The Estate-Funded Prosecution: How Court-Appointed Receivers e-Discovery Proxy Subsidized Federal Investigations on the Estate's Dime

In federal equity receiverships, court-appointed receivers and their forensic vendors are bound by a strict fiduciary mandate: serve as neutral officers of the court to marshal, preserve, and maximize assets for investors and creditors. In SEC v. Complete Business Solutions Group, Inc. (Case No. 9:20-cv-81205-RAR, S.D. Fla.), the paper trail tells a drastically different story.

Itemized billing records from forensic vendor Lawgical Insight, LLC reveal over $340,000 billed directly against the receivership estate to run custom discovery, configure private review platforms, locate "hot documents," and courier evidence to the Securities and Exchange Commission (SEC), the Department of Justice (DOJ), the United States Attorney's Office (USAO), and the FBI.

Compounding this conflict, Lawgical Insight operated directly out of the Receiver's own office suite, destroying any semblance of an arm's-length, independent relationship. Rather than acting as neutral custodians of the court, the Receiver and its in-house vendor worked hand-in-glove to curate an easy path for government agencies to access discovery while effectively crippling the defense.

While government prosecutors and civil plaintiffs enjoyed white-glove, estate-subsidized evidentiary processing, the defense was handed an unmanageable 17-terabyte dump of scrambled, password-protected, and encrypted data. To make matters worse, personal, and business hardware seized at the inception of the case has been withheld for six years, denying the defense access to their own original devices. To present the defendants have not received any of their original devices. When viewed against the staggering $60.5 million billed by the Receiver and professionals to the estate, the motive becomes clear: **protect immense fees by actively assisting the government to ensure a one-sided fight.**

The Legal Role of a Receiver vs. What Actually Took Place

Under federal law, an equity receiver is an impartial fiduciary—an arm of the appointing court (Booth v. Clark; Atlantic Trust Co. v. Chapman)—whose sole responsibility is to preserve, marshal, and liquidate assets for the benefit of creditors and investors, not to serve as an auxiliary branch of law enforcement:

Mandatory Standard of Neutrality (Fed. R. Civ. P. 66): A receiver represents no individual party. While a receiver must comply with lawful third-party subpoenas, they are strictly barred from directing prosecutorial strategy, constructing specialized evidentiary binders for the government, or running targeted search syntax to prove criminal intent or even worse when they do it on the estate's dime.

Investigative Curation vs. Custodial Compliance: A neutral custodian simply copies raw data drives, delivers them in response to a valid subpoena, and moves for a cost-shifting order under Rule 45(d) so the requesting government agency pays the extraction and media costs. Here, Lawgical Insight proactively searched for specific inculpatory theories (such as hunting for proof of a prior felony conviction), built tailored review databases formatted specifically **"for ease of review for FBI Agents,"** and strategized ESI logistics directly with USAO prosecutors at the estate's expense.

The Economic Incentive: In SEC enforcement actions, receivers and their retained professionals bill hourly against the receivership estate. Assisting the government in establishing liability or securing criminal convictions functionally validates the receivership's existence and shields its accumulated $60.5 million fee enterprise from scrutiny.

Circumventing Criminal Restraints: By relying on a civil receiver to seize servers, crack passwords, and index communications, criminal prosecutors accessed fully analyzed corporate data without having to expend their own operational budgets or immediately trigger formal criminal discovery deadlines.

The Common-Sense Reality: Holding Discovery Hostage While Subsidizing Multi-Billion-Dollar Agencies

A review of the facts reveals an unmistakable double standard:
Holding Discovery Hostage: Lawgical Insight took custody of the original company servers, databases, and communications in clean, native form. Instead of providing equal, direct access to all parties, they treated the defense as an active adversary. While the defense was locked out with encrypted, scrambled, and password-protected files, the Receiver's vendor laid out everything the government requested on a silver platter.

Bypassing Multi-Billion-Dollar Federal Budgets: The SEC, FBI, and USAO/DOJ employ entire divisions of salaried forensic analysts, e-discovery specialists, and IT engineers, funded by massive congressional appropriations. There is no legitimate reason for a private receivership estate to fund the government's investigative leg work. Lawgical Insight effectively served as an outsourced government task force, charging investor funds $325 per hour to execute basic agency tasks—from configuring agent logins to mailing physical hard drives.

Weaponized Data Asymmetry: By controlling the digital keys, the Receiver and Lawgical Insight ensured the defense was starved of the tools needed to analyze the data, while simultaneously building custom, searchable environments for federal agents to build their cases.

The Exhaustive Evidence: Every Agency Task Billed to the Estate
The invoices submitted to the federal court reveal a sustained timeline where estate funds paid for forensic labor, customized software access, and physical supplies exclusively for the benefit of the SEC, DOJ, USAO, and FBI:

1. Work Billed for the SEC
-August 10, 2020 (Doc 491-12, Pg 1): Billed 9.0 hours to coordinate with the SEC IT department to create new upload accounts, build custom DtSearch indexes/reports, and run searches specifically to "identify records important to the SEC for production".
-August 11, 2020 (Doc 491-12, Pg 1): Billed 10.5 hours to export folders bit-for-bit to send to "Amie at SEC," search O365/ShareFile for video evidence of attorney approvals of the business model, hold conference calls with SEC personnel regarding files of interest, and upload video libraries directly to Accellion.
-February 26, 2021 (Doc 491-12, Pg 3): Billed time to ingest encrypted SEC drives and extract/modify load files for "SEC - Scanned Documents production" into Relativity.
-March 18, 2021 (Doc 491-12, Pg 3): Billed 1.5 hours to download, extract, and modify load file hierarchies for four production data sets received from the SEC.
-April 6, 2021 (Doc 699-12, Pg 3): Billed to review an iPhone backup discovered on a Toshiba hard drive originating from SEC production.
-April 20 & 21, 2021 (Doc 699-12, Pg 3): Billed time to "devise strategy to produce documents to SEC ASAP for review" and import SEC third-party productions.
-April 26 & 27, 2021 (Doc 699-12, Pg 3): Billed 7.0 hours combined to "Prepare emergency production for SEC for upload via Accellion" and verify upload status.
-April 29, 2021 (Doc 699-12, Pg 3): Billed 5.25 hours to edit KWX load files and templates to build a native production for the SEC.
-May 3, 2021 (Doc 699-12, Pg 3): Billed 3.5 hours to create an "SEC-specific view and coding layout," establish security groups locking down excluded files, and personally assist SEC personnel with database access.

-May 25, 2021 (Doc 699-12, Pg 5): Billed 2.75 hours to meet and discuss SEC technical production formatting requirements (converting native files to TIFFs).
-July 1, 2, & 6, 2021 (Doc 5th, Pg 1): Billed 4.5 hours to prepare load files for Tranche 13 SEC productions, process supplemental email files, and "Permanently purge documents inadvertently produced by the SEC".
***What documents could they be permanently purging?**

-September 13, 2021 (Doc 5th, Pg 1): Billed 0.75 hours to download and import SEC Bates-labeled productions.
-October 5 & 6, 2021 (Doc 6th, Pg 1): Billed multiple forensic hours managing 130 GB of ZIP file evidence for the SEC, curing load file deficiencies, and performing quality control on SEC third-party productions.

2. Work Billed for the FBI
-October 15, 2020 (Doc 491-12, Pg 2): Billed 5.25 hours to conduct investigative G-Suite analysis and "Troubleshoot issues with Alison (FBI) logging into RN".
-October 26, 2020 (Doc 491-12, Pg 2): Billed 2.5 hours to "Assist FBI with MCASuite issues".
-November 18, 2020 (Doc 491-12, Pg 2): Billed 5.0 hours to troubleshoot ESI productions directly to the FBI.
-February 3 & 4, 2021 (Doc 491-12, Pg 3): Billed 5.75 hours to prepare email productions for the FBI and create dedicated custodian lists.
-February 8, 2021 (Doc 491-12, Pg 3): Billed 2.5 hours to finalize FBI productions in multiple formats—specifically formatting "(one for database - one for ease of review for FBI Agents)".
-February 9, 2021 (Doc 491-12, Pg 3): Billed 5.5 hours to prepare two custom SharePoint links for the FBI and "instruct on proper way to search agent copy".
-May 10, 2021 (Doc 699-12, Pg 3): Billed 2.25 hours to calculate costs and coordinate "static access to new ConvergeHub site for FBI".
-May 25, 2021 (Doc 699-12, Pg 5): Billed estate funds for FedEx 2-Day postage for a "Custodian Drive for Keith @ FBI".
-September 24, 2021 (Doc 5th, Pg 1): Billed 2.25 hours to "prepare tree report of specific drive requested by FBI".
-January 20 & March 29, 2022 (Doc 1246-11, Pg 3): Billed the receivership estate directly for the purchase of physical hard drives sent to the FBI ($200.00 each) and FedEx postage ($55.80 and $63.49).

3. Work Billed for the DOJ & USAO
-January 20, 2021 (Doc 491-12, Pg 3): Billed 8.25 hours to "Review ESI for files requested by USAO".

-February 3, 2021 (Doc 491-12, Pg 3): Billed time to review call details with USAO regarding native ESI file production concerns.
-February 10, 2021 (Doc 491-12, Pg 3): Billed 3.75 hours for a joint Zoom conference with the Receiver, counsel, and the DOJ to strategize ESI logistics and prepare native mailbox drives.
-March 18, 2021 (Doc 491-12, Pg 3): Billed the estate for FedEx Priority Overnight postage to "Keith Tracton, US Attorney's office" containing initial custodian drives.
-April 6, 2021 (Doc 699-12, Pg 3): Billed time analyzing DOJ productions and correlating evidence with imaged devices received from the DOJ.
-April 16, 2021 (Doc 699-12, Pg 3): Billed 4.75 hours to duplicate external cloud databases to establish direct DOJ access.
-April 20 & 21, 2021 (Doc 699-12, Pg 3): Billed 7.75 hours combined searching production files for the DOJ and configuring "emergency database access for DOJ re: important custodial e-mails".
-August 9 & 26, 2021 (Doc 699-12, Pg 5): Billed 5.0 hours coordinating with USAO prosecutors and running targeted queries against Par individuals and entities specifically for the DOJ.
-July 11, 28, & August 15, 2023 (Doc 13th, Pg 1): Billed 6.5 hours querying databases, preparing deliverables, holding DOJ teleconferences, and mailing physical production drives to the DOJ.
-July 26, 2023 (Doc 13th, Pg 1): Estate billed directly for a $150.00 physical hard drive delivered to the DOJ.

How This Undermines the Case Against LaForte and the Receiver's Conduct
This extensive operational integration destroys the required neutrality of the receivership and compromises the integrity of both civil and criminal proceedings.

1. Destruction of Receiver Neutrality and Co-Location Conflicts (Fed. R. Civ. P. 66)
A receiver is an arm of the court, not an auxiliary investigative unit for law enforcement. Operating the forensic vendor out of the Receiver's own office suite eliminated institutional separation. Spending over $340,000 in estate funds to perform government investigation tasks violates the core fiduciary duty to preserve assets. Under Rule 45(d), the Receiver was obligated to seek cost-shifting orders requiring the SEC and DOJ to advance these extensive processing, querying, hardware, and postage costs instead of depleting estate funds.

2. The "Joint Venture" Doctrine & Brady / Rule 16 Violations
Under federal precedent (United States v. Blanco; United States v. Reyeros; United States v.

Scrushy; United States v. Stringer), **when a civil receiver and its forensic vendor conduct targeted queries, build custom agent review portals, and stage evidence for prosecutors, they become part of the "Prosecution Team".**

Constructive Possession: The government cannot claim that the broader data repository is outside its custody under Fed. R. Crim. P. 16 while simultaneously directing the Receiver to run bespoke searches on its behalf.

Suppression of Exculpatory Evidence (Brady v. Maryland): If Lawgical Insight or the Receiver located exculpatory evidence—such as regulatory compliance approvals or third-party audits—and failed to produce them in a usable, searchable format, it constitutes an unconstitutional suppression of evidence.

3. Severe Asymmetric Discovery and Withheld Hardware

While government agencies received custom-built search layouts, training on search syntax, and direct technical support funded by the estate, the defense was left paralyzed by 17 TB of encrypted, inaccessible data and six years of withheld physical hardware. (Not to mention that the defense was denied any discovery for eight full months which gave the SEC and the receiver a massive head starts to conduct discovery review while the defense did not have a sheet of paper. And when they did receive it, it was encrypted, scrambled and password protected.) Denying defendants meaningful access to their own data while actively feeding the prosecution violates the Due Process Clause of the Fifth Amendment and the Sixth Amendment right to a fair trial.

Legal Penalties and Judicial Remedies for Misconduct

Federal courts have established clear remedies to address self-dealing, breach of fiduciary duties, and bad-faith parallel investigations:

Fee Surcharge and Disgorgement: The District Court has the authority to disallow all fees related to government assistance, order full disgorgement of the $340,000+ back into the estate fund and subject the broader $60.5 million fee enterprise to an independent audit.

Removal of the Receiver for Cause: Demonstrating systemic bias, lack of independence, and co-location with partisan vendors provides clear grounds to remove the Receiver and disqualify retained vendors under Rule 66.

Criminal Discovery Sanctions (Fed. R. Crim. P. 16(d)(2)): Criminal courts can suppress evidence generated through estate-funded government queries, exclude government exhibits, or issue adverse inference instructions against the prosecution.

Dismissal for Outrageous Government Conduct: When the state uses civil receivership powers and private funds to circumvent criminal discovery constraints, retain defendant hardware indefinitely, and starve the defense of equal access, courts may dismiss indictments outright under United States v. Russell and United States v. Scrushy.

The sheer volume of receiver billing which proves the receiver functioned as a de facto prosecutor and pillaged the estate is staggering. The Freedom Fighters will continue exposing the corruption.