The Shadow Prosecutor: How the Par Funding Receivership is Subsidizing the Department of Justice on the Investors' Dime

When a federal court appoints an equity receiver in a civil Securities and Exchange Commission (SEC) matter, the legal mandate is clear, narrow, and fiduciary: preserve business assets, marshal recovery for investors and creditors, and neutrally administer the corporate estate. The receiver is not a deputized agent of the Federal Bureau of Investigation (FBI), nor an unappointed assistant to the United States Attorney's Office (USAO).

Yet, a close examination of Docket Entry 1751, Receiver Ryan Stumphauzer's Thirteenth Application for Allowance of Professionals' Fees tells an entirely different story. Hidden behind the defense that the Receiver now "represents" Complete Business Solutions Group (CBSG) /DBA Par Funding in the parallel criminal case in the Eastern District of Pennsylvania, despite Douglas K. Rosenblum's complete conflict of interest and the fact that the Receiver himself would have been called by the defense as a witness at trial at the Freedom Fighters have exposed in previous posts.

The billing ledgers reveal a troubling pattern: the Receivership Estate is functioning as an auxiliary, de facto prosecution unit. Instead of merely defending corporate liability or liquidating assets, the Receiver's legal team is routinely billing hundreds of dollars an hour to scrutinize criminal defense dockets, vet discovery for federal prosecutors, monitor bail conditions, and help the government construct its case against individual targets—all funded by the very money supposed to go back to creditors.

Part I: The De Facto Prosecutor in Action

When a corporate entity faces criminal charges, a legitimate defense involves evaluating organizational exposure, reviewing corporate fines, or exploring plea structures. It does not include charging an equity estate to monitor the individual trials, bail rules, and legal defense motions of co-defendants as well as attending sentencing hearings regardless of the fact the Receiver illegally represents Par Funding due to a clear conflict of interest.

Here is where the billing entries cross the line from corporate fiduciary to shadow prosecutor: **(Here is an example of just a few, but there are hundreds of entries)**

1. Policing Individual Bail Conditions and Jail Logistics

-July 17, 2023 (DKR – 0.20 hrs / $79.00): "Reviewing motion filed by Defendant Cole in E.D.

PA. criminal matter to amend release conditions to allow contact with co-defendants in the presence of counsel..." (Ex. 4(b) at 29).

The "Why": A co-defendant's conditions of pretrial release have zero bearing on CBSG's corporate balance sheet or criminal liability. Bail conditions are strictly the concern of Pretrial Services and the USAO. Spending estate funds to track whether a co-defendant can speak to others is purely criminal investigative monitoring.
(This is blatantly obvious that they wanted to stonewall co-defendant meetings)

-August 2, 2023 (RKS – 0.40 hrs / $158.00): Block-billed entry including: "...Review Alfano email re: government Motion to provide laptop to Joe and Jimmy to review discovery and lifting separation order to review discovery together, issues with same..." (Ex. 4(a) at 35).

The "Why": How incarcerated defendants access electronic discovery in a federal detention facility or whether the Bureau of Prisons enforces separation orders is between defense counsel, the government, and the custodial facility. The civil Receiver has no legitimate corporate mandate to bill estate funds debating "issues with same" to hinder defense trial prep. **(They did everything they could so defendants could not have access to their discovery- once again they are stonewalling!)**

2. Intelligence Gathering on Separate Indictments
-July 31, 2023 (DKR – 0.30 hrs / $118.50): "Reviewing criminal dockets in E.D. PA. for James LaForte (filed in March 2023) and Joseph LaForte gun case (to investigate whether charges or trials have been scheduled in conjunction with criminal case against CBSG)" (Ex. 4(b) at 55).

For our Freedom Fighter readers if you want to learn more about the "gun case" which was complete non-sense please read the previous post, "The 3 Minute Setup".

-August 29, 2023 (RKS – 0.30 hrs / $118.50): "Brief review of MTD in LaForte firearms case and email correspondence with Rosenblum re: same, including response from government..." (Ex. 4(a) at 56).
The "Why": CBSG/Par Funding has no criminal exposure relating to an individual firearm indictment. Reviewing an individual's Motion to Dismiss (MTD) and monitoring docket activity on separate gun charges is intelligence work for a prosecutor's trial brief, not corporate asset preservation.

3. Fighting Defense Conflict Motions Hand-in-Glove with the AUSA

When the defense moved to disqualify the Receiver’s counsel in the criminal case because counsel had effectively transformed into a key government witness, the Receiver’s attorneys did not simply defer to the court or the prosecutor. They coordinated strategy directly with the government:

-July 6, 2023 (DKR – 0.10 hrs / $39.50): "Receiving telephone call from prosecutor re: government's position concerning disqualification in criminal matter" (Ex. 4(b) at 8).

-July 6, 2023 (MEY – 3.50 hrs / $1,032.50 across two entries): Researching case law on whether providing evidence to prosecutors or conferring with shareholders transforms an attorney into a trial witness (Ex. 4(b) at 11).

-July 6–7, 2023 (DKR – 4.70 hrs / over $1,850.00): Drafting, editing, and filing formal briefing to defeat the conflict motion (Ex. 4(b) at 12, 15). ***(Instead of Douglas K. Rosenblum using his own judgment as he was supposed to do he is trying to defeat the Conflict Motion itself)***

-July 10, 2023 (TAK – 0.20 hrs / $79.00): "Review of government's response on issue regarding potential disqualification in criminal case and emails with co-counsel re same" (Ex. 4(a) at 13).

The "Why": When a court-appointed fiduciary and the criminal prosecutor confer on positions and file mirror-image resistance against defense motions, the line separating a neutral civil administrator from an enforcement arm of the DOJ disappears.

Part II: Discovery Gamesmanship and Merchant Evidence Curation

The most glaring evidence of this shadow prosecution is how discovery is managed. In a standard civil receivership, the receiver responds to third-party subpoenas and makes records available evenly to all parties under Federal Rules of Civil Procedure and Criminal Procedure.

Instead, the Receiver's billing demonstrates an active, ongoing effort to curate, re-produce, and tailor merchant evidence specifically for the federal prosecution team:

-July 7, 2023 (DKR – 0.30 hrs / $118.50): "Reviewing and replying to correspondence from government to all counsel re: tranche of discovery materials available in criminal matter in E.D. PA.; reviewing responses by other defense counsel to same" (Ex. 4(b) at 13).

-July 14, 2023 (DKR – 0.30 hrs / $118.50): Reviewing discovery correspondence from the government (Ex. 4(b) at 25).

-July 18, 2023 (DKR – 0.50 hrs / $197.50): Participating in multiple communications with the prosecution regarding discovery productions and organizing scheduling conferences (Ex. 4(b) at 32).

-July 21, 2023 (DKR – 0.50 hrs / $197.50): Attending a discovery meet-and-confer with the government (Ex. 4(b) at 39).

-July 26, 2023 (DKR – 0.60 hrs / $237.00 across two entries): Conferring with the government regarding the re-production of merchant files, specifically targeting "documents previously produced regarding 29 merchants" (Ex. 4(b) at 49).
-August 1, 2023 (DKR – 0.20 hrs / $79.00): Further correspondence with the government regarding requests for reproduction of merchant files (Ex. 4(b) at 57).
-September 25, 2023 (RKS & TAK – 0.50 combined hrs / $197.50): Billing estate funds to digest and review the government's expert witness disclosures in the criminal case (Ex. 4(a) at 76, 77).

The Discovery Trap:
By controlling millions of Par Funding's internal records, merchant files, and accounting archives, the Receiver acts as a discovery gatekeeper. Rather than acting as a neutral repository, the billing shows the Receiver's counsel actively coordinating tranches of evidence with prosecutors, curating specific merchant files, and vetting government expert disclosures. Meanwhile, the estate picks up the tab while defense teams are forced to battle for access to basic operational files.

Part III: The Two-Front Trap: How a De Facto Prosecutor Cripples the Defense
Beyond the improper diversion of estate funds, the Receiver's transformation into an auxiliary arm of law enforcement creates an unfair structural disadvantage for the defendants.

In any criminal proceeding, the Constitution guarantees a defendant the right to a fair fight against the government. But when a court-appointed equity receiver acts in lockstep with the United States Attorney's Office, the defense is forced into an engineered two-front war:

Fighting a Second Well-Funded Adversary with the Defendant's Own Assets:
The individual defendants find themselves battling not just the Department of Justice, but a private army of high-priced commercial litigators. The Receiver controls the company's servers, emails, financial ledgers, and merchant contracts—infrastructure built by the defendants. Rather than acting as a neutral custodian where both sides have fair, balanced access, the Receiver uses that direct control to feed the prosecution while forcing the defense to fight and jump through procedural hoops for basic corporate files. Worse, this shadow adversary is financed entirely by millions of dollars drained directly from the receivership estate and LaForte and McElhone's Trust assets.

The Strategic Weaponization of Pretrial Incarceration:
When the Receiver bills hours to monitor bail conditions, strategize on jailhouse laptop

discovery access, or coordinate with the prosecution on whether co-defendants can communicate, the strategic effect is obvious: keep the primary defendant immobilized. An incarcerated defendant cannot effectively audit the Receiver's operations, verify whether merchant loans are being settled at pennies on the dollar, or mount an aggressive defense against incoming fee petitions. Locking down the key operational player clears the field.

The Unchecked "Forever Billing" Machine:
With the key target locked up and forced to fight criminal charges from a prison cell, with both hands tied behind his back, with limited access to attorneys and discovery while the receivership operates with no resistance. The SEC, having initiated the civil enforcement action, routinely stays silent on fee requests, while the presiding court signs off on quarterly applications for fees, seven hundred pages long within 24 hours and running through millions of dollars without rigorous, line-by-line scrutiny.

It becomes an ongoing cycle:
-The Receiver assists the criminal prosecution to keep the defendants pinned down.
-The defense's operational capacity to object or conduct a counter-audit is compromised.
-Millions of dollars in fees are rubber-stamped quarter after quarter.
-The very funds that the court promised to preserve for investors are steadily depleted to maintain the machinery that put the defendants in prison.

Part IV: Standard ABA & SEC Billing Violations
Beyond the constitutional and statutory concerns of acting as an auxiliary prosecutor, the application reveals classic violations of American Bar Association (ABA) billing guidelines, SEC Receiver Billing Instructions, and established federal fee jurisprudence:

1. Pervasive 0.1-Hour (6-Minute) Inflation for Trivial Tasks
Billing guidelines strictly warn against minimum tenth-of-an-hour increments applied to automated, ministerial, or single-sentence tasks. Yet the fee ledgers are saturated with single 0.1-hour entries: **(Too many to list, but here are a few examples)**
-Billed $39.50 (0.1 hr) to sign a standard appraisal for 142 N. 2nd St. (07/01/2023, Ex. 4(a) at 2).
-Billed $39.50 (0.1 hr) to sign an agreement for 241 N. Bryn Mawr Ave. (07/07/2023, Ex. 4(a) at 10).
-Billed $39.50 (0.1 hr) to sign title requests (07/26/2023, Ex. 4(a) at 30).
Four consecutive 0.1 entries on the same day by timekeeper MS simply to send routine emails asking if an attorney would satisfy a judgment (07/26/2023, Ex. 4(b) at 47).
2. Clerical and Secretarial Work Billed to the Estate

Under settled law (such as Missouri v. Jenkins), purely secretarial and administrative tasks are overhead factored into a firm's hourly rates; they cannot be billed separately to an estate. In this fee petition, paralegals repeatedly bill to:

Print deeds, walk them over for a signature, notarize them, and drop envelopes into FedEx boxes (07/05/2023, 07/11/2023, 08/24/2023, Ex. 4(a) at 5, 13, 52).

"Print last 3 status reports for Ryan Stumphauzer's meeting with SEC" (07/11/2023, Ex. 4(a) at 13).

Prepare shipping labels to SEC attorney Sean O'Neill (09/18/2023, Ex. 4(a) at 72).

3. Rampant Inter-Firm Duplication & Multi-Lawyer Conferencing

The estate is routinely subjected to "penciling in" three to four partners at $395.00/hour each for the same internal meetings:

-July 13, 2023: Four partners (RKS, TAK, GJA, DKR) each billed for the exact same internal Zoom call discussing the criminal case and victim claims, running up 4.3 partner hours ($1,698.00) for a single internal discussion (Ex. 4(a) at 17; Ex. 4(b) at 24, 25).

-July 18, 2023: Three partners simultaneously billed for a routine internal phone conference (Ex. 4(a) at 22, 23; Ex. 4(b) at 34).

-July 31, 2023: Three partners billed 1.50 hours each ($1,777.50 total) to jointly review the Quarterly Report (Ex. 4(a) at 32; Ex. 4(b) at 56).

As a reminder, this is just a few. There are so many examples!

4. Vague, Uninformative Entries

Billing entries must provide sufficient detail so the court and interested parties can assess whether the time was necessary and reasonable. Instead, the records contain entries such as:

"Afternoon phone calls with G. Alfano re: Receivership matters" (07/06/2023, Ex. 4(a) at 7).

"Analyze collections, cash" (07/07/2023, Ex. 4(b) at 13).

"Correspondence re: security issues" (07/10/2023, Ex. 4(b) at 15).

An entire professional entry described only as "Asset Disposition" (08/15/2023, Ex. 4(a) at 44).

Part V: Breaking the Limits of Human Endurance: The "Waking Hours" Theory & Governing Rules

When assessing fee applications, federal courts apply the "waking hours" or "human endurance" doctrine. Grounded in ABA Model Rule 1.5(a) (which mandates that a lawyer shall not make an agreement for, charge, or collect an unreasonable fee or amount for expenses), SEC Billing Instructions for Receivers in Civil Actions, and foundational

Supreme Court fee jurisprudence like Hensley v. Eckerhart, 461 U.S. 424 (1983), attorneys are strictly prohibited from billing excessive, unverified, or physically implausible hours. Under Hensley, courts must exclude hours that are "excessive, redundant, or otherwise unnecessary," holding that billing an estate requires the same "billing judgment" an ethical attorney exercises with a private paying client.

When timekeepers bill massive, consecutive 10- to 12-hour days on generic, unitemized tasks, courts routinely impose steep percentage cuts or strike the hours entirely as incompatible with reasonable professional endurance. But the problem in the Par Funding case is Judge Rodolfo Ruiz did not even read them!

In Docket Entry 1751, the records reflect these exact warning signs:

1. Multi-Day Clusters of 10+ Hour Days on Generic Drafting

In Exhibit 4(a), associate timekeeper AMB (billed to the estate at $295.00/hour) records immense daily hours on vague brief writing, without itemizing what sections, research points, or arguments were being drafted:

-August 29, 2023: 6.10 hours on "Preparation of answer brief" (Ex. 4(a) at 56).

-August 30, 2023: 6.40 hours on "Preparation of answer brief" plus 3.90 hours on other tasks = 10.30 billable hours in a single 24-hour window on this single case (Ex. 4(a) at 57).

-August 31, 2023: 5.70 hours on "Preparation of answer brief" plus 4.80 hours on related motions = 10.50 billable hours in a single day on this single case (Ex. 4(a) at 58).

Billing 10 to 11 pure, uninterrupted billable hours per day on a single file under generic descriptions violates basic billing judgment guidelines. It reflects either fatigue-driven, inefficient work or lump-sum estimation both of which are disallowed under Hensley and ABA Model Rule 1.5.

2. The Assembly-Line "Cookie-Cutter" Daily Billing (Timekeeper KAS2)

At Pietragallo Gordon Alfano Bosick & Raspanti, LLP (Exhibit 4(b)), timekeeper KAS2 logs back-to-back, identical 0.60-hour and 0.70-hour blocks across dozens of files on single dates (e.g., July 4, July 5, July 12, July 20, July 26). On these days, the timekeeper logs repetitive file reviews using copy-pasted text:

"[Company Name] - REVIEW FACTORING AGREEMENT; PACER REVIEW OF FILINGS; REVIEW SOS RECORDS FOR COMPANY; MEMO TO RJP REGARDING RESULTS" (Ex. 4(b) at 1, 4–6, 9–10, 20–21, 23–24, 35–37, 40–42, 48–49).

When repetitive entries are entered in identical 36-minute (0.60) or 42-minute (0.70) increments for hours on end, fee auditors recognize this not as contemporaneous timekeeping, but as formulaic, assembly-line time recording. This practice violates SEC Receivership Guidelines requiring exact, contemporaneous recording of actual time spent.

3. Joint Multi-Partner "Super Days"

The waking-hours problem also manifests in the aggregate: on days like July 13, 2023, and July 31, 2023, four senior partners (Stumphauzer, Kolaya, Alfano, and Rosenblum) jointly billed dozens of hours coordinating internal status updates, reviewing the same draft reports, and talking to one another. When four partners bill substantial blocks simultaneously to coordinate internally, the estate is billed for 20 to 30 partner hours in a single business day simply so the lawyers can confer. Under ABA Model Rule 1.5 and the SEC Billing Instructions, an estate cannot be double-, triple-, or quadruple-billed for internal handholding.

The Bottom Line

An equity receivership exists to protect assets and deliver maximum recovery to creditors. It was never designed to be an off-the-books investigative bureau or an evidence-processing clearinghouse for federal prosecutors.

When the Receiver bills the receivership estate to monitor bail requests, debate jailhouse laptop access, coordinate discovery tranches with the USAO, assemble merchant files for criminal prosecution, and log questionable waking-hours marathons, the estate is paying for the prosecution. Stripping away the legal jargon leaves a simple reality: what was structured as an equitable shield to preserve money for investors has been turned into a sword to crush the defense, allowing the receivership to operate an unchecked, self-funded billing campaign while regulators and the court look the other way.