

The Government's Junk Math: How the SEC and AUSA Ignored the Rules to Railroad Joseph LaForte

We want to continue to show you how the administrative state bends the rules to fit its own narrative. Here is more proof regarding the stunning disregard and ongoing collusion with the Judge's in this case against Joseph LaForte and Par Funding. We've got the receipts, and today we are breaking down another legal filing that exposes how the government relied on flat-out flawed "expert" testimony to secure a massive judgment and put a man behind bars for 15.5 years!

What is a "Daubert" Motion?

Before we get into the weeds, let's talk about the legal tool the defense tried to use here: the Daubert motion.

In the federal court system, a Daubert motion is a request to the judge to exclude an expert witness's testimony because it relies on junk science, flawed methodologies, or is just plain unreliable. The Supreme Court established this rule to require trial courts to act as "gatekeepers" to ensure that speculative and unreliable opinions never reach a jury. It is supposed to be a safeguard against the government parading fake experts into the courtroom to baffle a jury with bogus math.

The Government's Flawed "Expert"

In this case, the defense filed a Daubert motion to toss the testimony of the SEC's hand-picked expert, Melissa Davis. Davis was brought in to offer the opinion that the cash flow from Par Funding's Merchant Advances was not enough to pay promised investor returns and operational expenses.

There is just one massive problem: her math completely ignored standard accounting rules. Davis's opinion was fundamentally unreliable because she did not conduct her analysis under Generally Accepted Accounting Principles (GAAP). Instead of following the rules, she simply analyzed the cash activity of the advances on an individual basis.

GAAP makes it crystal clear that a cash flow analysis alone is not an appropriate way to determine a company's profitability. Under GAAP guidelines, accrual accounting provides a far better basis for assessing an entity's past and future performance than solely looking at cash receipts.

Ignoring the Judge and the Facts

What makes this even more infuriating is the blatant hypocrisy and the court's own contradictory stance. During a December 2020 status hearing, the Court itself indicated that this was a methodology problem, noting that *"this isn't a dispute over GAAP principles"* and suggesting the analysis should be well-rooted in verifiable numbers. There was no dispute that GAAP principles should be applied in any reliable assessment of Par Funding's profitability. Yet, only the defendants actually provided the Court with the requested GAAP-compliant assessment.

The SEC's expert, Melissa Davis, outright chose to conduct a cash flow analysis instead to assess

Par Funding's profitability.

Davis could not even point to a single GAAP provision during her deposition that supported her use of a cash flow analysis to assess profitability. While Davis estimated a collection cycle of 120 days, she admitted she did not actually calculate the collection cycle for the specific transactions.

Former Par Funding Controller James Klenk testified that the collection cycle for these merchant cash advances can sometimes exceed two years.

Davis completely ignored real world events, failing to account for the fact that the money Par Funding owed to its PPM Noteholders was 7-year terms and had a maturity date of April 2027. In her analysis as we stated in earlier posts it claimed that the money was due and payable on July 27, 2020 (the day of the FBI raids). Discounting an additional 7 years that Par had to pay its Noteholders.

ALTHOUGH THE JUDGE STATED THE FORENSIC ACCOUNTANCY NEEDS TO FOLLOW GAAP PRINCIPLES, THE COURT INEXPLICABLY DENIED THE DEFENSE'S MOTION. THEY WILLINGLY ACCEPTED THE NON-GAAP ANALYSIS FROM THE SEC'S SO-CALLED EXPERT, PROVING JUST HOW ONE-SIDED THIS FIGHT HAS BEEN FROM DAY ONE!

The Fix Was In

The denial of this Daubert motion was just the beginning of a coordinated railroading. In a system that protects its own, the facts take a backseat to the agenda.

The AUSA, of course, saw exactly how well this flawed, non-GAAP accounting played out in the civil SEC case. Years later, they brought in the exact same flawed expert—Melissa Davis—to hit LaForte with a manufactured \$314 million loss at his sentencing hearing. This astronomical loss figure was entirely based on the same non-GAAP, non-accrual audit that the defense had already exposed as junk math.

The SEC and AUSA ignored standard compliance and basic accounting rules because the truth did not help their narrative. The fix was in. They wielded this double standard like a weapon, using completely unverified, non-compliant math to ultimately put Joseph LaForte in jail for 15.5 years. When the government decides they want to take you down, they will literally change the math to make it happen. It is a rigged game, and it is happening right in front of us.