Padding the Tab: How the Par Funding Receivership Bleeds the Estate Through Unlawful Expenses

By: The Freedom Fighters

When a federal court places a business into an equity receivership, every dollar in the estate is supposed to be safeguarded for one purpose: returning capital to investors and creditors. The court-appointed receiver and his retained professionals are fiduciaries, held to strict ethical and statutory constraints. They are not authorized to treat the receivership estate as an open expense account or an unchecked business venture.

Yet in Docket Entry 1751—Receiver Ryan Stumphauzer's Thirteenth Application for Professionals' Fees and Expenses—the out-of-pocket expense ledgers reveal a calculated campaign of financial extraction. Beneath tens of millions of dollars in legal fees lies a pattern of unauthorized expense shifting, artificial real estate procedures orchestrated by Gaetan Alfano, and persistent violations of core federal and ethical standards governing fee awards.

The Real Estate Scam: How Gaetan Alfano Manufactured a Transaction Fee Machine
In standard commercial and residential real estate transactions, the division of closing costs and responsibilities is clear: a seller retains a listing agent, the agent prepares comparative market analyses to set an asking price, and the property is listed. Once under contract, the buyer pays for title searches, title insurance commitments, municipal lien letters, and lender appraisals. Any person who has ever bought or sold real estate knows this process. Sellers do not commission their own private appraisals or purchase full closing title packages simply to put an asset on the market.

Under Gaetan Alfano's direction at Pietragallo Gordon Alfano Bosick & Raspanti, LLP, the receivership flipped this standard upside down. The Pietragallo firm charged the estate for pre-sale appraisals, premature title commitments, municipal lien searches, and transfer certifications on properties across the portfolio. Not only did Alfano charge separate out-of-pocket costs for this, but he and his associates billed hourly rates in the tens of thousands just to "review" and digest the paperwork they unnecessarily generated.

To legitimize this extraction, the Receiver points to the federal judicial sales statute, 28 U.S.C. § 2001(b), which governs private sales of realty held in custodia legis.

While the statute requires three disinterested valuations to protect estate equity, Alfano and the legal team weaponized this requirement into a multi-layered billing funnel:

Double-Dipping on Commissions and Hourly Rates: The receivership routinely retains licensed brokers who take standard 5% to 6% commissions off the top at closing. Gathering tax certs, identifying municipal liabilities, and liaising with title officers are basic operational duties covered by broker commissions. Instead, senior partners billing at premium rates routinely inserted themselves into routine tasks—billing tenths of hours to "communicate with broker regarding listing status," "review draft flyer," and "coordinate property access." The estate pays the broker's commission and pays partner hourly rates for the exact same ground-level administration.
(What are they the Real Estate agent's assistants?)

Duplicative Pre-Listing Invoicing: The ledgers in DE 1751 show line items like $250 to $750 for "Title Search / Municipal Lien Letter" and $1,500 to $3,500 per property for preliminary valuation appraisals—disbursed months before any prospective purchaser was even identified. When the parcel reached a confirmed closing, the settlement statement hit the estate again for standard buyer-side settlement charges and closing fees.

Manufactured Churn on Every Parcel: A single parcel was systematically mined for fees: drafting applications to appoint three statutory appraisers, reviewing each appraiser's report, drafting the judicial sale motion, drafting the confirmation motion, coordinating closing binders, and preparing deeds. In multiple instances across the firm's ledgers, estate properties generating modest equity were eroded by $15,000 to $30,000 in accumulated legal time and line-item disbursements before a buyer ever took title.
(That went directly into the Receiver's pocket on top of the legal fees he charged to do all this made-up work!)

*****Instead of collecting on outstanding balances from merchants, he created work to line his pockets that is not even real work because the title company must guarantee and issue the policy!***

Violations of ABA Guidelines and SEC Receivership Rules
Beyond real estate manipulations, the out-of-pocket expense ledgers directly breach governing standards established by the American Bar Association (ABA), the Securities and Exchange Commission (SEC), and federal courts:

1. Passing General Overhead to the Estate

Under ABA Formal Ethics Opinion 93-379, a lawyer may not charge a client for overhead expenses associated with maintaining and staffing an office. The SEC Billing Instructions for Receivers in Civil Actions explicitly bar reimbursement for routine office overhead, holding that approved hourly rates are presumed to incorporate administrative costs. Under Missouri v. Jenkins, 491 U.S. 274 (1989), ordinary operational costs cannot be unbundled and passed through to the client.

The Ledger Proof: In DE 1751, the Pietragallo expense exhibits repeatedly list itemized charges for Westlaw and LexisNexis computerized legal research, billing charges ranging from $85.00 up to several hundred dollars per session. Computer-assisted research subscriptions are the law-firm equivalent of electricity or internet access—fixed enterprise tools. Passing raw database charges onto the estate violates both SEC billing rules and the ABA's strict prohibition against unbundling firm overhead.
To our readers-there are hundreds of sessions!

2. Excessive Overnight Shipping Disbursements
The SEC Billing Instructions state that all expenses must be necessary, reasonable, and incurred using the most economical means available. Premium courier and shipping costs are non-reimbursable absent a documented emergency deadline.

The Ledger Proof: The Pietragallo and Stumphauzer expense schedules feature repeated line items for FedEx Priority Overnight and UPS Next Day Air services ($35.00 to $120.00+ per drop) for routine correspondence, demand notices, and non-emergency administrative exchanges. Compounding this, paralegals, and junior associates regularly billed increments of 0.1 and 0.2 hours ($40 to $90 in time) simply to prepare the courier slips and track the package. The estate was hit with a dual bill: high-priority carrier rates combined with professional time spent filling out mailing labels.
This was done hundreds of times per bill!

3. Redundant Out-of-Jurisdiction Partner Travel
Federal fee jurisprudence dictates that an estate cannot be forced to absorb out-of-pocket travel, luxury lodging, and per diem expenses for out-of-state attorneys when competent, court-approved local counsel is already retained and appearing in that jurisdiction.

The Ledger Proof: Pietragallo operates out of Philadelphia; Stumphauzer, Kolaya & Sloman PLLC operates out of Miami. Yet the expense ledgers show recurring roundtrip airfare ($400–$800+ per ticket), premium hotel lodging ($250–$450/night), and rideshare/per diem charges shuttling attorneys back and forth between South Florida and Pennsylvania.

Why are investors paying for Florida-based lawyers to fly north, or Philadelphia-based lawyers to fly south, when the Receivership maintains fully staffed, high-priced, court-appointed counsel in both cities simultaneously? It is duplicative, unnecessary, and an explicit violation of SEC economy mandates.

Private Eyes and Shadow Agents: Subsidizing the FBI on the Estate's Dime
The most indefensible category buried in DE 1751 is the estate-funded deployment of third-party private intelligence contractors, notably H.D. Investigative Group, LLC—an investigative outfit staffed by former federal law enforcement personnel.

The Fiduciary Boundary: A civil equity receiver is an arm of the court tasked with marshaling and liquidating estate property, not an auxiliary police force. The only lawful use of private investigators in a civil receivership is strictly transactional: locating a specific hidden corporate bank account, skip-tracing an evasive debtor to execute a judgment or pinpointing titled physical collateral.

The Reality of the Billing: The billing records reveal extensive payments to H.D. Investigative Group and related third-party vendors for broad-scale background investigations, target surveillance, individual dossier compilation, and entity profiling. These entries mirror the work product of the Federal Bureau of Investigation (FBI) and the United States Attorney's Office (USAO).

Criminal background checks, shadowing targets, and assembling intelligence dossiers to build criminal prosecution files are core Department of Justice functions, funded by congressional tax appropriations. For an equity receiver to retain private intelligence operatives to conduct investigative field operations—and then submit the invoices to be paid out of the estate's recovery fund—is an abuse of equitable power.

Under federal fee guidelines, any disbursement that cannot prove a direct, measurable economic recovery for the receivership estate must be disallowed. Bankrolling private investigators to gather intelligence on targets does not return a single dollar to Par Funding investors. It serves only to run up the professional tab and weaponize civil estate funds to subsidize federal prosecutors.

The Pattern: Churning the Estate Under the Guise of Preservation
An equity receivership exists to maximize recovery for investors and creditors, not to operate as an unchecked billing engine for retained law firms.

By turning routine statutory sales under 28 U.S.C. § 2001 into duplicative fee mills, passing routine overhead and database subscriptions through as disbursements, billing cross-country travel between co-counsel offices, and bankrolling shadow investigative units, Receiver Ryan Stumphauzer and Gaetan Alfano have lost sight of their fiduciary mandate. The duty to preserve assets has been displaced by an ongoing process of padding the tab, depleting the very recovery fund the court entrusted them to protect.