

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO. 20-CV-81205-RAR

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

COMPLETE BUSINESS SOLUTIONS
GROUP, INC. d/b/a PAR FUNDING, *et al.*,

Defendants.

RECEIVER’S QUARTERLY STATUS REPORT DATED OCTOBER 31, 2024

Ryan K. Stumphauzer, Esq., Court-Appointed Receiver (“Receiver”) of the Receivership Entities,¹ pursuant to the requirements of the Amended Order Appointing Receiver [ECF No. 141], hereby files this Quarterly Status Report dated October 31, 2024. By way of summary, as of the

¹ The “Receivership Entities” are Complete Business Solutions Group, Inc. d/b/a Par Funding; Full Spectrum Processing, Inc.; ABetterFinancialPlan.com LLC d/b/a A Better Financial Plan; ABFP Management Company, LLC f/k/a Pillar Life Settlement Management Company, LLC; ABFP Income Fund, LLC; ABFP Income Fund 2, L.P.; United Fidelis Group Corp.; Fidelis Financial Planning LLC; Retirement Evolution Group, LLC; RE Income Fund LLC; RE Income Fund 2 LLC; ABFP Income Fund 3, LLC; ABFP Income Fund 4, LLC; ABFP Income Fund 6, LLC; ABFP Income Fund Parallel LLC; ABFP Income Fund 2 Parallel; ABFP Income Fund 3 Parallel; ABFP Income Fund 4 Parallel; ABFP Income Fund 6 Parallel; ABFP Multi-Strategy Investment Fund LP; ABFP Multi-Strategy Investment Fund 2 LP; MK Corporate Debt Investment Company LLC; Fast Advance Funding LLC; Beta Abigail, LLC; New Field Ventures, LLC; Heritage Business Consulting, Inc.; Eagle Six Consultants, Inc.; 20 N. 3rd St. Ltd.; 118 Olive PA LLC; 135-137 N. 3rd St. LLC; 205 B Arch St Management LLC; 242 S. 21st St. LLC; 300 Market St. LLC; 627-629 E. Girard LLC; 715 Sansom St. LLC; 803 S. 4th St. LLC; 861 N. 3rd St. LLC; 915-917 S. 11th LLC; 1250 N. 25th St. LLC; 1427 Melon St. LLC; 1530 Christian St. LLC; 1635 East Passyunk LLC; 1932 Spruce St. LLC; 4633 Walnut St. LLC; 1223 N. 25th St. LLC; Liberty Eighth Avenue LLC; The LME 2017 Family Trust; Blue Valley Holdings, LLC; LWP North LLC; 500 Fairmount Avenue, LLC; Recruiting and Marketing Resources, Inc.; Contract Financing Solutions, Inc.; Stone Harbor Processing LLC; LM Property Management LLC; and ALB Management, Inc., and the Receivership also includes the property located at 107 Quayside Drive, Jupiter, Florida 33477.

end of the reporting period (September 30, 2024), the Receivership Estate consisted of, among other things, approximately \$11,677,000 of unsold real property,² \$456,000 in other unsold tangible assets the Receiver has brought into the Receivership Estate, and \$168,376,111 in cash. As of October 31, 2024, the current cash balance was \$175,152,705. The report attached as Exhibit 1 includes a schedule reflecting the net tangible assets contained within the Receivership Estate.

I. Overall Administration of Receivership Estate

A. Quarterly Report of Receivership Estate

Pursuant to the requirements of the Amended Order Appointing Receiver [ECF No. 141], attached as Exhibit 1 is a full report and accounting reflecting (to the best of the Receiver's knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estates (the "Quarterly Report"). The Quarterly Report contains the following information: (1) summary of the operations of the Receiver; (2) the amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate; (3) a schedule of all the Receiver's receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of the receivership; (4) a description of all known Receivership Property, including approximate or actual valuations, anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended; (5) a description of liquidated and unliquidated claims held by the Receivership Estate,

² The amounts for real property have decreased from the previous quarter as a result of the sale of real property during the quarter, resulting in an increase in the cash balance. One (1) property, 1635 East Passyunk Avenue, Philadelphia, PA, was sold during September 2024, for \$675,000, decreasing the estimated value of unsold remaining property to \$11,677,000. This estimated value is based on the original acquisition price of each property, rather than a current appraisal or an estimate of the potential sales proceeds for each property.

including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and, (ii) collecting such judgments); (6) a list of all known creditors with their addresses and the amounts of their claims; (7) the status of Creditor Claims Proceedings, after such proceedings have been commenced; and (8) the Receiver's recommendations for a continuation or discontinuation of the receivership and the reasons for the recommendations, as required pursuant to Paragraphs 53 and 54 of the Amended Order Appointing Receiver dated August 13, 2020 [ECF No. 141].

II. Update on Other Assets Included within the Receivership Estate

A. Accounts Receivable and Collection Activities

At the time of his appointment, the Receiver obtained control over \$28,779,570 in cash held by the various original Receivership Entities. As a result of various Orders expanding the Receivership, the Receiver obtained an additional \$14,756,649 in cash held by the additional Receivership Entities. The Receiver has also acquired an additional \$168,574,766 in cash through collections, settlements, other recoveries, and asset sales. After accounting for expenses, the total cash balance was \$168,376,111 as of September 30, 2024. As of October 31, 2024, the current cash balance was \$175,152,705. This increase of the cash balance is the result of, among other things, collections activities, the receipt of proceeds from settlements the Receiver has reached with third parties, and the sale of real estate within the Receivership Estate.

B. Accounts Receivable – Merchant Cash Advance Accounts

The Receiver, his professionals, and the staff he rehired at Par Funding have been continuing to collect on the accounts receivable for the merchant cash advance (“MCA”) accounts that were pending with the company as of the time the Receiver took over the operations of Par Funding. Through the first quarter of 2022, the Receiver's quarterly status reports reflected the

full accounts receivable balances that had been recorded on Par Funding's books for these MCA accounts, while explaining that these balances did not reflect appropriate reductions or reserves for collectability or bad debt. Starting in the quarter that ended on June 30, 2022, the Receiver identified MCA accounts that should be written off because the merchant had a closed bankruptcy, was no longer in operation, or had neither viable guarantors nor viable collateral. The Receiver also determined that a reserve was required for MCA accounts with ongoing bankruptcies and in other circumstances where full payment was doubtful. *See* DSI's Report, attached as Exhibit 1.

At the end of the second quarter of the 2022 reporting period (April 1, 2022, through June 30, 2022), the net result of these adjustments was a reduction of the total receivable balance from approximately \$345 million to \$224 million. At the end of the third quarter of the 2022 reporting period (July 1, 2022, through September 30, 2022), the total receivable balance was further reduced as a result of these adjustments to a total of \$189 million. At the end of the third quarter of the 2023 reporting period (July 1, 2023, through September 30, 2023), the total receivable balance was further reduced to \$68.5 million. At the end of the fourth quarter of the 2023 reporting period (October 1, 2023, through December 31, 2023), the total receivable balance was further reduced to \$66.4 million. At the end of the first quarter of the 2024 reporting period (January 1, 2024, through March 31, 2024), the total receivable balance was further reduced to \$23.8 million. As of the end of the second quarter of the 2024 reporting period (April 1, 2024, through June 30, 2024), the total receivable balance was further reduced to \$15.4 million. The Receiver anticipates further reductions in the receivable balance.

Based on this collectability analysis, and only using information that was available to CBSG management, the Receiver finalized and filed an amended tax return for 2018, a previously unfiled return for 2019, and an amended return for 2020. Through these returns, the Receiver is

requesting a refund of approximately \$10.5 million.

C. Collection Efforts Through Outside Collection Company and Litigation

As previously reported, the Receiver engaged Altus Receivables Management, Inc. (“Altus”), a national collection company, to collect judgments previously entered against select non-performing, non-bankruptcy merchants, guarantors, and counterparties that had outstanding balances and/or were otherwise in default at the time of the establishment of the receivership. Referrals to Altus began on January 9, 2022, and a total of 216 exemplified judgments were referred to Altus. Altus has closed 187 files, either by way of settlement or based on a determination that further collection efforts would be futile. Although some collection efforts through Altus are ongoing, the Receiver has not referred any additional files to Altus for several months, does not plan to send any additional files to Altus, and is expecting any remaining collection efforts from Altus to be winding down.

The Receiver also initiated 68 actions against merchants in the Philadelphia Court of Common Pleas, either through civil action complaints or confessions of judgment. No actions are being actively litigated, with the balance resolved through offers of settlement, default, or confessed judgments. Previous actions against Kingdom Logistics and Alan Redmond, the guarantor for National Brokers of America LLC, are no longer in active litigation. The Receiver entered into a settlement agreement to satisfy its confessed judgment against Kingdom Logistics. That litigation is stayed while Kingdom Logistics performs its payment obligations under the parties’ settlement agreement. Alan Redmond filed a petition for bankruptcy protection on October 2, 2024, thereby staying the Receiver’s litigation in the Philadelphia Court of Common Pleas. The Receiver will assert his claims in the bankruptcy and consider resolution of his claims for the benefit of the Receivership Estate.

D. Collection Activity and Settlements with ESC and HBC Counterparties

To date, the Receiver has resolved, either through full payoffs of the amount owed or settlements, the account balances of several counterparties to agreements with Eagle Six Consultants, Inc. (“ESC”) and Heritage Business Consulting, Inc. (“HBC”). Although the remaining balance owed to ESC and HBC by these counterparties is \$13.7 million, the Receiver believes a portion of that amount is likely to be uncollectable.

E. Life Settlements

The Receiver continues to manage the portfolios of life settlement policies owned by ABFP Multi-Strategy Investment Fund LP (“MSIF”) and ABFP Multi-Strategy Investment Fund II LP (“MSIF II”). On June 7, 2024, the Receiver was notified that one of the MSIF life settlement policies had matured and the net proceeds from this policy in the amount of \$271,187.76 was received in October 2024. To date, the Receiver has received total death benefits payable for policies owned by MSIF in the amount of \$5,832,479, and for policies owned by MSIF II in the amount of \$7,700,000. These amounts only include the policy face value the Receiver has received on these policies, and exclude any interest or dividends the Receiver has received for these policies.

There are 10 unmatured policies remaining within MSIF, with a total policy face value of \$12,371,434. And there are 12 unmatured policies remaining within MSIF II, with a total policy face value of \$5,376,097. The Receiver continues to pay the premiums due on these policies, and no decision has been made regarding the possibility of selling these policies or transferring the policies to a third-party administrator.

F. Conclusion of Settlement with Defendant Perry S. Abbonizio

On February 25, 2022, the Court entered a Final Judgment (“Final Judgment”) as to Defendant Perry S. Abbonizio (“Abbonizio”) [ECF No. 1169], the terms of which were negotiated between the Securities and Exchange Commission (“Commission”) and Abbonizio. The Final Judgment required

Abbonizio to transfer certain properties and to make certain payments to the Receivership Estate. Concurrently with the Commission's negotiation of the Final Judgment with Abbonizio, the Receiver negotiated a settlement agreement with Abbonizio on March 31, 2022. [ECF No. 1202]. The principal terms of this settlement generally paralleled the Final Judgment and required Abbonizio to surrender two New Jersey properties; to surrender two Mercedes Benz automobiles or to pay their cash equivalent values; and to pay the Receiver cash in the amount of \$2,250,000.00.

As of September 30, 2024, Abbonizio still owed the Receivership Estate a payment of \$650,000 under the terms of the parties' settlement. Mr. Abbonizio made this final payment, in full, on October 1, 2024, and has now (albeit belatedly) complied with all settlement terms.

III. Settlement with Eckert Seamans

The Receiver and class counsel representing investor plaintiffs in various class action cases reached an agreement in principle to settle their claims against Eckert Seamans and its former partner John W. Pauciulo for \$45 million, which represented the approximate amount of the remaining limits on the law firm's eroding insurance policy. On May 6, 2024, the Receiver filed a motion to approve this settlement [ECF No. 1861] (the "Eckert Settlement Motion"). Following the entry of the United States Supreme Court's recent opinion in *Harrington v. Purdue Pharma L.P.*, 603 U.S. ----, 144 S. Ct. 2071, 219 L. Ed. 2d 721 (2024), due to the filing of several objections to the Eckert Settlement Motion, and as a result of the likelihood that there would be an appeal of any order on the Eckert Settlement Motion, the Receiver asked the Court to stay its consideration of the Eckert Settlement Motion and to order the Receiver, counsel for the putative investor class, Eckert Seamans and its insurers, and the objectors to participate in a mediation. [ECF No. 2004].

On October 18, 2024, the Receiver reported to the Court that, as a result of the parties' efforts in the mediation, the Receiver, Class Counsel, Eckert, and certain of the objectors had reached agreements in principle to resolve the objections and for a new global settlement for the balance of

Eckert Seamans' eroding insurance policy limits, which will result in a gross recovery (*i.e.*, prior to the payment of Class Counsel fees) to the Receivership Estate of \$38 Million (the "New Eckert Settlement").

The New Eckert Settlement is conditioned on, among other things, court approval and the entry of an opt-out (*i.e.*, consensual) bar order that prevents additional claims against the law firm and Mr. Pauciulo relating to the issues that are being resolved in the New Eckert Settlement. As such, a new notice and objection period, as well as a final approval hearing, will need to be scheduled at the appropriate time on the Receiver's forthcoming motion to approve the New Eckert Settlement. The Receiver and the other mediation participants are in the process of drafting these various settlement documents. When the agreements have been finalized, the Receiver will file a motion seeking approval of the New Eckert Settlement.

IV. Receiver-Controlled Real Estate and Personal Property

Over the course of these proceedings, the Receiver has controlled 25 properties (the "Receiver-Controlled Properties"). Three of the Receiver-Controlled Properties were single-family residential properties (the "Single-Family Properties"), and the remaining 22 properties were commercial, residential, or mixed-use rental properties in Philadelphia (the "Philadelphia Properties"). By Order dated January 10, 2023, the Court authorized the Receiver to market for sale all of the Receiver-Controlled Properties (the "Court Order"). Following the Court Order, the Receiver (i) commissioned market value appraisals of the Receiver-Controlled Properties and (ii) engaged separate real estate brokers to list and market each property for sale.

A. Marketing of Single-Family Properties

The Receiver previously sold two of the three Single-Family Properties. Each sales price was above the property's appraised value. As previously reported, the third Single-Family Property, located at 107 Quayside Drive, Jupiter, Florida, was under an Agreement of Sale, but

certain title issues, including an IRS lien based on Defendant Lisa McElhone's pre-receivership federal tax obligations, prevented the Receiver from closing on that sale. This property is no longer under an Agreement of Sale, as the buyer under that agreement cancelled the contract when it became clear that these title issues could not be resolved promptly. The Receiver is continuing to explore methods to resolve these title issues, and anticipates filing a motion with the Court to request the relief that will be necessary to satisfy a title insurance company for the purpose of providing title insurance on the sale of that property.

B. Marketing of Philadelphia Commercial/Mixed Use Properties

As of the end of the current reporting period, through September 30, 2024, the Receiver sold 20 of the 22 Philadelphia Properties. In his prior status reports, the Receiver provided an overview of his marketing efforts and the closed sales of all the Philadelphia Properties. For further information about the Philadelphia Properties that have already been sold, the Receiver refers to his prior status reports.

The remaining two unsold Philadelphia Properties are 20 N. 3rd Street, which consists of two separately deeded commercial units and two separately deeded residential units, and 205B Arch Street, a second-floor commercial condominium. Both properties formerly housed Par Funding's pre-receivership staff. The Receiver continues to work diligently with its broker, Berkshire, to market these two remaining Philadelphia Properties aggressively so as to maximize their value in any sale.

Finally, many of the Philadelphia Properties were individually held by a corresponding single purpose limited liability company registered in Pennsylvania (the "LLC"). As the property held by a particular LLC is sold, the Receiver intends to dissolve the corresponding LLC under Pennsylvania law as part of his efforts to reduce the number of Receivership Entities and, ultimately, to wind down the Receivership Estate.

C. Sale of Personal Property

The Receiver has now sold a substantial amount of personal property within the Receivership Estate, including automobiles, jet skis, fine art, and luxury watches. The Receiver is still in the process of selling two watercraft. The Receiver possesses various items of sports memorabilia from the offices at 20-22 N. 3rd Street, Philadelphia, Pennsylvania. These items have been consigned to a sports memorabilia vendor for sale and many of the items have been sold. The Receiver continues to explore other opportunities to sell or dispose of the remaining property within the Receivership Estate.

V. Claims and Distribution Process

On December 21, 2022, the Receiver filed a Motion to Establish and Approve: (1) Proof of Claim Form; (2) Claims Bar Date and Notice Procedures; and (3) Procedure to Administer and Determine Claims (the “Claims Motion”). The Court entered an Order granting the Claims Motion on December 23, 2022 (the “Claims Order”). By granting the Receiver’s Claims Motion, the Court has approved a procedure for each person or entity who believes he, she, or it may have a claim against any Receivership Entity to submit a claim to the Receivership assets.

In January 2023, the Receiver began the process of providing notice (direct and by publication) to potential claimants. Pursuant to the requirements of this claim process, all Proof of Claim Forms were required to be submitted to the Receiver’s Claims Agent, Epiq Corporate Restructuring, LLC (“Epiq”), on or before March 22, 2023. The Receiver received Proofs of Claim forms from approximately 1,291 claimants, which includes amended claims and duplicate claims. In addition, the Receiver received two bulk claims from an IRA custodian, CamaPlan, on behalf of an additional 567 accountholders who invested money with CBSG.

Beginning on November 21, 2023, the Receiver began to send out Notices of the Receiver’s Determination (“NODs”) as to these proofs of claim. In these NODs, the Receiver indicated

whether the Receiver agreed with the validity of each claim and, based on the records of the Receivership Entities, whether the Receiver agreed with the amount each claimant sought to recover from the Receivership Estate. The NODs provided each claimant with a 30-day window to submit a response to the NODs, indicating whether they had any objections to the Receiver's determinations. Approximately 300 claimants filed objections to the Receiver's NODs. These objections included various grounds, including objections to the Receiver's basis for rejecting particular claims and calculating approved claim amounts, objections to distributions being paid to various "Agent Funds, rather than direct distributions to the end investors, and objections from several investors who invested through their self-directed IRAs at CamaPlan, whose individual claims were deemed to be duplicative of the bulk claim CamaPlan submitted on behalf of each of its accountholders.

On April 22, 2024, the Receiver filed a Motion to (i) Approve Proposed Treatment of Claims and (ii) for Determination of a Ponzi Scheme (the "Claims Motion") [ECF No. 1843]. On April 23, 2024, the Court ordered all claimants with outstanding objections who wished to file a response to the Receiver's determination to do so by May 7, 2024, and ordered the Receiver to file a reply to each response, or each category of response if applicable, on or before May 21, 2024 [ECF No. 1845]. On June 26, 2024, the Court entered an order on the Claims Motion, finding that CBSG operated as a Ponzi scheme and, generally, approving the Receiver's proposed claims determinations. Following the entry of that order, the Court directed the Receiver to prepare and file a motion to approve his proposed distribution plan and to authorize an initial distribution (the "Distribution Motion").

On August 23, 2024, the Receiver filed his Distribution Motion [ECF No. 2014]. After the filing of a Motion to Supplement the Distribution Motion [ECF No. 2047], as well as various responses and replies to these motions, the Distribution Motion was fully briefed as of October 16,

2024. The Receiver and his Claims Agent at Epiq are prepared to begin the process of sending out distribution payments to Claimants upon the Court's entry of an order on the Distribution Motion.

VI. Criminal Proceedings Report

On May 18, 2023, the United States filed a superseding indictment in the United States District Court for the Eastern District of Pennsylvania, charging 63 counts of criminal violations and two notices of forfeiture against Complete Business Solutions Group, Inc. d/b/a Par Funding, and Defendants Joseph LaForte, Joseph Cole Barletta, James LaForte, and Lisa McElhone. The Court unsealed the superseding indictment on May 23, 2023. Of note, 21 of the 63 counts in that indictment alleged criminal conduct by Par Funding. Specifically, Par Funding faces charges of conspiracy, wire fraud, and securities fraud. As the Receiver represents Par Funding for all legal purposes, counsel for the Receiver, Douglas K. Rosenblum, appeared before Magistrate Judge Richard Lloret on June 2, 2023, and entered a plea of not guilty to all counts against the company.

Since June 2023, prosecutors in the United States Attorney's Office have filed a variety of superseding indictments. Various individual defendants related to Par Funding have pled guilty and are awaiting sentencing. Below is a summary of all criminal dockets within the United States District Court for the Eastern District of Pennsylvania related to Par Funding. The Honorable Mark A. Kearney presides over each of the following cases.

1. Case number 2:22-cr-00279 charges defendant Renato Gioe with two counts of extortionate collections of credit and one count of conspiracy to the same offense. Mr. Gioe pled guilty, and his sentencing hearing has been continued to December 18, 2024.
2. Case number 2:23-cr-00010 charges defendant Perry Abbonizio with one count of conspiracy to commit wire fraud. Mr. Abbonizio pled guilty, and his sentencing hearing has been continued to November 25, 2024.

3. Case number 2:23-cr-00198 charges defendants Joseph Lafore, James Laforte, and Joseph Cole Barleta with RICO violations, extortion, obstruction, perjury, retaliation, conspiracy, and more. Although this is the original docket number under which the government charged Par Funding as a corporate defendant, the government has now separated the company in a different indictment, detailed below. All defendants in this case have now pled guilty. Below is an overview of the charges to which these defendants have pled guilty:

- a) Defendant Joseph Lafore pled guilty to one count of each of the following crimes:
- felon in possession of firearms, in violation of 18 U.S.C. §922(g)(1) (related to firearms found during the execution of search warrants in 2020);
 - racketeering conspiracy, in violation of 18 U.S.C. §1962(d), with the predicate crimes being securities fraud, in violation of 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5, and wire fraud, in violation of 18 U.S.C. §1343 (related to Laforte's operation of Par Funding);
 - securities fraud, in violation of 15 U.S.C. §§78j(b), 78ff and 17 C.F.R. §240.10b-5 (related to Laforte's operation of Par Funding);
 - filing a false income tax return, in violation of 26 U.S.C. §7206(1);
 - failure to collect and pay over tax, in violation of 26 U.S.C. §7202;
 - perjury, in violation of 18 U.S.C. §1623 (related to lying in a deposition about, among other things, his role with Par Funding, his knowledge of Par Funding's operations, and his representations to investors);
 - obstruction of justice, in violation 18 U.S.C. §§1505 and 2 (related to a violent attack on counsel for the Receiver causing serious bodily injury, as well as threats of force against a victim of extortion);

- conspiracy to defraud the Internal Revenue Service, in violation of 18 U.S.C. § 371; and
- wire fraud, in violation of 18 U.S.C. § 1343 (related to Laforte's personal tax returns).

Defendant Joseph Laforte and the government have agreed, pursuant to Federal Rule of Criminal Procedure 11(c)(1)(C) that the appropriate sentence for Mr. Laforte will include incarceration between 162 months and 186 months. Mr. Laforte will pay restitution to his victims in an amount to be determined at sentencing. He will also pay \$10,487,481 to the IRS and \$1,655,299 to the Pennsylvania Department of Revenue.

b) Defendant James Laforte pled guilty to

- racketeering conspiracy, in violation of 18 U.S.C. § 1962(d) (related to his involvement in Par Funding's operations);
- extortionate collection of debt, in violation of 18 U.S.C. § 894 (related to his involvement in Par Funding's operations);
- obstruction of justice, in violation 18 U.S.C. §§ 1505 and 2 (related to a violent attack on counsel for the Receiver causing serious bodily injury, as well as threats of force against a victim of extortion; and
- retaliation, in violation of 18 U.S.C. § 1513(b)(1) (related to threats of violence against cooperating co-defendant Perry Abbonizio and his family members).

Defendant James Laforte and the government have agreed, pursuant to Federal Rule of Criminal Procedure 11(c)(1)(C) that the appropriate sentence for Mr. Laforte will include incarceration between 110 months and 137 months. While the Court has accepted Defendant James Laforte's guilty plea, the Court has not yet determined

whether it will accept the proposed duration of incarceration as sufficient. Mr. Laforte will also pay victim restitution of \$2,488,645.

- c) Defendant Joseph Cole Barleta pled guilty to racketeering conspiracy in violation of 18 U.S.C. § 1962(d) (related to his involvement in Par Funding's operations). Mr. Barleta's sentence will be within the sole discretion of the Court. The government has agreed not to seek a sentence of incarceration of more than eight years (96 months), but the Court is not bound by this recommendation.

Attached as Exhibits 2, 3, and 4, are the filed plea memoranda for Joseph Laforte, James Laforte and Joseph Cole Barleta. The sentencing hearing for Joseph Laforte is scheduled to occur on January 13, 2025, and sentencing hearings for both James Laforte and Joseph Cole Barleta are scheduled to occur on February 20, 2025.

The RICO indictment includes notices of forfeiture. The assets subject to the notices include a Cessna Citation Sovereign 680 jet bearing tail number N789MJ that is currently in the possession of the United States, all funds in a Charles Schwab investment account ending in number 7878 in the name of Tradewinds South, LLC, and parcels of land owned by Defendant Joseph Cole Barletta at 1745 Walnut Green Road and 1751 Walnut Green Road in Wilmington, Delaware. The United States has filed notices of lis pendens against both Wilmington, Delaware properties. The government is exploring the possibility of transferring the assets subject to forfeiture to the Receivership for liquidation and distribution to the investors.

4. Case number 2:24-cr-00065 charges defendants Joseph Laforte, Lisa McElhone, Joseph Cole Barleta, Rodney Ermel, and Kenneth Bacon with tax evasion, wire fraud, conspiracy, and related offenses. Mr. Ermel and Mr. Bacon provided tax and

accounting services for Joseph Laforte and Lisa McElhone, individually, as well as for Mr. Laforte and Ms. McElhone's business entities.

Defendant Lisa McElhone pled guilty, and her sentencing hearing has been continued to December 19, 2024. More specifically, Ms. McElhone pled guilty to one count of wire fraud in violation of 18 U.S.C. §1343. Ms. McElhone admitted that from approximately 2014 through 2019, she lied to the government by certifying that she was a Florida resident when she actually was a Pennsylvania resident. As a result, Ms. McElhone failed to pay Pennsylvania state income taxes. Ms. McElhone and the government have agreed, pursuant to Federal Rule of Criminal Procedure 11(c)(1)(C) that the appropriate sentence for Ms. McElhone will include a duration of incarceration between zero and 27 months.

Defendant Kenneth Bacon pled guilty, and his sentencing hearing is scheduled to occur on February 19, 2025. Defendants Joseph Laforte and Joseph Cole Barleta resolved the charges alleged in this indictment when they pled guilty to the RICO indictment. The only remaining Defendant in this matter, Rodney Ermel, is scheduled for trial on December 10, 2024.

5. Case number 2:24-cr-00066 is the new superseding indictment charging Par Funding with the same crimes originally charged on May 18, 2023. By virtue of the superseding indictment, Par Funding, as a corporate defendant, is now on its own timeline. Trial in this matter has been continued to May 28, 2025. Both counsel for Par Funding and the United States Attorney's Office have notified the Court that the parties are exploring a non-trial disposition. The government has stated that it does not wish to interfere with the Receivership proceedings before this Court in the Southern District of Florida, including the expeditious distribution of funds to investors. To that end, the United

States and the Receiver are refraining from exchanging voluminous discovery materials to save legal fees and costs, as the overwhelming majority of discovery in this criminal case is duplicative of discovery materials obtained from Par Funding in this case. The Court has ordered the parties to file status reports at regular intervals to apprise the Court of the status of the proceedings in the Southern District of Florida. At the last status conference in this matter on October 4, 2024, the government represented to the Court that if Par Funding is dissolved as a corporate entity following distribution of funds to the investors, the government may move to dismiss this indictment.

The Receiver will continue to monitor and, as necessary, participate in these criminal proceedings, with the goal of minimizing any related expense to the Receivership Estate.

CONCLUSION

WHEREFORE, Ryan K. Stumphauzer, as Court-Appointed Receiver, by and through his undersigned counsel, respectfully files this Quarterly Status Report dated October 31, 2024.

Dated: October 31, 2024

Respectfully Submitted,

**STUMPHAUZER KOLAYA
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on October 31, 2024, I electronically filed the foregoing document with the clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on counsel of record via transmission of Notices of Electronic Filing generated by CM/ECF.

/s/ Timothy A. Kolaya
TIMOTHY A. KOLAYA

Exhibit “1”



VIA EMAIL (rstumphauzer@sknlaw.com)

October 31, 2024

Mr. Ryan Stumphauzer
Receiver
c/o Stumphauzer Kolaya Nadler & Sloman, PLLC
2 South Biscayne Boulevard
Suite 1600
Miami, Florida 33131

Dear Ryan:

In accordance with the Amended Order Appointing Receiver (ECF No. 141) (“Amended Order”), following is our quarterly report relating to the operations and analyses undertaken by Development Specialists Inc. (“DSI”) for the period of July 1, 2024 through September 30, 2024 (“Reporting Period”). Except as may be noted, all activity and financial data is for the Reporting Period.

A. A summary of operations of the Receiver

The Receivership is now comprised of 54 legal entities as well as numerous assets owned by these legal entities or purchased by the defendants in their own name for personal use. During the Reporting Period, the assets related to one property entity, 1635 E. Passyunk, was sold. Given this sale, the only property remaining in the Receivership Estate as of September 30, 2024 are the former CBSG offices in Philadelphia, Pennsylvania and personal residence in Jupiter, Florida that was titled in the name of Defendant Lisa McElhone.

In addition, the remaining artwork was sold in the prior quarter but the net proceed is being recorded during the Reporting Period.

During the Reporting period, my staff and I continued working with you and counsel, as well as the corporate staff on various operations matters as they arose.

MIAMI/FT. LAUDERDALE

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Mr. Ryan K. Stumphauzer
October 31, 2024
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General Operations

- Staffing:

We continue to discuss general operations matters with both the accounting and collections staff as needed. In light of staff reductions, DSI has been overseeing or performing accounting and operations tasks and working with the staff on day-to-day matters to maintain Receivership operations. We have continued to evaluate the ongoing need for staffing and discuss this with you and counsel.

- Tax Matters

During the Reporting period, we prepared various reports and reconciliations in order to file the 2023 period tax returns. We worked with the tax preparer in order to respond to questions and ensure the timely filing of the tax returns. All required income tax returns were filed when due.

- Other

In addition to assisting counsel with claims, we continue to work with counsel to dissolve individual legal entities for which the assets have been sold.

In addition to the above, during the quarter we worked on various insurance matters including the workers' compensation audit and employee health insurance benefits.

Portfolio Collections

Analysis of merchant cash advance (“MCA”) accounts

As previously reported, at the outset of the Receivership, we were provided a listing of the MCA accounts for CBSG (“CBSG Portfolio”). This listing included thousands of accounts with a gross balance of over \$400MM, without reduction for collectability or bad debt. These accounts were marked as performing, non-performing, under-performing or in default. The following table reflects the portfolio status on July 28, 2020, as included in our prior reports, and September 30, 2024 based on this categorization of the balances from reports prepared by operations staff.

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<i>\$MM's</i>	CBSG Portfolio as of:	
	7/28/2020	9/30/2024
Active ¹	\$117.7	\$6.3
Exception Portfolio	203.9	\$150.3
Litigation ²	4.6	32.4
Non-Performing ³	34.7	20.1
Bankruptcy ⁴	54.7	65.2
Total Portfolio	\$415.6	\$274.3

The reduction in the CBSG Portfolio balance of approximately \$141.3MM represents merchants that have completely paid their advance through full payment of the remaining balance, settlement at a reduced amount or write-off of the remaining balance if the balance was determined to be unrecoverable. Balances determined to be unrecoverable include bankruptcy of the merchant and guarantor, verifiable closure of the merchant’s business or for other business reasons.

For all MCA Receivership Entities, the accounts receivable balance on September 30, 2024 was approximately \$284.3MM. We continued to analyze the collectability of the MCA advances for additional write-offs and reserves for uncollectible accounts balances. While certain balances have already been written off, we have determined that additional reserves were needed for accounts with open bankruptcies and for other matters where full payment is doubtful.

Additionally, the on-going review process has resulted in reserves and write-offs of approximately \$278.3MM. ***The net result of these adjustments reduced the accounts receivable balances of the MCA Receivership Entities to approximately \$13.6MM.*** Further reductions may be needed as more information is gathered. This analysis excludes accounts receivable held by Eagle Six Consultants and Heritage Business Consulting.

¹ Active portfolio includes all merchants having made a payment from August 1, 2024 through September 30, 2024 and those paying pursuant to a settlement agreement. Merchants have entered into short-term settlement agreements thereby reducing the balance owed. As of the end of the Reporting Period, there are 400 settlement agreements for all MCA companies with 370 merchants completely paid and the remainder with outstanding payments according to the agreement.

² As of 9/30/2024, there were numerous accounts on hold due to various legal reasons, including collateral issues, pending litigation, legal demands and pending and filed confessions of judgment. The balance also includes accounts sent to Altus Receivable Management.

³ Non-performing merchants include merchants that have not made a payment in the 60 days prior to the end of the Reporting Period. This includes accounts that management defaulted prior to the Receivership.

⁴ Includes Exception Portfolio merchants that filed bankruptcy. These merchants are excluded from the Exception Portfolio balance. Furthermore, the balance takes into account only if the merchant filed for bankruptcy. In certain cases, the guarantor filed bankruptcy but not the merchant. In these cases, for the table, the amount owed by the merchants has not been reclassified to bankruptcy. The balance also includes amounts not yet written off although the merchant may have been discharged.

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Net Tangible Assets

We prepared a schedule detailing the assets on-hand as of the end of the Reporting Period (see Exhibit C). At that time, the Receivership has approximately \$180.7MM of tangible assets which includes cash, investments, real estate and personal assets. These assets were transferred to the Receivership from pre- Receivership banks; gained through collections, litigation efforts and sale of Receivership assets; and, obtained through various settlements. More specifically, as of the end of the Reporting Period,

- The Receivership holds approximately \$158.4MM in tangible assets from CBSG and other related entities including real estate holdings of approximately \$11.7MM and other non-cash, tangible assets of approximately \$0.5MM. This does not include the value of the accounts receivable.
- The Receivership holds approximately \$10.2MM in assets from the ABFP entities which includes cash and marketable securities.
- The Receivership holds approximately \$1.3MM in assets, all cash, from the Retirement Evolution entities and settlement with Mr. Gissas.
- The Receivership holds approximately \$200,000 in assets, all cash, from the Fidelis entities which was transferred at the outset of the Receivership.
- The Receivership holds approximately \$10.4MM of cash from settlements with Messrs. Abbonizio and Vagnozzi as detailed in Exhibit C, which includes cash from the sale of real estate from the settlements.

Claims Administration and Distribution

As reported, the deadline to submit claims was March 22, 2023. During the Reporting Period and as needed, DSI compiled information from the accounting and other records in order to respond to inquiries from creditors or counsel regarding the claim.

Furthermore, we prepared analyses to calculate potential distributions to investors, by fund and in total. These analyses assisted counsel in preparing reports and developing the distribution methodology in order to distribute over \$100MM in currently-held cash, as you proposed in your motion to establish a distribution plan and authorize an initial distribution.

B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate.

Exhibit A shows the activity of the Receivership through for the Reporting Period and the cumulative period. Total cash and cash equivalents as of September 30, 2024 is \$168,206,198. All of the cash is unencumbered.

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The accrued administrative fees for the quarter ended September 30, 2024 are:

- Receiver/co-counsel – Stumphauzer Kolaya Nadler & Sloman, PLLC \$188,192.16
- Co-counsel – Pietragallo Gordon Alfano Bosick & Raspanti, LLP \$255,395.93
- Financial Advisor/Operations Consultant – Development Specialists, Inc. \$174,124.19
- Digital Evidence/Computer Forensics Prof. – Lawgical Insights, LLC \$2,210.48
- Investigation Firm – HD Investigative Group, LLC \$787.50

All other administrative expenses, such as payroll and office expenses, are paid in the ordinary course of business. Certain employee wages, specifically paid time off, for employees who have returned to work may be owed to employees but have not been quantified.

C. A schedule of all the Receiver’s receipts and disbursements.

Exhibit A details the receipts and disbursements for the Reporting Period.

D. A description of known Receivership Property, including approximate or actual valuations, anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended.

Receivership Property includes:

Asset:	Estimated value
	9/30/2024
Cash in bank	\$168,206,198
Cash held by ACH processors	\$170,000
Portfolio balance ⁵	\$13,600,000
Other accounts receivable ⁶	\$13,700,000
Investment in third parties ⁷	\$1,650,000
Life settlement policies (gross death benefits) ⁸	\$17,750,000

⁵ Includes all MCA Receivership Entities – Complete Business Solution Group, Inc.; Fast Advance Funding, LLC; and, Contract Financing Solutions, Inc. The balance shown is after taking into account adjustments as discussed herein.

⁶ This balance of “other accounts receivable” includes, among other things, amounts owed by third parties to ESC and HBC. As with the MCA balances, certain balances were reduced during the quarter as more information about collectability was noted.

⁷ We identified certain balances that are not accounts receivable but rather investments in other, third-party, non-public entities recorded by ESC and HBC. The balance is the gross balance without adjustment for changes in value of the underlying investment assets.

⁸ Approximate death benefit of life settlement insurance policies owned by Receivership Entities under the A Better Financial Plan after adjustment for death benefits received and included in the cash balance. The value of the life insurance policies necessarily depends on the availability of critical documentation including but not limited to the insurance policy, actuarial detail and the purchase and sale agreement for the policy. Based on the incomplete documentation that has been made available to us to date and, in turn, provided to Maple Life Analytics, LLC

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Asset:	Estimated value
Real estate	\$11,677,000
Other Assets (see Exhibit B)	\$456,000
Furniture and fixtures	\$0

E. A description of liquidated and unliquidated claims held by the Receivership Estate, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims.

As we wind down the Receivership, we continue to work with you and counsel to analyze any additional claims held by the Receivership Estate that might be pursued. One significant claim is the claim against the law firm of Eckert Seamans, the detail of the status of that claim and the potential recovery from this claim is presented in your quarterly status report.

As described in the Court’s Order approving the Claims Motion, now that the Court has determined that CBSG operated as a Ponzi scheme, clawback claims against investors who recovered more than 100 percent of their net investment in CBSG and, therefore, are described as “net winners” can be pursued. To the extent any other claims, including clawback claims against net winners, are pursued, motion must be filed to lift the litigation injunction. We will continue to work with counsel to analyze the cost-benefit of pursuing any such additional claims.

F. A list of all known creditors with their addresses and the amounts of their claims.

We provided a list of the known creditors of CBSG in our report to you dated August 31, 2020 and filed as Exhibit 1 to ECF No. 214, Receiver Ryan K. Stumphauzer’s Notice of Filing Sworn Statement Pursuant to Paragraph 9 of the Amended Receivership Order. In addition, a listing of claimants were included in the previously mentioned ECF No. 1843 and ECF No. 1976.

G. The status of Creditor Claims Proceedings, after such proceedings have commenced.

Prior to the Reporting Period, the date by when claimants must file claims was set as March 22, 2023. As of the end of the Reporting Period, approximately 1,291 claims were filed, which includes amended claims and duplicate claims. In addition, since many CBSG investors made investments through their IRA plan at CamaPlan, CamaPlan filed two bulk claims for an

(“Maple”), Maple concluded the market value of the policies in the portfolio (as of the February 2021 valuation) is less than \$10.0MM. Since February 2021, policies have matured with death benefits received totaling approximately \$13.5MM. In the event the Receivership receives additional documentation, we will provide such documentation to Maple and will provide additional updates in future reports if any such additional information affects the Maple valuation of these policies. Additionally, in the prior Reporting Period, one additional policy matured and the net proceeds for that policy were received during the current Reporting Period.

Mr. Ryan K. Stumphauzer
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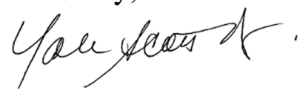
additional 567 claims. As noted above, creditors were notified whether or not the Receiver agreed with the filed proof of claim and were sent notices of determination (“NOD”). We responded to over 300 creditors with inquiries about the NOD that was sent and the allowance of the claim. The deadline for creditors to have file formal objections to the NOD was December 21, 2023. Approximately 300 objections were filed, including those by participants in CamaPlan. On April 22, 2024, the Claims Motion was filed. On June 26, 2024, the Court entered an order granting the Claims Motion and approving the proposed claims determinations.

Thereafter, a motion to approve a distribution plan and to authorize an initial distribution was filed. We continue to work with counsel to assess the proposed distributions to claimants. The distribution process will occur at some time following the Court’s entry of an order on the motion.

H. The Receiver’s recommendations for a continuation or discontinuation of the receivership and the reasons for the recommendations.

It is my recommendation that the Receivership continues. The Receivership is benefitted by continuing to collect outstanding merchant and loan balances. The professional staffing changes that occurred will reduce fees going forward. Current professionals are knowledgeable of the Receivership Entities’ books and records, all of which is vital to working with you and counsel on various causes of actions and to maximize and monetize the assets of the receivership.

Sincerely,



Yale Scott Bogen
Senior Managing Director

Copy to: Mr. Gaetan J. Alfano (GJA@Pietragallo.com)
Mr. Tom J. Frey (e-mail TFrey@DSIConsulting.com)
Mr. Timothy A. Kolaya (e-mail TKolaya@sknlaw.com)
Mr. George E. Shoup, III (e-mail GShoup@DSIConsulting.com)

EXHIBIT A

Ryan K Stumphauzer, Receiver

Report prepared by:
Financial Advisor and Operational Consultant to the Receiver
Development Specialists, Inc.

INTERIM REPORT IN PREPARATION OF STATUS CONFERENCE
**STANDARDIZED FUND
ACCOUNTING REPORT**

CIVIL - RECEIVERSHIP FUND

Consolidated Par Funding Receivership Entities ¹

Civil Court Docket No. 20-cv-81205-RAR

Reporting Period 7/1/2024 to 9/30/2024

^[1] The "Receivership Entities" are Complete Business Solutions Group, Inc. d/b/a Par Funding; Full Spectrum Processing, Inc.; ABetterFinancialPlan.com LLC d/b/a A Better Financial Plan; ABFP Management Company, LLC f/k/a Pillar Life Settlement Management Company, LLC; ABFP Income Fund, LLC; ABFP Income Fund 2, L.P.; United Fidelis Group Corp.; Fidelis Financial Planning LLC; Retirement Evolution Group, LLC; RE Income Fund LLC; RE Income Fund 2 LLC; ABFP Income Fund 3, LLC; ABFP Income Fund 4, LLC; ABFP Income Fund 6, LLC; ABFP Income Fund Parallel LLC; ABFP Income Fund 2 Parallel; ABFP Income Fund 3 Parallel; ABFP Income Fund 4 Parallel; ABFP Income Fund 6 Parallel; ABFP Multi-Strategy Investment Fund LP; ABFP Multi-Strategy Investment Fund 2 LP; MK Corporate Debt Investment Company LLC; Fast Advance Funding LLC; Beta Abigail, LLC; New Field Ventures, LLC; Heritage Business Consulting, Inc.; Eagle Six Consultants, Inc.; 20 N. 3rd St. Ltd.; 118 Olive PA LLC; 135-137 N. 3rd St. LLC; 205 B Arch St Management LLC; 242 S. 21st St. LLC; 300 Market St. LLC; 627-629 E. Girard LLC; 715 Sansom St. LLC; 803 S. 4th St. LLC; 861 N. 3rd St. LLC; 915-917 S. 11th LLC; 1250 N. 25th St. LLC; 1427 Melon St. LLC; 1530 Christian St. LLC; 1635 East Passyunk LLC; 1932 Spruce St. LLC; 4633 Walnut St. LLC; 1223 N. 25th St. LLC; Liberty Eighth Avenue LLC; The LME 2017 Family Trust; Blue Valley Holdings, LLC; LWP North LLC; 500 Fairmount Avenue, LLC; Recruiting and Marketing Resources, Inc.; Contract Financing Solutions, Inc.; Stone Harbor Processing LLC; LM Property Management LLC; and ALB Management, Inc., and the Receivership also includes the property located at 107 Quayside Drive, Jupiter, Florida 33477.

STANDARDIZED FUND ACCOUNTING REPORT for PAR FUNDING - Cash Basis
 Receivership; Civil Court Docket No. 20-cv-81205-RAR
 Reporting Period 7/1/2024 to 9/30/2024

Fund Accounting:		Current Period	Prior Period(s)	Case-to-date
		7/1/24 - 9/30/24	7/28/20 - 6/30/24	Total
Line 1	Beginning Balance⁴:	\$160,201,903	\$26,446,083	\$26,446,083
	<i>Increases in Fund Balance:</i>			
Line 2	Business Receipts	1,822,132	108,106,944	109,929,077
	Business Receipts - Overpayments	0	(98,865)	(98,865)
Line 3	Cash and Securities		0	0
	Pre-Receivership Cash Transfer	0	14,756,649	14,756,649
	Change in Value of Securities	123,470	573,719	697,189
Line 4	Interest/Dividend Income	1,849,738	7,748,188	9,597,926
Line 5	Real Estate Liquidation	6,450,000	36,911,671	43,361,671
Line 6	Other Asset Liquidation	0	1,826,702	1,826,702
Line 7	Third-Party Litigation Income	0	4,079,310	4,079,310
Line 8	Miscellaneous¹	0	1,515,243	1,515,243
	Total Receipts²	10,245,340	175,419,562	185,664,902
	Total Funds Available (Lines 1 - 8):	\$170,447,243	\$201,865,644	\$212,110,985
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors	0	0	0
Line 10	Disbursements for Receivership Operations:			
Line 10a	Disbursements to Receiver or Other Professionals ³	984,116	24,620,381	25,604,497
Line 10b	Business Asset Expenses			0
	Payroll & Benefits	146,949	4,084,094	4,231,043
	IT Expense	18,028	1,057,412	1,075,441
	Utilities	6,697	120,716	127,412
	Insurance	10,647	189,855	200,502
	Other Operating Expense	47,837	1,047,562	1,095,399
	Other	7,539	423,228	430,768
	Total Business Asset Expenses²	237,698	6,922,867	7,160,565
Line 10c	Personal Asset Expenses	0	0	0
Line 10d	Investment Expenses			0
	Premiums Due on Life Settlement Policies	280,584	5,453,962	5,734,546
	Property Expenses	42,630	1,771,201	1,813,832
	Real Estate Liquidation Expenses	526,104	2,850,605	3,376,708
	Other Asset Liquidation Expenses	0	0	0
Line 10e	Third-Party Litigation Expenses			0
	1. Attorney Fees	0	44,726	44,726
	2. Litigation Expenses	0	0	0
	3. Forensic Accounting	0	0	0
	<i>Total Third-Party Litigation Expenses</i>	0	44,726	44,726
Line 10f	Tax Administrator Fees and Bonds	0	0	0
Line 10g	Federal and State Tax Payments	0	0	0
	Total Disbursements for Receivership Operations	\$2,071,132	\$41,663,741	\$43,734,874
Line 11	Disbursements for Distribution Expenses Paid by the Fund:	\$0	0	0
Line 12	Disbursements to Court/Other:	\$0	0	0
	Total Funds Disbursed (Line 9 - 12)	\$2,071,132	\$41,663,741	\$43,734,874
Line 13	Ending Balance:	\$168,376,111	\$160,201,903	\$168,376,111

STANDARDIZED FUND ACCOUNTING REPORT for PAR FUNDING - Cash Basis
 Receivership; Civil Court Docket No. 20-cv-81205-RAR
 Reporting Period 7/1/2024 to 9/30/2024

		<u>Current Period</u>	<u>Prior Period</u>	<u>Case-to-date</u>
Line 14	Ending Balance of Fund - Net Assets:			
	<i>Line 14a</i>	\$168,376,111	\$160,201,903	\$168,376,111
	<i>Line 14b</i> Investments			Unknown
	<i>Line 14c</i> Other Assets or Uncleared Funds			
	Total Ending Balance of Fund - Net Assets	\$168,376,111	\$160,201,903	\$168,376,111

OTHER SUPPLEMENTAL INFORMATION:				
		<u>Current Period</u>	<u>Prior Period</u>	<u>Case-to-date</u>
<i>Report of Items NOT To Be Paid by the Fund:</i>				
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 17	DC & State Tax Payments			
Line 18	No. of Claims:			
	<i>Line 18a</i> # of Claims Received This Reporting Period			
	<i>Line 18b</i> # of Claims Received Since Inception of Fund			
Line 19				
	<i>Line 19a</i> # of Claimants/Investors Paid This Reporting Period			
	<i>Line 19b</i> # of Claimants/Investors Paid Since Inception of Fund			

Note 1: Includes \$16,574.82 of expense reimbursements from Vision Solar and Solar Exchange for shared IT expenses.

Note 2: Excludes inter-receivership receipts/disbursements.

Note 3: Disbursements to Receiver or Other Professionals includes payments for certain IT related expenses and tax preparation.

Note 4: In Q1 2023, the SEC approved removing Capital Source 2000 from the Receivership. All cash relating to Capital Source 2000 was transferred to the prior members in accordance with the SEC's decision. Cash has been adjusted to reflect this change.

Schedule 1.1

STANDARDIZED FUND ACCOUNTING REPORT for PAR FUNDING - Cash Basis
 Receivership; Civil Court Docket No. 20-cv-81205-RAR

Entity	Bank Name	Account Number	Ending Cash Balance as of 9/30/2024
Pre-receiver Accounts			
ABFP Income Fund 2	Charles Schwab	x7943	\$1,941,683
Receiver Accounts			
Complete Business Solutions Group, Inc.	City National Bank	x1839	\$0
Complete Business Solutions Group, Inc.	City National Bank	x5736	\$0
Complete Business Solutions Group, Inc.	City National Bank	x2430	\$250,000
Complete Business Solutions Group, Inc.	City National Bank	x5554	\$294
Complete Business Solutions Group, Inc.	City National Bank	x3071	\$13,084
Complete Business Solutions Group, Inc.	City National Bank	x9941	\$46,543,322
Complete Business Solutions Group, Inc.	City National Bank	x0021	\$13,229,772
Complete Business Solutions Group, Inc.	City National Bank	x9781	\$12,474,013
Complete Business Solutions Group, Inc.	Actum	N/A	\$12,000
Complete Business Solutions Group, Inc.	Priority Payment Systems	N/A	\$50,000
CBSG dba Par Funding Receivership (QSF)	City National Bank	x8813	\$16,507,897
CBSG dba Par Funding Receivership (QSF)	City National Bank	x2399	\$250,000
Full Spectrum Processing Inc.	City National Bank	x5700	\$7,774
ABFP Multi-Strategy Investment Fund LP.	City National Bank	x3575	\$250,000
ABFP Multi-Strategy Investment Fund LP.	City National Bank	x7463	\$2,429,224
ABFP Multi-Strategy Investment Fund 2 LP.	City National Bank	x3872	\$250,000
ABFP Multi-Strategy Investment Fund 2 LP.	City National Bank	x8902	\$6,537,589
Fidelis Financial Planning LLC.	City National Bank	x5835	\$13,802
The United Fidelis Group Corp.	City National Bank	x5682	\$183,059
Fast Advance Funding LLC	City National Bank	x2069	\$250,000
Fast Advance Funding LLC	City National Bank	x7783	\$1,348,594
Fast Advance Funding LLC	Actum	N/A	\$43,613
118 Olive PA LLC	City National Bank	x1195	\$250,000
118 Olive PA LLC	City National Bank	x1942	\$485,612
205 B Arch St Management LLC	City National Bank	x1420	\$0
242 S 21st St LLC	City National Bank	x9339	\$250,000
242 S 21st St LLC	City National Bank	x2182	\$850,237
300 Market St LLC	City National Bank	x1186	\$250,000
300 Market St LLC	City National Bank	x7303	\$3,391,991
627-629 E Girard LLC	City National Bank	x9872	\$250,000
627-629 E Girard LLC	City National Bank	x7543	\$2,956,156
803 S 4th St LLC	City National Bank	x9816	\$635,414
1427 Melon St LLC	City National Bank	x3410	\$250,000
1427 Melon St LLC	City National Bank	x7623	\$6,320,116
1530 Christian St. LLC	City National Bank	x3401	\$250,000

Schedule 1.1

STANDARDIZED FUND ACCOUNTING REPORT for PAR FUNDING - Cash Basis
 Receivership; Civil Court Docket No. 20-cv-81205-RAR

Entity	Bank Name	Account Number	Ending Cash Balance as of 9/30/2024
1530 Christian St. LLC	City National Bank	x0736	\$758,801
1635 East Passyunk LLC	City National Bank	x3293	\$784,533
1932 Spruce St LLC	City National Bank	x2834	\$250,000
1932 Spruce St LLC	City National Bank	x6019	\$1,461,513
4633 Walnut St. LLC	City National Bank	x2843	\$250,000
4633 Walnut St. LLC	City National Bank	x0656	\$522,277
1223 N 25th St. LLC	City National Bank	x9861	\$713,875
1250 N 25th St LLC	City National Bank	x4130	\$959,153
135-137 N. 3rd St. LLC	City National Bank	x9753	\$250,000
135-137 N. 3rd St. LLC	City National Bank	x7223	\$6,204,035
715 Sansom St. LLC	City National Bank	x9863	\$2,215,069
861 N 3rd St. LLC	City National Bank	x9845	\$250,000
861 N 3rd St. LLC	City National Bank	x7383	\$1,438,415
915-917 S. 11th LLC	City National Bank	x9818	\$250,000
915-917 S. 11th LLC	City National Bank	x0816	\$1,719,400
20 N. 3rd St. Ltd	City National Bank	x1447	\$0
Capital Source 2000, Inc	City National Bank	x2528	\$0
Heritage Business Consulting, Inc.	City National Bank	x1745	\$250,000
Heritage Business Consulting, Inc.	City National Bank	x7943	\$1,623,477
Eagle Six Consulting, Inc.	City National Bank	x2519	\$250,000
Eagle Six Consulting, Inc.	City National Bank	x7703	\$17,009,119
Liberty Eighth Avenue LLC	City National Bank	x1700	\$250,000
Liberty Eighth Avenue LLC	City National Bank	x7063	\$13,314
LME 2017 Family Trust	City National Bank	x8827	\$124,414
LWP North LLC	City National Bank	x8115	\$250,000
LWP North LLC	City National Bank	x2102	\$3,024,194
Blue Valley Holdings, LLC	City National Bank	x5460	\$250,000
Blue Valley Holdings, LLC	City National Bank	x2022	\$3,088,881
500 Fairmount Avenue, LLC	City National Bank	x8169	\$1,605,173
Contract Financing Solutions	Actum	N/A	\$64,300
Contract Financing Solutions	City National Bank	x7143	\$3,568,817
Contract Financing Solutions	City National Bank	x4540	\$250,000
Recruiting and Marketing Resources	City National Bank	x4279	\$2,102
Total Bank Balance			\$168,376,111

Complete Business Solutions et al Receivership

Net Assets Schedule

Reporting Period 7/1/2024 to 9/30/2024

	2024	2024	2024	2023				2022				2021	2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q4
RECEIPTS AND ASSETS:													
Net MCA collections	\$1,369,679	\$778,897	\$867,753	\$2,230,574	\$1,377,340	\$839,117	\$1,744,287	\$3,182,887	\$3,169,061	\$5,864,888	\$4,796,064	\$5,329,687	\$19,545,846
Other accounts receivables	79,032	74,000	83,000	62,000	62,000	69,000	279,000	290,692	48,491	138,297	265,300	1,242,828	126,569
Rental income ¹	373,422	(21,585)	190,119	348,820	437,657	356,035	537,000	517,000	633,800	493,000	500,000	505,000	-
Insurance proceeds	-	-	750,000	-	500,000	3,504,924	-	-	3,032,479	-	-	4,432,143	350,000
Litigation proceeds	-	500,000	547,586	-	-	33,031	15,000	2,614	100,296	394,686	2,486,098	-	-
Other cash receipts ²	8,299,738	10,908,787	9,343,682	7,820,963	9,756,015	4,275,518	297,061	199,560	4,125,509	38,825	2,579,985	1,290,325	9,935,224
Other Assets:													
Beginning cash	\$158,383,690	\$148,482,274	\$139,069,429	\$131,152,672	\$122,106,441	\$115,311,109	\$117,211,559	\$115,115,250	\$106,067,856	\$101,850,882	\$94,219,460	\$84,687,504	\$34,936,278
Marketable securities	1,941,683	1,896,266	1,806,151	1,815,338	1,575,829	1,534,549	1,491,363	1,427,855	1,392,926	1,461,227	1,682,483	1,523,709	1,089,936
Net real estate	11,677,000	17,828,000	26,547,000	35,221,000	40,000,000	52,684,000	55,129,000	55,129,000	55,129,000	56,408,685	56,008,685	52,831,900	0
Vehicles and watercraft	456,000	539,000	539,000	539,000	539,000	1,181,600	1,181,600	1,181,600	1,181,600	1,181,600	1,181,600	1,181,600	0
Other personal assets	-	-	56,837	258,761	2,160,000	2,314,500	2,314,500	2,314,500	2,314,500	2,314,500	2,314,500	2,314,500	0
TOTAL RECEIPTS AND ASSETS:	182,580,243	180,985,639	179,800,557	\$179,449,126	\$178,514,282	\$182,103,384	\$180,200,370	\$179,360,958	\$177,195,517	\$170,146,590	\$166,034,175	\$155,339,196	\$65,983,853
EXPENSES AND DISBURSEMENTS:													
Operating expenses	237,698	299,848	313,515	307,735	517,388	411,242	2,797,136	443,305	418,005	486,364	567,952	444,717	472,173
Personal asset expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium due on life settlement policies	280,584	234,921	294,200	321,103	360,063	315,145	360,691	260,378	305,154	583,232	324,481	354,434	324,301
Real estate property expenses	42,630	84,539	109,410	16,329	227,311	153,095	270,030	23,174	94,636	138,833	286,565	18,724	-
Real Estate liquidation expenses	526,104	724,931	590,613	796,299	535,751	201,641	-	-	-	-	-	-	-
Other Asset liquidation expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Third party attorney fees and expenses	-	-	-	-	-	-	-	-	-	-	(100)	100	-
Professional fees	984,116	996,018	1,047,961	1,104,133	1,446,268	1,201,172	1,148,291	1,383,415	1,232,486	1,470,064	1,821,366	2,441,777	-
TOTAL EXPENSES AND DISBURSEMENTS	2,071,132	2,340,257	2,355,699	\$2,545,599	\$3,086,782	\$2,282,294	\$4,576,149	\$2,110,272	\$2,050,280	\$2,678,493	\$3,000,263	\$3,259,752	\$796,474
NET ASSET VALUE (NAV)	180,509,111	178,645,382	177,444,858	\$176,903,527	\$175,427,500	\$179,821,090	\$175,624,221	\$177,250,686	\$175,145,237	\$167,468,097	\$163,033,912	\$152,079,444	\$65,187,380

Note 1: The negative rental income in Q2 2024 represents the payment of prepaid rent to the new buyers. Additionally, Q1 2024 rental income was adjusted to include the return of rental income to the new buyer for the sale of 715 Sansom.

Note 2: Balance includes receipts of legacy accounts from the expansions of the Receivership.

EXHIBIT B

Other Assets

Asset	Approximate Value⁹
Yacht	\$250,000
Manitou XT Pontoon boat	\$188,000
Yamaha Waverunner jet skis (2)	\$18,000
Total	\$456,000

⁹ Amount represents approximate purchase price except for the value of the yacht. The Receiver has adjusted the approximate value of the yacht based on input from the broker engaged to sell the asset,

EXHIBIT C**Complete Business Solutions et al Receivership**

Tangible Assets Schedule
Reporting Period as of 9/30/2024

	CBSG	Abbonizio	ABFP	Vagnozzi	Retirement Evolution	Fidelis	Total (as of 9/30/24)
Assets On-hand:							
Cash and Investment Accounts:							
Cash	\$ 146,224,937	\$ 5,656,610	\$ 8,281,681	\$ 4,730,272	\$ 1,344,067	\$ 196,861	\$ 166,434,427
SEP Account (Retirement Funds)	-	-	-	-	-	-	-
ABFP Income Fund 2 (Stock and cash)	-	-	1,941,683	-	-	-	1,941,683
Other Assets:							
Real Estate	11,677,000	-	-	-	-	-	11,677,000
Auto	-	-	-	-	-	-	-
Watercraft	456,000	-	-	-	-	-	456,000
Other Assets	-	-	-	-	-	-	-
Total Assets On-hand	\$ 158,357,937	\$ 5,656,610	\$ 10,223,364	\$ 4,730,272	\$ 1,344,067	\$ 196,861	\$ 180,509,111

Note 1: In Q1'23, the SEC approved removing Capital Source 2000 from the receivership. All cash relating to Capital Source 2000 was transferred to the prior members in accordance with the SEC's decision. Cash has been adjusted to reflect this change.

Note 2: The above schedule does not include ABFP life insurance policies with total face value death benefits of approximately \$17.7MM; although the Receiver believes that the present value of these policies, if sold in an arms-length transaction, would be substantially less.

Note 3: The above schedule does not include future payments due under settlement agreements with various merchants and counterparties.

Note 4: The above schedule does not include restricted stock in Sustainable Resources Group, LLC and Telemachus India LLC transferred to the Receiver pursuant to the settlement with Mr. Vagnozzi. Both investments were highly speculative and there is no readily available market for either stock.

Exhibit “2”

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA : **CRIMINAL NO. 20-231**
 : **CRIMINAL NO. 23-198-1**
 v. : **CRIMINAL NO. 24-65-1**
JOSEPH LAFORTE :

GOVERNMENT’S CHANGE OF PLEA MEMORANDUM

The United States of America, by its attorneys, Jacqueline C. Romero, United States Attorney for the Eastern District of Pennsylvania, and Matthew T. Newcomer, Samuel S. Dalke, and Eric D. Gill, Assistant United States Attorneys, respectfully submits this change of plea memorandum.

I. INTRODUCTION

Defendant Joseph LaForte (“LaForte”) is charged in three separate indictments, all arising from the same investigation. The first indictment, returned by a grand jury in this district on August 5, 2020, charged him with being a felon in possession of firearms that were found at his former home during the execution of a federal investigation of financial crimes. Crim. No. 20-231. The current version of the second indictment is an amended second superseding indictment returned on February 26, 2024,¹ charging the defendant, his brother James LaForte, and Joseph Cole Barleta with racketeering conspiracy and related crimes in connection with a criminal enterprise that ran an investment vehicle known as Complete Business Solutions Group, Inc., d/b/a Par Funding (“Par Funding”) for a number of years before it was taken over by a

¹ The original indictment in this case was returned on May 18, 2023.

court-appointed receivership pursuant to a lawsuit filed by the U.S. Securities and Exchange Commission (“SEC”). Crim No. 23-198. These charges were the result of the financial crimes investigation during which the firearms were found at the defendant’s home. Finally, the defendant, his wife, Cole Barleta, and two accountants are charged with various tax-related crimes that involve, principally, the proceeds that LaForte and his wife were paid via Par Funding. Crim. No. 24-65.²

The government and the defendant have entered into a written plea agreement that resolves the charges in all three indictments. A guilty plea hearing is scheduled for Wednesday, September 11, 2024.

II. ESSENTIAL TERMS OF THE PLEA AGREEMENT

The government and the defendant have entered into a 20-page written plea agreement in which the defendant has agreed to plead guilty to the following counts in the following indictments, with the government agreeing to dismiss all remaining counts at sentencing:

- **In Crim. No. 20-231:**
 - Being a felon in possession of firearms, in violation of 18 U.S.C. § 922(g)(1) (Count 1);
- **In Crim. No. 23-198:**
 - Racketeering conspiracy, in violation of 18 U.S.C. § 1962(d), with the predicate crimes being securities fraud, in violation of 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5, and wire fraud, in violation of 18 U.S.C. § 1343 (Count 1);
 - Securities fraud, in violation of 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5 (Count 21);
 - Filing a false income tax return, in violation of 26 U.S.C. § 7206(1)

² Two of the tax schemes now charged at Crim. No. 24-65 were originally charged against the defendant in Crim. No. 23-198.

(Count 31);

- Failure to collect and pay over tax, in violation of 26 U.S.C. § 7202 (Count 44);
- Perjury, in violation of 18 U.S.C. § 1623 (Count 45); and
- Obstruction of justice, in violation 18 U.S.C. §§ 1505 and 2 (Count 52).

• **In Crim. No. 24-65:**

- Conspiracy to defraud the Internal Revenue Service (“IRS”), in violation of 18 U.S.C. § 371 (Count 1); and
- Wire fraud, in violation of 18 U.S.C. § 1343 (Count 7).

The parties have agreed that the predicate crimes underlying the RICO conspiracy in Crim. No. 23-198 are, for purposes of the defendant’s guilty plea, securities and wire fraud. The defendant understands and agrees that at sentencing the government will, as necessary, seek to prove the existence of additional predicate crimes as charged in the indictment, including extortionate collection of credit and obstruction of justice. These agreements are set forth in paragraphs 3(c) and 16(g) of the plea agreement.

The plea agreement is conditioned upon co-defendant James LaForte entering a guilty plea in case number 23-cr-198, and also the Court’s acceptance of that plea. If these conditions are not satisfied, then the government is released from all its obligations under this agreement. This condition is described in greater detail at paragraphs 4 and 5 of the plea agreement.

The plea agreement contains a provision under Federal Rule of Criminal Procedure 11(c)(1)(C), wherein the parties have agreed to a proposed sentence of imprisonment for the convictions on all three cases in the range of 162 to 186 months’ (13 ½ to 15 ½ years’) imprisonment, followed by no more than three years of supervised release.

As set forth in paragraph 10(a) of the plea agreement, the defendant has agreed to pay

victim restitution in the Crim. No. 23-198 “RICO” case in an amount to be determined by the Court at sentencing.³ He also agrees to pay a total of \$10,487,481 in restitution to the IRS, and \$1,655,299 to the Pennsylvania Department of Revenue, as set forth in paragraph 10(b)-(d). The defendant agrees to forfeit two specific properties, a private jet and a Charles Schwab investment account, both of which he agrees were funded with criminal proceeds.⁴ Plea agreement ¶ 13(b). He also agrees to forfeit the firearms found at his former home, as set forth in detail at paragraph 13(c).

As noted previously, the parties have stipulated that the actual fraud loss in this case was at least between \$9,500,000 and \$25,000,000, and that the government will argue for a higher loss amount at sentencing, which the defendant may contest. Plea Agreement ¶ 16(a). Due to the stipulated minimum amount of actual loss, the parties agree that the defendant’s base offense level will be increased by at least 20 levels under USSG 2B1.1(b)(1)(K). The parties agree that the defendant’s advisory guideline range is further increased by 4 levels due to his leadership role, by an additional 2 levels because his crimes involved 10 or more victims, and by an additional 2 levels for obstruction of justice. *Id.* ¶ 16(b)-(d). Finally, the parties agree that the

³ The government notes that the defendant has stipulated that the actual fraud loss in this case is at least between \$9,500,000 and \$25,000,000, and that the government will argue for a higher loss amount at sentencing. Plea Agreement ¶ 16(a).

⁴ The government notes that most if not all of the known assets of LaForte and his wife have already been seized by the court-appointed receiver for Par Funding in the SEC civil action pending against LaForte, his wife, Cole Barleta, Par Funding, and others in the United States District Court for the Southern District of Florida, Civil No. 20-81205 (RAR). The government’s understanding is that the receivership plans to eventually redistribute the seized assets to Par Funding investors with valid claims. The private jet and Charles Schwab investment account are held by the government in the 23-cr-198 case and are not part of the receivership.

defendant qualifies for a 3-level reduction due to his timely plea and acceptance of responsibility under USSG § 3E1.1(a) and (b). *Id.* ¶ 16(e)-(f).

The defendant has also agreed, among other things, that he may not withdraw his plea because the Court declines to follow any recommendation, motion, or stipulation by the parties to the agreement (except as to the recommended sentence under Rule 11(c)(1)(C)), and that he voluntarily and expressly waives all rights to appeal, collaterally attack, or otherwise challenge his conviction, sentence, or any other matter relating to this prosecution. *See id.* ¶¶ 19-21

III. ELEMENTS OF THE OFFENSES

A. Crim. No. 20-23

1. Felon in Possession of Firearms, 18 U.S.C. §922(g)(1) (Count 1)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant had previously been convicted of a crime punishable by more than one year in prison;
2. after this conviction, the defendant knowingly possessed a firearm;
3. at the time the defendant possessed the firearm, he knew of his previous conviction and knew it was punishable by more than one year; and
4. the firearm was possessed in or affecting interstate or foreign commerce.

Third Cir. Model Crim. Jury Inst. § 6.18.922G.

B. Crim. No. 23-198

1. Racketeering Conspiracy, 18 U.S.C. § 1962(d) (Count 1)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. two or more persons agreed to conduct or to participate, directly or indirectly, in

- the conduct of an enterprise's affairs through a pattern of racketeering activity;
2. the defendant was party to or member of that agreement; and
 3. the defendant joined the agreement or conspiracy knowing of its objective to conduct or participate . . . in the conduct of an enterprise's affairs through a pattern of racketeering activity, and intending to join together with at least one other alleged conspirator to achieve that objective; that is, that the defendant and at least one other alleged conspirator shared a unity of purpose and the intent to achieve the objective of conducting or participating in the conduct of an enterprise's affairs through a pattern of racketeering activity.

Third Cir. Model Crim. Jury Inst. § 6.18.1962D. An "enterprise" may include a group of people associated in fact, even though this association is not recognized as a legal entity. *Id.* §

6.18.1962C-1. The factfinder may consider evidence presented of racketeering acts committed or agreed to be committed by any co-conspirator in furtherance of the enterprise's affairs to determine whether the defendant agreed that at least one member of the conspiracy would commit two or more racketeering acts. *See, e.g., United States v. Glecier*, 923 F.2d 496, 499-500 (7th Cir. 1991); *United States v. Crockett*, 979 F.2d 1204, 1208-09 (7th Cir. 1992); *United States v. Phillips*, 874 F.2d 123, 125-28 (3d Cir. 1989).

2. Securities Fraud, 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5 (Count 21)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. First, that in connection with the purchase or sale of securities, which the indictment alleges were the promissory notes issued by Par Funding to investors, the defendant did any one or more of the following:
 - (1) employed a device, scheme or artifice to defraud, or
 - (2) made an untrue statement of a material fact or omitted to state a material fact that made what was said, under the circumstances, misleading, or
 - (3) engaged in an act, practice or course of business that operated, or would

operate, as a fraud or deceit upon a purchaser or seller;

2. the defendant acted willfully, knowingly and with the intent to defraud; and
3. the defendant knowingly used, or caused to be used, any means or instruments of transportation or communication in interstate commerce or the use of the mails in furtherance of the fraudulent conduct.

Adopted from Modern Federal Jury Instructions – Criminal, No. 57.20 (2024); 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5.

3. Filing a False Tax Return, 26 U.S.C. § 7206(1) (Count 31)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant made and subscribed and filed an income tax return;
2. the tax return contained a written declaration that it was made under penalties of perjury;
3. the return was false regarding a material matter;
4. the defendant did not believe the return was true and correct as to that material matter; and
5. the defendant acted willfully.

Third Cir. Model Crim. Jury Inst. § 6.26.7206.

4. Failure to Collect and Pay Tax, 26 U.S.C. § 7202 (Count 44)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant had a duty to collect, account for, and pay over a tax;
2. the defendant failed to collect, truthfully account for, or pay over the tax; and
3. the defendant acted willfully.

United States v. Thayer, 201 F.3d 214, 219-21 (3d Cir. 1999); *see also United States v.*

Simkanin, 420 F.3d 397, 404-05 (5th Cir. 2005).

5. Perjury, 18 U.S.C. § 1623 (Count 45)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant testified under oath in any proceeding before or ancillary to any court of the United States;
2. the testimony was false;
3. the defendant knew that the testimony was false; and
4. the false testimony was material to the matters before the court.

Adopted from Ninth Cir. Manual of Model Criminal Jury Instructions § 24.17.

6. Obstruction of Justice, 18 U.S.C. §§ 1505 and 2 (Count 52)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. there was a proceeding pending before a department or agency of the United States;
2. the defendant was aware of the pending proceeding; and
3. the defendant intentionally endeavored to influence, obstruct or impede the pending proceeding corruptly, or by threats or force.

Adopted from *United States v. Price*, 951 F.2d 1028, 1031 (9th Cir. 1991) (citing *United States v. Sutton*, 732 F.2d 1483, 1490 (10th Cir. 1984) and *United States v. Laurins*, 857 F.2d 529, 536-37 (9th Cir. 1988)).

To establish the defendant aided and abetted the commission of this offense, the government must prove:

1. the co-defendant committed the offense charged by committing each of the elements of the offense charged;

2. the defendant knew that the offense charged was going to be committed or was being committed by the co-defendant;
3. the defendant knowingly did some act for the purpose of aiding, assisting, soliciting, facilitating, encouraging the commission of the specific offense charged and with the intent that the co-defendant commit that specific offense, and
4. the defendant performed an act in furtherance of the offense charged.

Third Cir. Model Crim. Jury Inst. § 7.02.

C. Crim. No. 24-65

1. Conspiracy to Defraud the IRS, 18 U.S.C. § 371 (Count 1)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. two or more persons agreed to defraud the United States;
2. the defendant was a party to or member of that agreement;
3. the defendant joined the agreement or conspiracy knowing of its objectives to defraud the United States and intending to join together with at least one other alleged conspirator to achieve those objectives; that is, that the defendant and at least one other alleged conspirator shared a unity of purpose and the intent to achieve common goals or objectives, to defraud the United States; and
4. at some time during the existence of the agreement or conspiracy, at least one of its members performed an overt act in order to further the objectives of the agreement.

Third Cir. Model Crim. Jury Inst. §§ 6.18.371A, 6.18.371B.

2. Wire Fraud, 18 U.S.C. § 1343 (Count 7)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant devised or intended to devise a scheme or artifice to defraud or to obtain money or property by means of materially false or fraudulent pretenses, representations, or promises;

2. the defendant acted with the intent to defraud; and
3. in advancing, furthering, or carrying out the scheme, the defendant transmitted any writing, signal, or sound by means of a wire, radio, or television communication in interstate commerce or caused the transmission of any writing, signal, or sound of some kind by means of a wire, radio, or television communication in interstate commerce.

Third Cir. Model Crim. Jury Inst. § 6.18.1343.

IV. STATUTORY MAXIMUM SENTENCES

A. Crim. No. 20-23

1. Felon in Possession of Firearms, 18 U.S.C. §922(g)(1) (Count 1)

The statutory maximum sentence for this crime is 15 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

B. Crim. No. 23-198

1. Racketeering Conspiracy, 18 U.S.C. § 1962(d) (Count 1)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

2. Securities Fraud, 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5 (Count 21)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

3. Filing a False Tax Return, 26 U.S.C. § 7206(1) (Count 31)

The statutory maximum sentence for this crime is 3 years' imprisonment, a 1-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

4. Failure to Collect and Pay Tax, 26 U.S.C. § 7202 (Count 44)

The statutory maximum sentence for this crime is 5 years' imprisonment, a 3-year period

of supervised release, a \$250,000 fine, and a \$100 special assessment.

5. Perjury, 18 U.S.C. § 1623 (Count 45)

The statutory maximum sentence for this crime is 5 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

6. Obstruction of Justice, 18 U.S.C. §§ 1505 and 2 (Count 52)

The statutory maximum sentence for this crime is 5 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

C. Crim. No. 23-198

1. Conspiracy to Defraud the IRS, 18 U.S.C. § 371 (Count 1)

The statutory maximum sentence for this crime is 5 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

2. Wire Fraud, 18 U.S.C. § 1343 (Count 7)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

D. Total Statutory Maximum Sentence

The total statutory maximum sentence for the counts of conviction across all three indictments is 98 years' imprisonment, a 3-year period of supervised release, a \$2,250,000 fine, and a \$900 special assessment, plus forfeiture and restitution as authorized by statute.

V. FACTUAL BASIS FOR THE PLEA

If this case were to proceed to trial, the government would be able to prove each element of the charged offenses including through agent and witness testimony, audio and video

recordings, text messages, emails, phone records and extractions, cellular location data, digital evidence, printed marketing materials, physical evidence, security camera footage, Par Funding financial and accounting records, tax records and documents, and sworn statements including those of the defendant. In summary, the government would prove the facts set forth below.

A. Crim. No. 20-231 (the “Gun Case”)

The government’s evidence would show that on July 28, 2020, federal law enforcement agents executed a federal search warrant on the Haverford, Pennsylvania home that the defendant shared with his wife. During the execution of that warrant, agent testimony and physical evidence and photographs would prove that the agents seized and recovered multiple firearms from the property, including a .380 Beretta handgun seized from the desk of the defendant’s home office and two firearms seized from the nightstand of what the evidence would show to be the defendant’s side of the marital bed.

Expert testimony from a firearms examiner would establish the firearms were operable, and additional expert testimony would establish that they were manufactured outside of Pennsylvania and therefore had impacted interstate commerce by their presence in the defendant’s Pennsylvania home. Certified conviction records as well as emails and other communications would show that at the time the defendant possessed the firearms, he had in fact been previously convicted of at least one crime (actually two) that was punishable by more than a year in prison, that he had served more than one year in prison for this conviction, and that he had knowledge of this prior conviction.

B. Crim. No. 23-198 (the “RICO Case”)

1. RICO Conspiracy and Securities Fraud (Counts 1 and 21)

Witness testimony—including from former Par Funding employees, Par Funding investors, and Par Funding merchant-customers—as well as business and personal emails, text messages, financial and accounting records, court filings, sworn statements, and audio and video recordings would establish that the defendant led a years-long criminal enterprise consisting of, at various times, himself, his family members (including co-defendant James LaForte) and co-defendant Joseph Cole Barleta, as well as Perry Abbonizio, charged elsewhere, and other persons known but not identified in the indictment. The evidence would show that the enterprise had a defined structure, with LaForte serving as its undisputed leader and co-defendant Cole Barleta and James LaForte serving as loyal managers under LaForte. The evidence would show that the principal purpose of this enterprise was to generate money for its leadership and members, primarily by defrauding the investors in Par Funding, which the enterprise controlled until the SEC intervened in July 2020. The testimony of dozens of witnesses along with numerous emails and audio and video recordings would show beyond any doubt that the defendant—through the enterprise—ran and had absolute control over Par Funding at all relevant times up to the appointment of the receivership.

Financial records, bank statements, and contractual records would establish that the defendants’ enterprise was wildly successful in achieving its illicit goal: between 2012 and July 2020, the defendant caused more than \$100 million of Par Funding proceeds to be paid to two “consulting” entities that he controlled, proceeds that he and his wife used to purchase homes, vacation properties, vehicles, artwork, jewelry, dozens of investment properties, a boat, and a

private jet. The defendant also received approximately \$9 million in cash over several years from a customer that owed Par Funding and its investors tens of millions of dollars, as the testimony of that customer and others would establish. Co-defendant Cole Barleta, Par Funding's Chief Financial Officer, also received millions of dollars for his role in helping "cook the books" of Par Funding by hiding the company's financial losses.

The evidence will show that the defendants caused Par Funding to issue securities in the form of promissory notes to its many investors, including agent funds, and caused these agent funds to issue promissory notes to additional investors. These notes promised investors the return of their capital plus an additional amount of money as interest. Par Funding's stated use of these investor funds was to "advance" them to businesses that were in need of cash but which could not obtain funding from traditional sources, and then to generate money by charging these cash-strapped businesses exorbitant rates of return.⁵

The defendant, other members of the enterprise, Par Funding employees (including coconspirator Abbonizio), and others solicited investors primarily through written promotional material, radio advertisements, speaker and dinner events, and investor meetings at Par Funding's offices. These promotional efforts included materially false and misleading statements concerning the state of Par Funding's financial health, as the government's trial evidence would show. For example, the defendant and others at his direction touted Par Funding's supposed "default rate" of 1%. Par Funding's investors (in addition to Par Funding's own employees) would testify that they understood this claim to mean that only 1% of Par Funding's thousands of

⁵ This somewhat controversial lending practice is known as the merchant cash advance ("MCA") industry.

MCA customers had defaulted on repaying the money they owed to Par Funding. In reality, employee and witness testimony along with business and financial records and internal Par Funding communications would establish that the actual default rate was many times higher given the defendants' practice of routinely and systematically failing to recognize the financial losses from MCA customers who had not made their requisite payments for months or even years, and some of whom were in bankruptcy. This evidence includes a November 8, 2018 email from the defendant to a Par Funding accounting employee in which the defendant admitted that he did not want to write off a customer that was in default because he needed to "stay at a certain number every month" and did not "want to go over that number."⁶

The defendant and others under his control also routinely lied to investors about the alleged diversity of its MCA portfolio, which they claimed was comprised of many small companies with conservative lending arrangements that were between \$5,000 to \$500,000. In reality, the evidence would show that approximately half of Par Funding's investment dollars were tied up with entities controlled by only ten merchant-customers, one of which had been lent approximately \$91 million, and who was paying the defendant millions of dollars in under-the-table cash kickbacks that the defendant kept for his personal use. The defendant and his agents also lied about the value and validity of an insurance policy issued by the insurance carrier Euler Hermes ("Euler") to Par Funding, which they told investors guaranteed and protected their investment, but which the defendants eventually learned was worthless. The defendant and his agents also lied about the supposed rigor of Par Funding's underwriting process, which Par

⁶ The evidence would show that this email travelled interstate by virtue of the internet provider's server, which was located outside of Pennsylvania.

Funding's employees would testify was in shambles by 2019. Testimony from Par Funding investors would confirm that they relied on all of these misrepresentations when deciding to invest their money with Par Funding.

Witness testimony and electronic communications would establish that although the defendant served as the de facto CEO of Par Funding, he took various steps to hide his identity and leadership role from Par Funding's investors because of publicly available media reports of his prior criminal history, including a conviction for a multi-million-dollar financial fraud that also involved his brother, co-defendant James LaForte. To avoid scaring off Par Funding's investors—who would testify at trial that they would not have invested with a convicted fraudster under any circumstances whatsoever—LaForte made his wife the nominal head of Par Funding on all legal paperwork and used fake names such as “Joe Mack” to hide his identity and convictions. The defendant also hired a reputation manager in New York who took steps to bury unfavorable news articles that were circulating on the internet, and he sent various interstate texts and emails in furtherance of these efforts.

In sum, the government's evidence would prove beyond a reasonable doubt that the defendant conspired to run a criminal racketeering enterprise with a defined structure and purpose, and that the related pattern of predicate crimes included wire fraud and securities fraud.

2. The Tax Crimes (Counts 31 and 44)

As referenced above, witness testimony along with bank records and text and email communications would prove that the defendant received more than \$9 million in cash kickbacks from an MCA customer who had borrowed almost one hundred million dollars from Par Funding. The evidence would show that the defendant kept this money for his own benefit and

did not report it as income on his 2018 federal tax return (the defendant, in fact, reported no income whatsoever), which the defendant signed and was filed under penalty of perjury. This is the evidence underlying the charge in Count 31.

Witness testimony and internal Par Funding email communications would also establish that during the time that the defendant controlled Par Funding, he paid regular, weekly, cash wages in the form of “bonuses” to his employees, including during the period from October 1, 2019 through December 31, 2019. The evidence would show that the defendant did not report this income on quarterly employment tax returns, and therefore failed to pay the trust fund taxes due and owing to the IRS on behalf of his employees. This is the evidence underlying the charge in Count 44.

3. Perjury (Count 45)

As set forth above, the government’s trial evidence would prove that the defendant controlled and operated Par Funding and its web of interrelated entities at all relevant times until the appointment of the receivership in approximately July 2020. In furtherance of his extensive efforts to hide his leadership role at Par Funding, the defendant lied materially under oath at a deposition in a federal lawsuit filed against the business in the Eastern District of Pennsylvania by one of its MCA customers, captioned *Fleetwood Services, LLC et al. vs. Complete Business Solutions Group, Inc. d/b/a Par Funding et al.*, docketed at Civil No. 18-268. These material lies included the defendant’s sworn statements that he did not know the identity of Par Funding’s CFO (co-defendant Cole Barleta), that he never received any form of profits from Par Funding, and that he never hired or fired Par Funding employees.

4. Obstruction of Justice (Count 52)

Witness testimony, court records, and financial records would show that during the course of the SEC's enforcement action against the defendant and Par Funding, including the appointment of the receivership, the receiver's lawyers, including G.A., were responsible for seizing tens of millions of dollars' worth of the defendant's personal assets that were purchased with Par Funding proceeds, and that in February 2023 the SEC receivership was in the process of evicting the defendant and his wife from their former home in Haverford, Pennsylvania. Witness testimony, phone records, crime scene photographs, security camera video, and physical evidence later seized from co-defendant James LaForte's car would establish that on February 28, 2023, co-defendant James LaForte physically attacked G.A. as he left his office in downtown Philadelphia, Pennsylvania, with the intent to cause serious bodily injury, in an effort to obstruct the SEC enforcement action and its receivership. Phone records, agent surveillance, security camera video, and evidence seized from co-defendant James LaForte's car would show that the defendant, Joseph LaForte, agreed and counseled his brother, James LaForte, to use threats and force against G.A. to attempt to obstruct the SEC proceedings, and that Joseph LaForte knowingly aided and abetted his brother's February 28, 2023 attack on G.A.

C. Crim. No. 24-65 (the "Tax Case")

1. The Consulting Fee Scheme (Count 1)

Witness and agent testimony, business contracts, financial and accounting records, bank records, and electronic communications would establish that the defendant caused Par Funding to pay him and his wife tens of millions of dollars of taxable consulting income in tax years 2016, 2017, and 2018, via an entity that the defendant controlled called Heritage Business

Consulting, Inc. (“Heritage”). This evidence would further establish that co-defendants Rodney Ermel and Kenneth Bacon prepared, reviewed, and assisted with the filing of the personal federal income tax returns for the defendant and his wife as well as the business tax returns of Par Funding and Heritage, among other LaForte-controlled entities.

Testimonial evidence, tax returns, tax return workpapers, emails, text messages, and Par Funding financial and accounting records would establish that from 2017 through 2019, the defendant and co-defendants Ermel, Bacon, and Cole Barleta conspired to hide and not report more than half of the tens of millions of dollars of taxable income that should have been reported on Heritage’s 2016 through 2018 tax returns, and which income should have “flowed through” to the defendant or McElhone on their personal tax returns. Specifically, the defendants conspired to underreport Heritage’s gross receipts for tax year 2016 by approximately \$3.5 million. For tax year 2017, the defendants conspired to report approximately \$11 million of consulting income when in fact Par Funding’s own books and records showed approximately \$25 million of taxable income. For tax year 2018, the defendants conspired to create and report an imaginary and nonexistent “shareholder loan” of approximately \$15 million on Heritage’s tax return that effectively hid the taxable income that should been reported in the prior tax year.

Expert testimony from an IRS revenue agent would establish that the total tax loss to the IRS from this scheme was \$8,087,385.

2. The Florida Residency Scheme (Count 7)

Testimonial evidence, including expert witness testimony from the Pennsylvania Department of Revenue, would establish that the Commonwealth of Pennsylvania had a state income tax rate of 3.07% for tax years 2014 through 2019, and that the State of Florida did not

have a state income tax. This testimony would also establish that the Pennsylvania Department of Revenue considers someone a resident of Pennsylvania if they are physically present in the state for at least 184 days a year and if they maintained a permanent place of abode in the state.

At trial, the government would establish that defendant and his wife⁷ were residents of Pennsylvania for tax years 2013 through 2019, in that they were physically present in Pennsylvania for at least 300 days during each of those years and that they maintained a permanent place of abode in Pennsylvania during each of those years. This evidence would include cellular phone location data from the defendant's personal cellphone, witness and agent testimony, electronic communications including text messages and emails, and banking and mortgage records, along with other personal and business records. This evidence would establish that the defendant lived and worked in Pennsylvania for this entire period of time.

The government's evidence would also establish that for tax years 2013 through 2019, co-defendants Ermel and Bacon prepared, reviewed, and assisted with the filing of the personal Pennsylvania income tax returns (Form PA-40) for the defendant and his wife, co-defendant Lisa McElhone. The Form PA-40 income tax return for McElhone that was prepared, reviewed, and filed by co-defendants Ermel and Bacon for tax year 2013 accurately reflected that McElhone was a resident of Pennsylvania. However, the PA-40 income tax return for McElhone that was prepared, reviewed, and filed by co-defendants Ermel and Bacon for tax year 2014 falsely claimed that she was a resident of Pennsylvania for only half of 2014, when in fact she was a Pennsylvania resident for that entire year. The PA-40 income tax returns for McElhone that were

⁷ The defendant's wife, co-defendant Lisa McElhone, has pled guilty to this crime and is awaiting sentencing.

prepared, reviewed, and filed by co-defendants Ermel and Bacon for tax years 2015 through 2017 falsely declared that McElhone was a non-resident of Pennsylvania for the entirety of each of those tax years. The joint PA-40 income tax returns for the defendant and McElhone that were prepared, reviewed, and filed by co-defendants Ermel and Bacon for tax years 2018 and 2019 falsely declared that the defendant and McElhone were non-residents of Pennsylvania for the entirety of each of those tax years.

Email communications, electronic and paper records, and witness testimony would establish that the defendant personally signed or gave authority to sign each one of the false PA-40 income tax returns for tax years 2018 and 2019, and that he sent or caused interstate emails to be sent to co-defendants Bacon and Ermel, who were located in Colorado, in furtherance of the scheme. Expert testimony from an agent from the Pennsylvania Department of Revenue would establish that the total tax loss from this scheme was \$1,655,299.

VI. CONCLUSION

The United States respectfully submits that this summary of evidence provides a factual basis for a guilty plea by the defendant as outlined above. The government therefore respectfully requests that the Court find that the defendant's guilty plea is being tendered to the Court voluntarily, knowingly, and intelligently, and is supported by the requisite factual basis.

Respectfully submitted,

JACQUELINE C. ROMERO
United States Attorney

/s/ Matthew T. Newcomer
MATTHEW T. NEWCOMER
SAMUEL S. DALKE
ERIC D. GILL
Assistant United States Attorneys

CERTIFICATE OF SERVICE

I certify that a copy of the Government's Change of Plea Memorandum was served by email on the defense counsel listed below:

Joseph Corozzo, Esq.
Counsel for Defendant Joseph LaForte

/s Matthew T. Newcomer
Matthew T. Newcomer
Assistant United States Attorney

Date: September 11, 2024

Exhibit “3”

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA :
 :
 v. : **CRIMINAL NO. 23-198-3**
 :
 JAMES LAFORTE :

GOVERNMENT’S CHANGE OF PLEA MEMORANDUM

The United States of America, by its attorneys, Jacqueline C. Romero, United States Attorney for the Eastern District of Pennsylvania, and Matthew T. Newcomer, Samuel S. Dalke, and Eric D. Gill, Assistant United States Attorneys, respectfully submits this change of plea memorandum.

I. INTRODUCTION

Defendant James LaForte is charged is charged via an amended second superseding indictment returned on February 26, 2024,¹ charging him, his brother Josph LaForte, and Joseph Cole Barleta with racketeering conspiracy and related crimes in connection with a criminal enterprise that ran an investment vehicle known as Complete Business Solutions Group, Inc., d/b/a Par Funding (“Par Funding”) for a number of years before it was taken over by a court-appointed receivership pursuant to a lawsuit brought by the Securities and Exchange Commission (the “SEC”). The government and the defendant have entered into a written plea agreement that resolves these charges. A guilty plea hearing is scheduled for Wednesday, September 11, 2024.

¹ The original indictment in this case was returned on May 18, 2023.

II. ESSENTIAL TERMS OF THE PLEA AGREEMENT

The government and the defendant have entered into a written plea agreement in which the defendant has agreed to plead guilty to racketeering conspiracy, in violation of 18 U.S.C. § 1962(d); extortionate collection of debt, in violation of 18 U.S.C. § 894 (Count 29), obstruction of justice, in violation 18 U.S.C. §§ 1505 and 2 (Count 52), and retaliation, in violation of 18 U.S.C. § 1513(b)(1) (Count 58). The government has agreed to dismiss the remaining counts at sentencing.

The plea agreement is conditioned upon co-defendant Joseph LaForte entering a guilty plea in case number 23-cr-198, and also the Court's acceptance of that plea. If these conditions are not satisfied, then the government is released from all its obligations under this agreement. This condition is described in greater detail at paragraphs 3 and 4 of the plea agreement.

The plea agreement contains a provision under Federal Rule of Criminal Procedure 11(c)(1)(C), wherein the parties have agreed to a proposed sentence of imprisonment in the range of 110 to 137 months' imprisonment, followed by no more than three years of supervised release.

The parties have stipulated that the actual fraud loss applicable to this defendant was between \$1,500,000 and \$3,500,000. Plea Agreement ¶ 15(b). Due to the stipulated minimum amount of actual loss, the parties agree that the defendant's base offense level will be increased by 16 levels under USSG 2B1.1(b)(1)(I). The parties agree that the defendant's advisory guideline range is further increased by 2 levels for obstruction of justice. *Id.* ¶ 16(c). Finally, the parties agree that the defendant qualifies for a 3-level reduction due to his timely

plea and acceptance of responsibility under USSG § 3E1.1(a) and (b). *Id.* ¶ 16(d)-(e). As set forth in paragraph 9 of the plea agreement, the defendant has agreed to pay victim restitution in the amount of \$2,488,645.

The defendant has also agreed, among other things, that he may not withdraw his plea because the Court declines to follow any recommendation, motion, or stipulation by the parties to the agreement (except as to the recommended sentence under Rule 11(c)(1)(C)), and that he voluntarily and expressly waives all rights to appeal, collaterally attack, or otherwise challenge his conviction, sentence, or any other matter relating to this prosecution. *See id.* ¶¶ 17-19.

III. ELEMENTS OF THE OFFENSES

A. Racketeering Conspiracy, 18 U.S.C. § 1962(d) (Count 1)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. two or more persons agreed to conduct or to participate, directly or indirectly, in the conduct of an enterprise's affairs through a pattern of racketeering activity;
2. the defendant was party to or member of that agreement; and
3. the defendant joined the agreement or conspiracy knowing of its objective to conduct or participate . . . in the conduct of an enterprise's affairs through a pattern of racketeering activity, and intending to join together with at least one other alleged conspirator to achieve that objective; that is, that the defendant and at least one other alleged conspirator shared a unity of purpose and the intent to achieve the objective of conducting or participating in the conduct of an enterprise's affairs through a pattern of racketeering activity.

Third Cir. Model Crim. Jury Inst. § 6.18.1962D. An "enterprise" may include a group of people associated in fact, even though this association is not recognized as a legal entity. *Id.* §

6.18.1962C-1. The factfinder may consider evidence presented of racketeering acts committed or

agreed to be committed by any co-conspirator in furtherance of the enterprise's affairs to determine whether the defendant agreed that at least one member of the conspiracy would commit two or more racketeering acts. *See, e.g., United States v. Glecier*, 923 F.2d 496, 499-500 (7th Cir. 1991); *United States v. Crockett*, 979 F.2d 1204, 1208-09 (7th Cir. 1992); *United States v. Phillips*, 874 F.2d 123, 125-28 (3d Cir. 1989).

B. Securities Fraud, 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5 (Count 21)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. First, that in connection with the purchase or sale of securities, which the indictment alleges were the promissory notes issued by Par Funding to investors, the defendant did any one or more of the following:
 - (1) employed a device, scheme or artifice to defraud, or
 - (2) made an untrue statement of a material fact or omitted to state a material fact that made what was said, under the circumstances, misleading, or
 - (3) engaged in an act, practice or course of business that operated, or would operate, as a fraud or deceit upon a purchaser or seller;
2. the defendant acted willfully, knowingly and with the intent to defraud; and
3. the defendant knowingly used, or caused to be used, any means or instruments of transportation or communication in interstate commerce or the use of the mails in furtherance of the fraudulent conduct.

Adopted from Modern Federal Jury Instructions – Criminal, No. 57.20 (2024); 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5.

C. Extortionate Collection of Credit, 18 U.S.C. § 894(a) (Count 31)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. a collection or attempted collection was made;
2. extortionate means were used; and
3. the accused participated knowingly.

United States v. Benedetto, 558 F.2d 171, 178 (3d Cir. 1977). It is not necessary to show that the initial loan was at an extortionate rate. *Id.*

D. Obstruction of Justice, 18 U.S.C. § 1505 (Count 52)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. there was a proceeding pending before a department or agency of the United States;
2. the defendant was aware of the pending proceeding; and
3. the defendant intentionally endeavored to influence, obstruct or impede the pending proceeding corruptly, or by threats or force.

Adopted from *United States v. Price*, 951 F.2d 1028, 1031 (9th Cir. 1991) (citing *United States v. Sutton*, 732 F.2d 1483, 1490 (10th Cir. 1984) and *United States v. Laurins*, 857 F.2d 529, 536-37 (9th Cir. 1988)).

E. Retaliation, 18 U.S.C. § 1513(b) (Count 58)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant knowingly engaged in conduct;
2. the defendant's conduct caused bodily injury to another person;
3. the defendant acted with specific intent to retaliate against any person for their attendance as a witness or party at an official proceeding; and
4. the official proceeding was a federal proceeding.

Third Cir. Model Crim. Jury Inst. § 6.18.1513B.

IV. STATUTORY MAXIMUM SENTENCES

A. Racketeering Conspiracy, 18 U.S.C. § 1962(d) (Count 1)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

B. Securities Fraud, 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5 (Count 21)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

C. Extortionate Collection of Credit, 18 U.S.C. § 894(a) (Count 31)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

D. Obstruction of Justice, 18 U.S.C. §§ 1505 and 2 (Count 52)

The statutory maximum sentence for this crime is 5 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

E. Retaliation, 18 U.S.C. § 1513(b) (Count 58)

The statutory maximum sentence for this crime is 20 years' imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

F. Total Statutory Maximum Sentence

The total statutory maximum sentence for the counts of conviction is 85 years' imprisonment, a 3-year period of supervised release, a \$1,250,000 fine, and a \$500 special assessment, plus forfeiture and restitution as authorized by statute.

V. FACTUAL BASIS FOR THE PLEA

If this case were to proceed to trial, the government would be able to prove each element of the charged offenses including through agent and witness testimony, audio and video recordings, text messages, emails, phone records and extractions, cellular location data, digital evidence, printed marketing materials, physical evidence, security camera footage, Par Funding financial and accounting records, tax records and documents, and sworn statements including those of the defendant. In summary, the government would prove the facts set forth below.

A. RICO Conspiracy and Securities Fraud (Counts 1 and 21)

Witness testimony—including from former Par Funding employees, Par Funding investors, and Par Funding merchant-customers—as well as business and personal emails, text messages, financial and accounting records, court filings, sworn statements, and audio and video recordings would establish that co-defendant Joseph LaForte led a years-long criminal enterprise consisting of, at various times, himself, his family members (including the defendant) and co-defendant Joseph Cole Barleta, as well as Perry Abbonizio, charged elsewhere, and other persons known but not identified in the indictment. The evidence would show that the enterprise had a defined structure, with Joseph LaForte serving as its undisputed leader and the defendant and co-defendant Cole Barleta serving as loyal managers. The evidence would show that the principal purpose of this enterprise was to generate money for its leadership and members, primarily by defrauding the investors in Par Funding, which the enterprise controlled until the SEC intervened in July 2020. The testimony of dozens of witnesses along with numerous emails and audio and video recordings would show beyond any doubt that co-defendant Joseph LaForte—through the

enterprise—ran and had absolute control over Par Funding at all relevant times up to the appointment of the receivership.

Financial records, bank statements, and contractual records would establish that the defendants' enterprise was wildly successful in achieving its illicit goal: between 2012 and July 2020, co-defendant Joseph LaForte caused more than \$100 million of Par Funding proceeds to be paid to two consulting entities that he controlled, proceeds that he and his wife used to purchase homes, vacation properties, vehicles, artwork, jewelry, dozens of investment properties, a boat, and a private jet. The enterprise gave defendant James LaForte license to use Par Funding and its investor money for himself by writing fake contracts and paying himself approximately \$750,000 as "commission" for a worthless business deal, to the detriment of Par Funding's investors. Co-defendant Cole Barleta, Par Funding's Chief Financial Officer, also received millions of dollars for his role in helping "cook the books" of Par Funding by hiding the company's financial losses.

The evidence will show that the defendants caused Par Funding to issue securities in the form of promissory notes to its many investors, including agent funds, and caused these agent funds to issue promissory notes to additional investors. These notes promised investors the return of their capital plus an additional amount of money as interest. Par Funding's stated use of these investor funds was to "advance" them to businesses that were in need of cash but which could not obtain funding from traditional sources, and then to generate money by charging these cash-strapped businesses exorbitant rates of return.²

² This somewhat controversial lending practice is known as the merchant cash advance ("MCA") industry.

The co-defendants, other members of the enterprise, Par Funding employees (including co-conspirator Abbonizio), and others solicited investors primarily through written promotional material, radio advertisements, speaker and dinner events, and investor meetings at Par Funding's offices. These promotional efforts included materially false and misleading statements concerning the state of Par Funding's financial health, as the government's trial evidence would show. For example, co-defendant Joseph LaForte and others at his direction touted Par Funding's supposed "default rate" of 1%. Par Funding's investors (in addition to Par Funding's own employees) would testify that they understood this claim to mean that only 1% of Par Funding's thousands of MCA customers had defaulted on repaying the money that they owed to Par Funding. In reality, employee and witness testimony along with business and financial records and internal Par Funding communications would establish that the actual default rate was many times higher given the co-defendants' practice of routinely and systematically failing to recognize the financial losses from MCA customers who had not made their requisite payments for months or even years, and some of whom were in bankruptcy. The defendant was aware of and participated in some of the efforts to artificially inflate Par Funding's financial health; in a recorded phone call made on November 22, 2019, he and co-defendant Joseph LaForte telephoned Extortion Victim No. 10—who was in default on his obligation to repay a cash advance made to his company—and demanded a small payment compared to the customer's large outstanding balance to make it appear that the customer was not in default and to deceive Par Funding's auditors (and ultimately its investors).³

³ The evidence would show that this phone call travelled interstate from co-defendant Joseph LaForte in Pennsylvania to Extortion Victim No. 10 outside of Pennsylvania.

The enterprise tasked defendant James LaForte with finding merchant customers in need of funding and giving them merchant cash deals, and James LaForte was paid a commission on these deals. Witness testimony and Par Funding business and financial records would establish that James LaForte pressured Par Funding's underwriting team to fund risky deals to financially unstable customers in order to generate more commission for himself, and that co-defendant Joseph LaForte allowed this to happen.

The evidence would also show that the enterprise and its leadership allowed the defendant to enrich himself to the detriment of Par Funding's investors, which information was withheld from Par Funding's investors. For example, in May 2020 the defendant and co-defendant Joseph LaForte caused Par Funding to pay the defendant an approximate \$742,645 "commission" in May 2020 for non-CDC approved COVID-19 masks purchased with money that Par Funding advanced to Customer No. 1, but which was never repaid. In June 2020, the defendant created a fake \$96,000 cash advance contract with an alleged merchant customer who then funneled the money back into the defendant's bank account. And in July 2020, when the enterprise learned that SEC intervention was imminent, the defendant helped co-defendant Joseph LaForte to wire approximately \$750,000 of Par Funding money to Customer No. 1 via a fake cash advance contract and then order Customer No. 1 to wire this money to co-defendant Joseph LaForte's former civil attorneys and a bank account controlled by the defendant.

The defendant also helped co-defendant Joseph LaForte receive the large cash kickbacks that Customer No. 1 routinely paid to Joseph LaForte, which cash was never recorded in Par Funding's business and accounting records or disclosed to the company's investors. Witness testimony and text and phone records would establish that on several occasions the defendant

personally retrieved large amounts of this cash from Customer No. 1 or one of Customer No. 1's associates. In furtherance of this scheme, on April 8, 2020, co-defendant Joseph LaForte sent a text message to Customer No. 1 letting him know that the defendant would be picking up the cash.⁴

In sum, the government's evidence would prove beyond a reasonable doubt that the defendant conspired to participate in a criminal racketeering enterprise with a defined structure and purpose, and that the related pattern of predicate crimes included wire fraud and securities fraud.⁵

B. Extortionate Collections of Credit (Count 29)

With the enterprise's knowledge and approval, the defendant also made extortionate threats of violence to non-paying Par Funding merchant customers including to Extortion Victim No. 10 as charged in Count 29. Witness testimony, emails, and Par Funding contract and business records would establish that Extortion Victim No. 10 ran a residential solar systems business in New Jersey, and that he entered into a cash advance agreement with Par Funding on or about April 23, 2018. This evidence will also establish that by May 2018 Extortion Victim No. 10 was already unable to keep up with Par Funding's payment terms and had missed a scheduled payment. Extortion Victim No. 10 is expected to testify that after he missed this payment, the defendant called Extortion Victim No. 10 on the phone and demanded immediate

⁴ The evidence would show that this email travelled interstate from co-defendant Joseph LaForte in Pennsylvania to Customer No. 1 outside of Pennsylvania.

⁵ Of course, the extortionate collection of credit, obstruction of justice, and retaliation crimes detailed in the following sections would also qualify as RICO predicates for purposes of the RICO conspiracy charged in Count 1.

repayment, telling Extortion Victim No. 10 that the defendant was not to be messed with because he had torched people's cars and kicked people's teeth in. Extortion Victim No. 10 is also expected to testify that the defendant made other threats of violence over the course of Extortion Victim No. 10's business relationship with Par Funding, including threatening to kill him if he filed for bankruptcy. Testimony, bank records, and Par Funding business records would establish that Extortion Victim No. 10 continued to repay Par Funding following the defendant's threats.

C. Obstruction of Justice (Count 52)

Witness testimony, court records, and financial records would show that during the course of the SEC's enforcement action against co-defendant Joseph LaForte and Par Funding, including the appointment of the receivership, the receiver's lawyers, including G.A., were responsible for seizing tens of millions of dollars' worth of co-defendant Joseph LaForte's personal assets that were purchased with Par Funding proceeds, and that in February 2023 the SEC receivership was in the process of evicting co-defendant Joseph LaForte and his wife from their former home in Haverford, Pennsylvania. Witness testimony, phone records, crime scene photographs, security camera video, and physical evidence later seized from defendant's car would establish that on February 28, 2023, the defendant physically attacked G.A. as he left his office in downtown Philadelphia, Pennsylvania, with the intent to cause serious bodily injury, in an effort to obstruct the SEC enforcement action and its receivership. Digital evidence recovered from a cellular phone seized from the defendant would also show that he conducted internet searches on his cellphone related to his assault on G.A., which at that time had not been made public.

D. Retaliation (Count 58)

Witness testimony and court records would show that on February 2023, co-conspirator and former Par Funding employee Perry Abbonizio entered a guilty plea with the government, and was found guilty following a public hearing in the district court. Electronic search data recovered from a cellular phone seized from the defendant would establish that on February 15, 2023, the defendant used his phone to view an online article about Abbonizio’s guilty plea, and then searched for information about Abbonizio and one of his adult daughters. Witness testimony, phone records, and a handwritten note later recovered from the defendant’s pocket during his arrest would establish that on March 2, 2023—two days after the defendant attacked G.A.—the defendant called Abbonizio and his wife using an untraceable “spoof” number and anonymously threatened Abbonizio to “retract those lies or we’re coming for the girls,” and then referenced the streets on which Abbonizio’s adult daughters reside in Philadelphia. The defendant also talked about “putting a guy in the hospital,” which was an apparent reference to his attack on G.A. a few days earlier. Witness testimony, phone records, and a handwritten note later recovered the defendant’s pocket would also establish that later that same evening, the defendant used the same “spoof” number to make two anonymous calls to Abbonizio’s adult daughters in which he told one of them that he knew she was Abbonizio’s daughter and that he knew where she lived, and then referenced the street upon which she lived. The handwritten notecard recovered from the defendant’s pocket a few days later contained the names and phone numbers of the victims that he had threatened a few days earlier.

VI. CONCLUSION

The United States respectfully submits that this summary of evidence provides a factual basis for a guilty plea by the defendant as outlined above. The government therefore respectfully

requests that the Court find that the defendant's guilty plea is being tendered to the Court voluntarily, knowingly, and intelligently, and is supported by the requisite factual basis.

Respectfully submitted,

JACQUELINE C. ROMERO
United States Attorney

/s Matthew T. Newcomer
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Assistant United States Attorneys

CERTIFICATE OF SERVICE

I certify that a copy of the Government's Change of Plea Memorandum was served by email on the defense counsel listed below:

Thomas Mirigliano, Esq.
Counsel for Defendant James LaForte

/s Matthew T. Newcomer
Matthew T. Newcomer
Assistant United States Attorney

Date: September 11, 2024

Exhibit “4”

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA :
 :
 v. : **CRIM. NO. 23-198-4**
 : **CRIM. NO. 24-65-3**
JOPEPH COLE BARLETA :

GOVERNMENT’S CHANGE OF PLEA MEMORANDUM

The United States of America, by its attorneys, Jacqueline C. Romero, United States Attorney for the Eastern District of Pennsylvania, and Matthew T. Newcomer, Samuel S. Dalke, and Eric D. Gill, Assistant United States Attorneys, respectfully submits this change of plea memorandum.

I. INTRODUCTION

On February 26, 2024, the defendant along with Joseph LaForte and James LaForte were charged by amended second superseding indictment with racketeering conspiracy and related crimes in connection with a criminal enterprise that ran an investment vehicle known as Complete Business Solutions Group, Inc., d/b/a Par Funding (“Par Funding”) for a number of years before it was taken over by a court-appointed receivership pursuant to a lawsuit filed by the U.S. Securities and Exchange Commission (“SEC”). Crim. No. 23-198. On March 21, 2024, the defendant, Joseph LaForte, LaForte’s wife, and two accountants were charged by superseding indictment with hiding a portion of the proceeds of Par Funding received by LaForte and his wife on their federal tax returns. Crim. No. 24-65.

The parties have since signed a written guilty plea agreement which would resolve both criminal actions against the defendant. A signed copy of the plea agreement and

acknowledgement of rights is attached to this memorandum as Exhibit A. A plea hearing is scheduled for October 16, 2024.

II. ESSENTIAL TERMS OF THE PLEA AGREEMENT

The government and the defendant have reached a plea agreement in which the defendant agrees to plead guilty to Count One of the amended second superseding indictment charging him with racketeering conspiracy in violation of 18 U.S.C. § 1962(d), with the predicate offenses being wire and securities fraud. The government agrees to dismiss the remaining counts against the defendant at sentencing; specifically the government agrees to dismiss Counts 2 through 21 and 47 and 48 of the amended second superseding indictment in Crim. No. 23-198-2, as well as Counts 1 through 6 of the superseding indictment in Crim. No. 24-65-3.

The plea agreement contains a stipulation by the government that it will not seek a sentence of incarceration of more than 8 years (96 months), although the Court is not bound by the government's promise. The defendant is free to take whatever position he wants at sentencing.

The plea agreement includes the following stipulations that are not binding upon the Court or the United States Probation Office:

- The parties agree and stipulate that, as of the date of this agreement, the defendant has demonstrated acceptance of responsibility for his offense, making the defendant eligible for a 2-level downward adjustment under U.S.S.G. § 3E1.1(a).
- The parties agree and stipulate that, as of the date of this agreement, the defendant has assisted authorities in the investigation or prosecution of his own misconduct

by timely notifying the government of his intent to plead guilty, thereby permitting the government to avoid preparing for trial and permitting the government and the court to allocate their resources efficiently, resulting in a 1-level downward adjustment under U.S.S.G. § 3E1.1(b).

- The parties agree and stipulate that, as of the date of this agreement, the defendant should receive an additional 2-point reduction because he is a zero-point offender under USSG § 4C1.1(a).

The defendant has further agreed to pay a fine and restitution as ordered by the Court. The parties further agree that any amount of money collected from the defendant by the SEC in connection with the civil action pending against the defendant in United States District Court for the Southern District of Florida, captioned *SEC v. Complete Business Solutions Group, Inc. et al.*, Civ. No. 20-81205, shall be credited towards the defendant's restitution obligation as imposed by the Court in this matter.

The defendant has also agreed, among other things, that he may not withdraw his plea because the Court declines to follow any recommendation, motion, or stipulation by the parties to the agreement, and that he voluntarily and expressly waives all rights to appeal, collaterally attack, or otherwise challenge his conviction, sentence, or any other matter relating to this prosecution.

III. ELEMENTS

1. Racketeering Conspiracy, 18 U.S.C. § 1962(d) (Count 1)

The elements of this offense that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. two or more persons agreed to conduct or to participate, directly or indirectly, in the conduct of an enterprise's affairs through a pattern of racketeering activity;
2. the defendant was party to or member of that agreement; and
3. the defendant joined the agreement or conspiracy knowing of its objective to conduct or participate . . . in the conduct of an enterprise's affairs through a pattern of racketeering activity, and intending to join together with at least one other alleged conspirator to achieve that objective; that is, that the defendant and at least one other alleged conspirator shared a unity of purpose and the intent to achieve the objective of conducting or participating in the conduct of an enterprise's affairs through a pattern of racketeering activity.

Third Cir. Model Crim. Jury Inst. § 6.18.1962D. An "enterprise" may include a group of people associated in fact, even though this association is not recognized as a legal entity. *Id.* §

6.18.1962C-1. The factfinder may consider evidence presented of racketeering acts committed or agreed to be committed by any co-conspirator in furtherance of the enterprise's affairs to determine whether the defendant agreed that at least one member of the conspiracy would commit two or more racketeering acts. *See, e.g., United States v. Glecier*, 923 F.2d 496, 499-500 (7th Cir. 1991); *United States v. Crockett*, 979 F.2d 1204, 1208-09 (7th Cir. 1992); *United States v. Phillips*, 874 F.2d 123, 125-28 (3d Cir. 1989).

The predicate crimes of the RICO conspiracy for purposes of this plea agreement are wire fraud and securities fraud. The elements of wire fraud that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. the defendant devised or intended to devise a scheme or artifice to defraud or to obtain money or property by means of materially false or fraudulent pretenses, representations, or promises;
2. the defendant acted with the intent to defraud; and
3. in advancing, furthering, or carrying out the scheme, the defendant transmitted any writing, signal, or sound by means of a wire, radio, or television communication in interstate commerce or caused the transmission of any writing, signal, or sound of some kind by means of a wire, radio, or television

communication in interstate commerce.

Third Cir. Model Crim. Jury Inst. § 6.18.1343.

The elements of securities fraud that the government would have to prove at trial beyond a reasonable doubt are as follows:

1. First, that in connection with the purchase or sale of securities, which the indictment alleges were the promissory notes issued by Par Funding to investors, the defendant did any one or more of the following:
 - (1) employed a device, scheme or artifice to defraud, or
 - (2) made an untrue statement of a material fact or omitted to state a material fact that made what was said, under the circumstances, misleading, or
 - (3) engaged in an act, practice or course of business that operated, or would operate, as a fraud or deceit upon a purchaser or seller;
2. the defendant acted willfully, knowingly and with the intent to defraud; and
3. the defendant knowingly used, or caused to be used, any means or instruments of transportation or communication in interstate commerce or the use of the mails in furtherance of the fraudulent conduct.

Adopted from Modern Federal Jury Instructions – Criminal, No. 57.20 (2024); 15 U.S.C. §§ 78j(b), 78ff and 17 C.F.R. § 240.10b-5.

IV. STATUTORY MAXIMUM AND MINIMUM SENTENCE

The defendant is subject to a maximum of 20 years’ imprisonment, a 3-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

V. FACTUAL BASIS FOR THE PLEA

If this case were to proceed to trial, the government would introduce evidence to prove that from 2012 through July 2020, co-defendant Joseph LaForte operated a criminal enterprise whose principal purpose was to generate money for its leadership and members, primarily by defrauding the investors in Complete Business Solutions Group, Inc., d/b/a Par Funding (“Par

Funding”) in violation of 18 U.S.C. § 1343 (wire fraud) and 15, U.S.C. §§ 78j(b) and 78ff, and 17 C.F.R. § 240.10b-5 (securities fraud), which the enterprise controlled until the SEC intervened in July 2020. The evidence would show that the enterprise had a defined structure, with LaForte serving as its undisputed leader and co-defendants Cole Barleta and James LaForte serving under LaForte. Business emails, accounting and business records, and Par Funding employee testimony would establish that defendant Cole agreed to participate, directly or indirectly, in the enterprise’s affairs knowing of its improper objectives.

Specifically, from 2012 to July 2020 the defendant served as the Chief Financial Officer (“CFO”) of Par Funding, which funded businesses (“merchant-customers”) through short-term financing transactions, referred to as merchant-cash advances (“MCAs”).¹ In February 2019 and again in April 2020, Par Funding filed a “Form D” Notice of Exempt Offering of Securities with the SEC that disclosed the company’s issuance of “debt” securities to its investors.

In order to fund these MCAs and enrich its principals, Par Funding raised capital through the solicitation of numerous investors and the issuance of promissory notes. In its early years, the company raised this capital directly, but in 2018 Par Funding began to raise capital indirectly through private investment vehicles (“Agent Funds”).

Par Funding operated through and in conjunction with several affiliated companies, including Contract Financing Solutions, Inc. (“CFS”), Fast Advance Funding, LLC (“FAF”), and

¹ In these transactions, Par Funding purported to purchase these merchant-customers’ future receivables at a discounted price. The purchase price was given to the merchant-customer – typically in a lump sum – with the expectation that the merchant-customer would use the funds to operate its business. The merchant-customer agreed to repay Par Funding the purchase price advanced to it plus an additional amount, which was typically 30% or more of the purchase price. Par Funding generally collected these repayments in installments through daily or weekly debits from the merchant-customer’s bank accounts.

Capital Source 2000, Inc. (collectively, the “Par Funding affiliates”). Par Funding and the Par Funding affiliates shared common ownership and/or control, and funds were frequently transferred back and forth between these entities.

Internal business emails, employee testimony, and audio and video recordings would prove that from approximately 2012 through in or about July 2020, Joseph LaForte controlled Par Funding’s day-to-day operations and owned it indirectly through his wife, Lisa McElhone, who served as his nominee. Nevertheless, LaForte was not listed on any corporate documents as Par Funding’s Chief Executive Officer or President, despite serving in these roles. Witness testimony and business emails would show that LaForte and McElhone designed this structure to hide LaForte’s control of Par Funding from the outside world, including from investors and external auditors, due to LaForte’s significant criminal history, including for convictions of grand larceny and money laundering in connection with a multi-million-dollar fraud.

The defendant served as the CFO of Par Funding as well as its affiliates. The defendant functionally reported directly to LaForte at all relevant times.

Starting in or about Spring 2016 and using the title Principal, Perry Abbonizio raised capital for Par Funding. In this role, he provided information to potential investors about Par Funding, solicited funds directly from investors and prospective investors, and conveyed information about Par Funding to the managers of the Agent Funds.

Internal company records, employee testimony, and external audit files would establish that Par Funding had a six-week accounting function, meaning that after 6 weeks of non-payment an MCA customer deal would be automatically listed as being in default. The evidence will establish that LaForte, sometimes with the assistance of collections department

management, would take this default list and then make a subjective decision on what deals would be written off each month. Internal company emails and employee testimony would establish that on a monthly basis LaForte and members of the collections department would instruct the accounting department, which was overseen by the defendant, which of the customer deals should be written off.² Witness testimony and company emails would show that this practice was routine and that it had the effect of overstating the value and collectability of Par Funding's MCA account receivables.

For example, emails, accounting records, and witness testimony would establish that Par Funding's accounting department determined that during the month of May 2018 there was approximately \$18.1 million worth of account receivables for MCA customers that had not made a payment in 6 weeks or more. At LaForte's instruction, the defendant and his accounting department were nevertheless directed to write off less than \$2.5 million (roughly 15%) of these defaulted customer accounts. Emails, accounting records, and employee testimony will establish that LaForte made similar manipulations at the end of every month from no later than 2018 through July 2020, and that the defendant and his accounting department implemented these changes.

Emails and witness testimony would establish that on a monthly basis the accounting department, which the defendant oversaw and at the defendant's direction, prepared a detailed financial report of Par Funding's active account receivables and its historic alleged success rate for collecting the money it advanced to its MCA customers, known as the "CBSG Funding

² For example, and as charged in Count 8, in an email dated January 1, 2019, LaForte sent an email to an accounting department employee, copied to the defendant, instructing the employee not to write off an MCA customer with a large balance.

Analysis.” The CBSG Funding Analysis calculated an “exposure %” which was typically less than 2%. At LaForte’s direction, the defendant agreed to routinely distribute the Funding Analysis to individuals and entities, including investors, knowing that the investors could rely on the funding analysis and the alleged “exposure %” when deciding to invest or re-invest with Par Funding and the Par Funding affiliates. For example, on December 7, 2018, the defendant emailed LaForte the CBSG Funding Analysis for November 2018, which claimed an “exposure %” of 1.5%, and asked LaForte for permission to “send it out to the investors.” LaForte responded, “Looks strong.”

Testimony from Par Funding investors and former employees would show that the funding analysis presented a false and misleading picture of Par Funding’s financial health in that it did not disclose, and did not otherwise factor in, LaForte’s routine practice of failing to write off material amounts of uncollectible debt that should have been written off because they were unpaid for six weeks and otherwise uncollectible.

Furthermore, LaForte, Abbonizio, and others working at their direction made and caused others to make false and misleading representations to investors based on the data in the Funding Analysis. For example, a video recording and witness testimony would establish that on November 21, 2019, at an event in King of Prussia, Pennsylvania, in which more than 250 investors and prospective investors were solicited to invest in Par Funding through Agent Funds, Abbonizio made the false and misleading representation that Par Funding’s default rate was less than one percent in comparison with the alleged industry average of 18.5%. Abbonizio would have testified at trial that the defendant knew about and helped prepare for this meeting and that

he relied on the information and financial data provided by the defendant and the accounting department, including the Funding Analysis, when making these statements.

The defendant was the CFO of Par Funding at all relevant times, and the government understands that he is prepared to admit that he was willfully blind to LaForte's practice of circumventing the company's bad debt policy and how it resulted in overstatements of the value and collectability of Par Funding's MCA account receivables as represented in the Funding Analysis, which the defendant knew was being submitted (including via Abbonizio) to and being relied on by investors and potential investors who were considering investing or re-investing in Par Funding.³ The government agrees that the evidence summarized above could support a jury verdict on a willful blindness theory, although it intends to prove actual knowledge at sentencing.

LaForte, Abbonizio, and others working at their direction made and caused other false and misleading representations to investors, including about the existence of an insurance policy that investors were told would protect their investment, but that LaForte, Abbonizio, and the defendant eventually learned from the insurance carrier that it would not process these claims. On December 18, 2019, the defendant sought LaForte's approval via email about whether to

³ The government understands that the defendant is prepared to agree he was willfully blind to these misrepresentations, in that he subjectively believed there was a high probability that the deals being written off as provided by LaForte and the collections department used in the Funding Analysis were inaccurate and he consciously took deliberate actions to avoid learning of their falsity. The parties agree that willful blindness is sufficient to satisfy the knowledge element of the charged offense. *See* 3d Cir. Model Instruction 5.06 (Willful Blindness); *United States v. Tai*, 750 F.3d 309 (3d Cir. 2014) (upholding willful blindness jury instruction in wire fraud case); *United States v. Puccio*, 2024 WL 4100244 (3d Cir. Sept. 6, 2024) (not precedential) (upholding willful blindness instruction regarding objects of the conspiracy to commit healthcare fraud); *United States v. Onque*, 665 Fed. Appx. 189 (3d Cir. 2016) (unpublished) (upholding willful blindness instruction on a conspiracy to commit wire fraud charge).

continue paying for this insurance policy given that “the only real benefit is have [the Agent Funds] assert that our deals have insurance coverage.”⁴

This memorandum sets forth only the essential facts that would need to be proved to establish the elements of the offenses charged, including at least two predicate offenses committed in furtherance of the conspiracy.

VI. CONCLUSION

The United States respectfully submits that this summary of evidence provides a factual basis for a guilty plea by the defendant to Count One. The government therefore respectfully requests that the Court find that the defendant’s guilty plea is being tendered to the Court voluntarily, knowingly, and intelligently, and is supported by the requisite factual basis.

Respectfully submitted,

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United States Attorney

/s Matthew T. Newcomer
MATTHEW T. NEWCOMER
SAMUEL S. DALKE
ERIC D. GILL
Assistant United States Attorneys

⁴ As charged in Count 15 of the superseding indictment, alleging wire fraud.

CERTIFICATE OF SERVICE

I certify that a copy of the Government's Change of Plea Memorandum was served by email on defense counsel of record, identified below:

Margaret M. Grasso, Esq.
Coley Reynolds, Esq.

/s Matthew T. Newcomer

MATTHEW T. NEWCOMER
Assistant United States Attorney

Date: 10.16.2024