

Justice Frozen: Why the Par Funding Recusal Motion Exposed a Systemic Collapse of Due Process

If you want to understand how a "legitimate" legal proceeding can be transformed into a state-sponsored hit job, you need to look at the Joint Motion for Recusal. **(SEE DE 630)**

While the SEC and the Receiver were busy painting a picture of a "Ponzi scheme" for the cameras, they were actively suppressing evidence—like the Glick Reports—that proved Par Funding was a functional, profitable business.

(See Document 535-1: Declaration of Joel D. Glick, the Director of Forensic and Advisory Services at Berkowitz Pollack Brant, the best accounting firm in Miami - concluding no Ponzi)

These opinions are not impeachable. They are factual!

CONCLUSIONS³

15. DSI erroneously alleges CBSG was a Ponzi Scheme. A forensic analysis of the QuickBooks/Bank/ACH accounts, from 2012 through 2019, demonstrates that cash flows from merchants were sufficient to cover principal and interest payments made to investors.
16. DSI's incorrectly use of a cash analysis as a proxy for profitability or earnings disregards U.S. Generally Accepted Accounting Principles ("GAAP").⁴ GAAP makes clear that a cash flow analysis alone is not appropriate to determine CBSG's profitability. As set forth below at paragraphs 52-54, any such analysis should have been performed based on the accrual basis method of accounting, which DSI did not do. A forensic analysis of CBSG data using an accrual basis method of accounting reveals that CBSG was profitable, earning hundreds of millions of dollars in top-line revenue that was ignored by DSI.
17. DSI did not present a complete analysis of merchant receivables as they focused on what DSI refers to as an "Exception Portfolio," and appeared to have extrapolated this

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

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

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

This wasn't just a legal disagreement; it was an autopsy of a system that decided on the verdict before the first hearing began.

1. The Heavyweights Speak: Why These Law Firms Matter

In the world of federal litigation, a "Motion for Recusal" is the legal equivalent of a nuclear strike. It is extremely rare for defense counsel to sign such a motion against a seated federal judge. Why? Because these lawyers have to appear before these judges for the rest of their careers. You don't take a shot at a king unless the king has truly abandoned the crown.

The fact that the following prominent firms put their reputations on the line to sign this motion is a testament to how outrageous Judge Ruiz's behavior actually was:

Gray Robinson: One of the most influential and "Best Law Firm" tiered powerhouses in Florida, known for deep ties to the legal and political establishment. The following firms signed the motion to Recuse Judge Rodolfo Ruiz

The Law Offices of Alan Futerfas: A premier New York boutique firm famous for representing high-profile figures in the most sensitive, high-stakes white-collar and SEC investigations in the country.

Kopelowitz Ostrow (KO): A South Florida titan with "Big Firm" experience and a reputation for aggressive, top-tier trial work.

Fridman Fels & Soto: A firm of former federal prosecutors who know the rules of the game better than anyone and don't cry foul unless the rules are being lit on fire.

Joseph LaForte didn't just "convince" these elite firms to sign this. These are some of the most respected legal minds in the country; they don't sign frivolous motions. Their signature on this document tells you that the bias wasn't just a "feeling"—it was an objective reality.

2. The Three-Hour Ambush: A Muted Defense

Perhaps the most "Star Chamber" moment of the entire proceeding occurred during the preliminary hearings. The Receiver, Ryan Stumphauzer, was permitted to present a three-hour PowerPoint presentation to the court.

This presentation was never disclosed to the defense prior to the hearing, a blatant violation of basic disclosure laws. But it gets worse: while the Receiver and the SEC were given a total of

three hours of uninterrupted "runway" to bias the judge, the defense microphones were literally muted.

The defense lawyers, some of the best in the nation, were forced to sit in silence, unable to object to mischaracterizations or present their own evidence. This was a set-up designed to ensure the Judge only heard one side of the story, the side that kept the Receiver in business.

See Transcripts from Hearing on 12/15/2020 of Judge Ruiz muting defense counsel, Alan S. Futerfas:

11	MR. FUTERFAS: Judge, that's not true at all.
12	THE COURT: I'm going -- I'll go ahead and mute you,
13	Mr. Futerfas, so that I have any more interruptions.
14	Go ahead and I will turn to the defense lawyers in a
03:56 15	minute, but I have to hear from my receiver first so I can get
16	a good picture, and before I pivot to Mr. Kolaya on the phone,
17	there's one thing that you just said, Mr. Stumphauzer, that I
18	got to make sure understand. You mentioned something about
19	someone else collecting the money for you guys.
03:56 20	Did I understand you right that you have attempted
21	merchant collection and upon interacting with merchants, they
22	said someone else has made contact with them to collect on
23	outstanding loans that is not my receiver?
24	MR. STUMPHAUZER: That's correct, Your Honor. Usually
03:56 25	how it comes to our attention is not necessarily because we

3. Expansion Without Due Process

The court didn't just stop at freezing the company's assets. In a series of "extraordinary orders," Judge Ruiz allowed the Receiver to expand his reach to include the assets of family members and unrelated entities.

The Violation: These individuals were never given an evidentiary hearing. They were never allowed to cross-examine the Receiver's "investigators."

The Result: Homes and personal savings were seized based on the Receiver's say-so, effectively stripping dozens of people of their livelihoods without a single day in court.

4. The "My Receiver" Partnership

The phrase "My Receiver"—reportedly used by Judge Ruiz—tells you everything you need to know about the lack of impartiality. A judge's job is to be the referee. Instead, the motion argues that Ruiz became the "coach" for the Receiver's team.

The Receiver and his lawyers—many of whom are former federal prosecutors—acted as a "shadow" SEC. They used the defendants' own money to:

Perform the SEC's investigative work so the SEC didn't have to use its own budget.

Draft the very orders that Judge Ruiz would then sign.

Incentivize their own existence by draining the estate at a rate of roughly \$1 million per month.

5. A Privatized Execution

The math is simple and sickening. While the defense was kept in the dark without discovery for six months, the Receiver was draining the estate. By the time the defense finally got the evidence they needed in February 2021, the company had been liquidated and the reputation was destroyed.

The recusal motion was a desperate cry for a level playing field. Looking back, the fact that these top-tier firms were willing to risk their standing to call out Judge Ruiz's bias should make anyone wonder how he remained on the case. In this courtroom, the Bill of Rights was a secondary consideration to the Receiver's bottom line.