How Par Funding's Fate Could Impact Entire MCA Industry

Jun 4, 2026 by Milton Allimadi

By Milton Allimadi

New contradictions continue to emerge in the narrative of the collapse of Par Funding, the Philadelphia Merchant Advance Company (MCA), as Black Star News continues its review of the court papers.

A newly examined court filing suggests courts repeatedly rejected claims that Par Funding's merchant cash advances were usurious loans years before federal regulators intervened. Yet lawyers for founder Joseph LaForte say narratives of both usury and a purported Ponzi scheme helped trigger the government's sweeping crackdown and claim a similar approach could be used to target other MCA companies.

LaForte is currently serving a 15 1/2 years sentence after pleading guilty to various charges related to the collapse of the company.

The Securities and Exchange Commission's enforcement action against Par Funding was built around allegations that the company misled investors, raised money through unregistered securities offerings, concealed the criminal background of founder LaForte, and operated with lax underwriting standards while pitching investments to prospective investors, including undercover individuals.

Yet lawyers for LaForte argue that the federal investigation was propelled by a separate narrative that gained traction long before the SEC filed suit: that Par Funding was both a predatory lender engaged in criminal usury—a narrative allegedly fed by one lawyer named Shane R. Heskin—and, later, a Ponzi scheme.

According to LaForte's attorneys, those twin characterizations—one focused on the company's merchant cash advance business model and the other on its relationship with investors—helped draw the attention of federal regulators and investigators, even though courts had repeatedly rejected claims that Par

Funding's merchant cash advance agreements were usurious loans and the SEC itself never alleged usury as a cause of action in its complaint.

That contradiction is laid bare in an August 11, 2020 declaration filed by attorney Norman Mount Valz in the U.S. District Court for the Southern District of Florida, where the SEC enforcement action was later presided over by Judge Rodolfo A. Ruiz II.

The declaration, filed in opposition to efforts by court-appointed receiver Ryan K. Stumphauzer to expand the receivership's reach, offers a detailed look into years of litigation involving merchants who challenged Par Funding's business model. More importantly, it raises questions about how a company whose merchant cash advance agreements repeatedly survived legal scrutiny came to be portrayed by critics as an unlawful lender.

From 2015 through 2018, Valz served as the primary attorney for Complete Business Solutions Group, the company behind Par Funding, whenever petitions were filed to open judgments or merchants initiated litigation challenging the company's agreements. That role gave him extensive familiarity with the legal framework underpinning Par Funding's merchant cash advance operations.

Unlike traditional lenders, merchant cash advance companies do not issue conventional loans. Instead, they purchase a percentage of a business's future receivables in exchange for an upfront lump-sum payment.

The distinction is critical.

Because the transactions are structured as commercial purchases of future revenue rather than loans, merchant cash advances historically have not been subject to traditional state usury laws that regulate interest rates. Merchant cash advances became increasingly popular after the 2008 financial crisis, when banks and traditional lenders tightened credit and many small businesses sought alternative sources of financing.

Par Funding's agreements, Valz noted, expressly defined themselves as purchases and sales of future receivables governed by Article 9 of the Uniform Commercial Code.

The agreements stated that payments were contingent upon future business sales and specifically provided mechanisms for reconciling payment amounts based on actual revenue performance. The contracts also expressly stated that the transactions were not loans and that amounts paid to the company could not be construed as interest.

“The factoring agreements expressly provide” that payments made to the company were conditional upon the merchant’s future sales activity, Valz wrote.

For years, merchants and their attorneys challenged those agreements in court.

According to Valz, merchants alleged usury, unconscionability, fraud, unfair and deceptive trade practices, violations of the Uniform Commercial Code, and Racketeer Influenced and Corrupt Organizations Act claims. Yet, he stated, none prevailed on the merits.

“Through the date of this declaration, none of the proposed classes have been certified and none of the merchants in the above referenced litigation, or otherwise, have prevailed against CBSG on the merits of any of their individual claims,” Valz wrote. “Instead, federal and state courts have upheld the validity of CBSG’s factoring agreement.”

One example cited in the declaration involved Boreal Water Collection Inc., which argued that its agreement with Par Funding was actually a criminally usurious loan under New York law.

After reviewing the contract, a Pennsylvania court concluded that the transaction was not a loan but an account-purchase agreement.

“Tellingly,” Valz observed, “the SEC complaint does not reference this decision.”

The significance of those rulings extends beyond the individual merchant disputes.

According to LaForte’s lawyers, they undermine one of the central narratives that helped fuel government interest in Par Funding.

While the SEC ultimately accused the company of securities-law violations—not usury—LaForte's attorneys maintain that allegations of unlawful lending were instrumental in persuading regulators and investigators that Par Funding's business model itself was fundamentally illegitimate.

The irony, they argue, is that courts reviewing the agreements often reached the opposite conclusion, finding that the transactions were purchases of receivables rather than loans subject to usury restrictions.

The Valz declaration sheds light on the role played by litigation brought by merchants represented by White & Williams LLP, particularly the attorney Shane R. Heskin, who now practices with Heskin & Proper LLC.

Valz identified at least 21 lawsuits and arbitration proceedings involving merchants represented by the firm. Some were announced as class actions but never progressed to class certification.

According to Valz, a significant portion of the litigation challenging Par Funding's business model originated from merchants represented by White & Williams.

Years later, Heskin emerged as a key figure in the events that preceded the federal investigation.

Court filings and subsequent reporting indicate that information from merchants represented by Heskin eventually reached federal authorities. Heskin also corresponded, including through e-mail communications, with SEC attorney Amie R. Berlin, who led the agency's litigation against Par Funding.

Questions sent to Heskin today regarding the nature of his relationship with Berlin and how he initially contacted government authorities were not answered.

In previous comments to Black Star News, Heskin acknowledged representing merchants whom he described as victims but declined to discuss interactions involving the FBI beyond what had already been publicly disclosed.

LaForte's attorneys contend that two narratives became increasingly intertwined.

Merchants challenging Par Funding's collection efforts portrayed the company as an unlawful lender charging illegal rates of interest. At the same time, critics increasingly characterized the investment side of the business as resembling a Ponzi scheme.

Together, LaForte's lawyers argue, those narratives created a framework that attracted scrutiny from both the SEC and the FBI, notwithstanding court decisions that repeatedly upheld the legal structure of Par Funding's merchant cash advance agreements.

In a previous interview with Black Star News, Ian Healy, one of LaForte's attorneys, said the federal investigation began after certain merchants who had received millions of dollars in merchant cash advances learned of LaForte's prior criminal conviction and aligned themselves with attorneys pursuing claims against the company.

Those merchants, according to Healy, recorded thousands of hours of conversations involving Par Funding personnel, material that was later provided to federal investigators.

"I can't say that it's completely accurate," Heskin said when asked previously about those assertions. "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 whether his clients recorded conversations later provided to the FBI, Heskin responded: "I can't confirm or deny what happened with the FBI. The only thing I can comment on is what was publicly disclosed."

Whether federal regulators adequately accounted for the legal distinctions between merchant cash advances and traditional lending remains an open question.

Black Star News asked the SEC whether the agency considered the fact that Par Funding operated as a merchant cash advance company rather than a conventional lender when it undertook its enforcement action.

“We decline comment,” an SEC spokesperson responded by e-mail today.

The spokesperson also declined comment when asked who within the Southern District of Florida proceedings could address allegations concerning the receivership’s billing practices.

Those questions have become increasingly significant as the receivership has recovered nearly $200 million for investors.

LaForte’s lawyers argue that those recoveries challenge what they describe as the second major narrative that came to define Par Funding—that it was a Ponzi scheme.

They note that the SEC never alleged a Ponzi scheme in its original complaint. Rather, the characterization surfaced later in a litigation motion by the SEC and, appears to have been deemphasized by the agency in a recent comment to Black Star News.

The irony, LaForte’s lawyers argue, is that Par Funding was simultaneously portrayed as a predatory lender charging unlawful interest rates and as a Ponzi scheme defrauding investors, even though merchant cash advances remain legal in most states and courts repeatedly upheld the structure of the company’s agreements.

The merchant cash advance industry is estimated to be worth roughly $22 billion and is projected to grow substantially over the next decade. Industry participants argue that merchant cash advances fill a financing gap left by traditional lenders, particularly for small businesses unable to secure bank credit.

LaForte’s attorneys argue that if merchant cash advance companies can be targeted on theories that effectively treat receivables-purchase agreements as usurious loans, the consequences could extend far beyond Par Funding and impact the entire industry.

The collapse of Par Funding after the receivership expanded illustrates the stakes.

The receiver was authorized not only to take control of the company but also to pursue assets belonging to LaForte and his wife, Lisa McElhone.

According to LaForte's attorneys, many merchants ultimately stopped making payments after the receivership assumed control and automatic ACH collection systems were shut down during the initial transition period.

Another controversy remains unresolved.

Receiver Ryan K. Stumphauzer has not responded to numerous inquiries from Black Star News regarding allegations by LaForte and his attorneys that approximately $30 million in receivership fees are excessive. Those fees amount to roughly 15 percent of the nearly $200 million recovered for investors.

One of LaForte's lawyers noted the irony:

"The receiver has collected hundreds of millions from Par Funding's merchants using the same contracts the company gave its clients. If the receiver is collecting on usurious loans then isn't he in violation of the law? The receivership has also paid itself $30 million from the same contracts."

"The receiver has used the same contracts to lift litigation to sue hundreds of merchants that obtained advances while LaForte operated the company. If he's guilty of usury so is Stumphauzer, and he's appointed by the court."