex-CEO Of Par Funding

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By Milton Allimadi

Joseph LaForte began serving a 15½-year federal sentence last year. But his attorney contends the case that sent the former Par Funding chief executive to prison rests on distorted facts, procedural shortcuts, and a sentencing theory the Supreme Court—and the Third Circuit—may no longer tolerate.

Mr. LaForte was arrested in 2023, meaning he's served three years behind bars. The former CEO of the Philadelphia-based merchant cash advance company Par Funding, is serving a 186-month sentence after pleading guilty to racketeering conspiracy, securities fraud, tax crimes, perjury, obstruction of justice, and related offenses. Federal prosecutors said he orchestrated a Ponzi scheme that caused \$228 million in investor losses through deception, threats, and coercion.

His lawyer, Ian Healy, calls that narrative a fundamental mischaracterization.

"This was not a Ponzi scheme," Mr. Healy said in an interview. "It was a legitimate business that the government never took the time to understand."

At the center of the dispute is the nature of merchant cash advances, or MCAs—an industry that has long operated in a regulatory gray zone. Unlike traditional loans, MCA companies purchase a percentage of a business's future receivables at a discount, assuming the risk that the business may underperform. There is no fixed repayment schedule and no interest rate. Because of that structure, MCAs have historically fallen outside state usury laws.

“These were not loans,” Mr. Healy said. “You are buying receivables. That distinction matters—and it was ignored.”

Federal prosecutors saw it differently. They argued Par Funding falsely marketed its operations to investors, misrepresented underwriting practices, concealed default rates, and masked an enterprise that could not sustain itself without constant infusions of new investor money.

“Joe LaForte is a career grifter,” U.S. Attorney David Metcalf said at sentencing last year. “He has earned every day of his prison sentence.”

The U.S. Attorney’s Office for the Eastern District of Pennsylvania declined to comment via e-mail message to Black Star News.

Mr. Healy disputes both the criminal characterization and the process that led to it. According to the defense, the government raided Par Funding and placed it into receivership without issuing a Wells Notice—a formal notification from the Securities and Exchange Commission that it intends to recommend enforcement action and that gives a company an opportunity to respond through a Wells Submission.

“If they had given us a Wells Notice, we might have been able to address or correct any alleged mistakes before this spiraled into a criminal prosecution,” Mr. Healy said.

The defense argues that Par Funding operated openly and under professional supervision. Mr. Healy said the company employed 70 people, including six in-house attorneys, multiple outside securities lawyers, and 17 full-time accountants.

“There was real underwriting,” he said. “Every single merchant was underwritten. Inspectors went onsite. This wasn’t three guys in a room making it up.”

Federal prosecutors also alleged Mr. LaForte concealed a prior criminal conviction. Mr. Healy said that conviction did not bar him from operating a legitimate business.

According to the defense, the investigation was triggered not by fraud but by merchants who discovered Mr. LaForte's past conviction and stopped paying what they owed.

Those merchants, Mr. Healy said, owed tens of millions of dollars and aligned themselves with attorney Shane Heskin, who encouraged them not to repay Par Funding. The merchants later became FBI informants, recording thousands of hours of phone calls, he said. "That's what really started it," Mr. Healy said.

When asked about Mr. Healy's assertion that merchants he represented found out about Mr. LaForte's prior conviction and used that as a reason not to repay the cash advances, Mr. Heskin said:

"I can't say that it's completely accurate. I can say that there was a sentencing hearing and if you look at that you should be able to get what you need from that."

He added, "I had merchants who were victimized. I represented these merchants in civil court cases. I don't think it's accurate to say that my clients were working with the FBI. My clients were victims and had cases in civil court."

Asked about Mr. Healy's further assertion that his clients recorded conversations with Par Funding employees—actions that ultimately contributed to Mr. LaForte's prosecution—Mr. Heskin said:

"I can't confirm or deny what happened with the FBI. The only thing I can comment on is what was publicly disclosed."

Facing roughly 70 charges and the possibility of a life sentence under federal sentencing guidelines—and, according to the defense, warnings that his wife could face prosecution on tax charges—Mr. LaForte pleaded guilty in September 2024.

"When you plead guilty, you waive your right to appeal—except for ineffective assistance of counsel," Mr. Healy said.

Yet a potentially transformative appellate ruling may offer a narrow opening. In 2022, the U.S. Court of Appeals for the Third Circuit ruled in *United States v.*

Banks that federal fraud sentences must be based on “actual loss,” not “intended loss”—a distinction with potentially enormous consequences.

Mr. Healy contends that in Mr. LaForte’s case, “every investor was paid back” and that there was “no actual loss.”

After the SEC placed Par Funding into receivership, a court-appointed receiver controlled the company’s funds.

According to Mr. Healy, the receiver did not pay investors until after Mr. LaForte pleaded guilty. That timing, he argues, allowed prosecutors to rely on an intended-loss theory because, at one point before the plea, investors had not yet been repaid.

Federal prosecutors alleged that even after crediting seized collateral, Par Funding caused an actual loss of \$288 million—which Mr. Healy rejects.

The Banks decision may present a path to challenge the sentencing calculation.

What remains unsettled is a broader question that extends beyond one defendant: how aggressively federal prosecutors should police the merchant cash advance industry; how courts should measure loss when receivers intervene; and whether plea bargains, entered under the shadow of overwhelming sentencing exposure, foreclose avenues to justice.

Editor’s Note: First in a series of articles.