

Par Funding: Did Merchant Declarations Help Trigger SEC Raid—And Why Has The Ponzi Narrative Collapsed?

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By Milton Allimadi

The SEC's landmark case against Philadelphia-based merchant cash advance company Par Funding is facing renewed scrutiny amid claims by former CEO Joseph LaForte and his attorneys that crucial evidence used to obtain an emergency court order against the company were based on inaccurate merchant declarations.

The allegations raise broader questions about how federal regulators investigate merchant cash advance (MCA) companies, the extent to which regulators relied on information supplied by outside lawyers, and whether similar tactics could be used against other [MCA firms in the future](#).

At the center of the controversy is attorney Shane Heskin, who represented numerous merchants that had received cash advances from Complete Business Solutions Group (CBSG), doing business as Par Funding, and SEC attorney Amie Berlin, who led the agency's civil enforcement action against the company.

LaForte and his lawyers—he is currently serving a 15½-year federal prison sentence after pleading guilty to several charges, including the sale of unregistered securities—contend that the company suffered a critical setback at the outset of the SEC litigation when the agency obtained an emergency Temporary Restraining Order (TRO) in July 2020.

The SEC alleged that Par Funding had misrepresented its underwriting practices to investors, including claims that it conducted rigorous due

diligence and personal on-site inspections before approving advances to small businesses.

According to LaForte and his lawyers, several merchants submitted declarations stating that CBSG had not conducted on-site inspections before approving their advances. They contend those declarations were false.

LaForte and co-defendants, his wife Lisa McElhone, and Joseph Cole Barletas, filed a [motion to dismiss the amended complaint](#) “due to misconduct by the SEC” arguing that had the government done its own investigation it would have found the declarations to be false.

They point to photographs and documentation that they say show on-site inspections were conducted at the locations of at least eight businesses that later declared otherwise.

“The lack of underwriting was the thrust of their case,” LaForte and his attorneys said. “Without those merchant declarations claiming there were no inspections, the SEC would never have had the probable cause they needed.”

The SEC’s July 28, 2020 ex parte motion for a TRO stated: “Par Funding did not, in fact, conduct the rigorous underwriting process or onsite inspection it claimed it did prior to lending small businesses money through the loans.”

The SEC further alleged that Par Funding’s marketing materials distributed to investors falsely represented that rigorous underwriting and site inspections were central to lending decisions.

“The representations about Par Funding’s underwriting process are false,” the SEC wrote. “In truth, Par Funding does not conduct the rigorous underwriting process it claims.” The agency also alleged that cash advances were often approved within 48 hours and that site visits either did not occur or sometimes took place only after funding had already been approved.

Documents reviewed by *Black Star News* show that on July 6, 2020—just weeks before the SEC sought the emergency restraining order—Heskin sent merchants he represented a questionnaire under the subject line “Underwriting Questions.”

“Hi, all this is urgent,” Heskin wrote. “Please let me know ASAP if CBSG did the following when underwriting each of your MCA agreements.”

Recipients were asked to answer “yes” or “no” to a series of questions, including whether Par Funding had performed credit checks, conducted on-site inspections, conducted personal interviews, assigned liaison contacts, requested debt schedules, reviewed expenses, researched social media, or approved advances in less than 48 hours.

According to LaForte and his attorneys, Heskin subsequently forwarded the responses to Berlin and other SEC personnel.

They argue that SEC attorneys should have independently verified the merchants’ claims before relying on them in court filings that led to the freezing of company assets and the appointment of a receiver.

“Any lawyer knows that when a declaration is being written it must be done individually, not by an opposition attorney,” LaForte’s attorneys said. “If she had done her own investigation instead of proceeding ex parte, she would have known that all the declarants were lying. But she did not because the truth did not matter.”

The SEC declined to address whether it independently verified the merchants’ statements, when contacted today. Asked whether Berlin or other [SEC](#) staff independently confirmed the declarations before filing the TRO application, an SEC spokesperson told *Black Star News*: “We decline to comment.”

“How can the SEC use adversarial information without verifying it before destroying lives and sending 400 FBI agents to homes and offices?” a lawyer for LaForte said. “Think about how scary this is. Someone who has issues with you takes you to court and loses several times. So they manipulate a Federal SEC attorney into doing his or her dirty work to take out your adversary and weaponize the FBI under clearly fraudulent declarations.”

Emails reviewed by *Black Star News* also illustrate the working relationship between Heskin and Berlin during the litigation.

For example, after Par Funding filed a motion opposing a preliminary injunction on August 14, 2020 that included a declaration from attorney

Norman Valz, Berlin contacted Heskin by email at 3:04 a.m. on August 15, 2020.

Valz's declaration described cases in which Par Funding had prevailed against merchant claims that its transactions constituted criminally usurious loans. In response, Heskin argued that Valz lacked knowledge of certain cases and had selectively cited decisions favorable to Par Funding.

"First, Norm does not have personal knowledge on a lot of these cases because he was not even counsel in many cases," Heskin wrote. "Second, I sent you two Sanchez (Chief Judge) decisions he conveniently ignores."

The exchanges have become another point of contention for LaForte and his attorneys, who question how much independent investigation SEC staff conducted and how heavily the agency relied on information supplied by merchants and their counsel.

The SEC's case against Par Funding extended well beyond underwriting practices. Federal regulators alleged that the company and its principals misled investors, sold unregistered securities, concealed insider payments, and made material misrepresentations regarding the company's operations and risk controls.

The SEC also alleged that Par Funding falsely portrayed the quality of its underwriting and collection procedures while raising hundreds of millions of dollars from investors. Separate federal criminal proceedings ultimately resulted in guilty pleas by LaForte and other defendants.

The government has consistently maintained that investors were misled and that securities laws were violated. LaForte and his attorneys dispute many of the SEC's characterizations of the business and argue that regulators exaggerated or misrepresented evidence to secure emergency relief.

One of the most significant developments in the case is the apparent retreat from what was once one of the most damaging accusations associated with Par Funding. For years, court filings and public commentary frequently described CBSG as a Ponzi scheme.

In an April 2022 omnibus filing, the SEC used the term repeatedly while seeking approximately \$100 million in penalties.

Yet recently, when asked by *Black Star News* whether the SEC still viewed Par Funding as a [Ponzi scheme](#), an SEC spokesperson responded: "...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."

At the same time, the receiver and his financial advisor, Development Specialists Inc. (DSI), continue to rely on analyses that critics say implicitly preserve the Ponzi narrative. In a recent filing recommending continuation of the receivership, DSI stated that the court had found Par Funding to be a Ponzi scheme.

Receiver Ryan K. Stumphauzer has not responded to multiple requests from *Black Star News* asking whether he personally still believes Par Funding was a Ponzi scheme.

Traditional Ponzi schemes collapse when new investor money stops flowing because they depend on new investments to pay existing investors. Par Funding has not originated new merchant cash advances since the receivership began nearly six years ago. Nevertheless, according to receivership reports, investors have received nearly \$200 million from collections on existing merchant accounts during that period.

The question therefore remains: If the SEC no longer embraces the Ponzi characterization and if investors continue to be repaid from underlying receivables, should the receiver consider recommending some form of business revival rather than perpetual liquidation?

That question becomes even more pressing given the costs of the receivership itself. Court records show that [the receivership has billed the estate roughly \\$30 million](#). DSI alone has received more than \$14 million.

There are implications in Par Funding's case to the broader multi-billion dollar MCA industry.

If emergency enforcement actions can be initiated based largely on declarations gathered by private litigants and their attorneys, MCA executives may reasonably wonder whether similar tactics could be employed against other companies in the industry.

Heskin, responding to a June 11, 2026 inquiry from Black Star News regarding a [\\$490,000 payment](#) made by the receiver to outside attorneys, including lawyers at his firm, wrote: “You are paid propaganda for an admitted felon who beat an officer of the court in broad daylight. I hope you are proud of yourself.”

He added: “Please do not contact me again.”

As a result, he could not be reached for further comment regarding the underwriting declarations or his communications with SEC attorneys.