

## Continuing to uncover the Fraud on the Court: How the SEC Weaponized a Phony Default Rate to Destroy Par Funding

We are uncovering yet another blatant example of a massive fraud on the court. The catastrophic takedown of Par Funding—a government siege that resulted in armed home raids, ruined lives, and put Joseph LaForte in prison for 15.5 years—was built on a foundation of deliberate, verifiable lies told to a federal judge.

The SEC adopted a phony default rate analysis cooked up by a major Par adversary, covered their tracks with fake declarations, and used weaponized math to justify the destruction of a wildly successful FinTech company.

### The Conspiracy: Outsourcing the Prosecution

Instead of doing their own work, the Securities and Exchange Commission, led by attorneys like Amie "Rigged It" Riggle Berlin, delegated its investigative powers to a biased private attorney with a clear financial interest in the outcome of this case.

Shane Heskin, an attorney representing merchants against Par, concocted a fake theory. Heskin looked at the thousands of legal judgments filed against merchants who had not paid their full contracted profit margins and told Amie Riggle Berlin, *"Look at all the legal filings, a 1% default rate isn't possible"*.

### EXHIBIT: DE 663-32- EXHIBIT 32 PG. 1 OF 8

### EMAIL EXCHANGE BETWEEN SHANE HESKIN AND AMIE BERLIN AT THE SEC REGARDING HESKIN'S THEORY ON PAR'S DEFAULT RATE ON 7/22/2020 (5 DAYS PRIOR TO THE PAR FUNDING RAID)

Case 9:20-cv-81205-RAR Document 663-32 Entered on FLSD Docket 07/28/2021 Page 1 of 8

To: 'Heskin, Shane'[heskins@whiteandwilliams.com]  
From: Berlin, Amie R.  
Sent: 2020-07-22T19:04:50-04:00  
Importance: Normal  
Subject: RE: FW:  
Received: 2020-07-22T19:04:00-04:00

\*\*\*\*\*

Perfect! Thank you

From: Heskin, Shane <heskins@whiteandwilliams.com>  
Sent: Wednesday, July 22, 2020 2:53 PM  
To: Berlin, Amie R. <BerlinA@sec.gov>  
Subject: RE: FW:

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

You have to go to the affidavit in support of the confessions, which are normally the second entry on docket. The affidavit will explain that the agreement was with CBSG and CBSG was the predecessor in interest.

Let me know if you still have questions. I can get on a call.

**From:** Berlin, Amie R. <BerlinA@sec.gov>

**Date:** Wednesday, Jul 22, 2020, 2:50 PM

**To:** Heskin, Shane <sheskin@whitcombwilliams.com>

**Subject:** RE: FW:

CAUTION: This message originated outside of the firm. Use caution when opening attachments, clicking links or responding to requests for information.

Shane,

How do we know the NY Unity Factor cases are CDSG/Par Funding cases? I want to make sure I understand the link. I think it is a collections agency but I don't see that on the COIs. Like this one, filed by NY Unity Factor but I understand it's a CDSG case.

Rather than audit the numbers, the SEC just took Heskin's word for it. They adopted his false legal theories, false facts, and defective "default rate" analysis without any critical scrutiny.

### **The Cover-Up: Manufactured Declarations & Outright Lies**

Amie Berlin knew that relying on a biased "bounty hunter" would expose her, so she orchestrated a cover-up. To shield the fact that this theory came from Heskin, she had SEC Senior Auditor Raymond Andjich and Senior Accountant Crystal Ivory sign hastily thrown together declarations.

These government "experts" merely cut and pasted the spreadsheets Heskin emailed them just days before the TRO Motion. Andjich claimed his summary was necessary because the materials he reviewed would exceed 5,000 pages. Yet, the day after Andjich signed his declaration, the SEC was still emailing Heskin asking to understand the link between the entities! The SEC did not even understand the full nature of its case at the time it was filed.

*(See email in Exhibit above)*

**EXHIBIT: DE 663-32- EXHIBIT 31 PG. 1 OF 275**

**DECLARATION OF CRYSTAL IVORY SENIOR ACCOUNTANT AT THE SEC ON 7/22/2020 SAME DAY AS THE EMAIL ABOVE (5 DAYS PRIOR TO THE PAR FUNDING RAID)**

**DECLARATION OF CRYSTAL IVORY**

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Crystal Ivory. I am over twenty-one years of age and have personal knowledge of the matters set forth herein.
2. I am a Senior Accountant at the United States Securities and Exchange Commission in the Miami Regional Office ("Commission").
3. Counsel at the Commission provided me with the following four sets of documents and asked me to tally the number of cases and the total amount stated for each case in these four documents:
  - a. The Declaration of Raymond Andjich and Attachment A thereto, which states there are 1,656 cases (column "#") with a total demand of \$240,020,697 (column "Demand Amt") through June 30, 2020. A demand amount of \$0 was applied to cases where no demand was listed;
  - b. 15 Court filing dockets Commission counsel provided to me showing confession of judgment cases with Complete Business Solutions Group, Inc. as the plaintiff in Pennsylvania after June 30, 2020. The total judgment entered by confession for these filings total \$725,815;
  - c. A chart that states it shows cases filed in New York Unity Factor, LLC matters with dates of January 28, 2018 through January 23, 2019. This chart states there are 342 cases (column "NO.") with a total judgment amount of at least \$57,710,421 (column "Amount of Judgment"); and

d. A "Judgment by Confession" dated July 12, 2018 with New York Unity Factor, LLC as the plaintiff against Dual Diagnosis Treatment Center, Inc. stating the amount confessed is \$12,261,608.

4. The documents identified in Paragraph 3 total at least 250 pages and therefore I was asked to summarize the tally of the figures shown in all four documents, which documents I did not prepare but reviewed to simply add the figures reflected therein.

5. The total number of cases reflected in the four documents in Paragraph 3 is 2,014.

6. The combined total of demands, judgments and amount confessed reflected in the four documents in Paragraph 3 is \$310,718,541.

7. I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Executed on this 22nd day of July 2020.

*Crystal Ivory*

**EXHIBIT: DE 663-32- EXHIBIT 31 PG. 3 OF 275**

**DECLARATION OF RAYMOND ANDJICH CONTRACTOR FOR THE SEC ON 7/21/2020 (6 DAYS PRIOR TO THE PAR FUNDING RAID)**

DECLARATION OF RAYMOND ANDJICH

Pursuant to 28 U.S.C. Section 1746, the undersigned states as follows:

1. My name is Raymond Andjich. I am over twenty-one years of age and have personal knowledge of the matters set forth herein.
2. I am a contractor for the U.S. Securities and Exchange Commission, where I work as a Senior Auditor.
3. I conducted a search on the Philadelphia Courts website, <https://www.courts.phila.gov/> for cases filed by Complete Business Solutions Group, LLC ("CBSG") from January 30, 2013 through June 30, 2020.
4. My review included the dockets and pleadings in cases filed in the Philadelphia Court of Common Pleas where CBSG is a party.
5. If printed, the materials I reviewed would exceed 5,000 pages.
6. I input the information I read in the documents identified in paragraph 4 into a chart summarizing the information I read that appears in those documents. A true and correct copy of the chart I is attached as Exhibit A hereto (the "Summary Chart").
7. The information that follows is reflected in the Summary Chart and is based on my review of the materials listed in paragraph 4 above:
  - a. From January 30, 2013 until June 30, 2020, CBSG has been the plaintiff in at least 1,656 lawsuits in the Philadelphia Court of Common Pleas where CBSG sought judgments against guarantors and borrowers whom CBSG alleged defaulted on loans CBSG issued (the "Defaulted Loan Lawsuits).

- b. From January 30, 2013 through June 30, 2020, CBSG sought a total of \$240,020,697.47 in unpaid loan payments through the Defaulted Loan Lawsuits.
  - c. By August 1, 2017, CBSG had filed 241 Defaulted Loan Lawsuits seeking a total of \$20,688,798.39 in missed loan payments.
  - d. By April 2, 2018, CBSG had filed 461 Defaulted Loan Lawsuits seeking a total of \$50,928,120.88 in missed loan payments.
  - e. By August 15, 2019, CBSG had filed 849 Defaulted Loan Lawsuits seeking a total of \$115,515,631.70 in missed loan payments.
  - f. By November 18, 2019, CBSG had filed 1,153 Defaulted Loan Lawsuits seeking a total of \$147,014,126.23.
  - g. By January 1, 2020, CBSG had filed 1,289 Defaulted Loan Lawsuits seeking a total of \$159,193,482.69.
  - h. In 56 of the Defaulted Loan Lawsuits, Satisfactions of Judgment were filed showing a total of \$6,375,043.83 in satisfied judgments.
  - i. In 57 of the Defaulted Loan Lawsuits, the Judgments were vacated, showing a total of \$8,205,621.39 in vacated judgments.
  - j. 173 of the Defaulted Loan Lawsuits CBSG filed are against Florida merchant borrowers, seeking a total of \$37,837,551.17 in unpaid loan payments.
8. I declare under penalty of perjury that the foregoing is true, correct, and made in good faith.

Executed on this 21st day of July, 2020 in Weston, Florida.

*Raymond Andjich*  
RAYMOND ANDJICH

**EXHIBIT Document 14 Entered on FLSD Docket 07/27/2020 SECURITIES AND EXCHANGE COMMISSION'S EMERGENCY EX PARTE MOTION FOR TEMPORARY RESTRAINING ORDER AND OTHER RELIEF PG.39-41**

**2. False and Misleading Claims about Par Funding's Loan Default Rate**

LaForte, Abbonizio and Vagnozzi make false claims to prospective investors that Par Funding has a 1% loan default rate. For example, on about June 5, 2018 LaForte met with a potential investor and pitched the Par Funding investment to her.<sup>270</sup> He told her that Par Funding's Loan default rate was less than 1%, and so there was virtually no risk to investment funds.<sup>271</sup>

As set forth above, Abbonizio made numerous representations to investors about Par Funding's Loan default rate of 1%. Further, on January 7, 2020, Abbonizio told an undercover individual posing as a potential investor that Par Funding issues bad loans 1 percent of the time.<sup>272</sup> He explained that the defaults are "one percent of \$500 million."<sup>273</sup> Similarly, at a dinner for investors and potential investors on November 21, 2019, Abbonizio presented the investment. He told more 300 investors at this event that the 10% to 14% investment returns were "enticing," but it is only enticing if Par Funding does a good job at loaning money to borrowers. He emphasized that Par Funding has "the best underwriting in the industry" that has "rigorous operational standards, almost seven years in the making." Because of this, Abbonizio explained, they have a default rate that is "less than 1 percent."<sup>274</sup> He also explained to the investors why this is so important – because if enough of the borrowers miss their payments to Par Funding, that could impede Par Funding's ability to pay Vagnozzi's fund to ultimately pay you.<sup>275</sup>

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At this same dinner for 300 potential investors, Vagnozzi, through ABFP, also touted Par Funding's low default rate, giving potential investors an ABFP flyer describing the Par Funding "merchant cash advance" investment opportunity as having a 2% default rate.<sup>276</sup> Similarly, Furman and United Fidelis tout on United Fidelis's website a 1.2% default rate for the Loan investment they offer, and, as set forth above Furman also tells investors Par Funding has a 1 % default rate during in-person meetings and solicitation events.<sup>277</sup>

These representations are false and misleading. In reality, Par Funding has filed more than 2,000 collections lawsuits against small business borrowers for defaulting on Loans since 2013 alone.<sup>278</sup> Par Funding claims to have funded \$600 million in Loans.<sup>279</sup> It has filed lawsuits seeking more than \$300 million in defaulted Loan payments small businesses allegedly failed to repay Par Funding.<sup>280</sup>

In Fall 2017, Furman gave a Florida investor a Par Funding brochure claiming that Par Funding had provided "more than \$220 million in business funding" since its inception in 2012 and told the investor Par Funding had a 1% default rate and was a safe and secure investment.<sup>281</sup> However, by August 1, 2017, Par Funding had filed at least 241 lawsuits against small businesses for defaulting on their Loans, seeking more than \$20 million in missed Loan payments – and that was only in the Pennsylvania Court of Pleas.<sup>282</sup> Similarly, when Abbonizio and Vagnozzi touted Par Funding's low default rates to potential investors during an ABFP solicitation dinner on November 21, 2019, Par Funding had filed more than 1,000 lawsuits in Pennsylvania alone, seeking more than \$147 million in missed Loan payments from small businesses.<sup>283</sup> LaForte and

Cole, Par Funding's CFO, was present when these representations were made to potential investors on November 21, 2019, and did not correct these false and misleading statements.<sup>284</sup> When Abbonizio touted Par Funding's low default rates to an individual posing as a potential investor in January 2020, Par Funding had filed more than 1,200 lawsuits in Pennsylvania seeking more than 159 million in missed payments on defaulted Loans.<sup>285</sup>

Additionally, CFO Cole recently admitted that Par Funding calculates the default rate differently in its representations to investors by not including in the rate any Loan where the merchant is making even a partial payment or is speaking with Par Funding about the Loan.<sup>286</sup> Cole testified that if a merchant stops making payments on a \$12 million Loan with Par Funding, that small business would not be disclosed in the default rate given to investors if it made even a \$100, \$200, or \$500 monthly payment.<sup>287</sup> For one small business that stopped making payments on a Loan to Par Funding in May 2019, Par Funding considered her in "legal default" and filed a Confession of Judgment against it, but did not include this default in the rate provided to investors until February 2020.<sup>288</sup> For another small business borrower that Par Funding has sued for being in default on a \$1.3 million Loan, Par Funding asked the small business owner in July 2020 to make a \$500 payment over the phone, explaining that if the small business owner did this Par Funding would convert the negative \$1.3 million to a positive \$1.3 on the portfolio investors see.<sup>289</sup>

As is evidence in the recordings of the Defendants' sales pitches, they do not tell investors that Par Funding does not include all Loans that are in default in its so-called default rate. Nor is

there any disclosure of the more than 2,000 lawsuits Par Funding has litigated seeking more than \$300 million in alleged missed Loan payments on the \$600 million Par Funding tells investors it has Loaned to small business.

**\*\*THE RESULTING INDICTMENT IS AN EXACT REPLICA OF WHAT HESKIN SOLD THE SEC - WORD FOR WORD. AFTER BERLIN RECEIVED HESKIN'S EMAIL REGARDING HIS DEFAULT RATE THEORY, SHE DID ZERO DUE DILLIGENCE AND DID NOT PERFORM ANY INDEPENDENT AUDIT. IT WOULD BE IMPOSSIBLE TO RESEARCH A BILLION DOLLAR COMPANY IN 6 DAYS ON A COMPLEX DEFAULT ANALYSIS THAT TOOK JOEL GLICK, A FORENSIC ACCOUNTANT OVER 6 MONTHS TO COMPLETE!!**

**\*\*\*ARE WE EXPECTED TO BELIEVE THAT THE SEC, ANDLICH AND IVORY WERE ABLE TO INVESTIGATE AND REVIEW 5000 PAGES OF INFORMATION ON PAR FUNDING REGARDING A BILLION DOLLAR COMPANY'S DEFAULT ANALYSIS WITH 16,700 MERCHANTS IN ONE DAY AND SWARE TO IT?? THIS TOOK JOEL GLICK, THE DEFENSES'S FORENSIC ACCOUNTANT A FULL YEAR TO ANALYZE PAR FUNDING'S MASSIVE ACTIVITY WHERE HE PROVIDED A DECLARATION ON 7/13/2021 STATING HE REVIEWED 3.8 MILLION RECORD ENTRIES!**

If our readers remember, Ray Andjich is the same witness that Berlin cancelled in the middle of the 30(b)6 deposition for not knowing anything about the case!!!! Now he is signing off on declarations under the penalty of perjury opining on default rates of a billion-dollar company in one day! – SEE BELOW TO REFRESH YOUR MEMORY IF NEEDED!

**EXHIBIT: DEPOSITION OF RAYMOND ANDJICH - After supposedly preparing for 40 hours, this witness could not answer basic questions about the case. Amie Riggle Berlin unilaterally stopped the deposition, claiming the witness just could not "regurgitate" his 40 hours of preparation (Page 59, Lines 3–11).**

	Page 59	Page 61
1	(A break was taken from 11:55 a.m. to	1 should have designated more than one individual if
2	12:39 p.m.)	2 the volume of information here is too much for one.
3	MS. BERLIN: During this break, I spoke with	3 They had that opportunity, and they chose not to do
4	Mr. Soto, and I'll state on the record what he and I	4 that. We are not inclined to continue the
5	just discussed. And I spoke with Mr. Andjich.	5 deposition. We stated our conditions.
6	Mr. Andjich spent about 40 hours preparing for	6 Our first condition would be that the
7	this deposition today, and he has been asked to	7 individual designated in Mr. Andjich's place would
8	regurgitate a lot of things that he memorized, and	8 be Linda Schmidt, who is a staff attorney and was an
9	his memory is not such that he can just regurgitate	9 investigator on this case. And I believe
10	everything that he prepped; and he feels that he	10 Mr. Andjich testified she was involved as an
11	cannot do it accurately.	11 investigator on this case as a staff attorney.
12	And so we have offered that we will designate	12 The second condition would be that any of the
13	other witnesses, people who worked on the	13 statements Mr. Andjich has made to this point on the
14	investigation. And that, obviously, will not	14 record would be and remain binding against the SEC,
15	include any of this time towards the seven hours or	15 with the exception, of course, of any objections
16	limit it that way in any way. And the SEC would,	16 that Ms. Berlin has made with respect to the scope.
17	you know, of course, pay for the court reporter. We	17 So any questions that she believes are outside
18	can make those arrangements, that the defendants are	18 the scope, we could either confer, agree, disagree,
19	not paying for the court reporter again, so that we	19 litigate those, but beyond that, any statements he
20	don't spend more time today.	20 makes would be binding on the SEC. In other words,
21	What we're asking to do is to pause and then	21 somebody wouldn't be able to come in and say, Well,
22	continue this on another day in the near future with	22 I'm going to provide testimony that essentially
23	different witnesses. Because despite the extensive	23 erases or replaces or supplants that testimony. We
24	preparation that Mr. Andjich did with me, and by	24 would not agree to that.
25	himself, it's just not possible for him to	25 To this point, I think Ms. Berlin has suggested

When you throw in Berlin's other fraudulent claims as exposed in the Rule 41 Fraud on the Court, she built a perfect storm to lie to a Federal Judge.

**EXHIBIT: DE 663: MOTION TO DISMISS THE AMENDED COMPLAINT DUE TO MISCONDUCT BY THE SECURITIES AND EXCHANGE COMMISSION AND RELATED CONSTITUTIONAL VIOLATIONS PG.2**

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Rather than conduct its own investigation, the SEC delegated its investigative powers to a biased private attorney with a clear financial interest in the outcome of this case. After deputizing this attorney as a *de facto* SEC investigator, the Commission then took his false legal theories, false facts, defective "default rate" analysis, and hastily thrown together declarations obtained from his obviously biased merchant clients and submitted them to this Court without any critical scrutiny or corroboration. The SEC also added its own false allegations. The result – demonstrably inaccurate and false claims made to this Court and devastating fallout to Par and its noteholders and principals – could have been avoided had the SEC taken the time and effort to scrutinize the inaccurate information it was being provided and refrained from making its own false allegations. Because of the SEC's delegation of duties, extraordinary lack of diligence, and false allegations, and the immense harm caused thereby, Joseph LaForte, Lisa McElhone, and Joseph Cole Barletta request that this Court grant the proper remedy of dismissal.

**EXHIBIT: DE 663: MOTION TO DISMISS THE AMENDED COMPLAINT DUE TO MISCONDUCT BY THE SECURITIES AND EXCHANGE COMMISSION AND RELATED CONSTITUTIONAL VIOLATIONS PG.12**

Furthermore, as explained below, the SEC adopted Heskin's defective "default rate" analysis without its own scrutiny, even drafting declaration regarding this theory while Heskin was still explaining the theory to the SEC. Essentially, the SEC deputized Heskin as an investigator in violation of the state actor doctrine.

A private entity's conduct may be constrained where it is "fairly attributable" to the government, which has been held to mean that there is a "sufficiently close nexus between the State and the challenged action of the regulated entity." *D.L. Cromwell Inv., Inc. v. NASD Regulation, Inc.*, 279 F.3d 155, 161 (2d Cir. 2002).

The test for such a nexus was established in *Blum v. Yaretsky*, 457 U.S. 991, 1004-05 (1982):

That nexus exists either (1) where the state "has exercised coercive power [over a private decision] or has provided such significant encouragement, either overt or covert, that the choice must in law be deemed to be that of the State"; or (2) where "the private entity has exercised powers that are 'traditionally the exclusive prerogative of the State.'"

Under this standard- with the false affidavits and use of depositions to illicit improper discovery, the egregious actions certainly fall into prohibited conduct. *See generally Stein*, 541 F.3d at *passim*; *United States v. Connolly*, No. 16-CR-0370, 2019 WL 2120523, at \*11 (S.D.N.Y. May 02, 2019); *Focus on the Family v. Pinellas Suncoast Transit Auth.*, 344 F.3d 1263, 1279 (11th Cir. 2003).

Because the SEC built this case on improper discovery by deputizing Heskin and DiPietro as SEC investigators, this case should be dismissed for the constitutional violations. As bad as the SEC's delegation to Heskin is, the evidence shows that the claims placed before the Court to obtain emergency relief were false.

**EXHIBIT: DE 663: MOTION TO DISMISS THE AMENDED COMPLAINT DUE TO MISCONDUCT BY THE SECURITIES AND EXCHANGE COMMISSION AND RELATED CONSTITUTIONAL VIOLATIONS PG.19**

is no reasonable interpretation of the transcript that LaForte's true identity was concealed at the November 2019 investor dinner. Unfortunately, the SEC's misrepresentations do not end here.

e) The SEC misled the Court regarding the default rate representations to investors

The SEC advances an inaccurate theory concocted by Heskin that Par misrepresents its default rates to investors, making it seem as if the rate of merchant defaults is significantly lower than it really is. However, the evidence shows that the SEC did not even fully understand this theory even after it filed the case but were rather relying on Heskin. The contention that filed judgments equal a default that would need to be disclosed to investors has already been debunked in the Glick KPI analysis, (DE# 694-8). On July 16, 2020, Heskin e-mails the SEC a 120-page long list of all the judgments filed by Par's collection arm, New York Unity Factor. *See* Exhibit 30. The SEC adopts the documents and Heskin's concept and sends them to Crystal Ivory, Senior Accountant for the Miami Office of the SEC and Ray Anjlich who has the title of Senior Auditor. Six days later the two "seniors" create a declaration where they cut and paste the e-mail attachments Heskin sent to the SEC on July 16, 2020, just 8 days before the TRO Motion, adopting both Heskin's fallacious default rate calculation and his proposed strategy for the prosecution in this case. *See* declaration of Crystal Ivory and Ray Anjlich dated July 22, 2020, attached as Exhibit 31 and exhibits at pp. 155 to 275. It would appear from the Ivory and Anjlich declarations that they did months of investigation. Indeed, Anjlich stated in his declaration that he summarized the findings because to attach all the documents he reviewed would require printing over 5,000 pages. However, these declarations were in fact hastily thrown together, in the same fashion as the merchant declarations, without the SEC or its vendors performing its own critical analysis.

However, the speed with which Ivory and Anjlich allegedly reviewed thousands of case dockets is just the first problem. At the time the declarations were being prepared and executed, the SEC did not even know that New York Unity Factor was related to Par. On July 22, 2020, the day after the Anjlich declaration was executed and the same day the Ivory declaration was executed, the SEC e-mails Heskin asking, "how do we know the NY Unity Factor cases are CBSG/Par funding cases? I want to understand the link" *See* Exhibit 32. Heskin gives his explanation to the SEC, who accepts it. The fact that the SEC is taking instruction from Heskin on such a critical point two days before the case was filed and after one of the declarations were executed just goes to show that the Heskin tail was wagging the SEC dog, and the SEC did not understand the full nature of its case at the time it was filed. The next misrepresentation by the SEC is arguably the worst because it was likely one of the main reasons this Court decided to enter the TRO and appoint the Receiver.

## **The Tale of 2 Agencies:**

To get their Temporary Restraining Order (TRO) from Judge Ruiz, the SEC had to convince the court that Par Funding was misrepresenting their default rate. How did they do it? They simply made up the numbers.

Let us look at the exact metrics the SEC and AUSA intentionally ignored because it destroyed their case. Here is the undeniable, real-world math of the Par Funding portfolio:

**Total Merchant Advances Funded: 16,692**

**Average Factor Rate: 1.33%**

**Average Term: 107 days**

**Total Cash Wired to Merchants: \$1,231,296,329.52**

**Total Accounts Receivable (A/R) Created: \$2,431,947,196.00**

Now, let us look at how defaults work in the real world versus the government's fantasy land.

### **1. The "Accounts Receivable" Default Rate (Fully Disclosed!)**

The KPI openly disclosed factoring losses at \$148,177,270 against the \$2.43 billion in Accounts Receivable. That equals a 6.09% A/R default rate. Par Funding did not hide this; they printed it right on the monthly KPI!

But the government tried to claim that this \$148 million represented money Par Funding lost. This is where their financial illiteracy becomes dangerous. That \$148 million includes uncollected profit, not just lost cash.

**The proper way you evaluate the KPI default is to take the wire total which is \$1,231,296,329.52 (as stated in the KPI) -cash out to our clients vs. actual cash lost listed as FUNDING EXPOSURE which is \$14,285,811.51. Which gives you an exposure % of 1.2%. That is Cash over Cash Default Rate. Although this can seem complex CBSG/Par was very thorough in explaining how to read the KPI in the footnotes as documented on CBSG's funding analysis distributed every month to investors. Now as explicitly stated in the KPI, CBSG discloses the AR totals at \$2,431,947,195.85 you can compare that to AR losses or factoring losses as stated in the KPI at \$148,177,270.21. To simplify you would compare cash to cash and AR to AR. What the SEC did was to take factoring losses (AR losses) against the wire total which is disingenuous and not rooted in mathematics. So, you either do it the SEC way (the wrong way) and get arrested by the IRS or do it the IRS way (the correct way) and get in trouble with the SEC! So, you lose either way according to Amie Riggie Berlin!**

Believe me, Par Funding would have loved to write off \$148 million as a total loss to save on taxes. But as any business owner knows, writing off uncollected profit as a cash loss is illegal.

The IRS would throw you in jail for tax fraud. Yet the SEC demanded Par Funding use this exact illegal accounting method to define their business.

## **2. The True "Cash-Over-Cash" Default Rate**

To find the actual health of the fund, you must look at cash-over-cash. How much physical money went out the door, versus how much physical money was lost?

**Total Cash Funded: \$1,231,296,329.52**

**Actual Cash Loss: \$14,285,811.51**

**True Cash-Over-Cash Default Rate: 1.16%**

***That is an indisputable, mathematical fact. The 1% default rate wasn't a lie; it was a forensic reality.***

## **The Catastrophic Conclusion**

This manufactured default lie was the exact mechanism used to artificially inflate the default rate and trick Judge Ruiz into signing off on an armed raid.

But the corruption did not stop with the SEC. The sloppy and corrupt AUSA office ignored mountains of exculpatory evidence. They ignored the actual cash flow, they ignored the 16,000+ successful advances, and they ignored the very KPIs that proved total transparency. The KPIs were sent to every single investor for the 96 months of Par's existence.

**EXHIBIT- EMAILS TO INVESTORS AND JEFFRIES BANK**

**From:** <ben@chesslerholdings.com>  
**To:** "Joe Cole" <joecole@parfunding.com>  
**Cc:** "Ben Mannes" <bmannes@parfunding.com>, "James Klenk" <james@parfunding.com>  
**Subject:** RE: CBSG Financials  
**Sent:** Wed, 20 Nov 2019 17:16:45 -0500

Joe

Thanks for your time yesterday.

I will review the attached and come back to you with any questions

Look forward to putting something together early next year

All the best

**Ben Porter**

 **CHESSLER  
HOLDINGS**  
Chessler Holdings, LLC  
1991 Main Street, Ste 208  
Sarasota, FL 34236  
941-914-7401  
[ben@chesslerholdings.com](mailto:ben@chesslerholdings.com)

**From:** Joe Cole <joecole@parfunding.com>  
**Sent:** Wednesday, November 20, 2019 4:20 PM  
**To:** Ben Porter <ben@thewingrove.com>  
**Cc:** Ben Mannes <bmannes@parfunding.com>; James Klenk <james@parfunding.com>  
**Subject:** CBSG Financials

Hi Ben,

To follow up from our meeting yesterday, please see the attached financials for 2018 and through Q3 2019.

I also have our most current KPI report attached to detail the current metrics of the business.

As discussed, these are all work in progress and we'll aim to finalize the numbers for 2018 as we wrap up the audit with Clifton Larsen Allen towards the end of the year. We hope to get into the 2019 audit after they wrap up in Q1 and we should be on track to have discussions with institutional capital then.




Ben Mannes can follow up with the additional projects we're working on to help refine our compliance and operational workflows.

Let me know if you have any other questions in the meantime, we look forward to following up soon.

**Joe Cole**  
CFO



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Philadelphia, PA 19106

 Office: (215) 613-4126  
 Cell: (949) 232-2463  
 [joecole@parfunding.com](mailto:joecole@parfunding.com)

**From:** Joe Cole <joe@parfunding.com>  
**Sent:** Thu, 19 Mar 2020 11:26:55 -0400  
**Subject:** CBSG Management Financials  
**To:** Alee@jefferies.com  
**Cc:** David Chessler <david@chesslerholdings.com>, Joe Mack <joe@parfunding.com>, James Klenk <james@parfunding.com>, Ben Porter <ben@chesslerholdings.com>  
[CBSG Management Financials 2018 - 2019.pdf](#)

Good morning Andrea,  
For discussion today, please see the attached management financials reflecting our 2018 / 2019 GAAP totals.

These are still subject to finalization by our auditors Clifton Larson Allen.

Let me know if you have any questions, thanks.

Joe Cole  
CFO



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**THIS IS THE MOST TRANSPARENT A COMPANY CAN BE SENDING EVERY METRIC AN INVESTOR COULD USE TO EXTRAPULATE KEY DATA THEY WOULD NEED TO MAKE AN INFORMED INVESTMENT DECISION.**

**EXHIBIT: PG. 7 OF DECLARATION OF JOEL D. GLICK (Forensic Accountant for the Par Funding Defense) Tables comparing CBSG DBA Par Funding -Funding Analysis and Deposit Log to confirm the 1% Default Rate was accurate. This table represents Joel Glick confirming 3.8 million records comparing the funding analysis distributed to investors on Table 1. vs. the actual deposit log on Table 2. That took him a year to recreate, and his actual exposure percentage is lower at 1.141% than Par Funding Disclosed to its investor community at 1.160%.**

Table 1.

Based on CBSG Funding Analysis			
Year	Wire Total	Cumulative	
		Funding Exposure	Exposure %
2013	\$ 10,573,755	\$ 468,013	4.426%
2014	27,508,501	822,887	2.991%
2015	56,146,068	653,083	1.163%
2016	124,211,932	856,355	0.689%
2017	315,267,992	3,213,406	1.019%
2018	655,850,437	7,959,252	1.214%
2019	1,051,946,128	9,105,980	0.866%
2020 (Jan - June)	\$ 1,231,298,330	\$ 14,285,812	1.160%

Table 2.

Based on CBSG Deposit Log			
Year	Wire Total	Cumulative	
		Funding Exposure	Exposure %
2013	\$ 10,584,848	\$ 503,931	4.761%
2014	27,533,686	851,740	3.093%
2015	56,171,253	207,097	0.369%
2016	124,225,458	410,369	0.330%
2017	315,283,386	2,767,420	0.878%
2018	655,865,830	7,704,084	1.175%
2019	1,051,930,639	8,850,812	0.841%
2020 (Jan - June)	\$ 1,231,279,740	\$ 14,051,811	1.141%

**EXHIBIT: DECLARATION OF JOEL D. GLICK (Forensic Accountant for the Par Funding Defense) CBSG DBA Par Funding -Funding Analysis to confirm the entire KPI was accurate in the comparative chart below.**

CBSG Funding Analysis 8/18/13 - 06/30/20<sup>1</sup>

Period	Funding Count	AVG Funding	Factor AVG	Rate Term	Avp	Monthly Factor % <sup>2</sup>	Wye Total	Funded Total	New All	All Total <sup>3</sup>	Factoring Loans <sup>4</sup>	Funding Exposure <sup>5</sup>	Exposure % <sup>6</sup>	Total Deposits	Average Daily Deposit	Total ACH Payment	Retained ACH Total	Return %
2013	255	\$20,215.03	1.25	108	6.1%	1.0%	\$1,313,752.26	\$1,087,425.51	\$1,199,437.43	\$1,326,315.71	1,322,262.53	\$48,053.25	4.4%	\$1,164,412.32	\$4,316.35	7,775,702.57	\$5,280,177	6.8%
2014	809	17,259.02	1.33	94	7.4%	1.4%	18,394,746.87	23,948,076.36	33,900,222.92	8,776,474.31	1,622,534.74	954,874.39	4.1%	21,807,990.43	94,226.44	14,900,862.46	1,073,079.75	7.2%
2015	783	48,736.22	1.35	115	6.3%	1.5%	28,457,969.39	39,979,302.91	49,889,889.92	17,819,473.85	3,041,476.28	189,694.75	-0.6%	33,575,213.04	133,316.47	28,249,409.50	893,984.43	3.0%
2016	1,047	63,618.08	1.34	132	6.4%	1.6%	68,965,894.62	87,140,084.02	130,041,255.68	39,092,326.39	5,547,539.34	203,272.86	0.2%	84,548,621.71	207,308.77	54,943,269.82	1,795,928.61	3.3%
2017	2,158	63,638.61	1.35	128	6.4%	1.6%	139,656,856.83	275,633,681.34	370,342,536.51	177,992,134.40	12,544,294.70	2,207,851.87	1.2%	174,000,665.32	756,345.44	116,868,621.21	6,763,031.68	5.0%
2018	3,143	63,674.68	1.36	124	6.1%	1.6%	240,542,444.82	471,453,853.34	642,192,880.47	305,449,444.75	20,534,430.52	4,745,445.68	1.4%	350,000,988.25	1,007,436.51	201,373,874.07	8,739,262.06	6.3%
2019 - Jan	334	77,427.26	1.34	144	4.8%	1.6%	25,864,055.52	35,170,265.15	49,385,444.02	31,546,952.41	1,884,964.83	326,318.71	1.3%	27,052,484.52	1,112,302.12	23,441,871.53	1,489,288.68	6.0%
2019 - Feb	293	86,449.57	1.30	128	5.2%	1.6%	28,257,308.80	36,589,689.58	47,831,670.64	327,228,276.83	1,041,779.31	183,232.23	-0.7%	26,197,891.99	1,326,002.89	21,468,118.08	3,354,464.65	6.2%
2019 - Mar	493	78,312.07	1.31	108	6.3%	1.6%	28,537,526.10	32,390,447.45	48,288,454.12	332,838,184.10	2,271,696.49	9,816.72	0.3%	28,145,572.84	1,307,898.96	24,841,430.25	1,223,054.38	5.6%
2019 - Apr	362	83,177.23	1.30	102	7.4%	1.6%	24,807,701.90	54,780,870.83	76,089,896.62	342,408,891.49	1,981,621.12	954,898.34	0.8%	30,296,448.49	1,077,111.34	27,038,461.52	1,175,586.27	4.3%
2019 - May	259	64,548.23	1.31	102	6.2%	1.6%	30,288,138.06	34,549,283.21	45,242,625.18	344,006,270.70	2,553,517.12	144,262.04	0.2%	31,515,625.52	1,432,528.42	28,004,877.08	1,273,084.56	4.5%
2019 - Jun	444	66,654.58	1.32	102	6.2%	1.6%	28,416,969.59	93,272,532.61	146,285,462.28	388,251,747.87	1,188,987.18	36,413.85	0.1%	27,028,694.73	1,263,862.74	26,344,844.02	1,942,584.21	6.1%
2019 - Jul	414	74,623.96	1.32	104	6.4%	1.6%	32,467,514.82	40,569,276.05	53,446,621.19	351,676,800.11	3,591,650.67	537,346.58	1.2%	35,262,477.42	1,176,936.70	28,242,304.08	1,259,970.26	4.6%
2019 - Aug	383	83,023.84	1.29	106	6.7%	1.6%	36,105,408.09	86,959,636.22	111,391,600.86	382,636,267.30	8,003,837.08	718,853.81	2.0%	38,588,170.87	1,296,462.30	24,513,638.86	1,787,648.67	5.6%
2019 - Sep	457	87,187.02	1.34	109	6.9%	1.6%	40,369,628.80	101,415,285.20	135,772,548.34	412,796,246.39	5,070,120.67	1,945,193.49	4.4%	42,704,806.28	1,150,230.41	28,936,703.46	1,766,091.15	6.0%
2019 - Oct	487	82,784.42	1.33	101	6.8%	1.6%	40,154,838.14	62,661,588.23	89,892,449.43	423,534,558.19	2,222,330.36	107,875.88	0.4%	46,801,674.25	1,054,894.28	32,711,367.68	1,911,677.88	5.1%
2019 - Nov	527	88,865.46	1.34	107	7.2%	1.6%	29,076,807.59	83,080,091.09	85,000,457.23	432,406,304.26	5,223,936.43	1,815,324.81	3.4%	37,276,536.15	1,062,528.22	33,546,315.34	2,171,360.47	6.5%
2019 - Dec	585	89,540.08	1.32	85	7.1%	1.6%	40,891,284.42	81,087,496.28	87,833,576.32	441,728,844.25	3,442,462.18	236,762.49	0.8%	42,737,898.30	2,034,178.00	30,002,755.53	2,184,580.68	6.9%
2020 - Jan	595	87,564.04	1.32	89	6.8%	1.6%	54,471,678.86	82,940,270.05	83,079,574.19	470,616,693.52	2,113,642.73	103,619.48	-0.8%	48,116,548.45	1,813,311.49	36,698,117.84	2,280,911.14	6.3%
2020 - Feb	545	81,126.14	1.32	86	7.8%	1.6%	46,314,208.21	71,565,961.30	84,188,717.52	486,884,822.38	2,520,421.33	39,842.82	0.1%	41,528,582.90	2,095,715.37	38,068,827.33	1,958,648.73	5.0%
2020 - Mar	476	80,709.24	1.31	83	6.9%	1.6%	28,946,438.83	42,189,095.57	55,195,074.54	478,940,824.39	3,471,506.32	129,770.05	-1.0%	41,636,588.40	1,082,872.11	38,008,951.12	3,349,951.51	6.6%
2020 - Apr	32	82,080.11	1.34	88	6.8%	1.6%	11,271,369.75	27,297,683.61	33,745,378.17	412,869,692.49	30,689,591.59	4,568,395.87	40.8%	29,159,289.88	1,325,340.49	25,939,802.25	2,027,360.86	6.8%
2020 - May	260	84,616.14	1.33	86	6.8%	1.6%	12,938,893.89	17,486,466.66	17,862,222.78	488,271,284.89	2,393,152.74	814,891.81	1.1%	27,160,491.82	1,176,024.59	21,177,492.34	711,644.83	3.0%
2020 - Jun	407	88,781.39	1.32	82	7.2%	1.6%	24,331,625.88	37,524,480.25	46,285,307.03	602,302,558.85	1,940,490.65	576,429.30	1.1%	26,420,588.69	1,137,259.94	25,078,802.62	1,630,687.42	7.1%
86/61	87,176.19	1.33	90	6.5%		\$1,231,288,128.52	\$2,818,163,880.88	\$2,439,641,788.45		\$138,172,070.15	\$14,285,811.81	1.2%	\$1,247,834,300.31		\$1,145,125,345.16	\$7,881,263.61	5.6%	

CBSG Funding Analysis 8/18/13 - 06/30/20<sup>1</sup> **\$1,190,451,886.27** **\$1,171,467,266.44** **\$5,133,948.06** **5.7%**

<sup>1</sup> Weighted average of factor rates in respective month based on total funding committed per transaction  
<sup>2</sup> The promotional monthly factor rate average in respective month based on ACH Funding divided by ACH Term  
<sup>3</sup> Assets worth and All Assets not including automatic funding facilities or ACH/Factor of Reserve  
<sup>4</sup> Factoring Loans realized in respective month equal to total all balances for transaction either of Factoring Loans receive  
<sup>5</sup> Cumulative exposure, as determined by funding amount minus collected payments, at the time that transactions were written off in the respective month in Factoring Loans

Funding Count	AVG Funding	Factor AVG	Rate Term	Avp	Monthly Factor % <sup>2</sup>	Wye Total	Funded Total	New All	All Total <sup>3</sup>	Factoring Loans <sup>4</sup>	Funding Exposure <sup>5</sup>	Exposure % <sup>6</sup>	Total Deposits	Average Daily Deposit	Total ACH Payment	Retained ACH Total	Return %	
<b>CBSG Deposit Logs<sup>1</sup></b>																		
19,884	Not Calculated					\$1,231,278,738.93	\$1,079,027,431.25	\$2,483,360,627.35		\$127,989,926.12	\$14,851,878.75	5.1%	Not Available for 9/18/13 - 12/31/13 <sup>7</sup>			Not Available		
<b>CBSG Daily Deposit Logs 6/01/16 - 06/30/20<sup>1</sup></b>																		
						\$1,124,548,898.45				\$1,124,548,898.45			\$1,124,548,898.45	\$1,124,548,898.45			Not Available	
<b>QuickBooks Data<sup>1</sup></b>																		
	Not Membered in QuickBooks					\$5,140,262,261.58	Not Calculated			Not Calculated	\$14,851,878.75	1.2%	\$5,252,534,279.86		\$1,421,816,474.38	\$5,021,127,481	5.4%	
						\$5,193,262,264.00				Not Calculated	\$14,851,878.75	1.2%	\$5,252,534,279.86		\$1,421,816,474.38	\$5,021,127,481	5.4%	

Instead of admitting their error, they stacked this phony default theory into Joseph LaForte's indictment to significantly enhance his sentence.

Because of the government's appalling behavior and refusal to do basic math, a legitimate American business was destroyed, and a man was sent to prison for a decade and a half. This is not justice; it is a bureaucratic hit job. The government needs to be held accountable for this blatant fraud!