

The Government's Final Hour Ambush

When the defense agreed to a bifurcated settlement, the spirit of the deal was crystal clear: it was a "no admit, no deny" agreement. The defendants agreed not to contest the allegations strictly for the purpose of the final judgment motion. Crucially, the agreement dictated that the SEC could only rely on the allegations explicitly written in their Amended Complaint.

The Hard Choice and the Greedy Receiver

The decision to accept a bifurcated settlement was an incredibly hard one for the defendants. But with Judge Ruiz denying Joe LaForte the basic constitutional opportunity to confront his accusers and testify at his own trial, it was the only viable option. Even so, LaForte knew the truth: the Par Funding estate was worth hundreds of millions of dollars more than what the noteholders were actually owed. He genuinely wanted the noteholders to get paid back in full, knowing that he and the business would obviously be entitled to the massive delta that remained.

The "Ponzi" Ambush and Tier 3 Penalties

The defendants waived their constitutional right to a jury trial based on the specific charges filed against them. But once SEC counsel Amie Riggle Berlin purposely secured their signatures on those Consents, the government completely flipped the script.

Despite the clear exculpatory evidence in the Glick report and the Dunkelberger declarations, the SEC brazenly accused Par Funding of a Ponzi scheme for the very first time only after safely obtaining the signatures of the defendants on the Consents. A simple review of the original and Amended Complaint proves the SEC never once alleged a Ponzi scheme. Yet, in their Omnibus Motion for Final Judgments, the SEC suddenly used the term "Ponzi scheme" thirteen separate times! This is a classic bait and switch and should have been laughed at by the court.

Why pull this 11th-hour ambush? Because Amie Riggle Berlin needed a dramatic, unproven narrative to justify hitting the defendants with astronomical Tier 3 penalties.

Just so it is clear to our readers, the spirit of the no admit no deny settlement was that the defendants only agreed to the claims made in the amended complaint- NOTHING MORE!

Yet Amie Riggle Berlin moved the goal post and just decided because she is maniacal to add Ponzi scheme after that fact!

So, what was Berlin's Motive for the illegal behavior?

Under federal securities laws, civil penalties are broken down into tiers. Tier 1 and Tier 2 cover standard violations or basic deceit. Tier 3 is the harshest financial hammer the SEC possesses. These maximum penalties are reserved exclusively for violations that allegedly involve significant fraud and result in substantial losses to others. By suddenly and falsely labeling the business a "Ponzi scheme" after the fact, the SEC engineered a way to demand these maximum, ruinous Tier 3 penalties—totaling over \$100 million dollars and she got away with it because she knew that Judge Ruiz would rubber stamp anything that would hurt the defendants. What makes it more outrageous is that in the TRO LaForte's wife, Lisa McElhone was a minor participant of Par Funding and cast as a simple nail salon owner. Now to fit the Government's own punitive demands McElhone was named a major player involved in a significant fraud that resulted in her receiving Tier 3 penalties. Their hypocrisy knows no bounds.

The Supreme Court's Liu Mandate: Stealing Legitimate Deductions

The SEC's bait-and-switch was not just about penalties; it was a calculated move to strip Par Funding of its legitimate business expense deductions.

In the landmark case *Liu v. SEC*, the United States Supreme Court delivered a clear mandate: when the SEC seeks to take back money (disgorgement), they are strictly limited to a defendant's "net profits". The Supreme Court ruled that the government must deduct legitimate business expenses from their calculations.

By ambushing the defense with the "Ponzi" label after the consent agreements were signed by the defendants, the SEC sought to bypass the Supreme Court's mandate in *Liu*. The government's twisted logic was that if they called it a Ponzi scheme, they could claim the entire business was a fraud and refuse to deduct a single dime of Par Funding's massive, legitimate operational costs.

A History of Deception: The Rule 41 Motion

For our readers who know how the administrative state operates, it comes as no surprise that Amie Riggle Berlin felt emboldened to play fast and loose with the rules. She was operating in front of a pro-government judge, which allowed the SEC to get away with what amounts to a fraud on the court.

This was not the first time the SEC lied in this case. As the defense exposed in their Rule 41 motion (D.E. 663), the SEC made outright misrepresentations to induce the Court to enter the initial Receivership Order. The SEC falsely alleged to the judge that the defendants "stole money" from Par Funding's bank account. The defense proved that Par Funding was simply sending money to its ACH processor in the ordinary course of legitimate business. The SEC also accepted perjurious Declarations from Shane Heskin's clients (Par Merchants) and put them on

Judge Ruiz's desk to induce the FBI raids. As we all know the SEC did no independent investigation to confirm the legitimacy.

The Outrage in Black and White

The defense team immediately called out this profound violation of due process. The motion to strike filed by the defense captures the absolute outrage of this ambush. Here is exactly what the attorneys told the Court:

The Bait-and-Switch (Pages 1-2): *"The SEC has engaged in a bait-and-switch on the Parties' bifurcated settlement... the SEC has violated the letter, intent, and spirit of the agreement and has made salacious and scandalous allegations that the Defendants were operating a Ponzi scheme..."*.

The Stolen Jury Trial (Page 3): *"To be clear, Defendants would never have agreed to this bifurcated settlement had they been required to accept allegations of operating a Ponzi scheme and instead would have elected to go to trial to prove to a jury that these horrible allegations are patently false."*

The Perfect Analogy (Pages 10-11): *"The SEC's conduct is tantamount to a plaintiff filing a lawsuit for breach of contract, and when the defendant admits to breaching the contract and agrees to a trial on damages, the plaintiff seeks to interject at the damages trial allegations of fraud and request punitive damages."*

Bypassing the Supreme Court (Page 6): The motion explicitly states that these unpled Ponzi allegations were used to support *"the SEC's efforts to deprive the Defendants of offsets/deductions for legitimate business expenses which they are entitled to under the Supreme Court's directive in Liu v. SEC..."*

The Endless Bleed: Punitive Overlap and the Refusal to Resign

The defendants were ambushed, plain and simple. They agreed to a no admit no deny on the actual charges filed, but the SEC decided the only way they could get their record-breaking penalties was to change the rules after the defendants had already surrendered their right to a jury.

And the bleeding has not stopped. Today, despite the investors being paid back in full, the Receiver refuses to resign. The additional capital in the estate—money that rightfully belongs to the founders—is being completely swallowed up in exorbitant receiver fees. Adding insult to injury, the Eastern District of Pennsylvania (EDPA) hit LaForte with a punitive, overlapping

restitution. As we at the Freedom Fighters of America recently exposed in our latest article, this overlapping restitution is illegal according to a recent Supreme Court decision. It is just another layer of the establishment's coordinated effort to drain every last cent from a wildly successful American business.

****Important Read for review included in Part 2 – Proof that this really happened!**

Motion DE 1224: DEFENDANTS LAFORTE, MCELHONE, AND COLE'S MOTION TO STRIKE PONZI ALLEGATIONS FROM PLAINTIFF'S OMNIBUS MOTION FOR FINAL JUDGMENTS, OR IN THE ALTERNATIVE, MOTION TO WITHDRAW/BE RELIEVED FROM THEIR CONSENTS [D.E. 1002-2; 1004-1; 1016-1], VACATE THE JUDGMENTS OF PERMANENT INJUNCTION AND OTHER RELIEF [D.E. 1007-10; 1016-1], AND TO RETURN THE CASE TO THE ACTIVE DOCKET