

## The Blueprint for Tyranny: How the SEC and Activist Judges Can Seize Your Life Without a Trial

If you think the government needs a jury verdict or a criminal conviction to seize your home, drain your bank accounts, and destroy your business, you need to wake up. We are watching the weaponization of the justice system in real-time.

A terrifying legal brief filed in the 11th Circuit Court of Appeals ([See the full PDF exhibit for download – Part 2](#)) exposes exactly how the "Deep State" bureaucracy—specifically the Securities and Exchange Commission (SEC)—can team up with federal judges to strip American citizens of their property rights before they are even allowed to defend themselves.

What the government did to Joseph LaForte is a roadmap for how they can dismantle anyone they target.

Here is the breakdown of the filing and what it means for the rule of law.

### 1. The "Seize First, Ask Questions Never" Tactic

In a functioning republic, you are innocent until proven guilty. In the SEC's world, you are guilty until they decide to stop ruining you.

The District Court granted an "Emergency Asset Freeze" and appointed a Receiver (think of an unelected government bureaucrat) to take total control of the company. But they did not stop at the business. They came for the owners' personal homes and assets.

The Receiver filed a motion to expand his control over the Appellants' personal lives based on a claim of "commingling" funds. The Appellants demanded to see the evidence. They asked for discovery. They asked for a hearing.

The Court's response? Denied.

The brief details how the court stripped them of their possessions without letting them see the books:

"The District Court granted the expansion of the Receivership without permitting discovery or a hearing on the Receiver's allegations of commingling..." (Brief at Page 5).

Imagine the FBI raids your homes and offices, claims everything you own is with "tainted money," and hands everything over to a government agent with an incentive to liquidate your assets so he can charge excessive fees. When you ask to see the proof, the judge says, "We'll

figure that out later, but for now, your assets are seized and liquidated." That is what happened here.

## 2. The "Phantom Charge" Strategy

We have seen this with the political persecutions of recent years: smear the target in the press with crimes you have not charged them with.

In this case, the SEC and the Receiver floated the idea that Par Funding was a "Ponzi scheme."  
*(See the full PDF exhibit of the Glick Report rebutting claim by an expert forensic auditor for download – Part 3)*

They did not put this in the official complaint where it would have to be proven. There was never any allegation of Ponzi in the SEC indictment. They just dropped it in a report to poison the well.

The brief notes that this "unpled and demonstrably false notion" (Brief at Page 5) was used to justify extreme measures. The Receiver filed a report implying a Ponzi scheme just two days before a hearing, and the Judge bought it hook, line, and sinker.

"According to the Court, that 'picture' depicted something 'akin to... a Ponzi scheme.' ... The Receiver made no effort to dispel the Court's misunderstanding..." (Brief at Page 17).

Four months after -to the day **AFTER THE RULING** THE GLICK REPORTS DISPELL ANY NOTION OF PONZI.

## EXHIBIT - GLICK REPORT PGS 4-5 PARAGRAPHS 15-18:

### CONCLUSIONS<sup>3</sup>

15. DSI erroneously alleges CBSG was a Ponzi Scheme. A forensic analysis of the QuickBooks/Bank/ACH accounts, from 2012 through 2019, demonstrates that cash flows from merchants were sufficient to cover principal and interest payments made to investors.

16. DSI's incorrectly use of a cash analysis as a proxy for profitability or earnings disregards U.S. Generally Accepted Accounting Principles ("GAAP").<sup>4</sup> GAAP makes clear that a cash flow analysis alone is not appropriate to determine CBSG's profitability. As set forth below at paragraphs 52-54, any such analysis should have been performed based on the accrual basis method of accounting, which DSI did not do. A forensic analysis of CBSG data using an accrual basis method of accounting reveals that CBSG was profitable, earning hundreds of millions of dollars in top-line revenue that was ignored by DSI.

17. DSI did not present a complete analysis of merchant receivables as they focused on what DSI refers to as an "Exception Portfolio," and appeared to have extrapolated this

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<sup>3</sup> I am generally aware that one of the issues in this case is whether the promissory notes issued by CBSG in this case constitute securities. As explained above, no statements in this declaration are intended to render any legal opinions or conclusions, and none are intended by my use of the term "investor" as opposed to "noteholder."

<sup>4</sup> "U.S. GAAP (Generally Accepted Accounting Principles) are accounting standards, conventions and rules. It is what companies use to measure their financial results. These results include net income as well as how companies record assets and liabilities. In the US, the SEC has the authority to establish GAAP. However, the SEC has historically allowed the private sector to establish the guidance. See The Financial Accounting Standards Board." [Generally Accepted Accounting Principles \(GAAP\) | Investor.gov](#)

analysis to the entire portfolio rather than analyzing the entire portfolio. This led to an incorrect analysis of the profitability of the portfolio. In fact, an analysis of 3,900 merchants, as described below in paragraphs 83-88, show a blended factor rate of 1.399.

18. DSI's analysis of the Exception Portfolio relies on several unsupported assumptions:

- a. DSI seems to suggest without support that the existence of "reloads" indicates that a merchant will not be able to pay its obligation to CBSG.<sup>5</sup> As discussed below, this assumption is unsupported and speculative.
- b. DSI suggests without support that a certain percentage of reloads is "excessive."<sup>6</sup> DSI's suggestion that the percentage of CBSG's receivables carried too high a factor rate is unsupported and they provided no industry data or other support for any of these opinions.
- c. DSI suggests without support that increasing reloads is "unrelated to [the merchant's] business operations."<sup>7</sup>

This is the "Russian Collusion" playbook. They know they cannot prove the crime in court, so they leak a dossier or a "report" implying guilt to get the warrant (or in this case, the Receivership expansion), knowing the media and the judge will act on the rumor rather than the facts.

### **3. Litigation with "One Hand Tied Behind Your Back"**

How can you defend yourself when the government seizes all your documents and refuses to let you see them?

(To our readers, we are speaking of 17 terabytes of discovery. To put this in perspective, one terabyte of data in paper is as high as Mount Everest.)

The Appellants argue they were forced to fight a massive government agency while being denied access to their own records. Even the District Court admitted the unfairness yet let it happen anyway.

"The court... observed that the lack of discovery forced defendants to litigate with '*one hand tied behind their back*,' [but] explained that it 'was trying to keep the train moving...'" (Brief at Page 19).

Since when is "keeping the train moving" stated by a Federal Judge more important than the Constitution?

#### **4. The Infinite Fine: Bankrupting the Target**

The SEC is not just trying to get money back for investors; they are trying to obliterate the targets personally. The brief outlines how the District Court calculated the fines (disgorgement and penalties) using a "Net-Raise" model—meaning they looked at the total money raised rather than the actual profits.

Even worse, the Judge admitted the SEC's math was terrible. Read this quote from Judge Ruiz, the District Court Judge during a hearing:

*"I don't think objectively anyone can look at this SEC motion and think that it gave the Court what it needed to make a proper ruling... it would almost be impossible for me to write an order that will withstand appellate review if I didn't make the SEC go back and write it over..."* (Brief at Pages 25–26).

Did the Judge make them write it over? No. He rubber-stamped it anyway.

The Court imposed maximum "Tier 3" penalties for every single promissory note issued. This resulted in a staggering \$197 million judgment (Brief at Page 8).

This is like the IRS auditing a small business owner, admitting they do not know how much you actually owe, but deciding to fine you the maximum penalty for every single receipt you ever printed, just to make sure you are destroyed.

#### **5. The Activist Judge**

The most disturbing part of this brief is the call for the case to be reassigned to a new judge. A reminder to our readers, LaForte tried to recuse the judge in a previous motion. The Appellants argue that Judge Ruiz has abandoned impartiality to function as an enforcer for the SEC.

The brief quotes the Judge explicitly stating his bias toward the result rather than the process: *"Listen, nobody wants to see the end of this litigation more than me... I want to get to the end... My Receiver has been consumed with going after everything he can."* (Brief at Page 64).

When a judge starts referring to the government's asset-seizing agent as **"My Receiver,"** you know the game is rigged.

#### **The Bottom Line**

This filing is a desperate cry for due process in a system that seems to have forgotten it. The Appellants are asking the 11th Circuit to overturn these orders because, as they state:

*"The District Court's procedures were unequal to the weight of Appellants' interests."* (Brief at

Page 36).

If the government can seize everything you own based on a "preliminary" report you are not allowed to see, and fine you hundreds of millions based on math they admit is flawed, we do not have a justice system. We have a rubber stamp for the administrative state.

The conclusion of this filing is that the 11<sup>th</sup> Circuit denied the Appeal due to lack of Jurisdiction because the case is not over. The question you must ask yourself is when will it be over? And the answer to that question is when the Judge's Receiver bilks the company and LaForte's Estate for every single penny! Right now, there are still millions over and above the amount of money that already paid back to Noteholders. No one is owed one cent so what is the Receiver still charging the estate for? The last thing the court wants to do is refund LaForte one cent so they would rather keep this case open forever.