The $2.5 Million Receivership Rip-Off: How Law Firm Partners Are Churning Bills, Stonewalling Discovery and Acting as Shadow Prosecutors

Welcome to the $2.5 million legal shakedown.

For months, freedom fighters and advocates for the investors have warned that the receivership estate is being bled dry. The proof is right here in the Receiver's Fourth Application for Allowance and Payment of Professionals' Fees and Reimbursement of Expenses. And this is only one of twenty-four billings—there are more exposures to come.

In just three months (April to June 2021), this single fee application spans over 700 pages and represents 6,557.8 billed hours. The professionals demanded an eye-watering **$2,486,117.96.** Instead of focusing on their legal mandate to marshal and preserve assets for the investors, the Receiver and law firm partners managing this case are churning billing, nickel-and-diming the estate, and using the investors' money to function as an auxiliary investigative agency for law enforcement.

Gaetan Alfano and the "Nickel-and-Dime" Masterclass
If you want to understand how a legal bill balloons to $2.5 million in a single quarter, look no further than the partners at these elite firms, particularly Gaetan J. Alfano of the Pietragallo firm.

Alfano appears to have mastered the art of the "0.10-hour charge." Legal billing is broken down into 0.10-hour (six-minute) increments, meaning even reading a one-sentence email costs the estate $39.50 at his $395-per-hour rate.

A review of the billing logs reveals that Alfano repeatedly billed dozens of these tiny entries back-to-back, churning out fees just for glancing at correspondence. Take April 12, 2021, as a prime example of many. On this single day, Alfano billed the estate for ten distinct 0.10-hour tasks, including:

"CORRESPONDENCE RE: MERCHANT INQUIRY, ATTORNEY TOWING."
"REVIEWING MERCHANT DIRECTION LETTERS."
"REVIEWING COURT OF COMMON PLEAS, PHILADELPHIA SCHEDULING ORDER..."
"CORRESPONDENCE RE: INFORMATION REQUESTED BY ATTORNEY TOWING."
"CORRESPONDENCE RE: INFORMATION REQUESTED RE: FLORIDA BASED AUTOS."
"BANKRUPTCY ORDER (AND MERCHANT DATA)..."

(To our readers-there are so many examples of this behavior, but we obviously could not list them all so above is one example.)

By logging every single brief email read and letter skimmed as a separate six-minute task, Alfano charged the estate $395.00 for what was likely just a few minutes of quickly clearing out his morning inbox.

The Rules Violated:

ABA Model Rule 1.5(a) (Unreasonable Fees)
A lawyer shall not make an agreement for, charge, or collect an unreasonable fee or an unreasonable amount for expenses. Padding bills with multiple 0.10-hour increments for trivial, seconds-long email checks inflates total time beyond what was reasonably expended.

SEC Billing Instructions for Receivers in Civil Actions: Receivership guidelines strictly require that all fee requests be strictly necessary and reasonable, explicitly prohibiting routine overhead padding and artificial bill churning.

Out of Scope: Unpaid Investigators for the FBI, SEC, and USAO
A receiver's core legal mandate is strict and clear: marshal assets, operate the estate efficiently, and maximize return to creditors and investors. A receiver is not an agent of federal law enforcement. Yet, the invoice entries prove that Stumphauzer, Alfano, and their team are using investor funds to function as a de facto investigative wing for the FBI, the United States Attorney's Office (USAO), and the Department of Justice (DOJ).

Instead of billing for activities that bring money into the estate, these high-priced partners routinely bill the estate for doing federal law enforcement work:

Direct FBI Coordination Billed to Investors:
04/01/2021 (Gaetan Alfano): "CORRESPONDENCE WITH FBI RE: COLE EMAILS."
04/14/2021 (Douglas Rosenblum): "DRAFTING CORRESPONDENCE TO FBI RE: LAPTOP COMPUTER ASSIGNED TO A. FAZIO"
04/16/2021 (Gaetan Alfano): "CORRESPONDENCE WITH FBI RE: AG MORGAN PPMS."
Servicing the U.S. Attorney's Office & Grand Jury Subpoenas:
05/07/2021 (Timothy Kolaya): Billed the estate to review documents and coordinate a response to a "government request for list of investment fund managers and investors."

05/21/2021 (Ryan Stumphauzer): Billed to review "correspondence from Rosenblum and USAO re: CBSG investor list..."

06/05/2021 (Timothy Kolaya): Billed $237.00 (0.60 hrs.) to conduct legal "Research in connection with grand jury proceedings and compelled disclosure in civil proceedings of testimony or documents provided in response to DOJ subpoenas."

(Don't they have their own budget? Aren't the Receiver and his counsel an arm of the court? And once again this is a small sample size of many billing entries just like this)

Managing Ongoing Law Enforcement Inquiries at $395/hr.:
05/27/2021 & 06/17/2021 (Ryan Stumphauzer): Billed to "Review and respond to email re: ongoing law enforcement requests to Par Funding employees, handling of same."
05/28/2021 (Ryan Stumphauzer): Billed for "Email correspondence with Bogen re: Klenk, law enforcement inquiries."

The Receiver himself admitted in this billing that responding to criminal investigations by the USAO and other governmental agencies required analyzing hundreds of thousands of documents. But why are investors paying $395.00 an hour for partners to function as unpaid paralegals and document couriers for federal prosecutors and the FBI? That is completely outside the mandate of an equity receivership.
Once again, they have their own budget for this!

The Rules Violated:
The Receivership Order & Equity Receivership Jurisprudence (SEC v. Elliott): Receivers and their retained counsel are officers of the court appointed strictly to protect and administer estate assets for the benefit of creditors and investors.

Draining receivership funds to perform free investigative labor for parallel government prosecutions exceeds the scope of the court's appointment order.

SEC Billing Instructions for Receivers: **Mandates that professional fees must directly benefit the receivership estate and its investors, prohibiting charging the estate for services rendered for third parties or separate governmental entities.**

Stonewalling Discovery: Billed to the Estate
The receivership team was not just working for federal law enforcement; they were actively using the estate's money to stall the defendants from mounting their own defense.

When the defendants attempted to obtain discovery from the Receiver and DSI, Kolaya and Stumphauzer billed thousands of dollars to block them.

-On June 4, 2021, Kolaya billed 0.80 hours ($316.00) simply to review LaForte's discovery requests and devise a strategy to file objections and seek a protective order.

*****At this point, 10 months later the defense was still without discovery while the Receiver already charged $10 million in fees ($1 million per month)**
Mr. Timothy Kolaya, the Freedom Fighters want to know why are you strategizing to prevent due process?? What is there to strategize about? How to violate due process and how to continue this billing charade!

-On June 9, 2021, Kolaya billed an astonishing 3.20 hours ($1,264.00) drafting a motion for a protective order and to quash a subpoena aimed at DSI and a deposition notice for Stumphauzer.

-That same day, Associate Austen Weinberg spent 1.80 hours ($180.00) researching whether the Receiver could claim "judicial immunity" to avoid being deposed altogether.

*****Why would you collude to try and not be deposed? What are you hiding? Having strategizing sessions on the estate's dime continuously conspiring to try to violate due process! The irony is that Mr. LaForte begged to be deposed and was denied permission to testify at his own trial.**

The next day, June 10, 2021, Kolaya billed another 1.80 hours ($711.00) finalizing the motion to quash and the protective order.

By June 17, 2021, Kolaya billed 0.40 hours ($158.00) negotiating an "indefinite extension" to avoid complying with subpoenas and deposition notices for DSI and Stumphauzer.

Instead of complying with standard legal discovery, the Receiver's team drained the investors' funds to build a legal fortress around themselves, ensuring the defendants could not access crucial information to state their case.

The Rules Violated:
Federal Rule of Civil Procedure 26(g) & 26(c): Requires discovery responses and objections to be consistent with the rules, not interposed for any improper purpose (such as to cause unnecessary delay or needlessly increase the cost of litigation).

ABA Model Rule 3.4 (Fairness to Opposing Party and Counsel): A lawyer shall not unlawfully obstruct another party's access to evidence or make a frivolous discovery request or failure to comply.

SEC Billing Instructions:
Prohibits billing the receivership estate for litigating defensive discovery battles that do not advance asset preservation or financial recovery for investors.

There are hundreds and hundreds of billing records of the Receiver and his cronies stonewalling discovery. There are too many to list!

The "Waking Hours" Theory: Do These Lawyers Sleep?
When you review a 700-page invoice containing thousands of hours of legal work over one three-month period, a critical question emerges: Are these billed hours physically possible? Do these partners sleep, eat, or service other clients?

When analyzing the daily output of Partner Timothy Kolaya, the math strains credibility.
On May 11, 2021, Kolaya billed the following list of tasks to this single case:
Drafting the factual background for an answer brief (3.50 hours).
Zoom meeting with the receivership team (2.10 hours).
Researching for the answer brief (1.80 hours).
Zoom meeting with DSI to discuss overview (1.30 hours).
Reviewing an order denying a motion to dismiss (0.70 hours).
Review of an investor inquiry (0.50 hours).
Reviewing a defendant's response (0.50 hours).
Revising a term sheet (0.40 hours).
Conferring regarding life settlements (0.40 hours).
Call with an SBA lender (0.40 hours).
Call with a former employee (0.20 hours).
Total for one day: 11.8 hours of purely billable time.

***The Freedom Fighters would love to see a full report from their law firm on May 11, 2021, of other clients that were billed during the same hours!**

If a lawyer works at 100% maximum efficiency without a single break for lunch, the restroom, or checking personal emails, 11.8 hours require sitting at a desk from 8:00 AM to nearly 8:00 PM without stopping. And this is just for one client on one day.

Kolaya pulled a similar marathon on May 22, 2021, billing a single, unbroken block of 11.40 hours ($4,503.00) just to draft and revise an appellate brief.

What appellate brief by the way? Par Funding never appealed to the SEC's case until 2023! This brazen billing is because Judge Rodolfo Ruiz does not read them. And who could blame him when they are 700 pgs. long!

When lawyers bill 11 to 12 hours a day on a single case, it is a massive red flag. The sheer volume of hours pumped into this case suggests an operation designed to maximize partner profits at the direct expense of the investors they claim to be protecting.

The Rules Violated:
ABA Model Rule 1.5(a) & Federal Lodestar Principles (Norman v. Housing Authority of Montgomery): Rates and total hours charged must be reasonable. Billing massive, questionable daily hour totals without breaking down discrete tasks violates the lodestar requirement that only hours reasonably expended be compensated.

SEC Billing Instructions (Rule 4 - Prohibiting Block Billing): Mandates that time records contain detailed, itemized descriptions for each discrete activity. Lumping 11.40 hours into a single entry conceals inefficiencies, prevents proper auditing, and violates SEC billing standards.

This 700-page bill is just the tip of the iceberg. The Freedom Fighters will continue analyzing all twenty-four billings.