UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

KINETIC INVESTMENT GROUP, LLC and MICHAEL SCOTT WILLIAMS,

CASE NO.: 8:20-cv-394

Defendants, and

KINETIC FUNDS I, LLC, KCL SERVICES, LLC d/b/a LENDACY, SCIPIO, LLC, LF 42, LLC, EL MORRO FINANCIAL GROUP, LLC, and KIH, INC., f/k/a KINETIC INTERNATIONAL, LLC,

Relief Defendants.

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RECEIVER'S FIRST INTERIM REPORT

Mark A. Kornfeld, Esq., in his capacity as the court-appointed Receiver (the "Receiver") for Defendant Kinetic Investment Group, LLC and Relief Defendants Kinetic Funds I, LLC, KCL Services, LLC d/b/a Lendacy, Scipio, LLC, LF 42, LLC, El Morro Financial Group, LLC, and KIH Inc., f/k/a Kinetic International, LLC, and pursuant to the Order Granting Plaintiff Securities and Exchange Commission's (the "Commission") Motion for Appointing Receiver, dated March 6, 2020 (Doc. 34), respectfully files his First Interim Report.

TABLE OF CONTENTS

I. INTRODUCTION

Mark A. Kornfeld, as Court-appointed Receiver for Kinetic Investment Group, LLC ("KIG"), Kinetic Funds I, LLC ("Kinetic Funds"), KCL Services, LLC d/b/a Lendacy ("Lendacy"), Scipio, LLC ("Scipio"), LF 42, LLC ("LF42"), El Morro Financial Group, LLC ("El Morro"), and KIH Inc., f/k/a Kinetic International, LLC ("Kinetic International") (collectively, the "Receivership Defendants"), hereby files this First Interim Report to inform the Court, investors, and interested parties of the significant activities undertaken to date as well as proposed courses of action moving forward. In addition to providing notice of the receivership to all known investors shortly after his appointment, the Receiver has also established an informational website at www.kineticreceivership.com which will be regularly updated with important court filings (including this and subsequent Interim Reports), announcements, and other news that might be of interest to affected individuals and third-party entities.

A. Overview of Significant Activities During This Reporting Period

During the time period covered by this Interim Report (March 6th through March 31st), the Receiver and the team of retained professionals have engaged in significant activities including but not limited to:

- Seized and secured an office used by the Receivership Defendants in Sarasota, Florida, including documents and computers located in that office and used by employees as well as a safe containing physical gold holdings estimated to be in excess of $100,000;
- Seized and secured a historic former bank building previously purchased by Receivership Defendant Scipio, LLC in San Juan, Puerto Rico. The Receiver has taken steps, despite the world economic shutdown, to appraise and evaluate the potential and eventual sale of that asset worth over seven figures;

- Retained and engaged professionals to assist the Receiver with executing his duties under the Order Appointing Receiver including legal, information technology, forensic accounting, tax, investigative, and locksmith professionals;

- Worked with information technology and forensic professionals to retrieve, secure, and prepare over 1 million documents from multiple sources for ongoing review and analysis;

- Established Receivership bank accounts for each of the Receivership Defendants;

- Worked directly with counsel for Defendant Michael Williams ("Williams") to attempt to obtain relevant information;

- Served the Order Appointing Receiver and freezing the assets of the Receivership Defendants and Defendants Williams and Kinetic Investment Group (collectively, the "Defendants") on over seven dozen individuals and entities who the Receiver determined may have assets and/or records belonging to Receivership Defendants;

- Analyzed the complex labyrinth of interrelated ownership and corporate structure of many entities established by Williams and which were allegedly used to siphon off and/or improperly convert assets for his own personal benefit;

- Began his review and preparation of claims to recover investor assets wrongfully misappropriated and/or fraudulently transferred;

- Worked with financial and brokerage institutions to freeze (and where necessary, liquidate) funds in the total amount of approximately $20 million of which approximately $7.6 million has been deposited into accounts in the name of the Receiver[1];

- Worked with forensic accountants and other professionals to analyze and evaluate, among other things, the performance of the multiple portfolios, the relevant disclosures, income purportedly generated by fund performance, total redemptions, and the utilization of margin borrowing at Interactive Brokers;

- Investigated the existence, payment history, and current status of more than two dozen loans made to investors and non-investors through Lendacy;

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[1] As further detailed in Section IV.A, *infra*, it appears that the total amount available for withdrawal from the relevant Kinetic Funds accounts at Interactive Brokers is approximately $5 million given the existence of a negative margin balance of approximately $7.7 million in an account that appears to have been accrued for the benefit of Kinetic Funds.

- Investigated potential self-dealing transactions involving Mr. Williams and entities he controlled, owned and or was otherwise affiliated with (either directly or indirectly), as well as other "off book" transactions;

- Interviewed numerous individuals including employees, vendors, investors, legal counsel, and other interested parties;

- Sought and obtained access to various financial accounts previously or currently used by various Receivership Defendants, and/or controlled by Williams;

- Fielded calls from Kinetic Funds investors, and sent correspondence providing formal notice to all known Kinetic Funds investors informing them of this Receivership; and

- Established an informational website at www.kineticreceivership.com for investors and other interested parties.

The above referenced activities are discussed in more detail in the pertinent sections of this Interim Report.

B. Relevant Bank Accounts

Several Receivership Defendants appear to have primarily or exclusively utilized BMO Harris Bank N.A. ("BMO Bank") for their banking needs, as illustrated by this chart:

Account Name	**Date Of Use**	**Balance on March 6, 2020**
Kinetic Funds I, LLC (******4255) (the "KF Bank Account")	1/15/2013 - 3/6/2020	$7,457,229.78
Kinetic Investment Group, LLC (****6794) (the "KIG Bank Account")	7/9/2013- 3/6/2020	$100,879.29
KCL Services, LLC d/b/a Lendacy (****8676) (the "Lendacy Account")	2/28/2013 - 3/6/2020	$43,798.90
KCL Services, LLC d/b/a Lendacy (****1081)	10/07/2014 - 3/6/2020	$98.87
LF42, LLC (****4247)	1/15/2013 - 3/6/2020	$62,158.75

Money from new investors was deposited into the KF Bank Account, and Lendacy clients received funds from and made payments to the Lendacy Account.

Several Receivership Entities, including El Morro, Kinetic International, and LF42, maintained bank accounts and/or had operations in San Juan, Puerto Rico. At this time, the Receiver is aware of the following banking relationships for those entities:

Bank	**Account Name**	**Date Of Use**	**Balance on March 6, 2020**
ScotiaBank	El Morro Financial, LLC (****3881)	4/1/2012 - 3/6/2020	$1,728.29 (as of 12/31/2019)
SolCoop	KIH, Inc. f/k/a Kinetic International, LLC (****0062)	09/28/2018 - 09/30/2019	$0.00
SolCoop	KIH, Inc. f/k/a Kinetic International, LLC (****0383)	09/28/2018 - 10/29/2019	$0.00
Banco Popular	KIH, Inc. f/k/a Kinetic International, LLC	11/26/2019 - 01/29/2020	$0.00
Banco Popular	LF42, LLC	N/A	N/A

C. Relevant Kinetic Funds Brokerage Accounts

In June 2014, Kinetic Funds opened a master account at Interactive Brokers that included the following sub-accounts:

Account Name	**Balance as of June 30, 2014**
Master (Account ****8796)	($11,824,345.99)
KFYield (Account ****4161) (the "KFYield Brokerage Account")	$7,259,964.85
KF Gold (Account ****4162) (the "KFGold Brokerage Account")	$716,683.96
KF-Index (Account ****4165)	$127,492.65
KF-Inflation (Account ***4166)	$1,002,849.71
TF (Account ****4167)	$5,653,459.57
JF (Account ****4170)	$121,243.50

Prior to Interactive Brokers, Kinetic Funds (or its predecessor) appears to have had a business relationship with VTrader Pro, LLC ("VTrader"), a formerly-licensed broker dealer.

According to representations made at the March 6, 2020 hearing, Kinetic Funds allegedly suffered an undetermined loss of customer funds when VTrader ceased operations sometime in the time period preceding Kinetic Funds' transition to Interactive Brokers. The Receiver is continuing to investigate these matters.

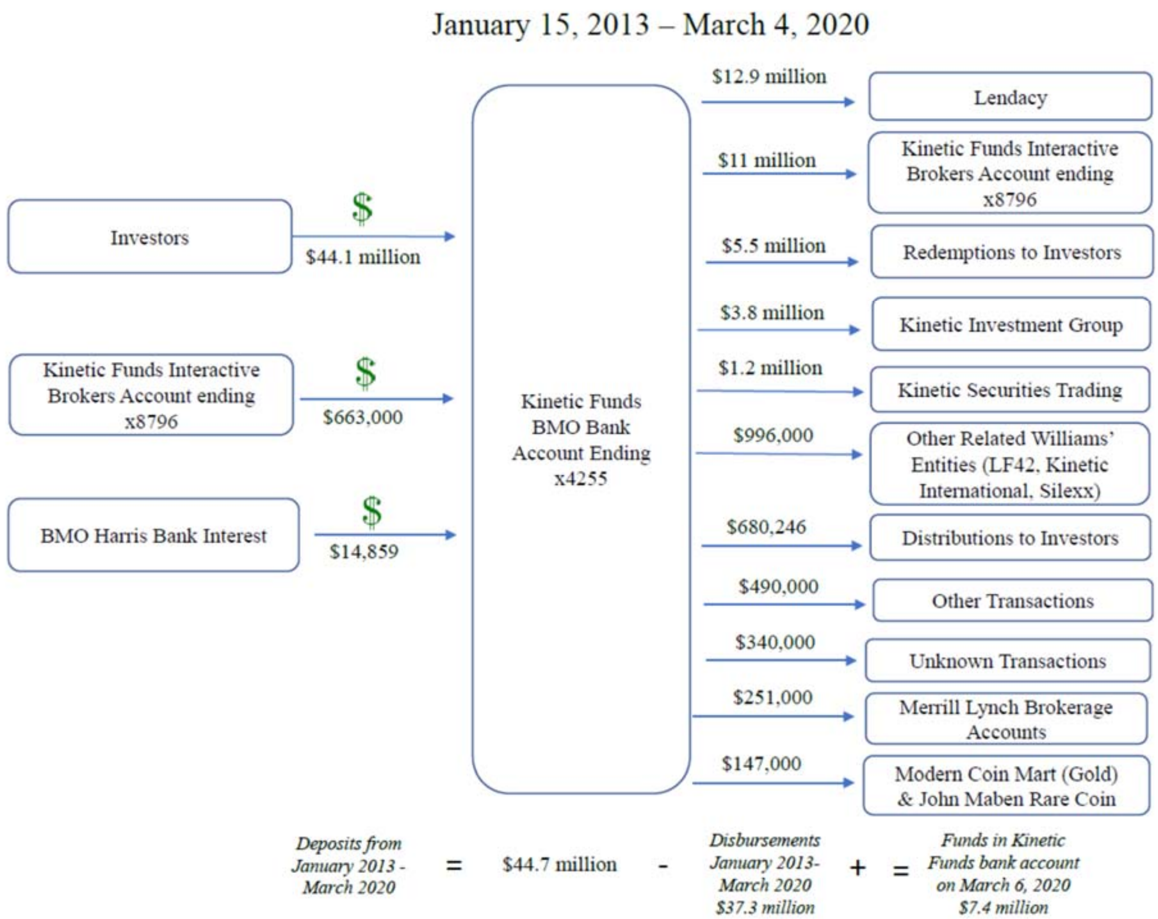
In late January 2020, Interactive Brokers apparently froze all of Kinetic Funds' accounts and limited any activity to liquidating positions. This was not disclosed to investors. After gaining access to the Kinetic Funds Interactive Brokers accounts and analyzing the status and positions held in those accounts, the Receiver liquidated all of the Kinetic Funds accounts to cash (with the exception of the accounts with account numbers ****4167 and ****4170 as discussed below in Section V.B.2). The balances on March 20, 2020 in each of those accounts is below:

Account Name	**Balance as of March 20, 2020**
Master (Account ****8796)	$82,867.33
KFYield (Account ****4161) (the "KFYield Brokerage Account")	$11,304,141.46
KF Gold (the "KFGold Brokerage Account") (****4162)	$676,494.42
KF-Index (Account ****4165)	$35,149.38
KF-Inflation (Account ***4166)	$748,674.53
TF (Account ****4167)	$3,065,730.66
JF (Account ****4170)	$699,147.28
KF-Firm (Account ****2008)	$275,645.41
KCL Debt Service (Account ****2028)	($7,675,524.37)

In sum: the Receiver has preserved nearly $21 million in cash when totaling the Interactive Brokerage accounts belonging to Kinetic Funds and cash balances held in the Receiver's trust accounts, the total of which the Receiver believes and understands is subject to a negative offset and reduction of approximately $7.7 million in margin debt obligations. Put simply, the Receiver believes he has secured over $13 million in unencumbered cash.

D. <u>Tracing The Money</u>

The Receiver's forensic professionals have completed an initial tracing of the source and use of investor funds for Kinetic Funds for the time period from January 15, 2013 to March 4, 2020 (the "Relevant Time Period"). The following diagram illustrates this analysis:



As the chart displays and will be discussed in further detail in Section IV, *infra,* Kinetic Funds raised at least $44 million from investors during the Relevant Time Period. Of that amount, approximately $11 million was sent to Interactive Brokers, over $12 million was sent to Lendacy, and nearly $4 million was sent to Kinetic Investment Group.

E. Preliminary Findings

1. The Commission's Allegations

- There is significant evidence supporting the Commission's allegations that Defendants operated a fraudulent securities offering through Kinetic Funds from at least 2014 to the filing of the Complaint.

2. A Material Shortfall - Cash On Hand Compared To Amounts Available For Redemptions

- A significant shortfall has existed between the amount of assets Kinetic Funds should have had available and the actual amount of assets available. As of December 2019, that shortfall was approximately twenty million dollars.

3. Williams' Conversion And Use Of Investor Funds For Personal Use

- A large portion of the significant shortfall is attributable to Williams' wrongful diversion of investor funds, directly and indirectly, for his personal use and benefit through a series of non-arm's length transactions. This includes Williams' use of investor funds to (i) purchase a luxury apartment multiplex for his residence and a historic bank building in San Juan, Puerto Rico; (ii) fund the creation and operation of several start-up companies; and (iii) pay himself salary from at least one of the entities based in Puerto Rico.

4. Trading Performance And Net Asset Value Numbers Were Inflated And Contrary To Actual Performance

- The trading history and performance of Kinetic Funds' KFYield Fund (the "Fund" or "KFYield") reported to investors and the general public had no relation to the actual trading results. According to Interactive Brokers, the Fund has lost approximately 25% since its inception in 2014. The Fund's net asset value ("NAV") did not exceed $12 million during that period.

5. There Was No Disclosure That The Head Trader Lacked Meaningful Portfolio Management Experience

- Since at least 2017, Williams delegated primary trading authority for KFYield to a Sarasota employee with no formal investment or trading licenses or experience.

6. There Was Insufficient Or Nonexistent Back Office Or Compliance Systems And Personnel In Place

- For at least several years,[2] it does not appear that Kinetic Funds had any compliance, oversight or back office and the Receiver is unaware of any formal audit process. At no time does there appear to be any independent oversight, or systemic or institutional control being exercised over the litany of Williams' self-dealing and conflicted transactions and/or the instructions by Williams over many years to transfer monies to entities under his direct and indirect control.

7. The Use Of Margin Was Significant And The Purpose Was Not Clearly Disclosed To Investors

- It appears the Fund used a significant amount of margin to borrow funds from Interactive Brokers to purchase securities. The Fund's margin borrowing, which appears to have been used to free up investor cash for other purposes, was not clearly disclosed to investors and regularly exceeded tens of millions of dollars.

8. Lendacy Loans Were Unsecured And Funded By Investor Monies Thereby Putting Investor Funds At Material Risk

- Lendacy's sole and primary funding source was KFYield investor funds of which over $12 million was diverted to Lendacy rather than being directly invested with Interactive Brokers. The Fund was able to provide Lendacy with these funds by using margin borrowing instead of sending investor funds to be traded.

9. Williams And Other Insiders And Non-Investors Received Lendacy Loans

- A number of Lendacy loans were made to insiders and/or non-KFYield investors, including Williams, and it appears that the Lendacy loan process was often utilized to disguise or otherwise conceal the wrongful misappropriation of investor funds. At least several of the Lendacy loans to Williams and/or his related entities also appear to have been made without any formal application process and memorialized only after the transfers were made.

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[2] There is evidence that the former head trader had some responsibilities relating to compliance. However, that employee left Kinetic Funds in 2016 and upon her departure it does not appear that any other employees were tasked with those responsibilities.

10. Kinetic Investment Group Received Nearly $4 Million From Kinetic Funds Investors, Which Appears Excessive And Unjustified

- Nearly $4 million was paid to Kinetic Investment Group as purported fees and expenses, which appears to be excessive and contrary to disclosures to investors. It appears that Kinetic Investment Group used a significant portion of these funds for unauthorized purposes.

11. Fees Paid To Kinetic Investment Group From Lendacy Appear Duplicative

- Approximately $1 million was paid by Lendacy to Kinetic Investment Group. To the extent these fees represented purported management fees or expenses, they appear to be both excessive and duplicative of other fees paid to Kinetic Investment Group.

12. Multiple Employees Resigned From Receivership Entities After Raising Concerns Involving Mr. Williams

- Numerous employees resigned from various Receivership Entities in 2018 and 2019 over alleged and purported improprieties with Williams' operation of the Fund and diversion of investor funds.

13. Millions of Dollars Of Investor Funds Were Used To Support Speculative Business Ventures In Puerto Rico For Williams' Benefit And Not To Benefit Investors

- During the Relevant Time Period, millions of dollars in investor funds were funneled to create and operate various start-up businesses in Puerto Rico tied to Williams, including El Morro and Kinetic International. These funds were also used to, among other things, throw a lavish three-day summit, make a speculative investment in an airline seat start-up company and to develop a blockchain trading exchange.

14. Approximately $1 Million Of Investor Funds Was Paid To El Morro For Questionable And Duplicative Administrative Services

- Approximately $1 million of investor funds were transferred to El Morro during the Relevant Time Period to pay significant invoices purportedly representing "statement preparation" services for Kinetic Funds. These activities not only appear duplicative to services that should have been (and were previously) provided by Kinetic Investment Group and encompassed within the management fee, but it also appears that El Morro's actual role in these purported services was minimal at best and certainly did not justify the significant fees being charged.

15. Williams' March 2020 Transactions Further Damage Investors

- The Commission alleged that Williams diverted over $6 million for his personal benefit. On the eve of the March 6, 2020 hearing on the Commission's pending motions, Williams orchestrated a complex series of transfers originating from his law firm's trust account and in which nearly $3 million was initially deposited with Kinetic Investment Group to purportedly repay a portion of the outstanding amount he had diverted from investors. However, only approximately $2.3 million was repaid while several hundred thousand dollars was then transferred out at Williams' direction to himself and various third parties including his wife and several companies he controlled.

In summary, the Receiver's preliminary investigation shows that millions of dollars in investor funds were routinely and wrongfully diverted by or for the benefit of Williams and that these transfers and inherent conflicts of interest were not disclosed to investors.

II. BACKGROUND

A. Procedure and Chronology

On February 20, 2020, the Commission filed a complaint (the "Complaint") (Doc. 1) in the United States District Court for the Middle District of Florida (the "Court") against the Defendants Kinetic Investment Group, LLC ("Kinetic Investment Group") and Michael S. Williams ("Williams") and Relief Defendants Kinetic Funds I, LLC ("Kinetic Funds"), KCL Services, LLC d/b/a Lendacy ("Lendacy"), Scipio, LLC ("Scipio"), LF 42, LLC ("LF42"), El Morro Financial Group, LLC ("El Morro"), and KIH Inc., f/k/a Kinetic International, LLC ("Kinetic International"), alleging that the Defendants violated the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940 by making false or materially misleading representations to investors and that over $6 million of investor funds was misappropriated to fund other business ventures and pay for other unauthorized expenses. Doc. 1 ¶¶ 4, 28-38.

The Complaint alleged that the scheme involved securities offerings made on behalf of Kinetic Funds, a purported hedge fund with a sub-fund structure managed by Kinetic Investment Group and Williams. *Id.* ⁋ 2. Defendants represented to investors that the largest sub-fund, KFYield, invested all of its assets in income-producing U.S. listed financial products hedged by listed options. *Id*. Potential investors were told that KFYield was a liquid investment that would "maintain 90% principle [sic] protection" and that an investor could redeem their principal investment "100% . . . without penalties" with a 30-day written notice. *Id.* ⁋⁋ 2, 28. Investors in the KFYield fund, which attracted the near-entirety of investor funds entrusted to Kinetic Funds, were routinely provided with documentation from Bloomberg's reporting service that claimed KFYield had achieved positive annual returns every year since inception. *Id.* ⁋ 24. Many, but not all, investors were apparently drawn to the Kinetic Funds investment opportunity by the solicitations and advertised opportunity to simultaneously obtain low-interest and unsecured loans from Lendacy based on the dollar amount of any KFYield investment and with the understanding that 100% of their KFYield investment would continue earning dividends. *Id.* ⁋ 28.

On March 6, 2020, the Court entered the Order Appointing Receiver. By separate Order, the Court also granted the Commission's Motion for Asset Freeze and granted other relief as to all Defendants (Doc. 33). Among other things, the Orders froze Defendants' assets and enjoined any further violations of federal securities laws.

B. <u>The Receiver's Role and Responsibilities</u>

As an independent agent of the Court, the Receiver's powers and responsibilities are set forth in the Order Appointing Receiver which provides, in relevant part, that the Receiver:

- "[S]hall have all powers, authorities, rights and privileges heretofore possessed by the officers, directors, managers and general and limited partners of the Receivership Defendants under applicable state and federal law…" and "shall assume and control the operation of the Receivership Defendants and shall pursue and preserve all of their claims." Doc. 34 ¶¶ 4-5;

- Shall "take custody, control, and possession of all Receivership Property and records relevant thereto from the Receivership Defendants…" and "manage, control, operate and maintain the Receivership Estates and hold in his possession, custody and control all Receivership Property pending further Order of this Court." *Id.* ¶ 7(B);

- Is "authorized, empowered, and directed to investigate the manner in which the financial and business affairs of the Receivership Defendants were conducted and…to institute such actions and legal proceedings…as the Receiver deems necessary and appropriate…" *Id.* ¶ 37; and

- Is directed to "develop a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property…and to "file and serve a full report and accounting of each Receivership Estate" for each calendar quarter. *Id.*¶¶ 46, 48.

As contemplated by the Order Appointing Receiver, the Receiver anticipates seeking Court approval at a future point in time for the institution of an equitable claims process for the benefit of Kinetic Funds investors who have been victimized and suffered legitimate losses as a result of Defendants' actions, as well as other third-party vendors and/or creditors.

C. Receivership Defendants

Kinetic Investment Group, LLC, formerly known as Kinetic Management Group, LLC, is a Florida limited liability company with its principal place of business in Sarasota, Florida. Kinetic Investment Group was formed by Williams in June 2013 and serves as the manager of Kinetic Funds. Pursuant to agreements between Kinetic Funds and its investors, Kinetic Funds was to pay Kinetic Investment Group a management fee of 1% of assets under management as well as 20% of any profits realized from trading of investor assets.

Kinetic Funds I, LLC is a Delaware limited liability company incorporated in May 2012 with its principal place of business in Sarasota, Florida. On October 26, 2016, Williams submitted a Form D Notice of Exempt Offering of Securities with the SEC, designating Kinetic Funds as a pooled investment hedge fund entitled to an exemption under Rule 506(c). Kinetic Funds appears to be the successor to Kinetic Securities Trading, LLC ("KST"), and on or about June 4, 2014, all investor assets with KST were transferred to accounts at Interactive Brokers opened by Kinetic Funds. Kinetic Funds' Class A managing member is Kinetic Partners, LLC ("Kinetic Partners"), of which Williams owns 60% through his entity LF42, LLC and Mr. Thomas Frey owns the remaining 40% through his entity Frey Financial, LLC.[3] Kinetic Funds' tax returns indicate it is owned by Kinetic Investment Group.

KCL Services, LLC d/b/a Lendacy is a Florida limited liability company, previously known as Capital Solution Services, with a principal place of business in Sarasota, Florida, formed on February 28, 2013 by Williams. Lendacy was owned 100% by Kinetic Investment Group.

Scipio, LLC is a Puerto Rican limited liability company formed by Williams in March 2016 with its principal place of business in Puerto Rico. Williams is its president. On or about May 4, 2018, Scipio utilized $2.75 million of investor funds to purchase a historic bank building in Old San Juan, Puerto Rico. The Receiver is not aware of any other business purpose for Scipio.

[3] Frey Financial appears to have functioned as a passive investor in Kinetic Funds. After the Commission began its investigation and served subpoenas on Williams and other Receivership Entities in May 2019, Frey began raising concerns to Williams about Williams' management and operation of Kinetic Funds. *See* **Exhibit A**.

LF42, LLC is a Delaware limited liability company formed in April 2012 with a principal place of business in Sarasota, Florida. Williams is the sole owner of LF42. LF42 had a 40% interest in Silexx Financial System, LLC ("**Silexx**") and a 60% interest in Kinetic Partners, LLC, of which it is a managing member. Millions of dollars traceable to Kinetic Funds were paid to or for the benefit of LF42 during the relevant period, including hundreds of thousands of dollars in transfers on March 5, 2020 prior to entry of the Order Appointing Receiver and further discussed herein. *See Section IV.G. infra*.

El Morro Financial Group, LLC is a Puerto Rican limited liability company with a principal place of business in San Juan, Puerto Rico. El Morro was formed by Williams on March 10, 2016. El Morro is owned two-thirds by Scipio and KNL28, LLC (a Puerto Rican limited liability company formed in March 2016) and one-third by Frey Financial. El Morro received more than $1 million traceable to investor funds during the relevant period, of which a significant portion was attributable to apparently duplicative and/or minimal services provided by El Morro.

KIH, Inc. f/k/a Kinetic International, LLC is a Puerto Rican limited liability company formed by Williams on August 7, 2018, and which applied for recognition as an International Financial Entity by Puerto Rico. Williams was initially the primary owner, but a minority ownership interest was later granted to Jeanelle Alemar-Escabi and Noel Zamot for their respective service on the company's Board of Directors. The company later ceased operations after Williams' resignation from the Board of Directors in May 2019 and the remaining directors terminated the company in December 2019.

D. Other Relevant Non-Party Entities

Kinetic Partners, LLC is a Delaware limited liability company formed by Williams and incorporated in April 2012. It is the managing member of Kinetic Funds.

Silexx Financial Systems, LLC was a Delaware limited liability company formed by Williams and Frey in March 2015. It operated as a financial software service company and was sold to Cboe Global Markets, Inc., a large exchange holding company, in November 2017. It is currently known as Obsidian Technology.[4]

Calibrated Capital, LLC (“**CalCap**”) is a Florida limited liability company incorporated in May 2011 and owned by Kirk Bradach. CalCap appears to have been an early investor in Kinetic Securities Trading in or around 2011 and later terminated its relationship with Kinetic Securities in 2016.

Kinetic Securities Trading is a Delaware limited liability formed in October 2007 and which appears to be the precursor to Kinetic Funds.

Kinetic Strategic Group (“KSG”) is a California limited liability company that operated as an advisory firm. KSG's sole member was Kinetic Investment Group and its managing members were Williams and Frey. It later became known as **Kinetic Financial Advisors**.

Aquila Securities LLC (“Aquila”) was a broker-dealer registered with the SEC and incorporated in California in 2003. Aquila appears to have been associated with Williams and one or more investors in Kinetic Funds.

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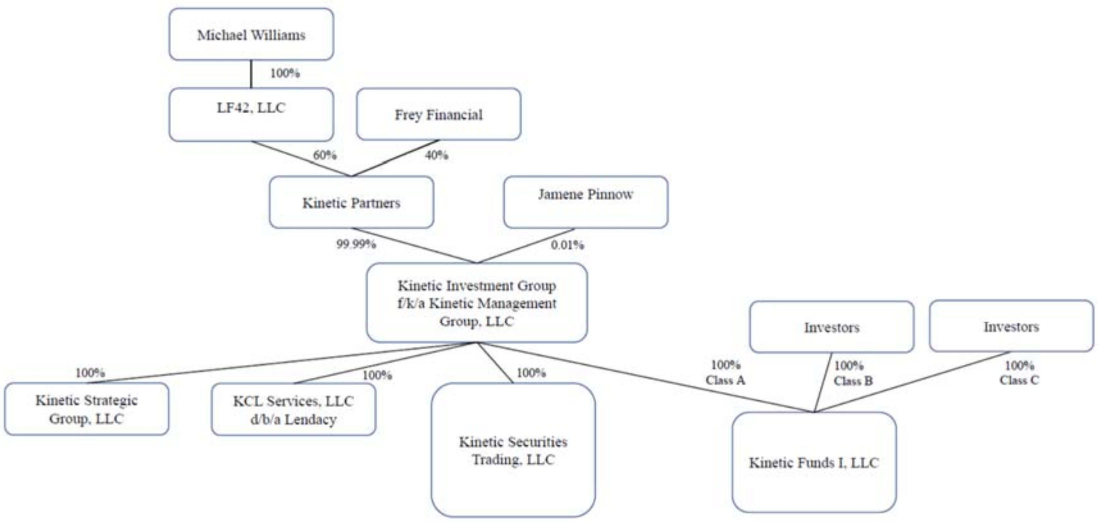
[4] As a result of the sale in November 2017, Williams purportedly received millions of dollars in sale proceeds.

ISX, LLC was a Puerto Rican limited liability company formed by Jeanelle Alemar-Escabí in February 2019 and dissolved in December 2019. Ms. Alemar-Escabi also served on the Board of Directors for Kinetic International. Its Board of Managers included Alemar-Escabí and Williams.

A chart illustrating the relationship between these interrelated entities is below:



Source: Tax Returns

Companies all used George V. Famiglio Jr. & Associates, CPAs, 1634 Main Street, Sarasota FL 34236, 941-957-0775

All businesses use address: 1800 Second Street, Suite 955, Sarasota

III. OVERVIEW OF KINETIC FUNDS AND LENDACY OFFERINGS TO INVESTORS

A. <u>Kinetic Funds</u>

On or around May 10, 2012, Kinetic Funds was formed and entered into an operating agreement (the “Operating Agreement”) with Kinetic Partners, as well as investors for the purpose of engaging in securities trading activities and ventures. Kinetic Partners was a Class A Member of Kinetic Funds while the investors were either Class B Members or Class C

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Members of Kinetic Funds.[5] Kinetic Funds was in the business of soliciting investors for their hedge funds. The Commission instructs that "[h]edge funds pool money from investors and invest in securities or other types of investments with the goal of getting positive returns … Hedge funds are limited to wealthier investors who can afford the higher fees and risks of hedge fund investing, and institutional investors, including pension funds."[6]

A prospective investor in Kinetic Funds could invest in one or more sub-funds as set forth in their individual signed Operating Agreement[7]:

1. Aegis (Inflation) later known as KFInflt (Inflation);
2. Gemini (Income) later known as KFYield (Income);
3. Terra (Value) later known as KFValue (Value);
4. Durus (Gold) later known as KFMetal (Gold); and
5. Opes, later known as KFGains (Risk/Reward).

Nearly all of the total funds invested with Kinetic Funds were invested in the KFYield Fund (which was previously known as Gemini).

Kinetic Funds prepared marketing materials for the KFYield Fund that were distributed to potential investors and represented, among other things, that the fund's goal was to "maintain 90% principle [sic] protection," that all products in the fund "are listed on the U.S. exchanges and all products have a yield component." The materials also provide that the "products are all in the listed market and liquid."

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[5] The Receiver has seen conflicting information regarding the distinction between Class B members and Class C members, including whether or not IRA funds were used to invest.
[6] https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investmentfunds/hedge-funds.
[7] An example investor exhibit to Operating Agreement is attached as **Exhibit B**.

In order to invest in KFYield or other funds offered by Kinetic Funds, an investor was required to sign (i) an exhibit to the Kinetic Funds Operating Agreement, (ii) a subscription agreement, and (iii) an offering questionnaire. The relevant exhibit to the Operating Agreement, either Exhibit B-1 or Exhibit C-1, included a "Financial Products" section providing that:

> The Fund(s) will trade derivatives, but may also be invested in individual stocks, components of the indices, cash, and other exchange listed products in the sole and absolute discretion of the Class A (and Managing) Member, in its sole and absolute discretion, from time to time and at any time.

Doc. 2 Exhs. 7, 42. Each Exhibit B or C also included a section on "Fees and Expenses" that provided:

> The Fund(s) is/are charged an annual One Percent (1%) expense ratio. The 1% expense ratio will be charged to the subject Fund on a monthly pro-rated basis, based on the net equity value of the Fund on the last business day of each month. Tax preparation, accounting, legal, and any other related fees will be itemized and directly debited from the Class B Member's account on the Company's records.

Investors received monthly statements from Kinetic Funds purportedly describing the Fund's performance and returns. The last statements provided to investors were delivered for the January 2020 time period.

B. <u>Lendacy</u>

Potential investors for Kinetic Funds initially received marketing information and solicitations from Lendacy that described Lendacy as a "partner" of Kinetic Funds. Employees understood they "cannot market the fund because of regulatory issues."[8] Lendacy touted its relationship-based lending facility that provided below-market-rate lines of credit to

[8] Doc. 2 Ex. 10 at 46:20-22.

"accredited investors." Both the marketing materials and Lendacy loan agreements provided that a Lendacy loan was unsecured. A prospective investor wishing to utilize Lendacy's services was informed that an initial investment in Kinetic Funds was required in order to obtain a Lendacy loan up to a certain "loan-to-value" of their investment. Marketing materials distributed to prospective investors represented that an investor could take a Lendacy loan while also keeping "100% of your capital working, generating dividends and interest with the opportunity for continued appreciation."

A KFYield investor who desired to obtain a Lendacy loan was typically required to fill out a Credit Line application listing the amount requested, their desired payment option, the purpose of the loan, and various information regarding their assets and liabilities. If approved, the investor would then complete a "Credit Facility Agreement" setting forth terms of the loan including the credit limit, the selected repayment option, and the specified interest rate selected by Lendacy. An investor's repayment options included:

- a deferred option deferring scheduled payments and accrued interest until the "first December statement after the first Advance hereunder";
- An "Interest Only" option to pay the minimum monthly payment to be credited towards interest;
- An "Interest With Principal Reduction" option whereby the investor would make a monthly principal and interest payment; and
- A "Flat Pay" option whereby the investor would pay a certain fixed amount per month.

Many Lendacy loan recipients elected to use a portion of the dividends purportedly generated by their KFYield investment to satisfy their payment under the "Interest With Principal Reduction" option. In other words, a KFYield investor with a Lendacy loan could use a portion of the monthly dividends generated by their entire KFYield investment to satisfy their monthly loan service rather than having to make an out-of-pocket payment.

Each Credit Facility Agreement also specified the total interest rate tied to the loan, which was calculated by assigning an "Index" rate based on the "Fed Funds rate" in effect on a certain date and then adding a "Margin" rate consisting of an "interest rate charge determined by the Lender at the time of this agreement." The agreement also provided that the "Margin" was subject to future revision in the Lender's sole discretion. Lendacy's former president has testified that "[t]here was no structure to what the interest rates would be. It was chosen based on that particular situation or that particular loan for whatever its purpose may be."[9] The Credit Facility Agreement provided little recourse to Lendacy in the event that a loan recipient defaulted on their payment obligations. As Paragraph 16 of the agreement provided, "[loan recipient's] obligations under this Agreement are unsecured." Lendacy generated monthly statements that were provided to loan recipients. The last statement to Lendacy clients appears to be for the September 2019 time period.

IV. OVERVIEW OF RECEIVER'S PRELIMINARY FINDINGS

The Receiver is in the process of reviewing voluminous records recovered by his professionals and is also continuing efforts to obtain additional documents from third parties. This process has been complicated by several factors. First, the Receiver's appointment came just days before the World Health Organization declared the COVID-19 outbreak a pandemic, causing unprecedented disruption to nearly every facet of daily life that has continued to this day. This has included delays to the Receiver's ability to timely obtain relevant documents

[9] Doc. 2 Ex. 10 at 40:16-19.

from third parties including Defendants' banking and brokerage institutions.[10] Second, Defendants seemingly do not appear to have maintained complete, customary and separate books and records for the various businesses operated by the Receivership Defendants, and it appears that corporate formalities of those various businesses were routinely disregarded. Third, the Receiver has identified a number of discrepancies in the origin and purpose of certain records, including the inclusion and/or exclusion of various Lendacy loans (including those tied to Williams and his entities) on certain company documents. Fourth, Mr. Williams has not provided a final accounting. The Receiver and his team have worked tirelessly and proactively to push through these obstacles.

These efforts have led the Receiver to make certain observations with the assistance of his legal and forensic professionals. Based on the review of some of the records (which remains ongoing) as well as interviews with employees, investors, and others, and with the caveat that these are not final determinations, the Receiver believes they should be shared with the Court, the investors, and other potentially interested parties.

A. There Is A Significant Shortfall Of Funds Available To Investors

At the hearing on March 6, 2020, the Court engaged in a colloquy with Defendants in an effort to determine the total sum of investor assets immediately available. Using figures from December 2019, Defendants suggested that there were $20 million in "rock-hard" assets consisting of cash and securities - $7 million to $8 million in Kinetic Funds bank accounts

[10] It also took the Receiver nearly two weeks to obtain all of the relevant login credentials to the various mail and document servers utilized by Defendant, and Williams has continued to claim he is unable to access and provide the relevant credentials to what the Receiver understands was a primary email suite used by Defendants.

and $12 million to $13 million in securities - which still fell at least $17 million to $18 million short of the amounts Defendants represented had been contributed by investors. Defendants sought to minimize this shortfall by pointing to $12 million to $14 million in purportedly outstanding Lendacy loans and claiming that a historic bank building purchased by Williams with investor funds was allegedly appraised at $5 million. The Receiver's initial investigation suggests that these representations were, at best, incomplete.

A review of investor statements shows a major shortfall between the value of the KFYield Fund as represented to investors and the actual amount of assets available to investors and available for withdrawal. As of December 31, 2019, the statements provided by Kinetic Funds to KFYield investors represented that the collective value of the KFYield Fund was approximately $36.29 million. Thus, Defendants' assets attributable to KFYield investors should add up to a total of approximately $36.29 million.[11]

The reality is that, as of December 31, 2019, Kinetic Funds had less than $11 million of investor funds immediately available for withdrawal as cash or securities: a bank account

[11] The representations by Mr. Williams regarding the historic bank building in San Juan, Puerto Rico, which was titled in the name of Williams' entity Scipio, were similarly incomplete and/or inaccurate. Defendants' representation that the historic bank building had recently been appraised at $5 million omitted that the referenced valuation was an "as-finished" estimate <u>only valid after a complete renovation costing over $2 million had been completed</u> and that the "as-is" valuation was $2.9 million. Williams' further representation that the bank was in the middle of a renovation and that a "fresco" was currently being painted appear to be similarly misleading; in visually observing the building and speaking to parties with knowledge of activity at the bank building, there does not appear to have been any significant activity for many months. The building's general state of disrepair upon a visual examination supports this observation, and the Receiver has engaged the services of multiple appraisers to understand the building's current valuation.

balance of $5.44 million and approximately $5 million available to be withdrawn from Kinetic Funds' Interactive Brokers accounts.[12]

The Receiver's current preliminary analysis shows the periodic balances of KFYield's bank and brokerage accounts as well as outstanding non-insider Lendacy loans compared with the amounts displayed on investor statements representing the collective amounts investors thought were invested in KFYield:

		Balance as of 12/31/17		12/31/18		03/31/19		06/30/19		09/30/19
Kinetic Funds BMO Harris Account Ending x4255	$	9,794,506	$	8,198,793	$	6,711,230	$	9,075,475	$	7,101,717
KF Yield Brokerage Account Ending x4161	$	4,734,381	$	11,199,978	$	11,271,027	$	11,272,032	$	11,354,984
Lendacy Loans (Due from KCL Services)	$	6,106,689	$	6,330,086	$	6,245,310	$	5,070,235	$	4,830,504
Total	**$**	**20,635,575**	**$**	**25,728,857**	**$**	**24,227,566**	**$**	**25,417,742**	**$**	**23,287,205**
Amounts Due to Investors	**$**	**(26,964,198)**	**$**	**(35,458,503)**	**$**	**(36,119,952)**	**$**	**(37,051,335)**	**$**	**(36,124,446)**
(Shortfall) in Funds	**$**	**(6,328,623)**	**$**	**(9,729,646)**	**$**	**(11,892,385)**	**$**	**(11,633,593)**	**$**	**(12,837,241)**
Margin Balance on Account Ending x8796		(7,303,390)		88,035		97,398		106,357		64,973
Margin Balance on Account Ending x2028		-		(7,444,060)		(7,496,116)		(7,550,258)		(7,602,687)
Shortfall after Margin Balance Offset	**$**	**(13,632,013)**	**$**	**(17,085,672)**	**$**	**(19,291,104)**	**$**	**(19,077,495)**	**$**	**(20,374,955)**

As the above chart shows, a significant shortfall has existed between the amount of funds that should have been held by Kinetic Funds and the actual amount of available assets since at least December 31, 2017. Even including the approximately $4.8 million in outstanding Lendacy loans as of September 30, 2019 to investors (and excluding purported loans to Williams and his entities) which could not be immediately reduced to cash and instead at best

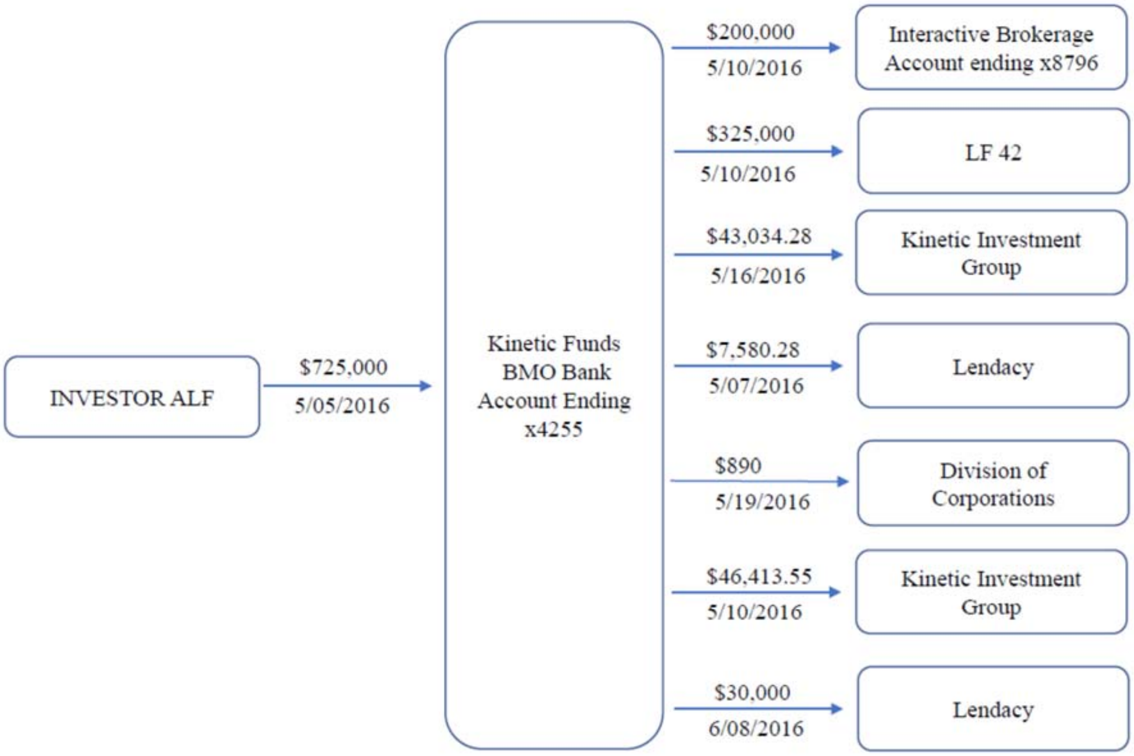
[12] As discussed in further detail in Section IV.B.3 below, one of the accounts within Kinetic Funds' portfolio structure at Interactive Brokers has an accrued significant margin balance of roughly -$7.7 million that must be satisfied before any funds may be withdrawn from Interactive Brokers and transferred to a bank account. The Receiver has also been informed that two of the accounts with account numbers ****4167 and ****4170 are the subject of an independent arrangement between two Kinetic Funds investors and Williams and have never been considered Kinetic Funds assets. The Receiver is continuing to investigate these issues and to date has not transferred the cash holdings of the remaining accounts.

represented an unsecured long-term receivable, the difference between what investors thought the Fund had on hand and what the Fund actually had on hand was at least $6 million in 2017 and later increased to roughly $20 million near the end of 2019.[13] To put this shortfall in context, it does not appear that Kinetic Funds would have been able to satisfy a redemption request by its largest KFYield investor, a Puerto Rico government agency that had entrusted approximately $18 million to the Fund, since at least mid-2018.

The Receiver continues to investigate the sources of this shortfall. In addition to the apparent diversion of over $6 million for Williams' own benefit and without any benefit to investors, it was disclosed at the March 6, 2020 hearing that part of the shortfall is attributable to losses suffered when the Fund's previous broker-dealer apparently collapsed. The Receiver has seen evidence that KST, the precursor to Kinetic Funds, previously had an account relationship with (and appears to have been an investor in) VTrader Pro, LLC ("VTrader"), a previously-licensed broker-dealer whose registration was terminated in January 2013.[14] The Receiver is continuing to look into these issues.

Finally, on at least several occasions it appears that this shortfall resulted in several instances where new investor funds were used to make transfers to other investors and insiders to prevent a depletion of the KF Bank Account. As the below chart demonstrates, investor ALF made a $725,000 investment in Kinetic Funds in May 2016:

[13] The last month of complete Lendacy statements was September 2019.
[14] *See* https://brokercheck.finra.org/firm/summary/131920.



KF Bank Balance 5/04/2016 $46,290.46 + *Deposit 5/05/2016 $725,000* = *KF Bank Balance 5/05/2016 $771,290.46* - *Disbursements 5/10/2016-6/08/2016 $652,918.11* + *Bank Interest $11.81* = *KF Bank Balance 6/08/2016 $118,384.16*

As the diagram shows, the balance in the KF Bank Account at the time of Investor ALF's deposit was $46,290.46. After the new investment increased the account balance to $771,290.46, Kinetic Funds then made various transfers including $200,000 to Interactive Brokers, $325,000 to Williams' entity LF42, nearly $100,000 to Kinetic Investment Group, and almost $40,000 to Lendacy. Absent Investor ALF's investment, the KF Bank Account would not have been able to make the vast majority of those transfers. It also does not appear that Investor ALF had a loan with Lendacy.

B. KFYield's Interactive Brokers Account

1. The Disclosed Trading History And Performance Is False And Misleading

Current and prospective investors were routinely provided with KFYield's performance information, including printouts from Bloomberg, showing the amount of funds under management and that the fund never had a negative annual return since 2013. This was false. The Fund's NAV, as well as the consistent positive returns advertised and disclosed to investors and potential investors, are contrary to the actual trading performance. An initial forensic analysis of the KFYield Brokerage Account shows the account declined in value by over 25% from 2015 to May 2018, when additional funds were added to the account.[15]

Below is a table comparing actual performance in the KFYield Brokerage Account to the values represented to investors and reported on Bloomberg. Specifically, for each year from 2015 (the first year of complete results from Interactive Brokers) to 2019, the table lists from, left to right, (1) the pertinent year; (2) the net asset value of the KFYield Brokerage Account as displayed on that date; (3) the actual calculated annual % change in net asset value ("NAV") for the KFYield Brokerage Account as calculated by Interactive Brokers and confirmed by the Receiver's forensic accounting professionals; and (4) the return represented on KFYield's Bloomberg listing:

[15] The Receiver is not aware of, nor has he seen, any other brokerage accounts holding funds or securities belonging to KFYield investors.

December 31:	NAV per Portfolio Analysis for Acct x 4161	Calculated Annual % Change in NAV	Annual Return per Portfolio Analyst for x4161	Return per Bloomberg Profile
2013	n/a			
2014	7,418,915.58			
2015	6,766,313.65	-8.8%	-8.8%	0.21%
2016	6,510,940.57	-3.8%	-3.8%	2.24%
2017	4,734,380.58	-27.3%	-27.5%	1.04%
2018	11,199,977.98	n/a	12.8%	7.09%
2019	11,062,958.09	-1.2%	-1.2%	

As the above table clearly demonstrates, KFYield's performance as represented to investors was inconsistent - often significantly - with the account's actual performance.

The net asset value reported in the KFYield Funds' Bloomberg reports bear no relationship to the actual net asset values reported by Interactive Brokers. The below chart compares the NAV and fund size listed on Bloomberg to that reported by Interactive Brokers:

Date	NAV per unit (Source: Bloomberg)	Total Fund Size (Source: Bloomberg)	No. of Shares	Total Fund Size Asset Value (Source: IB x4161)	Bloomberg Overstatement of Net Asset Value
12/31/2014	134.42	9,025,300	67,142.54	7,418,916	1,606,384
12/31/2015	127.07	10,385,377	81,729.57	6,766,314	3,619,063
12/31/2016	121.32	12,574,597	103,648.18	6,510,941	6,063,656
12/31/2017	115.22	31,776,599	275,790.65	4,734,381	27,042,218
12/31/2018	114.98	42,548,700	370,038.96	11,199,978	31,348,722
5/31/2019	114.53	46,428,677	405,392.34	11,230,114	35,198,563

As the chart shows, the Bloomberg report has overstated KFYield's NAV by at least $27 million since the end of 2017.[16]

[16] Instead, it appears the NAV figure reported on Bloomberg was more closely aligned to the total amount contributed to Kinetic Funds by investors. This was not disclosed to investors.

The Fund's performance was significantly overstated for the time period from 2015 to 2017, when the KFYield Brokerage Account produced returns (which factored in any dividends generated) of -8.8%, -3.8%, and -27.5%, respectively. This performance caused the NAV of the KFYield Brokerage Account to decline from $7.42 million at the beginning of 2015 to $4.73 million at the end of 2017 - a collective decline of over 30% and a principal loss of more than $2.5 million. While the Fund's securities holding generated dividends during that period, it appears that the underlying losses in the trading account were excluded from the performance figures represented to investors. At bottom, the KFYield investment returns and performance represented to investors and the public in the Bloomberg reports do not appear to have any relation to the fund's actual trading performance which was not disclosed to investors or potential investors.[17]

It appears that monthly results communicated to investors and reported to Bloomberg were generated using an internal spreadsheet used by Williams and other Kinetic Fund employees that utilized monthly performance and dividend figures provided by Williams. This spreadsheet appears to bear no relation to the actual and historical performance reported by Interactive Brokers for KFYield and other accounts. For example, the spreadsheet calculates the NAV of the Fund based on the numbers reported to investors rather than the actual NAV reported by Interactive Brokers. The Receiver's forensic analysis of the other Kinetic Fund investments, including KFGold, KFGrowth, and KF Inflation, remains ongoing.

[17] This trend continued in 2018, when the Fund's actual return of 12.8% was more than the reported 7.09% increase.

2. The Use Of Margin In The KFYield Brokerage Account

Each investor's exhibit to the Kinetic Funds Operating Agreement contained a "Risk Margin" section providing, in relevant part, that the "Funds' goal is not to exceed a Risk Margin of 75% to equity ratio, measured in the form of 'haircut' or risk-based margin…and that this goal may be exceeded . . . from time to time . . ." There was no disclosure that the Fund's primary use of margin was to apparently allow the Fund to use investor deposits for other purposes instead of directly transferring those funds to Interactive Brokers to be deposited into the trading account.

The Kinetic Funds accounts at Interactive Brokers utilized margin with increasing frequency after opening accounts at Interactive Brokers in 2014. A margin account, simply described, allows the owner to borrow money from the brokerage firm at a set interest rate to purchase securities. The Kinetic Funds accounts were classified as "portfolio margin" accounts which, according to Interactive Brokers, "allows sophisticated traders with hedged portfolios to benefit from lower requirements and greater leverage."[18] As illustrated by the below illustration, the KFYield Brokerage Account's use of margin steadily increased and varied since 2014:

[18] https://www.interactivebrokers.com/en/index.php?f=24176

KFYield Fund (IBx4161)							
	ETFs	Options	Stocks	Cash	NAV		Increase in NAV due to investor cash transferred into Fund Jun-18
Jun-14	$ 3,780,084.65	$ (10,918.05)	$ 4,117,723.56	$ (626,925.31)	$ 7,259,964.85		
Dec-14	3,885,434.05	16,927.52	4,638,902.83	(1,122,348.82)	7,418,915.58		
Jun-15	4,137,321.15	184,551.82	5,084,509.70	(2,500,872.15)	6,905,510.52		
Dec-15	1,647,931.00	544,798.81	4,335,905.00	237,678.84	6,766,313.65		
Jun-16	1,359,620.00	790,509.66	6,705,780.00	(2,206,098.78)	6,649,810.88		
Dec-16	1,931,055.00	264,379.52	15,722,440.00	(11,406,930.95)	6,510,943.57		
Jun-17	-	3,452,596.08	29,662,075.00	(26,752,295.10)	6,362,375.98		
Dec-17	12,645,690.00	(10,860,300.83)	91,792,351.00	(88,843,359.59)	4,734,380.58		
Jun-18	-	6,698,887.43	34,369,483.00	(29,806,191.18)	11,262,179.25		$ 5,869,386.03
Dec-18	7,669,680.00	6,127,697.61	27,383,786.00	(29,981,185.63)	11,199,977.98		
Jun-19	-	1,397,291.26	15,719,200.00	(5,844,459.37)	11,272,031.89		
Dec-19	6,650,540.00	(1,689,555.16)	16,315,956.00	(10,213,982.75)	11,062,958.09		

As the above chart shows, the KFYield Fund's use of margin appears to have peaked in late 2017 when it had a negative cash balance of nearly **-$90 million**. For the three-year period from January 1, 2017 to December 31, 2019, the KFYield Brokerage Account paid total margin interest charges of nearly $1.7 million.

Thus, rather than transfer investor funds to the KFYield Brokerage Account to be invested pursuant to the purchase documents signed by investors, Defendants instead apparently used margin borrowing to allow investor deposits to be used for other purposes including extending unsecured Lendacy loans and to allow Williams to use millions of dollars to purchase real estate and fund unrelated start-up businesses. The disclosures regarding the use of margin and leverage in investor documents are incomplete at best, and certainly do not disclose that Defendants will use margin borrowing as a substitute, rather than a complement, and that the majority of investor funds would not be transferred to Kinetic Funds' brokerage.

3. Only A Small Percentage Of Investor Funds Were Actually Transferred To Interactive Brokers

Despite language in each investor's purchase documentation that they were contributing a specific sum "to be invested in one, or more, of the following investment funds," initial analyses show that approximately $11 million of the $44.1 million in investor funds deposited in the Kinetic Funds bank account from January 2013 to June 2019 (the date of the last investment) were actually transferred to Interactive Brokers. This is illustrated by the following chart showing transfers from the KF Bank Account to Interactive Brokers:

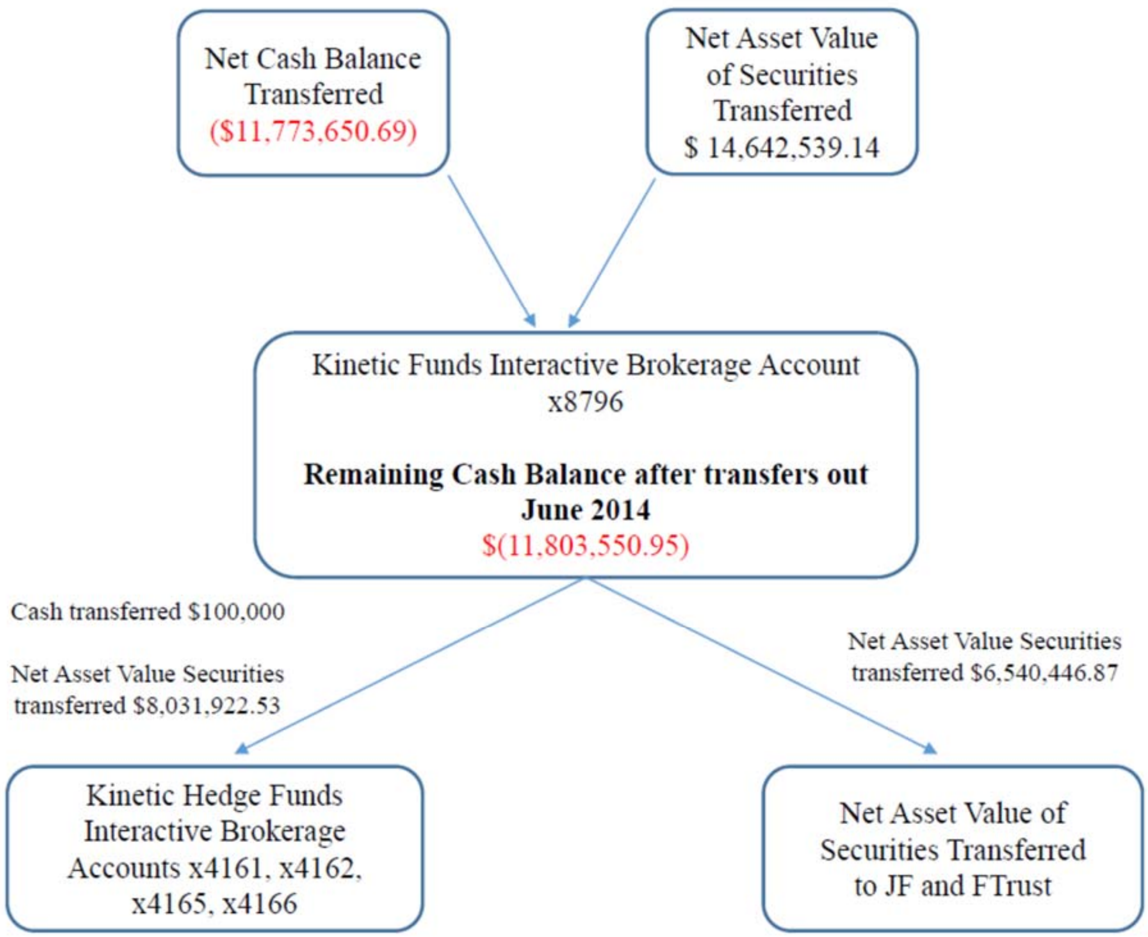
Date	Type	Check No.	Payee	Amount
05/21/14	Wire	N/A	Interactive Brokers Account Ending x8796	$ 120,000
04/10/15	Wire	N/A	Interactive Brokers Account Ending x8796	400,000
05/10/16	Wire	N/A	Interactive Brokers Account Ending x8796	200,000
11/30/16	Wire	N/A	Interactive Brokers Account Ending x8796	300,000
12/29/16	Wire	N/A	Interactive Brokers Account Ending x8796	5,000,000
06/28/18	Wire	N/A	Interactive Brokers Account Ending x8796	5,000,000
			TOTAL	**$ 11,020,000**

As discussed below, only $4.995 million appears to have actually been deposited into the KFYield Brokerage Account.[19]

Kinetic Funds began its account relationship with Interactive Brokers in June 2014. During June 2014, Kinetic Funds transferred a net cash balance (margin loan) of ($11,893,650.69) to an Interactive Brokers account ending in 8796 that served as a clearing account for assets moved into specific hedge funds (the "8796 Account"). Kinetic Funds also

[19] The Receiver's forensic analysis shows that approximately $600,000 was transferred from Interactive Brokers to the KF Bank Account during that period, with the last transfer of $8,960 taking place in October 2016.

transferred approximately $14.642 million in securities to the 8796 account, of which approximately $8.03 million were transferred to separate sub-accounts under the Kinetic Funds account structure representing the KFYield, KF Gold, KF Inflation, and KF Market sub-fund.[20] A diagram of these transactions is below:



The negative cash position of $11.773 million in the 8796 Account remained for several years. On or around December 29, 2016, the KF Bank Account transferred $5 million to the 8796 Account which served to reduce the outstanding margin balance. These funds

[20] It appears that a large portion of the remaining securities positions were transferred into the "Other Investor Accounts" discussed below in Section V.B.2.

were investor dollars that were supposed to be invested in the KFYield fund, not to pay down Kinetic Funds' existing margin balance.

The 8796 Account's significant margin balance remained until June 25, 2018, when a different account within the Kinetic Funds account structure at Interactive Brokers, the 2028 Account, apparently generated a separate margin loan to pay off the margin balance in the 8796 Account. The 2028 Account's margin loan balance as a result of that transaction continued to grow until the Court's entry of the Order Appointing Receiver and is currently approximately -$7.7 million. The Receiver continues to investigate the circumstances surrounding this margin balance but currently understands that the obligation to repay that margin balance rests with the KFYield Fund, and diminishes the amounts potentially available for a future equitable distribution pursuant to a court-approved claims process.

Around the same time that the 2028 Account generated a new margin loan, the KF Bank Account transferred $5 million to the 8796 Account on June 25, 2018. The 8796 Account then transferred $4.995 million to the KFYield Brokerage Account. The Receiver's forensic professionals have not identified any other transfers to Interactive Brokers after these June 2018 transfers. Thus, of over $40 million deposited by investors into the KF Bank Account during the relevant time period, roughly 12% was ultimately transferred to the KFYield Brokerage Account.

C. Payment Of Significant Management Fees To Kinetic Investment Group

The offering documents for KFYield provided that the "Fund(s) is/are charged an annual One Percent (1%) expense ratio . . . based on the net equity value of the Fund on the last business day of each month." In addition, tax preparation, accounting, legal, and other

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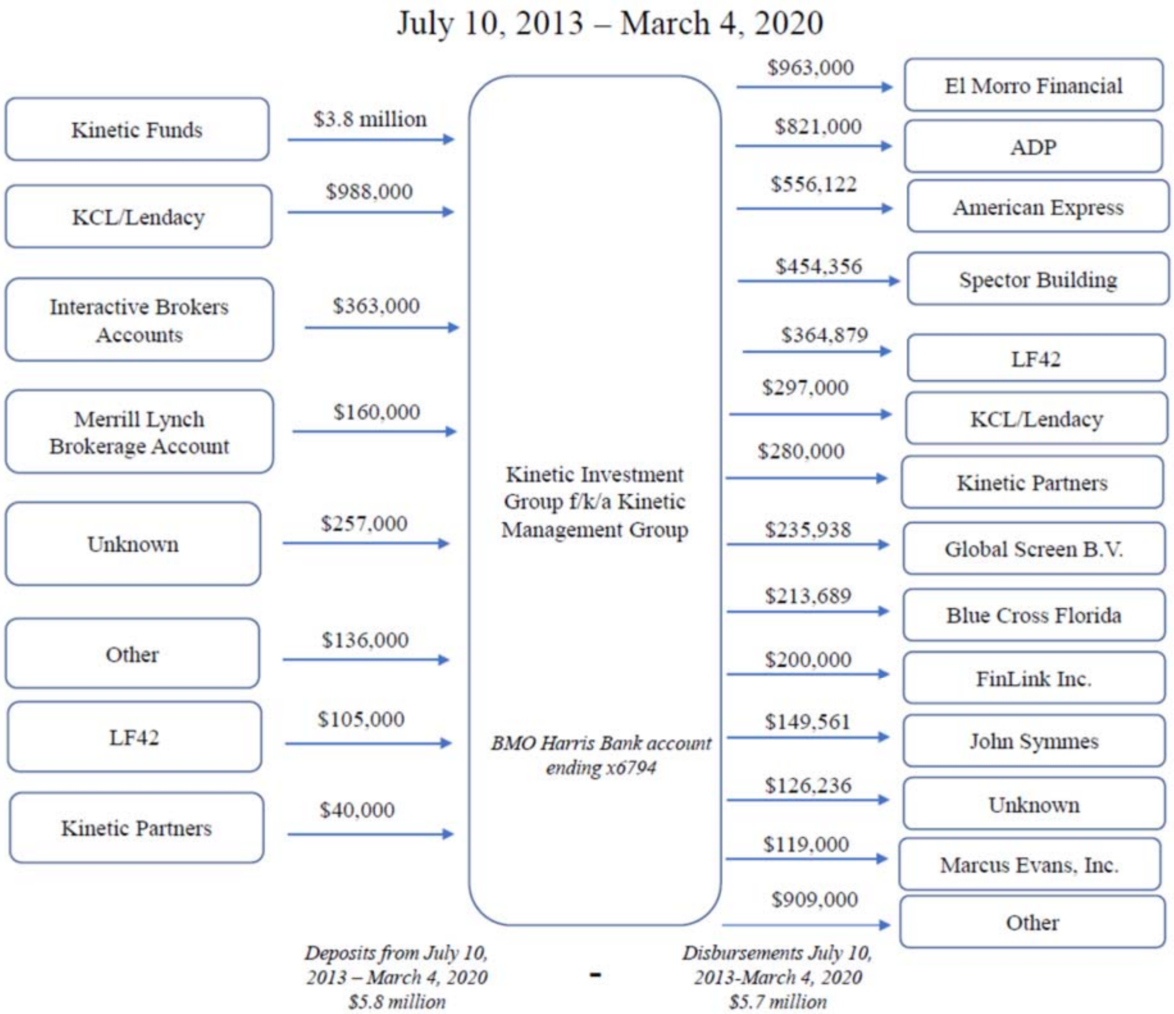
related fees were to be itemized and directly debited from the investor's account in the company's records. For example, Kinetic Investment Group would receive an annual "expense ratio" totaling $400,000 if the net equity value of the KFYield fund remained $40 million for an entire year. The Receiver has seen evidence that Williams delegated the calculation of the management fee to other lower-level employees.[21]

Despite the significant decline seen in the KFYield Brokerage Account and the fact that the account's NAV never rose above $12 million from 2014 - 2019, over $3.5 million was transferred from the KF Bank Account to Kinetic Investment Group during that period.[22] The flow of funds for Kinetic Investment Group from July 2013 to March 2020 is below:

[21] A former Kinetic International employee has testified that she, not Williams, was responsible for calculating the monthly management fee payable by Kinetic Funds to Kinetic Investment Group based on instructions she received from another former employee.

[22] An additional $150,000 in transfers were made in January 2020 and February 2020.



As the chart shows, Kinetic Investment Group also received nearly $1 million from Lendacy's BMO Harris bank account during the same period, resulting in total transfers of nearly $5 million during that period.[23] While it remains unclear as to what portion of the transfers to Kinetic Investment Group constituted other expenses that it was entitled to recover, a significant gap exists between the transfers and what the 1% "expense ratio" for assets under

[23] Because investor funds were the primary source of funding for the Lendacy account, any purported fees paid by Lendacy would have resulted in duplicative management fees.

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management would have been even using the numbers reported to investors at the end of each calendar year.[24]

The Receiver's initial investigation suggests that at least some funds transferred from Kinetic Funds to Kinetic Investment Group during this period are not legitimate expenses to which Kinetic Investment Group was entitled. Rather, it appears that a sizeable portion of that surplus was used to operate other unrelated businesses as further discussed in Section IV.F. *infra*. Despite seemingly receiving amounts significantly above that to which it was contractually entitled, it appears there were numerous occasions from 2016 to 2018 when the Kinetic Investment Group bank account required a transfer from Kinetic Funds in order to replenish a low balance and allow the subsequent payment of various expenses. The Receiver continues to investigate these discrepancies.

D. Millions Of Dollars In Investor Funds Were Wrongfully Diverted To Lendacy

Lendacy, formerly known and marketed as Capital Services Solutions, was a private, start-up company owned by Williams and marketed to investors as a Kinetic "partner" that could offer unsecured loans of up to 70% of an investor's Kinetic Funds investment amount. Investors were told that "Lendacy provides an unsecured credit line…" and were never told that their funds were being used to fund Lendacy's extension of unsecured loans. Such a disclosure would also have been inconsistent with other representations in each investor's Kinetic Funds purchase documents that their investment would be invested in one or more of

[24] This also assumes that Kinetic Investment Group was entitled to receive this "expense ratio" fee even if majority of investor funds were never deposited into brokerage accounts as represented.

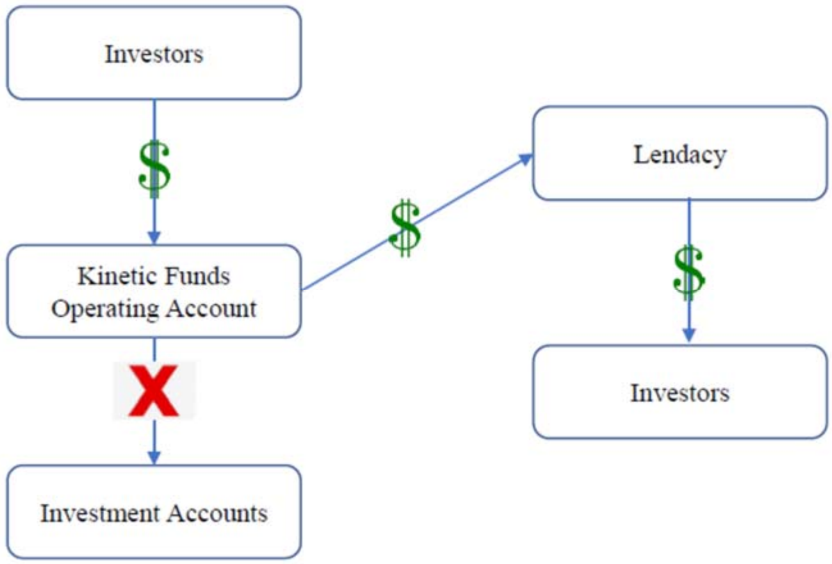
the various Kinetic Funds sub-funds and that those sub-funds only invested in "exchange listed products." Lendacy was not publicly-traded or listed on any U.S. exchange.[25]

It bears noting that, because Lendacy loans were unsecured and did not provide any collateral source, a Kinetic Funds investor holding both a Lendacy loan and investment in one or more Kinetic Funds would theoretically be within their rights to default on their Lendacy loan while also requesting a total redemption of their entire Kinetic Funds investment, necessarily meaning that the redemption would be paid with other investor funds.

1. Lendacy's Only Outside Funding Source Was Investor Funds From Kinetic Funds

Lendacy had <u>no</u> outside, private or independent funding source and every dollar that was loaned to a Lendacy client was obtained by diverting investor funds directly or indirectly (through margin borrowing) from Kinetic Funds. Thus, the following illustration demonstrates the actual flow of funds:

[25] The Receiver has identified some investor Operating Agreement exhibits executed prior to 2016 stating that the funds could include a "'Preferred Return' investment.. . . in a private sector funding company that offers fixed rate preferred interest returns. . ." Even assuming this "Preferred Return" was referring to Lendacy (it did not state such), the disclosure is incomplete at best and omits material information including that the "preferred return" was derived by extending unsecured loans with investor funds. This language is not included in Operating Agreement exhibits provided to investors in 2016 (and potentially earlier).



For example, investor FSC invested $650,000 with Kinetic Funds in October 2015 and also applied for a $200,000 Lendacy loan. At that time, the balance in the KF Bank Account was approximately $48,000 while Lendacy's bank accounts had a combined balance of roughly $10,000. Thus, the only way for Lendacy to issue investor FSC a $200,000 Lendacy loan was to use funds contributed by that investor to the KF Bank Account where that investor had been promised those funds would be used for his investment. The below chart illustrates this flow:

This flow of funds was plainly <u>inconsistent</u> with multiple representations made in the Exhibits to Kinetic Funds' Operating Agreement signed by investors that their investment would be "invested in one, or more, of the following investment funds," as well as Lendacy marketing materials indicating that investors could utilize Lendacy services while keeping "100% of [their] capital working."

While Lendacy repeatedly touted the unsecured nature of a Lendacy loan to potential investors,[26] it took a seemingly contradictory position in a September 2016 confidential letter to Puerto Rico's Commissioner of Financial Institutions seeking a license to operate in Puerto Rico. There, Lendacy stated that:

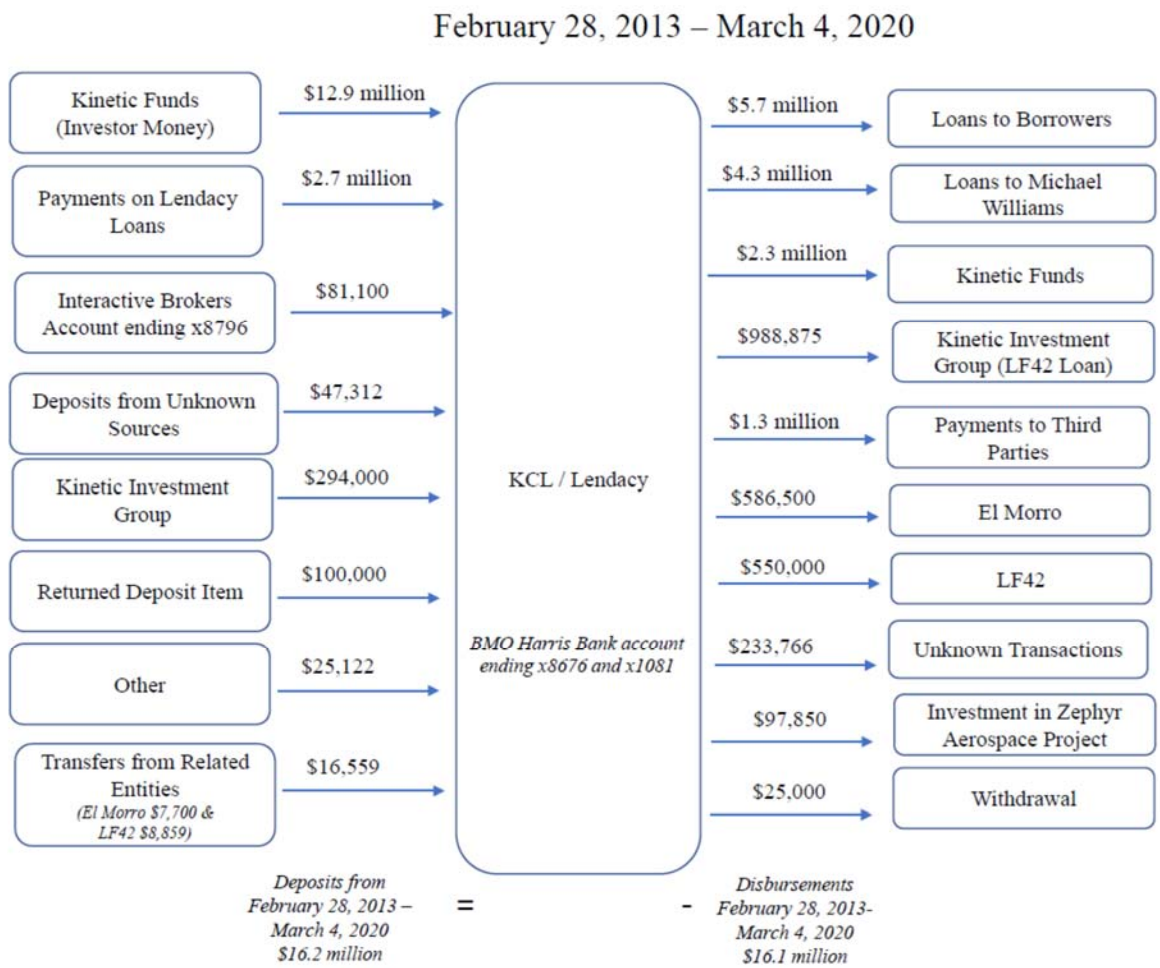
> "In order to qualify for a line of credit with [Lendacy], the prospective borrower or an associated individual or entity of such prospective borrower, must invest capital into KF1's "KFYIELD Fund". Such investment is used by the borrower to collateralize the credit line granted by the Applicant."

The Receiver has not seen any disclosure to prospective Lendacy clients or KFYield investors that their KFYield investment was used to collateralize their (or any) Lendacy loan.

2. Lendacy Used Investor Funds To Make Millions Of Dollars In Undisclosed And Unsecured Loans To KFYield Investors, Insiders, And Non-KFYield Investors

The Receiver's preliminary analysis demonstrates that Lendacy received a total of approximately $16.2 million into its bank accounts from February 2013 to March 2020:

[26] Doc. 2 Ex. 43 ("Lendacy does not take a collateral position in any investments made using the credit line."



As this chart shows, Lendacy received nearly $13 million of investor funds from the KF Bank Account during that period - of which more than half of that amount was diverted to, for the benefit of, or at the direction of Williams. Using those funds, Lendacy made at least 28 loans to various individuals and entities during that time period that often featured preferred or significantly below-market rates, were not typically collateralized and contained little recourse in the event of default, and of which several were often delinquent or in default.

At least four of those loans were made to insiders and non-KFYield investors, including Williams' related entities as well as multiple current and former employees in the

Receivership Defendants' Florida and Puerto Rican offices.[27] The use of investor funds to fund Lendacy's business of extending unsecured loans is also inconsistent with Defendants' marketing of the Kinetic Funds as conservative investments that sought to "protect 90% of invested principal." The Lendacy loan portfolio was also in significant distress by the end of 2019. A Contract and Payment Schedule analysis prepared by a Kinetic employee in December 2019 showed that:

- Documentation was missing for at least 5 loans (including one Williams "loan");
- 13 of 21 loans with a current total balance of nearly $6 million were classified as "At Risk" or "Default," including loans to Williams and his related entity Scipio, LLC; and
- Six loans had accumulated accrued interest and fees in excess of the stated credit limit.

In short, Lendacy relied on investor funds to operate its business of extending unsecured loans with little recourse available upon default and which could not be immediately recalled or reduced to cash. This in turn increased the shortfall between actual and represented fund assets and decreased the Fund's ability to meet potential investor withdrawals.

E. Williams Diverted Millions Of Dollars Of Investor Funds To Buy Real Estate And For Other Undisclosed Individual Purposes

The Receiver has seen substantial evidence and documentation to support the Commission's allegations that Williams diverted millions of dollars in investor funds for unauthorized and undisclosed purposes, including the purchase of residential and commercial

[27] Notably, Lendacy loans to non-KFYield investors obviously could not be based on that recipient's KFYield investment and thus necessarily would have had to have come from other sources.

real estate and the funding and operation of several related start-up businesses in Puerto Rico. These fund transfers began following a $15 million investment in KFYield from a Puerto Rican government agency in December 2016, which came at a time when the total balance in the bank accounts belonging to Kinetic Funds, KCL Services, and Kinetic Investment Group had dipped to less than $70,000 as of October 31, 2016.

These fund transfers were usually initially routed from the KF Bank Account to Lendacy's bank account. Investors were never advised that Williams might loan investor funds to himself or for his benefit.[28] It does not appear that Williams went through any standard loan application or approval process for these purported loans, and there is evidence that loan documentation was often created after the transfers took place. As Lendacy's former president testified:

> Michael [Williams] did not go through the standard lending process that we would require our investors or clients to go through. He simply wired the money out for the purchase with no documentation associated to it.

Doc. 2 Ex. 10 at 78:21-25. These misappropriated funds are not immediately available or accessible to Kinetic Funds investors, both parcels of real estate purchased at Williams' direction are not (nor were they ever) titled in the name of Kinetic Funds, and a significant portion of the funds appear to have been spent funding and operating now-defunct Puerto Rican businesses. *See* Sections IV. F. 1-3, *infra*.

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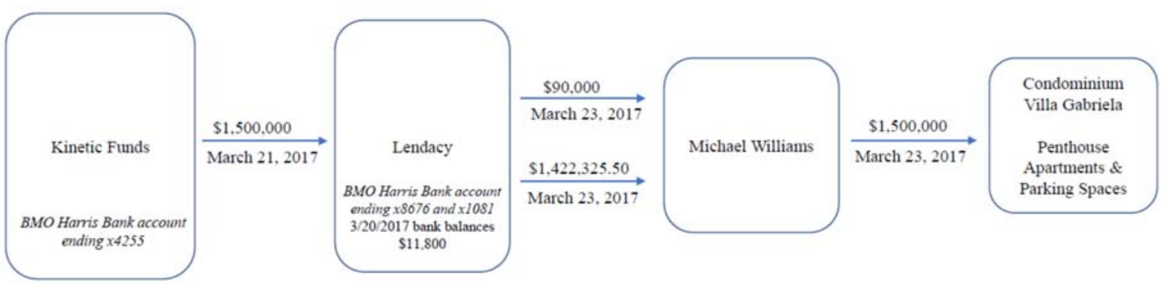
[28] Rather, "KF Yield investors in Kinetic Funds were told specifically that their assets were going to be invested purchasing US listed securities. . ." Doc. 2 Ex. 10 at 31:6-8; Doc. 2 Ex. 8 pp. 8-9 (fund marketing documents represented that "[a]ll products are listed on the U.S. exchanges and all products have a yield component . . . [t]he products are all in the listed market and liquid, allowing for the managers to take quick and decisive measures as market conditions change.")

1. March 2017 Puerto Rico "Villa Gabriella" Penthouse Purchase

In March 2017, Williams used approximately $1.5 million in investor funds to purchase an apartment multiplex and corresponding parking spaces in historic Old San Juan, Puerto Rico known as "Villa Gabriella." One of these apartments is a penthouse apartment while the other is a smaller ground-floor apartment. Williams purchased Villa Gabriella in his personal capacity for use as his personal residence, and he continues to reside in the penthouse apartment as of the date of the Receiver's appointment.[29] It was not disclosed to investors that Williams would be purchasing a personal residence in Puerto Rico with investor funds or that the residence would be titled in his name. In order to pay for the Villa Gabriella purchase, Williams directed the transfer of $1.5 million from the KF Bank Account to Lendacy's bank account where it was then sent to Williams' personal account as follows:



The Receiver has seen a Lendacy Credit Facility Agreement signed by Williams with an effective date of March 23, 2017 and memorializing a $1.517 million credit limit. Doc. 2 Ex. 25. The agreement specifies a 2.79% interest rate and provides an "interest only" repayment

[29] Williams' counsel has represented that the ground-floor apartment is being rented by Mr. Williams to a tenant and that Mr. Williams collects monthly rent from that tenant. There is no indication that the monthly rent payments have been provided to Kinetic Funds.

option. Williams purportedly executed a "Collateral Pledge Agreement" pledging his future payout from the future Silexx sale as collateral for the loan to purchase Villa Gabriella.

Put simply, Williams used investor funds he was not entitled to use in order to purchase a lavish residence for himself in a transaction that was not arms-length and had no benefit to investors. Lendacy's former president testified that Williams did not go through the standard Lendacy loan process, which included applying for and obtaining approval for a loan, and that documentation for the loan was prepared and back-dated after the transaction.[30] Even if Williams had gone through the Lendacy application process, he would not have qualified for such a loan under the stated criteria given that his total investment in Kinetic Funds at that time was approximately $56,000 and that he had already taken out a Lendacy loan for $40,000 in April 2015.[31] Williams told other employees he intended to repay the "bridge loan" using upcoming proceeds of the sale of Silexx to CBOE.[32] No such repayment occurred. Williams made less than $50,000 in payments towards this loan prior to the filing of this action, and the accrual of nearly $150,000 in interest during that period resulted in the loan exceeding its credit limit by nearly $100,000 at the end of 2019.

The Receiver is currently evaluating claims to recover Villa Gabriella for the benefit of Kinetic Funds investors.

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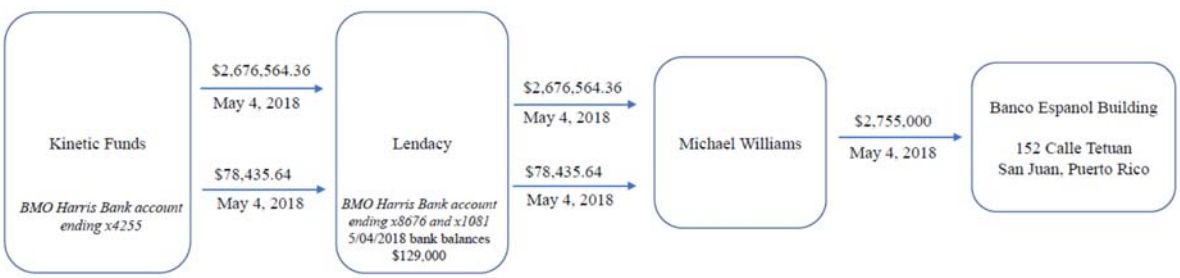
[30] *See* Doc. 2 Ex. 10 at 78:15-79:5.

[31] In May 2018, approximately one year after the Villa Gabriella transaction, Williams deposited $1.5 million into the KF Bank Account. This deposit was characterized and treated as an investment into KFYield, not a repayment of any outstanding obligation, and Williams used that investment to purportedly generate dividends and appreciation as evidenced by statements for that investment.

[32] *See* Doc. 2 Ex. 14 at 26:12-16.

2. May 2018 Banco Espanol Purchase

In or around May 2018, Williams used approximately $2.75 million of Kinetic Funds investor monies to purchase the historic Banco Espanol building located at 152 Tetuan Avenue, San Juan, Puerto Rico. The Receiver has reviewed purchase documents for this transaction illustrating that Williams, on behalf of Receivership Entity Scipio, LLC, purchased the Banco Espanol for a total of $2.9 million consisting of (i) $2,676,564.13 to the seller, (ii) $145,000 paid to the broker, and (iii) $78,435.64 to the title company. The same day as the transaction, May 4, 2018, transfers of $2,676,564.13 and $78,435.64 were made from the KF Bank Account to the Lendacy bank account and subsequently to the appropriate parties as set forth in the purchase documentation. A diagram of this transaction is as follows:



According to Lendacy's former President, Williams sought to purchase the building to create a private club for billionaires, among other uses. This purchase was <u>not</u> for the benefit of investors in Kinetic Funds, and the building was and remains titled in Scipio's name.

As with the Villa Gabriella transaction, it is clear to the Receiver that Williams did not engage in the standard application or arms-length underwriting process that would have been required by Lendacy prior to receiving a loan for the purchase of Banco Espanol. Lendacy's former president testified that she had never seen (and thus never approved) the purported Credit Facility Agreement signed by Scipio evidencing the purported Lendacy loan or seen a

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statement.[33] Nor does it appear that Williams would have qualified for such a loan given that his total investment in Kinetic Funds would not have supported a Lendacy loan of $2.75 million (nor was Scipio a current KFYield investor). The Receiver has not seen any evidence that Kinetic Funds investors were advised that Williams was using $2.75 million in investor funds for a speculative purchase of commercial property in Puerto Rico that would be titled in the name of an entity owned by Williams.

Williams made less than $60,000 in payments towards this loan prior to the Commission's filing of this complaint, and the accrual of nearly $140,000 in interest during that period resulted in the loan exceeding its credit limit by nearly $100,000 at the end of 2019.

Following the purchase of Banco Espanol with investor funds, it appears that Williams made several subsequent attempts to acquire additional banks located in San Juan, Puerto Rico with Scipio as the potential purchaser. *See* **Exhibit C**. It does not appear that those attempts were successful.

[33] *See* Doc. 2 Ex. 10 p. 93:20-94:18 ("Q But as long as you were employed as the president of Lendacy, you had never seen this document before? A No. Q Nor did you approve this loan? A No. Q And in the usual course of business or as part of your responsibilities as the president of Lendacy, would you be approving loans like this? A Yes. And if for any reason Michael had approved it, he would be the only other person that could approve loans without my authorization. It was an understanding that I -- it was necessary that I know and be copied and provided all the appropriate information. Q And on May 4th, 2018 you were still employed with Lendacy, correct? A Correct. Q And would you have seen on May 4th, 2018 any Lendacy statement that was generated during that time? A In -- yes. I would have seen all of the Lendacy statements generated in May of 2018, Scipio was not one of them.")

3. Other Misappropriations Of Investor Funds By Williams

The Receiver's investigation has also revealed other instances where Williams appears to have misappropriated investor funds for the benefit of himself or other related entities or individuals without any underlying legitimate justification or basis. These include:

- Williams' receipt of more than $50,000 in "salary" from Receivership Entity El Morro Financial from mid-2017 to mid-2019;
- The structuring of various "Consulting Agreements" between Kinetic Investment Group and LF42, Williams' entity, including a recent agreement in September 2019 - after Williams was on notice of the Commission's investigation - in which Kinetic Investment Group transferred $10,000 per month to LF42 from September 2019 to February 2020 for Williams' benefit;
- The sale of his car to an employee in the Sarasota, Florida Kinetic Funds office in which the employee signed a Lendacy loan for $18,000 and the same sum was wired to Williams;
- After a former employee who received commissions for referring investors to Kinetic Funds and Lendacy left the companies, Williams apparently arranged for the thousands of dollars in regular commission payments to continue and be directed to himself for his sole benefit; and
- Arranging for who the Receiver understands to be Williams' girlfriend to be on the payroll of Kinetic Investment Group despite the lack of any justifiable business purpose or services for value.

The Receiver is continuing to investigate these and other potential misappropriations of investor funds.

F. <u>Millions Of Dollars In Investor Funds Were Diverted To Create And Operate Puerto Rico-Based Receivership Defendants El Morro Financial And Kinetic International</u>

1. El Morro Financial

Puerto Rico enacted several laws in 2012 designed to encourage the creation of businesses exporting their services from Puerto Rico and to incentivize the relocation of high-net-worth individuals to Puerto Rico. One, Act 20, provided for a reduced 4% tax rate for companies exporting "eligible services" such as investment banking and financial services. Another, Act 22, exempted new Puerto Rican residents from income tax obligations (for Puerto Rico income tax) who satisfied certain requirements including purchasing residential property and opening a bank account in Puerto Rico.

Receivership Entity El Morro Financial was formed in March 2016 by Williams in San Juan, Puerto Rico and obtained "Act 20" certification on July 19, 2016.[34] In applying for this certification, El Morro represented that it would provide a variety of "research and development services" and that it expected annual revenue ranging from $500,000 in 2017 to $3 million in 2019. The Receiver understands that the "services" El Morro intended to offer in order to qualify for the Act 20 benefits included providing various services to Kinetic Investment Group, Silexx, and Lendacy. El Morro entered into a five-year lease for commercial space in San Juan, Puerto Rico, and subsequently entered into a sub-lease agreement with Lendacy.

The Receiver's initial investigation suggests that any "services" El Morro provided to Kinetic Funds were, at best, duplicative of any services already being provided by Kinetic Investment Group (and encompassed by the management fee). Instead, it appears that El Morro primarily functioned as a conduit to siphon investor funds from Kinetic Funds. For example, El Morro's sole source of revenue appears to be from the purported "preparation" of Kinetic Funds investor statements. Beginning in July 2017 and likely earlier, El Morro sent

[34] Williams claimed to be a co-founder of El Morro, and his company Scipio had an ownership interest in El Morro.

monthly invoices ranging from $25,000 to $50,000 to Kinetic Investment Group reflecting significant charges for "Statement Reporting" apparently for Kinetic Funds investors and often other various expenses. An example from a July 2017 invoice is reproduced below:

El Morro Financial LLC
53 Calle Palmeras
Suite 903
San Juan, PR 00901
7873392718
www.elmorrofinancial.com

El Morro Financial

INVOICE

BILL TO
Kinetic Investment Group
1800 2nd Street Suite 955
Saradsota, FL 34236 US

INVOICE # 1007
DATE 07/06/2017
DUE DATE 07/06/2017
TERMS Due on receipt

ACTIVITY	QTY	RATE	TOTAL
Individuals; 0 to 500k | Statement Reporting	25	500.00	12,500.00
Individuals; Over 500k | Statement Reporting	6	1,000.00	6,000.00
Corporations; LLC | Statement Reporting	3	1,200.00	3,600.00
Government Agencies | Statement Reporting	2	3,000.00	6,000.00
Trust/Foundations | Statement Reporting	2	1,500.00	3,000.00
Reporting Maintenance Fee; 1- 44 Clients	1	5,000.00	5,000.00
Reporting/Audit Fee; Physical Holdings	1	500.00	500.00
Individual | Financial Proposal	0	1,500.00	0.00
Corporation | Financial Proposal Lawson ALP	1	2,500.00	2,500.00
Government Agency | Financial Proposal	0	5,000.00	0.00
Trust/Foundation | Financial Proposal	0	2,500.00	0.00
Document Translation AEELA Proposal	1	1,000.00	1,000.00

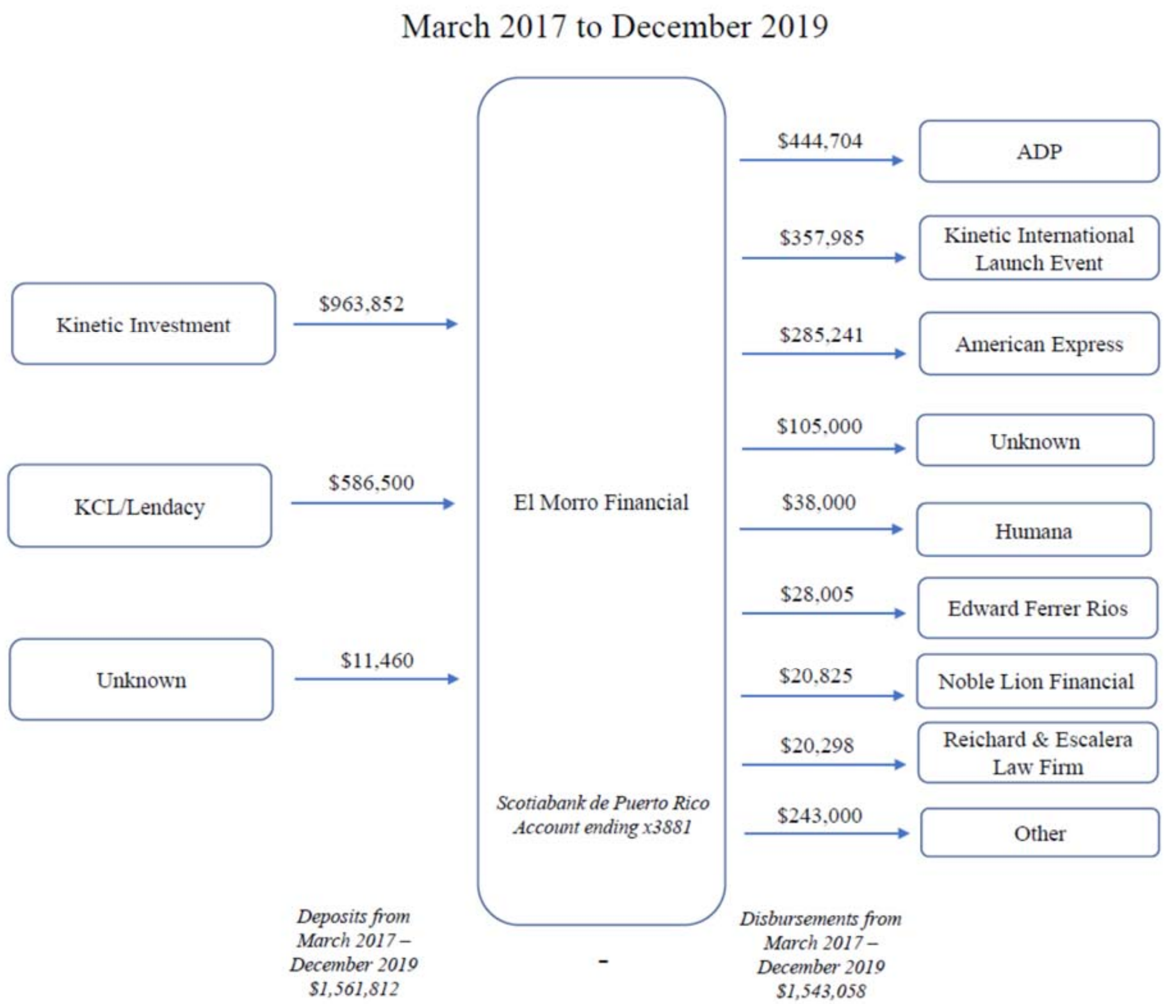
BALANCE DUE **$40,100.00**

The amounts charged in the invoice vary widely depending on the type of investor; an individual "0 to $500k" was charged $500 per investor while a "Government Agency" was charged $3,000 for each investor. The invoice above also included charges lacking any substantiation or rational basis including $2,500 for a "Financial Proposal," $500 for "Reporting/Audit Fee; Physical Holdings," and $5,000 for a "Reporting Maintenance Fee."

Beginning in 2017, El Morro's logo also began appearing on the monthly statements sent to Kinetic Funds investors and stating that "[r]eports are generated by El Morro Financial, LLC."

In addition to the facially disproportionate and duplicative nature of the charges for these invoices, the Receiver understands that El Morro's role in the preparation of investor statements was minimal at best.[35] The only role that any El Morro employee appears to have played in this process was to input any monthly investor deposits or withdrawals into a spreadsheet and that Williams or the Sarasota employee would then use that data in another spreadsheet to create the monthly statements. As illustrated by the below chart, El Morro ultimately received approximately $1 million from Kinetic Investment Group from March 2017 to December 2019:

[35] Rather, Kinetic Funds investment data was provided by Williams to an employee in the Kinetic Funds Sarasota, Florida office who then inputted the data into a spreadsheet and generated drafts of investor statements that were then uploaded to a cloud storage service for subsequent transmittal to investors.

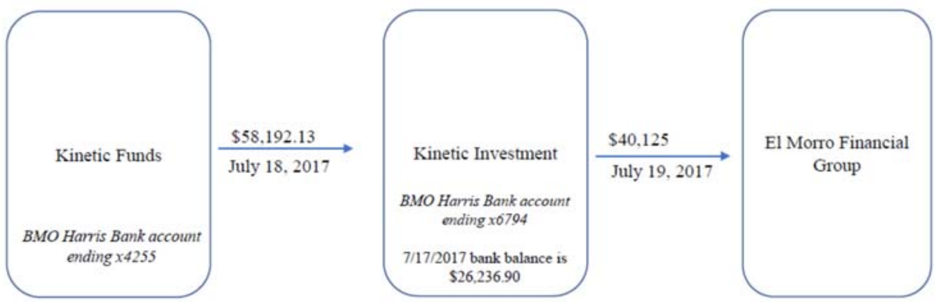


As the chart shows, more than $1 million was spent by El Morro just on payroll, the Kinetic International launch event, and American Express bills.

The vast majority of the nearly $1 million paid by Kinetic Investment Group to El Morro was to pay invoices generated by El Morro. Although Kinetic Investment Group was the party that paid the invoices generated by El Morro, investor funds from the KF Bank Account were the ultimate source as shown by this diagram:

EL MORRO INVOICES KINETIC INVESTMENT ON JULY 6, 2017

INVESTOR FUNDS ARE USED TO PAY EL MORRO INVOICE



El Morro's payroll records also reflect that Williams was on the company's payroll from mid-2017 until the company collapsed in mid-2019.[36] In addition to directly benefitting from the tax-free treatment of the payroll he received, Williams also indirectly benefitted from his ownership of El Morro's status as an Act 20 company. It appears there were numerous conflicts of interest with the role El Morro purportedly played with Kinetic Funds, including that (i) Williams was a part owner of the company, (ii) El Morro was now charging for services which are believed to have been provided by Kinetic Investment Group, and that (iii) Williams

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[36] This is difficult to reconcile with representations in Williams' Declaration filed with the Court on March 4, 2020 that he had "worked for Kinetic without taking a salary" and that he had not taken any "profit distributions from Kinetic in years." Doc. 25 Ex. 1 ⁋ 37.

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was receiving a salary from the company. These were material conflicts of interest that should have been, but were not, disclosed to investors.

On or around May 2, 2019, all El Morro employees (except Williams) resigned. The Receiver has seen email communications from Williams seeking to remove the departed employees from the El Morro payroll and to also add non-investor (and Williams' apparent girlfriend) I.P. to the payroll. El Morro continued to receive payments from Kinetic Investment Group until at least November 8, 2019 despite the company having been essentially non-operational since the employees' May 2019 resignations.

2. Kinetic International n/k/a KIH, Inc. and the "Kinetic Financial Summit"

After forming El Morro, Williams began efforts to obtain an international bank license under Puerto Rico Act 273 ("Act 273"). Like Act 20 and 22, Act 273 offers favorable tax benefits to an international financial entity ("IFE") that obtains an international bank license and satisfies other requirements including capitalization and hiring limits. In a draft business plan prepared by Williams, he indicated that

> "Kinetic International will be a registered IFE (Act 273) to provide a range of financial services and products with headquarter [sic] office in Puerto Rico. The firm is designed to be a full-service independent financial service company whose principal clients are high net-worth individuals, businesses, institutions, and government agencies who live and work in the Spanish speaking world and need access to the U.S. Financial markets. Kinetic International's revenue generation is based on combination of management fees, consulting fees, and profit sharing.
>
> The first phase of business (expansion), which is expected to be 12 months in length, will require seed and partner capital of approximately $1m that has already been committed, including the $500k in initial capital requirements of ACT 273 and tier-one firm capital."

See **Exhibit D.**

Kinetic International was organized in August 2018 and granted an Act 273 permit in January 2019.[37] As a condition of obtaining the Act 273 permit and as referenced by Williams in the business plan, Kinetic International was required to place a total of $550,000 in a Puerto Rican bank consisting of a $250,000 Certificate of Deposit pledged to the Commissioner of the Office of the Commissioner of Financial Institutions and $300,000 to be held in a savings account. <u>On September 28, 2018, $550,000 of investor funds was transferred directly from the KF Bank Account to SolCoop, a Puerto Rico bank, to satisfy this obligation.</u> In December 2018 - several months later - investors were informed that Lendacy and Kinetic Funds would "become part of" Kinetic International as of January 1, 2019. In other words, investors were told of Kinetic International's existence but not that over half a million dollars of their money had funded this venture.

Kinetic International operated out of the same offices as El Morro and many of the employees on El Morro's payroll had significant obligations and/or roles with Kinetic International. The company had no operations, no revenue, and no bank accounts besides the accounts holding the amounts required to be on deposit under Act 273. Despite this, Kinetic International spent hundreds of thousands of dollars attempting to develop a non-conservative and speculative blockchain trading platform known as ISX and also made a $500,000 investment in a private start-up company called Zephyr Aerospace which had created a prototype of a modified and improved airline seat. *See* **Exhibit E**. In addition, Kinetic

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[37] The Operating Agreement for Kinetic International indicated that Michael Williams held 100% ownership in the company and that his interest value was $550,000. Kinetic International's Operating Agreement was later amended to add Jeanelle Alemar-Escabi and Noel Zamot as members of the company's Board of Directors holding 6% and 1% ownership interests, respectively.

International spent nearly $400,000 to organize a "Kinetic Financial Summit" from February 27, 2019 to March 1, 2019 at the Condado Vanderbilt Hotel in San Juan, Puerto Rico as an opportunity to market Kinetic International and to introduce the ISX platform. *See* **Exhibit F**, *infra*. None of these activities benefitted or were disclosed to Kinetic Funds investors.

On May 2, 2019, Williams resigned from Kinetic International's Board of Directors and represented to the remaining members of the Board of Directors that the company had no accounts, clients, accounting, or employees and that all company expenses had been paid for by El Morro. Shortly thereafter, the remaining Board of Directors determined to cease operations until certain outstanding questions were resolved, including issuance of an independent audit of the company. That report, issued on July 19, 2019, made a number of findings including:

- The capital that was used to try to run or "kick-start" the operations of KI were funded by related parties and/or affiliates, including accounts payable of $327,465 and liabilities of nearly $1.2 million in total to Lendacy, El Morro, and Kinetic Investment Group;

- Kinetic International made an investment of $500,000 to purchase a "simple agreement for future equity: into Zephyr Aerospace, LLC, and that payments comprising that amount were made by Lendacy and Kinetic Securities Trading, LLC, on behalf of Kinetic International;

- Kinetic International incurred over $800,000 in costs to develop a software program known as ISX which was "completely funded by Kinetic Management Group, LLC and LF42, LLC." While the software was functional, it required additional work to be operational and move to launch phase;

- The Kinetic Financial Summit "launch event" had total costs of nearly $400,000, and those costs were funded in their entirety by El Morro; and

- Kinetic International appeared to be uncompliant with at least one of the requirements under Act 273.

A true and correct copy of this report is attached as **Exhibit F.** The Zephyr Aerospace investment was done in the name of Kinetic International and thus was another example of investor funds being used in a manner that did not benefit investors.

Kinetic International subsequently surrendered its IFE license and attempted to pursue completion of the ISX platform. According to company minutes dated August 21, 2019, a technology consultant determined that the computer programming language used to build the ISX platform was a "mistake" and that the program should be re-written using different computer programming code. Kinetic International then decided to cease operations and liquidate its assets. The Receiver understands that the $550,000 initially held at SolCoop was then used for various remaining business expenses and that no additional funds remain.

The Receiver is continuing to investigate the circumstances involving Kinetic International's formation, operation, and liquidation, including any potential claims against third parties involved in its operations or which provided services to the company. However, it is clear that the expenditure of investor funds to bankroll Kinetic International's speculative airline seat investment, development of a blockchain trading platform, and receipt of a Puerto Rico International Financial Entity certification are a significant departure from the conservative stewardship of investor funds marketed to investors and the promises that investor funds would be protected and earning dividends for their benefit.

3. The "Credit Line" Purportedly Drawn On To Finance Williams' Puerto Rican Entities And Activities

A former Lendacy employee has testified that Williams originally sought to characterize the diversion of Kinetic Funds investor monies to fund start-up expenses for El Morro and Kinetic International in Puerto Rico as a "credit line" evidenced by a promissory note by ISX in favor of LF42. This promissory note was originally in the amount of $1 million but was later amended to $2 million based on additional expenses being incurred. The amount of the expenses being incurred and withdrawn from the KF Bank Account based on this "credit line" ultimately appears to have totaled over $2 million based on records kept by concerned Kinetic employees who were tracking these expenses:

Date	Type	Amount	Direct Transfer	Funds Transferred to LF42
Unknown	Wire	$ 250,000	Unknown	Unknown
01/14/19	Transfer	500,000	KCL to Kinetic Investment Group	No
02/11/19	Wire	60,000	KCL to El Morro	No
02/19/19	Wire	150,000	KCL to El Morro	No
02/25/19	Wire	175,000	KCL to El Morro	No
03/08/19	Wire	185,000	KCL to Kinetic Investment Group	No
03/08/19	Wire	120,000	KCL to El Morro	No
03/08/19	Wire	60,000	KCL to El Morro	No
04/03/19	Wire	50,000	KCL to LF42	Yes
04/16/19	Transfer	150,000	KCL to Kinetic Investment Group	No
04/16/19	Wire	50,000	KCL to LF42	Yes
05/20/19	Wire	350,000	KCL to LF42	Yes
TOTAL		**$ 2,100,000**		

It remains unclear why a promissory note purporting to repay the transfers would be repayable to LF42, Williams' entity, rather than the Kinetic Fund where the funds were originally transferred from.

On or around April 15, 2019, Williams purportedly executed two "Credit Facility Agreements" - one for $2,000,000 and one for $550,000 - indicating a 0% interest rate and evidencing a total credit limit of $2.55 million from Lendacy on behalf of his entity LF42 (the "LF42 Loans") purportedly representing the same various expenses incurred on the "credit line" that were used to fund Kinetic Funds' purported expansion into Puerto Rico. Doc. 2

Exs. 23-24.[38] These LF42 Loans were thus signed to cover expenses paid for with investor funds and originally incurred months and years prior. Records show that $550,000 was transferred to LF42 in the month after the LF42 Loans were purportedly signed, including a notation that at least $350,000 of that amount was transferred to pay for legal expenses.

Like the Villa Gabriella and Banco Espanol purchases, there is no indication that Williams applied for or was otherwise approved to obtain these loans on behalf of LF42 or that LF42 was a Kinetic Funds investor. Nor were any payments made on the Loans up to and including December 27, 2019. Williams purports to have repaid this loan in its entirety on March 5, 2020. The Receiver's investigation suggests that a significant portion of transfers to or for Williams' and/or LF42's benefit remain outstanding.

G. <u>Williams' March 5, 2020 Transfers To Kinetic Investment Group</u>

On March 5, 2020, the day before the hearing on the Commission's pending motions and the Court's entry of the Order Appointing Receiver and the Order granting the Commission's Motion for Asset Freeze, Williams apparently directed his law firm to transfer approximately $2.9 million to Kinetic Investment Group purportedly for repayment of a portion of the investor funds that had been diverted/loaned to or for the benefit of Williams. Of that amount, approximately $2.3 million appears to have been transferred to Lendacy and ultimately the KF Bank Account as purported repayment of the LF42 Loans. Although approximately $100,000 of the $2.9 million deposit was left in the Kinetic Investment Group

[38] It is unclear why the listed expenses only date back as far as September 2018 when El Morro began operating in 2017. As explained in Section __ above, this may be explained by the fact that Kinetic Investment Group was transferring funds to El Morro based on invoices for purported services.

account, the remaining $460,000 was then transferred to the LF42 bank account which made the following wire transfers at Williams direction:

- A $248,000 wire transfer to Williams' personal account at BB&T Bank;
- A $60,000 wire transfer to Williams' ex-wife.
- A $25,000 wire transfer to a Banco Popular account in the name of Pyram King LLC;
- A $25,000 wire transfer to a technology vendor that was previously developing the ISX software for Kinetic International; and
- A $15,000 wire to a Banco Popular account in the name of Rex Tenax, LLC.

See Doc. 53 ⁋ 7 Ex. 5. There is no indication that any of these transfers benefitted Kinetic Investment Group and instead served to deplete remaining funds in the account on the eve of the March 6, 2020 hearing at which Williams was aware the Court could potentially enter an asset freeze and/or appoint a receiver.

V. ACTIONS TAKEN BY RECEIVER DURING REPORTING PERIOD

During the period covered by this Interim Report, the Receiver took a number of steps to fulfill his duties under the Order Appointing Receiver.

A. <u>Taking Possession Of Receivership Property</u>

1. Physical Premises, Books and Records, Safe, Electronic Documents, Discussions With Relevant Parties, And Service Of Order Appointing Receiver

The Order Appointing Receiver was entered late in the day on March 6, 2020. The following morning, the Receiver took possession of the Receivership Defendants' offices at 1800 Second Street, Suite 855, Sarasota, FL 34236 (the "Sarasota Office"). The Sarasota Office has been used as the headquarters of Kinetic Funds and Lendacy. The Sarasota Office contained various office furniture, a number of computers and computer equipment, televisions and computer monitors, art work, a safe containing physical hold holdings, and various investor documentation and books and records.

The Receiver secured the premises by changing the locks and took possession of certain relevant files for preservation and imaging by his forensic professionals. The Receiver inventoried all of the physical property at the premises and has removed the Office's contents to a storage facility in Sarasota, Florida. The Receiver determined that making the monthly rent payments of over $6,000 per month was not in investors' best interests and has secured all office contents in storage and is in the process surrendering the office back to the Landlord. The Receiver envisions attempting to sell any of these contents that have resale value and that may be sold at this time and returning or otherwise disposing of any other equipment.

The Receiver learned that one of the employees at the Sarasota Office was an intern and was being housed in an apartment furnished and rented by Kinetic Investment Group. The Receiver informed the intern and the apartment landlord that he would not be making any further rent payments and it does not appear the furnishings have any material value.

The Receiver was also informed that payroll was scheduled to be made by Kinetic Investment Group to the Sarasota Office employees on March 15, 2020 for the time period from March 1, 2020 to March 15, 2020. In reviewing the payroll schedule, the Receiver discovered that Ida Passalacqua was listed as an employee and receiving regular payroll deposits in addition to the four employees in the Sarasota Office. It is the Receiver's understanding that Mr. Williams is in a personal relationship with Ms. Passalacqua and that she resides with him in Puerto Rico. In discussions with one of those employees, the Receiver was informed that: (i) Ms. Passalacqua had been on the payroll for some time and at least since that employee started her position at the Sarasota Office; (ii) Ms. Passalacqua did not work in the Sarasota Office, and (iii) the employee did not know what Ms. Passalacqua did for Kinetic Investment Group other than assist with the Banco Espanol building and help Mr. Williams with unidentified translations. Given that the four Sarasota Office employees had worked for the first week of the payroll period and that they continued to assist the Receiver with his investigation, the Receiver determined to make the payroll for Kinetic Investment Group solely for the period from March 1, 2020 to March 15, 2020 and excluded Ms. Passalacqua from that payroll.

Since obtaining control of the Receivership Defendants, the Receiver and his professionals have had discussions - including continuing discussions - with a number of people associated with Williams and/or the Receivership Defendants, including officers and employees of some of the Receivership Defendants and persons responsible for maintaining the financial books of Receivership Defendants, for operating the business of Receivership Defendants, for performing accounting services, and for administering the Kinetic Funds accounts. The Receiver also engaged in extended discussions with Williams about various topics including the turnover of login credentials to a number of digital email and cloud services used by Receivership Defendants. While Williams eventually turned over various login credentials to most of the requested accounts, he has continued to maintain that he somehow does not have the login credentials to a specific account which appears to be the main link to the Receivership Defendants' digital operations.[39]

[39] On March 13, 2020, Williams' counsel asserted to the Receiver that he believes communications involving a significant number of different legal professionals are subject to attorney-client privilege and thus outside of the Receiver's ability to review such documents.

The Receiver and his professionals have also reviewed documents located in the Sarasota Office, documents obtained from the accountants for one or more Receivership Defendants, information stored on the Receivership Defendants' computer network, documents obtained from other businesses operated and controlled by Receivership Defendants and Williams, documents obtained from financial institutions and other third parties, and information available in the public record.

The Receiver retained experienced forensic information technology experts from the firm of E-Hounds, Inc. to assist in securing and analyzing the electronic data on the computers. In total, E-Hounds has retrieved and preserved more than one million documents from or relating to Receivership Defendants. E-Hounds personnel have secured the data and made it available for the Receiver and his professionals to use and review. The Receiver's review of these documents remains ongoing.

B. Securing Receivership Assets

Upon his appointment, the Receiver coordinated with the Commission to move expeditiously to freeze all funds of which they were aware. The Receiver and his attorneys engaged in a preliminary review of documents and other information for the purpose of identifying institutions that potentially held relevant financial accounts, brokerage accounts, or other holdings. The Receiver immediately forwarded copies of the asset freeze orders to the pertinent institutions and worked to confirm that those institutions understood their

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The Receiver believes this position is unfounded and also contrary to the Order Appointing Receiver, and indicated to Williams' counsel that he disagreed with that position but would agree in the interim to not review such documents and reserved the right to revisit this agreement.

obligations under the freeze orders. Based on discussions with the Commission and review of pertinent documents, the Receiver understood that the Receivership Defendants' primary banking relationship was with BMO Bank and that Kinetic Funds utilized Interactive Brokers to operate trading accounts. The Receiver successfully froze $13,146,406.77 in cash and securities positions at BMO Bank and Interactive Brokers.

1. Liquidation Of The Kinetic Funds Interactive Brokers Accounts

The Receiver was initially concerned that the Receivership Defendants might hold positions in volatile securities that would require an exit strategy to avoid or minimize losses. This was especially important given the volatile market conditions in light of the COVID-19 pandemic. The Receiver immediately engaged in discussions with Anadi Gaur, KFYield's head trader who worked in the Sarasota Office, who apparently had exercised primary and exclusive trading authority for the KFYield Brokerage Account for at least the preceding year. The Receiver was able to confirm that the remaining positions in the KFYield Brokerage Account contained corresponding options positions for hedging purposes and that the earliest the hedging protection provided by those positions were set to expire was March 20, 2020.

Despite the Receiver's continuing efforts, Interactive Brokers was not immediately able to provide the Receiver with trading access to the various brokerage accounts. During that period, the Receiver and his professionals were able to analyze the status of the various accounts with the assistance of Mr. Gaur who indicated that it would be best to liquidate a portion of the holdings on March 16, 2020, and to let the remaining positions expire "in the money" on March 20, 2020 to avoid losses from the premature sale of the underlying options. After Interactive Brokers provided the Receiver's professionals with trading authority, the

Receiver successfully liquidated all positions in the KFYield Brokerage Account and other Kinetic Funds sub-fund accounts on or before March 20, 2020 before the expiration of various positions would have left the portfolio subject to market risk.

2. Other Investor Accounts Held In Kinetic Funds Interactive Brokers Portfolio

In reviewing the accounts held in Kinetic Funds' portfolio at Interactive Brokers, the Receiver noted that two accounts appeared to be distinct from the accounts used for Kinetic Funds' securities trading. The Receiver has been informed that these two accounts, which had account numbers ****4167 and ****4170 and had a collective balance of $3,764,877.94 at the time of the entry of the Order Appointing Receiver (and which have since appreciated), belonged to two Kinetic Funds investors who also believed their separate accounts were being independently managed by Williams (the "Other Investor Accounts"). It also appears that one of those accounts had a significant margin balance. Those investors have maintained they were unaware their accounts were being held under the Kinetic Funds portfolio. The Receiver has seen evidence that Williams was receiving compensation for his management of at least one of the accounts and that such compensation may have been included in the monthly management fee paid to Kinetic Investment Group. The Receiver has been in discussions with counsel for those investors, who have requested that the Receiver not liquidate the Other Investor Accounts, and the Receiver has also requested the production of supporting documentation in order to understand the history of the accounts and what role, if any, the accounts played with respect to the KFYield Brokerage Account and others.

3. Other Receivership Assets In Puerto Rico

The Receiver's lead counsel traveled to San Juan, Puerto Rico and discovered that an office location previously associated with El Morro, Lendacy, and Kinetic International, as well as an office location associated with Scipio, were both no longer in use and had been vacated. The Receiver was later provided with (i) a copy of the SAFE Note evidencing Kinetic International's investment in Zephyr Aerospace, and (ii) the credentials to a GitHub account purportedly containing the source code to the ISX software that was owned and being developed by Kinetic International but which later ceased. The Receiver has been informed by the principal of Zephyr Aerospace that the company's only investor had been Kinetic International and that the company was in the process of trying to attract additional investors. The Receiver has had discussions with a technology consultant to potentially evaluate whether the ISX software is functional or has any value. It was the Receiver's understanding that no work has been done on the ISX software since late 2019 when Kinetic International determined the software was not functional and the company determined to cease operations.[40]

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[40] It was thus troubling that Williams' counsel represented during the March 6, 2020 hearing that:

> "Mr. Williams advises that KIH, which is an international finance entity in Puerto Rico that has been working on an international exchange and has as an asset technology, certain technologies, these are -- the people who are working on that, if these entities are frozen aren't going to continue to do that. . ."

Doc. 51 p. 7. In addition, one of the transfers made by LF42 on March 5, 2020 went to GlobalScreen, a company the Receiver understands was previously assisting in the development of the ISX software before Kinetic International ceased operations. To the extent Williams continues to develop that software independently and for his own benefit, the Receiver believes that would be potentially contrary to the asset freeze.

C. Williams' March 6, 2020 "Time-Sensitive" Request For The Receiver To Transfer $1.5 Million To Dash Financial

Shortly after the hearing where the Court announced its verbal order granting the Commission's pending motions, the Receiver received phone calls and correspondence from Williams' counsel stating that the KF Bank Account "has a pending wire that needs to be approved today of $1.5 million to the brokerage account with Dash in order to continue to facilitate hedging and trading operations" and asking the Receiver to "take the appropriate steps to address this issue." *See* **Exhibit G** (emphasis added).

This was the first time that the Receiver and his counsel had learned that there might exist other brokerage accounts held by Kinetic Funds outside of Interactive Brokers, and the Receiver's counsel immediately responded to Williams' counsel seeking additional details about the requested transfer including (i) Kinetic Funds' relationship with Dash, (ii) who the beneficial owner of the Dash account(s) was, (iii) the need and basis for a "time-sensitive" $1.5 million transfer to Dash, and (iv) whether there were any recent transfers from the BMO Harris account to Dash. *Id.*

Williams' counsel did not provide any written response to these requests, and indicated during a telephone conversation with the Receiver's counsel that the initial request was all of the information available to them. The Receiver's counsel requested that any further information on the transfer be provided. No such information was every provided.

The Receiver's counsel later learned that Williams had been attempting to open a new brokerage account for the KFYield Fund at Dash following Interactive Brokers' decision to freeze the Kinetic Funds accounts in mid-to-late January 2020. Dash later confirmed to the Receiver's counsel that the Williams was still in the initial account setup process and that no funds ever were transferred to those accounts. Thus, Williams' indication that the "time-sensitive" $1.5 million transfer was needed to "facilitate hedging and trading operations" appears inaccurate and a way to divert funds to an account out of the Receiver's control after the Court's entry of the asset freeze. The Receiver did not transfer any monies to Dash.

D. Other Assets Recovered

1. Real Property

On March 7, 2020, the Receiver's lead counsel traveled to San Juan, Puerto Rico. After determining that two office locations previously linked to various Receivership Defendants were no longer in use, the Receiver's counsel and a locksmith visited the Banco Espanol building located at 152 Tetuan Street, San Juan, Puerto Rico. The locksmith changed the locks on the building's primary entrance. The Receiver learned that a small portion of the ground-floor of the building was occupied by an art school named Atelier International. Other than the art school, the interior of the building was vacant and in various states of disrepair. Several pictures taken that day demonstrate the building's current condition. *See* **Exhibit H**. Although some construction materials were scattered throughout the various floors of the building, no substantive work appears to have occurred at the building for some time if ever.

The Receiver's counsel later spoke with the owner of the Atelier San Juan art school, who explained that Williams had allowed him to operate his art school without paying any rent and he explained that he was currently providing weekly classes to several students. In order to minimize disruption to the art school's operations, the Receiver later agreed to allow the art school to continue to use the space under several conditions, including that Williams was not to be allowed onto the premises and the Receiver's local counsel and professionals were to be contacted if there were any issues. The owner of the art school agreed in writing to these terms. The Receiver has been attempting to obtain any insurance quotes for the bank building, although to date that has not yet occurred. The Receiver believes that the Banco Espanol building is a valuable asset and has commenced efforts to liquidate the building as soon as possible.

The Receiver is also aware that Williams purchased the Villa Gabriella property using funds that are traceable to investor funds. *See* Section IV.E., *supra*. On March 6, 2020, Williams' counsel informed the Receiver's counsel of their position that the Villa Gabriella property was not subject to the Receiver's reach since it was held and owned by Williams individually. The Receiver agreed temporarily not to seek possession of the Villa Gabriella property in which Williams (and his girlfriend) are allegedly living. The Receiver does not believe it is equitable for Williams to retain the benefit of living in a luxury apartment multiplex purchased with and traceable to investor funds, and the Receiver intends to seek relief from the Court in the near future on this issue.

2. Physical Gold Holdings

The Receiver is now in possession of a large safe that was located in the Kinetic Funds Sarasota Office. The Receiver understands that the safe contains a significant amount of physical gold holdings and is in the process of determining the most effective way to inventory those holdings and determine a liquidation strategy.

One of the Receiver's highest priorities is to locate and recover any additional funds or assets traceable to investor funds. The Receiver continues to work with his forensic accounting firm to assist in tracing all investor funds.

E. Outreach With Investors and Third Parties

Shortly after his appointment, the Receiver sent correspondence to all known investors informing them of his appointment. The Receiver has since established a website at www.kineticreceivership.com that he will use to provide information and updates concerning the Receivership. Investors are encouraged to provide their information on the website and use the website as a primary source of information, although they are welcome to contact the Receiver or his counsel with any questions. The Receiver also encourages individuals or attorneys representing investors who may have information that may be helpful in securing further assets for the Receivership estate or identifying other potential parties who may have liability to either the Receivership estate or investors to contact Rebecca Wilt at Rebecca.wilt@quarles.com or 813-384-6700.

VI. THE NEXT QUARTER

A. Investigation

The Receiver believes he has identified and, if applicable, frozen most, if not all, of any assets that are attributable to investor funds. The Receiver's primary goal for the near future is to continue his investigation of the Receivership Defendants by interviewing third parties and continuing to gather and review relevant documents from the Receivership Defendants and third parties. The Receiver has obtained documents from a number of third parties and has also started issuing subpoenas for the production of documents. It will be necessary to obtain and review all such documents in order to complete an understanding of the operation of the various Receivership Defendants, the flow of funds through and for the benefit of those Receivership Defendants, to identify any additional sources of recovery, and to prepare an accounting. The Receiver is working diligently on this task, but without knowing the volume of documents he expects to receive, it is difficult to estimate the time needed for completion.

Another priority for the Receiver is to continue compiling and analyzing individual investor accounts both with Kinetic Funds and, where applicable, Lendacy. This is a necessary task to assess and administer investor claims. While the Receivership Defendants maintained a voluminous (and generally unorganized) quantity of documents that appears to include investor statements, the Receiver has also identified various discrepancies that cause him to question the preparation and validity of those statements. It is likely that the Receiver will also ask investors to provide copies of relevant documentation evidencing their relationship with the Receivership Defendants for his review and analysis. Once that analysis is complete, the Receiver anticipates seeking Court approval for the parameters and procedure for a formal and equitable claims process. It remains uncertain as to when the Receiver will seek Court approval for a claims process, but the Receiver recognizes the importance of the return of funds to investors as expeditiously and efficiently as possible and will provide a more definitive time estimate as his analysis progresses.

The Receiver will continue to attempt to locate additional funds and other assets and will likely institute proceedings to recover assets on behalf of the Receivership Defendants. In an effort to more fully understand the conduct at issue and in an attempt to locate more assets, the Receiver will continue to conduct interviews and/or depositions of parties and third parties who may have knowledge of the fraudulent scheme.

B. Liquidation Of Assets And Filing Of Claims

The Receiver anticipates taking the necessary steps to convert various assets to cash for the benefit of investors. This includes seeking to liquidate the Banco Espanol building located in San Juan, Puerto Rico. The Receiver recognizes that the Banco Espanol building is a unique asset that may require a more unconventional sale process given its unique history and location in historic Old San Juan, Puerto Rico, but believes the building has significant value for the right purchaser. The Receiver also anticipates seeking relief from the Court to acquire possession of the Villa Gabriella asset purchased by Williams with investor funds, and is evaluating bringing claims, including fraudulent transfer as well as other legal and equitable claims as applicable, against parties and non-parties.

QUARLES & BRADY LLP

/s/ Jordan D. Maglich

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 30th day of April, 2020, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system which will send a Notice of Electronic Filing to the following counsel of record:

Christine Nestor, Esq.
Stephanie N. Moot, Esq.
John T. Houchin, Esq.
Barbara Veniegra, Esq.
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Counsel for Defendant Michael Williams

/s/ Jordan D. Maglich
Attorney

EXHIBIT A

From: Thomas Frey
To: lionfish; Michael Williams
Subject: Re: Hello
Date: Thursday, January 9, 2020 6:00:03 PM

Michael,

I am not sure who advised you but any milestone payments from Cboe are to be issued to Silexx Financial Systems, LLC (now Obsidian Technologies, LLC), not LF42 directly.

Milestone payments are contingent on certain events and performances and while some of the payments have been received two weeks ago, some payments are still in progress and yet to be received.

Before making any distributions however, I want to clear up some issues as unfortunately recently some concerning news has come to my attention:

- I have received a letter from BMO Harris disclosing a subpoena issued by the SEC for all Silexx Financial Systems, LLC bank and correspondence records relating to a case against Kinetic Financial Advisors.
- Subsequently I have discovered that an SEC investigation has been ongoing since May of 2019. I fail to understand why such a material development was not disclosed to me. As an equity investor in Kinetic Partners, and any related businesses you may have formed, I find this to be extremely concerning.
- Further, it has been reported that you have created multiple entities which are directly or indirectly funded by businesses controlled by Kinetic Partners, which entities share joint offices, employees and resources. The entities I know about are as follows:
    - El Morro Financial
    - ISX
    - Kinetic Tech
    - Kinetic Financial Services
    - Kinetic International
    - Kinetic Investment Group
    - Kinetic Financial Advisors
    - KCL Services
- Despite repeated requests in the past to obtain legal formation documentation and accounting records for some of these entities I have yet to receive any. The exception to that is El Morro Financial for which I have obtained the government filings disclosing my equity ownership, but I have yet to receive any accounting or tax records for this entity.
- Given that Kinetic and related businesses are managing substantial assets (at a minimum $43M per Bloomberg) I have a hard time understanding how I have received only losses via my Kinetic Partners K1 for a consecutive 5 years - and if the losses were real, how the company is still operating after posting continual losses, since to my knowledge no outside funding has been obtained. Further, despite repeat assurances by Kinetic staff, the Kinetic Partners K1 was not received until after the extended filing deadline of October 15th 2019, which forced me to file my tax return without the

corresponding Kinetic Partners K1.

- Due to the nontransparent nature in how Kinetic and related entities conduct business and the potential regulatory concerns, I suggest that you buy out my member equity.
- In order to properly value the business, I am requesting complete accounting, tax, legal formation records and operating agreements for all Kinetic Partners related entities, including but not limited to those listed above, to be delivered to me at 300 S Pineapple Ave 402, Sarasota FL – 34326 or via email to tfrey@live.com by January 23rd 2020.
- Further, I am requesting all relevant material information relating to the SEC investigation and/or any other regulatory investigation for any Kinetic related entity.
- In the event I have not received the requested information by the date above, I will pursue all appropriate legal remedies including, but not limited to seeking a court ordered accounting and damages.

Regards,

Thomas

From: lionfish
Sent: Wednesday, January 8, 2020 11:09 AM
To: Thomas Frey
Subject: Hello

Tom,

I hope this email finds you well.

I have been informed by legal two payments are to have been made to LF42 by the CBOE, but have not recieved them to date. If you could confirm or direct me to whom should I contact regarding this matter please let me know as soon as possible.

If you wish to speak regarding other matters please let me know.

I am well and endeavoring to resolve matters.

Regards
Michael

EXHIBIT B

EXHIBIT "B"
TO
Kinetic Funds I, LLC
OPERATING AGREEMENT

CLASS B MEMBER(S)

NAME OF MEMBER	CAPITAL CONTRIBUTION	PERCENTAGE INTEREST*
____________	$____________	____%
____________	$____________	____%
____________	$____________	____%

*Percentage Interest of Class B Members only; this Percentage Interest will be revised accordingly as, if and when additional Class B Members may be admitted to the Company.

Case 8:20-cv-00394-WFJ-SPF Document 62-1 Filed 02/20/20 Page 3 of 11 PageID 1715

EXHIBIT "B-1"
TO
Kinetic Funds I, LLC
OPERATING AGREEMENT

Class B Member Addendum

This Addendum, consisting of three (3) pages, is entered into as of ____________ ___, 20___ in connection with the admission of ________________________________ as a Class B Member of KINETIC FUNDS I, LLC (the "Class B Member"). KINETIC FUNDS I, LLC is hereinafter referred to as the "Company" and Kinetic Partners, LLC the Company's Class A Member, is hereinafter referred to as the "Class A Member." This Addendum shall constitute a counterpart signature page to the Company's Operating Agreement.

The execution of this Addendum confirms investment by the Class B Member at the Company.

The Class B Member has agreed to invest in one or more Funds (as hereinafter defined) provided by the Company. The Class A Member will have full and complete discretion to make any and all trading decisions and affect any strategies as the Class A Member shall determine, in its sole and absolute discretion, in order to manage the Funds.

INVESTMENT:

The Class B Member will contribute ________________ ($________________) to be invested in one, or more, of the following investment funds (each, a "Fund", more than one, "Funds") at the discretion of the Class B Member. Please check the box below corresponding to the Funds that the Class B Member will participate in and indicate the amount to be initially allocated to each.

☐ KFINFLT (Inflation) – Fund focuses on hedging against a rise in inflation and/or devalue in the U.S. dollar. Investments in the gold, silver, commodities, currency and international markets. Assets in the Fund include, but are not necessarily limited to, ETFs, stocks, and listed options. Assets may be long and/or short.
Amount: ________________________

☐ KFYIELD (Income) – Fund focuses on income generation. Investments in government bonds, corporate bonds, REITS, MLPs, Preferred Shares. Assets in the Fund include but are not necessarily limited to, ETFs, stocks, and listed options. Assets tend to be (but need not be) long.
Amount: ________________________

☐ KFVALUE (Value) – Fund focuses on multinational companies with strong balance sheets, fundamentals, positive revenue, and sound corporate management. The Fund is actively managed and may be long and/or short to prosper in rising and declining markets. Assets in the Fund include, but are not necessarily limited to, stocks, preferred stocks, and listed options. Assets may be long and/or short.
Amount: ________________________

☐ KFMETAL (Gold) – Fund focuses on investing in the listed gold market. Profits are removed monthly and used to purchase physical gold, which is then stored in vaults for the Class B Members. All Class B Members' physical gold holdings are stored at the BB&T bank vaults located at 1800 2nd St. #100, Sarasota, FL 34236. The Class A Member may, in its sole discretion, change the gold storage facility and will notify the Class B Member(s) if/when this change occurs. Gold storage is charged One Percent (1%) of net gold value on a per year basis and charged monthly. A Class B Member may take physical possession of the gold held for that Member at the end of a calendar quarter with a thirty (30) day prior written notice. Physical gold can be received at the Company offices or shipped to the Class B Member. The Class B Member will be responsible for the shipping arrangements and costs. The Class B Member will own either listed gold or physical gold. Assets in the Fund include, but are not necessarily limited to, ETFs and listed options. Assets may be long and/or short. This Fund is not eligible to accept qualified monies.
Amount: ________________________

☐ KFGAINS (Risk / Reward) – fund focuses on leveraging position in the index markets to generate the highest rate of return. This is a high-risk fund with the expectations of generating 20% returns per year. Assets in the fund include, but are not necessarily limited to, index based listed options. Assets may be long and/or short. This Fund is not eligible to accept qualified monies.

Amount: ________________________

The Class B Member may, with the approval of the Class A Managing Member, reallocate between the Funds listed above on a quarterly basis, upon thirty (30) days prior written notice actually received by the Class A Managing Member prior to the end of any calendar quarter. In no event may any allocation result in less than ____________________ ($___) being placed in any one Fund.

FINANCIAL PRODUCTS:

The Fund(s) will trade derivatives, but may also be invested in individual stocks, components of the indices, cash, and other exchange listed products in the sole and absolute discretion of the Class A (and Managing) Member, in its sole and absolute discretion, from time to time and at any time.

REPORTING:

The Class B Member will receive a monthly statement of its selected Fund(s)' investments. The report will be sent by email on the 15th of each month for the preceding month's activity. The Fund(s) report Profit distributions on realized returns and mark to market value for month-end. Any/all dividends issued by financial products held in the Fund will reported as a separate line item. The Company may provide statements online, if/when available. If a Class B Member wishes to receive statements by standard mail, that will be arranged by request. The Company does not guarantee the receipt via standard mail by the 15th of the month.

RISK MARGIN:

The Funds' goal is to not exceed a Risk Margin of 75% to equity ratio, measured in the form of "haircut" or risk-based margin. While this it is the goal to maintain this Risk Margin exposure, a particular position or positions may increase or decrease depending on market conditions. IT MUST BE NOTED that this is a guideline only when deploying positions and maintaining the positions, and that this goal may be exceeded, in the sole and absolute discretion of the Class A Member from time to time and at any time.

PROFITS AND LOSSES:

The Class B member will receive 100% of any and all dividends issued by any/all financial products held in the Fund selected as indicated on the previous page of this Addendum.

The Class B member will receive 80% of net profits earned by any Fund selected as indicated on the previous page of this Addendum. The term "net profits" as used herein means the profits generated by a particular Fund, minus any and all expenses incurred by the Company, directly or indirectly, in connection with the operation of a particular Fund, including, but not necessarily limited to, any and all fees or charges imposed by any securities exchange, clearing firms, quotation services, commission, interest and the like, that are charged directly to the Fund by the Company's clearing firm, broker dealer, or any third-party services related to transacting business in the Fund. All Funds are based on realized and unrealized accounting; this may change due to regulatory changes or requirements. Changes, if any, may affect realized returns and tax reporting. The Class B member will be notified as to any changes, when and if they occur. It is the Class B Member's responsibility to contact its tax professional to see how it may or may not affect its tax reporting. Net Profits shall be calculated and distributed on a monthly basis.

The Class A Member will receive 20% of the net profits. The Class A Member will **not** participate in any dividend distributions by any/all financial products that are held in the Fund(s). Any/all dividends by financial products held in the Fund selected by the Class B Member will be issued to the Class B Member.

HIGHWATER MARK:

A Class B Member will have a high-water mark that is based on the profits and losses amount stated in the INVESTMENT section on the prior page hereof. The Class A Member will only receive 20% of net profits (as defined in the "Profits and Loss" section) for any profits that exceed the "high-water mark". Any realized Losses in the account must be made up in full with realized gains prior to the Class A Member's receipt of any Profits. The high-water market is reset at fiscal year-end of the Class B Members' profit/loss at year-end.

REINVESTMENT / DIVIDEND DISTRUBTIONS

A Class B Member may reinvest up to One Hundred Percent (100%) of any/all net dividends generated in any Fund selected on the previous page hereof, or receive a distribution of net dividends on a monthly basis. Dividend distributions are sent out on the 10th business day for any/all dividends that that are generated in the fund(s) from the preceding month.

☐ Yes, Class B member wishes to reinvest all (or ___% of net dividends).

PRINCIPAL WITHDRAWALS:

The Class B Member may make a Principal Withdrawal request at the end of a calendar quarter, provided that thirty (30) days' prior written notice is provided to Company and that said Class B Member's capital contribution has been deposited with the Company for at least ninety (90) days. Principal Withdrawals are not a right and are at all times subject to regulatory and Company approvals. The CLASS A (Managing) Member will endeavor to facilitate any such request(s) and instructions, but The Class A (Managing) Member hereby expressly reserves the sole and absolute discretion to reject any Principal Withdrawal request that could or would create, by way of example only and not intended to in any way to limit the Class A Member's discretion in this regard, margin or risk requirements. A Class B Member must fully complete the Company's Redemption Form and submit it to Company no later than thirty (30) days prior to a calendar quarter-end. The Company's Redemption Form is available upon request.

TERMINATION:

The Class A Member may terminate the Class B membership at any time with written notice to the Class B Member and follow the procedures as described in the PRINCIPAL WITHDRAWAL section.

The Class B Member may terminate its Class B membership with at least ninety (90) days' prior written notice. Distributions by and/or Withdrawal of funds from, the Company (if any) will at all times remain subject to the REINVESTMENT / DIVIDEND DISTRUBTIONS and PRINCIPAL WITHDRAWALS sections hereinabove.

FEES AND EXPENSES:

The Fund(s) is/are charged an annual One Percent (1%) expense ratio. The 1% expense ratio will be charged to the subject Fund on a monthly pro-rated basis, based on the net equity value of the Fund on the last business day of each month. Tax preparation, accounting, legal, and any other related fees will be itemized and directly debited from the Class B Member's account on the Company's records.

RISKS:

Neither the Company nor the Class A Member guarantees that any profits will be generated with the Class B Member's capital contribution and the Class B Member expressly understands and agrees that its entire capital contribution may be lost, in which case the Class B Member will have no recourse against the Company or the Class A (Managing) Member unless the Class A Member is proven in a court of law to have engaged in grossly negligent or intentionally wrongful acts or failures to act.

[SIGNATURES ON FOLLOWING PAGE]

AGREED AND ACKNOWLEDGED THIS ____ DAY OF ______________, 20___:

CLASS B MEMBER

______________________________ (print name)

______________________________ (company name – if applicable – please attach Operating Agreement or other corresponding documentation, if Class B Member is not an individual.)

By: ______________________________ Office/Residence Phone: ____________________

Address: ____________________________ Cellphone: ______________________________

____________________________ Email: ______________________________

____________________________ Fax: ______________________________

KINETIC FUNDS I, LLC
CLASS A MEMBER

By: ______________________________
Michael S. Williams, Managing Member of
KF 42, LLC, Managing Member of its Managing
Member, Kinetic Partners, LLC

EXHIBIT "C"
TO
Kinetic Funds I, LLC
OPERATING AGREEMENT

CLASS C MEMBER(S)

NAME OF MEMBER	CAPITAL CONTRIBUTION	PERCENTAGE INTEREST*
____________	$____________	_____%
____________	$____________	_____%
____________	$____________	_____%

*Percentage Interest of Class C Members only; this Percentage Interest will be revised accordingly as, if and when additional Class C Members may be admitted to the Company.

EXHIBIT "C-1"
TO
Kinetic Funds I, LLC
OPERATING AGREEMENT

Class C Member Addendum

This Addendum, consisting of three (3) pages, is entered into as of ________________ in connection with the admission of ________________________________ as a Class C Member of KINETIC FUNDS I, LLC (the "Class C Member"). KINETIC FUNDS I, LLC is hereinafter referred to as the "Company" and Kinetic Partners, LLC the Company's Class A Member, is hereinafter referred to as the "Class A Member." This Addendum shall constitute a counterpart signature page to the Company's Operating Agreement.

The execution of this Addendum confirms investment by the Class C Member at the Company.

The Class C Member has agreed to invest in one or more Funds (as hereinafter defined) provided by the Company. The Class A Member will have full and complete discretion to make any and all trading decisions and affect any strategies as the Class A Member shall determine, in its sole and absolute discretion, in order to manage the Funds.

INVESTMENT:

The Class C Member will contribute __________________ ($________________) to be invested in one, or more, of the following investment funds (each, a "Fund", more than one, "Funds") at the discretion of the Class C Member. Please check the box below corresponding to the Funds that the Class C Member will participate in and indicate the amount to be initially allocated to each.

All Funds may include a "Preferred Return" investment. This investment is in a private sector funding company that offers fixed rate preferred interest returns. The preferred return helps reduce volatility, generates additional income, and increases Alpha of the funds. The preferred returned will vary in maturity, amount, and interest. The Preferred Return investment may be added as/if/when they become available. The invested amount will be at the sole discretion of the Class A (Managing) Member. The "Preferred Return" investment may encumber Class C member investments for a period of time based on maturity.

☐ KFINFLT (Inflation) – Fund focuses on hedging against a rise in inflation and/or devalue in the U.S. dollar. Investments in the gold, silver, commodities, currency and international markets. Assets in the Fund include, but are not necessarily limited to, ETFs, stocks, and listed options. Assets may be long and/or short.
Amount: ________________________

☐ KFYIELD (Income) – Fund focuses on income generation. Investments in government bonds, corporate bonds, REITS, MLPs, Preferred Shares. Assets in the Fund include but are not necessarily limited to, ETFs, stocks, and listed options. Assets tend to be (but need not be) long.
Amount: ________________________

☐ KFVALUE (Value) – Fund focuses on multinational companies with strong balance sheets, fundamentals, positive revenue, and sound corporate management. The Fund is actively managed and may be long and/or short to prosper in rising and declining markets. Assets in the Fund include, but are not necessarily limited to, stocks, preferred stocks, and listed options. Assets may be long and/or short.
Amount: ________________________

The Class C Member may, with the approval of the Class A Managing Member, reallocate between the Funds listed above on a quarterly basis, upon thirty (30) days prior written notice actually received by the Class A Managing Member prior to the end of any calendar quarter. In no event may any allocation result in less than __________________ ($___) being placed in any one Fund.

FINANCIAL PRODUCTS:

The Fund(s) will trade derivatives, but may also be invested in individual stocks, components of the indices, cash, and other exchange listed products in the sole and absolute discretion of the Class A (and Managing) Member, in its sole and absolute discretion, from time to time and at any time. The Funds also may include a Preferred Return investment, as described above, which will vary in maturity, amount, and interest.

REPORTING:

The Class C Member will receive a monthly statement of its selected Fund(s)' investments. The report will be sent by email on the 15th of each month for the preceding month's activity. The Fund(s)' Profit/Loss are reported on a mark-to-market basis for month-end. Any/all dividends issued by financial products held in the Fund will reported as a separate line item. The Company may provide statements online, if/when available. If a Class C Member wishes to receive statements by standard mail, that will be arranged by request. The Company does not guarantee the receipt via standard mail by the 15th of the month.

RISK MARGIN:

The Funds' goal is to not exceed a Risk Margin of 75% to equity ratio, measured in the form of "haircut" or risk-based margin. While this it is the goal to maintain this Risk Margin exposure, a particular position or positions may increase or decrease depending on market conditions. IT MUST BE NOTED that this is a guideline only when deploying positions and maintaining the positions, and that this goal may be exceeded, in the sole and absolute discretion of the Class A Member from time to time and at any time.

REINVESTMENT/DIVIDENDDISTRIBUTIONS:

A Class C Member may reinvest up to One Hundred Percent (100%) of any/all net dividends generated in any Fund selected on the previous page hereof, or receive a distribution of net dividends on a monthly basis. Dividend distributions are made on the 10th business day for any/all dividends that are generated in the Fund(s) from the previous month.

☐ Yes, Class C Member hereby elects to reinvest all (or ______%) of its share of net dividends.

PROFITS AND LOSSES:

The Class C member will receive 100% of any and all dividends issued by any/all financial products held in the Fund selected as indicated on the previous page of this Addendum.

The Class C member will receive 80% of net profits earned by any Fund selected as indicated on the previous page of this Addendum. The term "net profits" as used herein means the profits generated by a particular Fund, minus any and all expenses incurred by the Company, directly or indirectly, in connection with the operation of a particular Fund, including, but not necessarily limited to, any and all fees or charges imposed by any securities exchange, clearing firms, quotation services, commission, interest and the like, that are charged directly to the Fund and a Class C Member by the Company's clearing firm, broker dealer, or any third-party services related to transacting business in the Fund. All Funds are based on realized and unrealized accounting; this may change due to regulatory changes or requirements. Changes, if any, may affect realized returns and tax reporting. The Class C member will be notified as to any changes, when and if they occur. It is the Class C Member's responsibility to contact its tax professional to see how it may or may not affect its tax reporting. Net Profits shall be calculated and distributed on a monthly basis.

The Class A Member will receive 20% of the net profits. The Class A Member will <u>not</u> participate in any dividend distributions by any/all financial products that are held in the Fund(s). Any/all dividends by financial products held in the Fund selected by the Class C Member will be issued to the Class C Member.

Preferred Return Investment profits and losses, if any, will be allocated to the Class C member investments at the absolute and sole discretion of the Class A Member.

HIGHWATER MARK:

A Class C Member will have a high-water mark that is based on the profits and losses amount stated in the INVESTMENT section on the prior page hereof. The Class A Member will only receive 20% of net profits (as defined in the "Profits and Loss" section) for any profits that exceed the "high-water mark". Any realized losses in the account must be made up in full with realized gains, prior to the Class A member receiving any profits. The high-water market is reset at fiscal year-end of the Class C Members' realized profit/loss at year-end.

The high-water mark only pertains to returns generated in the fund/s and not the preferred return investment.

PRINCIPAL WITHDRAWALS:

The Class C Member may make a Principal Withdrawal request at the end of a calendar year, provided that thirty (30) days' prior written notice is provided to Company, but only may do so following the one (1) year anniversary from the date the principal deposit was actually received by Company (based on the amount indicated in the INVESTMENT section on the first page hereof. Principal Withdrawals are not a right and are at all times subject to regulatory and Company approvals. Class C Member assets may also be invested in "preferred return" investments (INVESTMENT SECTION), which may not be fully liquid in order to accommodate principal withdrawal requests. The Company will inform Class C Members as/if any principal capital that maybe available at year-end for principal redemptions. For example, but not by way of limitation, withdrawal requests maybe denied, in the Class A Managing Member's sole and absolute discretion, due to liquidity limitations of some long-term investments which may include the Preferred Return private funding investment obligations, and which may not have matured at the time of the Principal Withdrawal Request.

The CLASS A (Managing) Member will endeavor to facilitate any such request(s) and instructions, but The Class A (Managing) Member hereby expressly reserves the sole and absolute discretion to reject any Principal Withdrawal request that could or would create, by way of example only and not intended to in any way to limit the Class A Member's discretion in this regard, margin or risk requirements. A Class C Member must fully complete the Company's Redemption Form and submit it to Company no later than thirty (30) days prior to a calendar quarter-end. The Company's Redemption Form is available upon request.

Anything to the contrary herein notwithstanding, any and all required qualified distributions for a Class C Member that has attained the age set by the Internal Revenue Service ("IRS") for minimum distributions will be made to the trust company/custodian designated by the said Class C Member no later than April of the year following the year that said Class C Member attains the age of 70 ½ or as may otherwise may be required by the IRS.

TERMINATION:

The Class A Member may terminate the Class C membership at any time with written notice to the Class C Member and follow the procedures as described in the PRINCIPAL WITHDRAWAL section.

The Class C Member may terminate its Class C membership with at least ninety (90) days' prior written notice. Distributions by and/or Withdrawal of funds from, the Company (if any) will at all times remain subject to the REINVESTMENT / DIVIDEND DISTRUBTIONS and PRINCIPAL WITHDRAWALS sections hereinabove.

FEES AND EXPENSES:

The Fund(s) is/are charged an annual One Percent (1%) expense ratio. The 1% expense ratio will be charged to the subject Fund on a monthly pro-rated basis, based on the net equity value of the Fund on the last business day of each month. Tax preparation, accounting, legal, and any other related fees will be itemized and directly debited from the Class C Member's account on the Company's records.

RISKS:

Neither the Company nor the Class A Member guarantees that any profits will be generated with the Class C Member's capital contribution and the Class C Member expressly understands and agrees that its entire capital contribution may be lost, in which case the Class C Member will have no recourse against the Company or the Class A (Managing) Member unless the Class A Member is proven in a court of law to have engaged in grossly negligent or intentionally wrongful acts or failures to act.

AGREED AND ACKNOWLEDGED THIS ____ DAY OF ______________, 20___:

CLASS C MEMBER

______________________________	(print name)
______________________________	(company name – if applicable – please attach Operating Agreement or other corresponding documentation, if Class C Member is not an individual.)
By: ______________________________	Office/Residence Phone: ______________________
Address: ______________________________	Cellphone: ______________________
______________________________	Email: ______________________
______________________________	Fax: ______________________

KINETIC FUNDS I, LLC
CLASS A MEMBER

By: ______________________________
Michael S. Williams, Managing Member of
KF 42, LLC, Managing Member of its Managing
Member, Kinetic Partners, LLC

EXHIBIT C

August 30, 2018

Dear Archdiocese of San Juan de Puerto Rico,

Please let this serve as an informal introduction. I moved to Puerto Rico in 2014 and live in Old San Juan. Our companies work with Puerto Rico foundations, faith organizations, and Puerto Rican government agencies to find solutions and forge a prosperous future.

Investing in Puerto Rico is about investing in Puerto Rican's history and preserving its culture. Old San Juan is a very special place, that we endeavor to preserve and protect. It is recognized around the world as a Unesco World Heritage site and it is a living history of Puerto Rico's rich culture.

I hope to present a respectful and honorable offer for the properties and look to historically preserve the heritage and faith that has served Puerto Rico. These properties hold a significant historical value to the people of Puerto Rico and the people of faith.

If we are fortunate that the Archdiocese has selected our proposal, we look forward to preserving the historical landmark and that the chapel will continue to serve as a place of unions in matrimony for decades to come. It will, and shall be, a place in which the people of Puerto Rico and those visiting Puerto Rico will respect the historical significance.

We appreciate this is not any property and we will honor its heritage and the faith in our pursuits to preserve this historical land mark.

Our plans are to provide a wedding space and boutique hotel, combined with respectful retail and residential.

I deeply respect the delicacy and value that Archdiocese places in these matters and have included a confidentiality clause.

Thank you for the opportunity.

Humbly,

Michael S. Williams

Dear Archdiocese of San Juan de Puerto Rico

This Letter of Intent ("LOT") is not intended to create a binding agreement on the Seller to sell or the Purchaser to purchase. The purpose of this letter is to set forth the primary terms and conditions upon which to execute a formal Purchase and Sale Agreement. All other terms and conditions shall be negotiated in the formal Purchase and Sale Agreement. This letter of Intent shall constitute an open offer until the parties reach a decision.

Subject to the execution of an acceptable Purchase and Sale Agreement ("Purchase Agreement") within fifteen (15) days after execution of this Letter of Intent (the "Contract Negotiation Period"), the undersigned offers to purchase the subject property/s in accordance with the following terms and conditions:

Confidentiality:

In the event of that negotiations are terminated, each party will promptly deliver to the other party and will not retain any documents, work papers and other materials (and any reproductions thereof) obtained by each party or on its behalf from the other party as a result of this LOI or in connection therewith, whether so obtained before or after the execution hereof, and will not use any non-public information so obtained and will use its reasonable efforts to keep such information confidential unless disclosure is required by law.

The Purchaser may not disclose the existence or status of this LOI or negotiations of the Contract to any party other than Seller or Purchaser's attorney, broker, lender, and other advisors relating to the purchase and sale of the premises unless disclosure is required by law.

Seller: **Archdiocese of San Juan de Puerto Rico**
1565 Calle Encarnación
San Juan,PR 00920.

Purchaser: **Scipio, LLC**
53 Palmeras Street
Suite 903
San Juan, PR 00901

Purchaser may assign his interest to any corporation, partnership or limited liability company in which he is the controlling party or to any other third party without Seller approval.

Purchaser
Representative: Michael S. Williams
53 Palmeras Street
Suite 903
San Juan, PR 00901

Brokers: **Ricardo L. Torres**

Property/s:

1) **Palacio del Arzobispo**: 50 Cristo St Old San Juan, PR. with cadastral no. 040-002-016-04.
2) **Seminario Conciliar y el Hospital:** 52 Cristo St. Old San Juan, PR with cadastral no. 040-002-016-04.
3) **Archivo Histórico de la Iglesia Católica:** 22 San Sebastian St. with cadastral no. 040-002-016-03.
4) **Residence:** 20 San Sebastian St. with cadastral no. 040-002-016-02.
5) **Residence:** 18 San Sebastian St. with cadastral no. 040-002-016-01.

This non-binding letter represents Purchaser's intent to purchase the above listed property/s (the "Property") including the land and improvements on the following terms and conditions:

Price: **$ 5,250,000** (FIVE MILLION TWO HUNDRED FIFTY THOUSAND)

Terms: CASH SALE

Proposed Development: Historical Preservation
including; Wedding Event, Boutique Hotel, Retail

Due Diligence Period:

Purchaser shall have forty five (45) business calendar days due diligence period from the time of the execution of a formal Purchase and Sale Agreement and receipt of relevant documents. Due diligence acceptable to Purchaser in his sole and absolute discretion, which including without limitation: appraisal, environmental matters, leases, physical inspection, title, and zoning.

Closing Conditions:

Following the expiration of the Due Diligence Period, Purchaser's obligation to close escrow shall be subject to the following conditions, subject only to such exceptions to title as have been approved by the Purchaser:

a) Seller provides to the Purchaser the title to the property(s) free and clear of liens.
b) Title Company shall be in position to issue a policy of title insurance to Purchaser in the full amount of the Purchase Price showing clear and marketable title vested in Purchaser
c) The non-existence of any development or moratoria affecting the

Closing of Escrow:

Closing of Escrow shall occur fifteen (15) days after completion of due diligence period.

All other terms and conditions shall be negotiated in the formal Purchase and Sale Agreement. This letter of Intent is open for acceptance through date. The Purchase Agreement may contain additional terms such as, but not limited to; attorney fees, broker's commissions, conditional clauses, and mutual indemnification provisions.

Provided the of terms and conditions of the Letter of Intent are acceptable, please indicate by signing below.

All parties agree to proceed in accordance with terms and conditions outlined in this Letter of Intent. Seller understands the purpose of this Letter of Intent is to allow further investigation by both parties into the feasibility of entering into a formal agreement. This Letter of Intent is only binding on the parties during the Contract Negotiation period. If the Purchase Agreement is not mutually executed within the Contract Negotiation Period for any reason whatsoever or no reason at all, this Letter of Intent shall expire, and no party shall have any further rights or duties hereunder. Seller shall not solicit other offers during the Contract Negotiation Period.

PURCHASER: ______________________ Date: Aug 3, 2018
Michael S. Williams

SELLER: ______________________ Date: ______________

____

____

October 11, 2018

Dear Heactor Alemdina,

Please let this serve as an informal introduction. I moved to Puerto Rico in 2014 and live in Old San Juan. Our companies work with investment companies looking to invest in Puerto Rico. We operate a financial investment company, investment fund, and Fintech.

Investing in Puerto Rico is about investing in Puerto Rican's history and preserving its culture. Old San Juan is a very special place, that we endeavor to preserve and protect. It is recognized around the world as a Unesco World Heritage site and it is a living history of Puerto Rico's rich culture.

We would very much be interested in the Oriental Bank building as a suitable branch of our US investment company.

Seller: **Oriental Bank**

Purchaser: **Scipio, LLC**
53 Palmeras Street
Suite 903
San Juan, PR 00901

Purchaser may assign his interest to any corporation, partnership or limited liability company in which he is the controlling party or to any other third party without Seller approval.

Purchaser
Representative: **Michael S. Williams**
53 Palmeras Street
Suite 903
San Juan, PR 00901

Brokers: **Ricardo L. Torres**
Property/s:

Parcela de procedencia: **040-002-062-03**
Castastro: **040-002-062-03-901**
Dueno: **ORIENTAL BANK**
Direccion fiscica: **204 TETUAN**

This non-binding letter represents Purchaser's intent to purchase the above listed property/s (the "Property") including the land and improvements on the following terms and conditions:

Price: **$ 1,400,000** (ONE MILLION FOUR HUNDRED THOUSAND)

Terms: CASH SALE

Proposed Development: Bank and Historical Preservation.

Due Diligence Period:

Purchaser shall have fifteen (15) business calendar days due diligence period from the time of the execution of a formal Purchase and Sale Agreement and receipt of relevant documents. Due diligence acceptable to Purchaser in his sole and absolute discretion, which including without limitation: appraisal, environmental matters, leases, physical inspection, title, and zoning.

Closing Conditions:

Following the expiration of the Due Diligence Period, Purchaser's obligation to close escrow shall be subject to the following conditions, subject only to such exceptions to title as have been approved by the Purchaser:

a) Seller provides to the Purchaser the title to the property(s) free and clear of liens.
b) Title Company shall be in position to issue a policy of title insurance to Purchaser in the full amount of the Purchase Price showing clear and marketable title vested in Purchaser
c) The non-existence of any development or moratoria affecting the

Closing of Escrow:

Closing of Escrow shall occur fifteen (15) days after completion of due diligence period.

All other terms and conditions shall be negotiated in the formal Purchase and Sale Agreement. This letter of Intent is open for acceptance through date. The Purchase Agreement may contain additional terms such as, but not limited to; attorney fees, broker's commissions, conditional clauses, and mutual indemnification provisions.

Provided the of terms and conditions of the Letter of Intent are acceptable, please indicate by signing below.

All parties agree to proceed in accordance with terms and conditions outlined in this Letter of Intent. Seller understands the purpose of this Letter of Intent is to allow further investigation by both parties into the feasibility of entering into a formal agreement. This Letter of Intent is only binding on the parties during the Contract Negotiation period. If the Purchase Agreement is not mutually executed within the Contract Negotiation Period for any reason whatsoever or no reason at all, this Letter of Intent shall expire, and no party shall have any further rights or duties hereunder. Seller shall not solicit other offers during the Contract Negotiation Period.

PURCHASER: ______________________ Date: OCT 11 2016
Michael S. Williams

SELLER: ______________________ Date: ______________

____

____

EXHIBIT D

KINETIC INVESTMENT GROUP

KINETIC INTERNATIONAL

Puerto Rico Financial Services

53 Palmeras Street
Suite 903
San Juan, PR 00901

p. 941-870-9544

mwilliams@kineticfunds.com
www.kineticfunds.com

Table of Contents

Executive Summary

The Kinetic team has spent two years in Puerto Rico expanding their existing lending, financial adviser, and investment services (Act 214, Act 20, RIA, and CFP) securing both government, business, and high-net worth clients. Over those two years between servicing the local Puerto Rico community and researching the broader Spanish speaking region, it has become apparent the limited and lack of financial services available to businesses, institutions, government agencies, and high-net worth investors in the broader Spanish speaking world. Those that do seek professional financial services must engage with a firm in the U.S., which create a variety of difficulties; language barriers, limited understanding of legal and tax codes, limited local staff/support, and most importantly and often forgotten is a cultural difference and understanding. On the other hand, the financial services "in country" are extremely limited, as many do not have access to a full range of financial services and products offered in the U.S. Additionally, many local firms lack the experience and knowledge that is traditionally found on Wall Street. There is clearly a need to provide a premier financial service company to the broader Spanish speaking world. As they say, necessity is the mother of invention

Kinetic team has created "Kinetic International" as a registered International Finanical Entity (IFE) under Puerto Rico Act 273. The purpose of Kinetic International is to create a full-service boutique financial services company headquartered in Puerto Rico to serve the broader Spanish speaking community, focusing on South America, Central America, and the Caribbean. Puerto Rico is the natural gateway to headquarter Kinetic International, as Puerto Rico; is a Spanish speaking nation, rich in the Spanish and Latin culture, educated work force, infrastructure, legal/accounting services well versed in U.S. law, advantageous business/tax structures, proximity, and geographical location, and most importantly a U.S. regulated territory.

Kinetic International will provide: financial advisory services, financial consulting, investment funds, private equity, securitized lending, financial planning, tax planning, financing solutions, and private banking.

Kinetics' current operation offers many of these services currently in Puerto Rico and will move these under the new Kinetic International firm, while expanding operations.

Objectives

Kinetic International plans to establish an operation beginning January 2018. Profitability is based on the time line of obtaining AUM of $50 million within 6 months. Expectations from partners and current data are approximately $100m AUM in 18-24 months.

Mission Statement

Kinetic International provides independent boutique financial services to the Spanish speaking world. Full access to U.S. financial products and services, private equity, risk management, and banking services in Puerto Rico.

Keys to Success

Kinetic International will combine the existing, successful trading operation, lending institution, and proprietary technology with their current Puerto Rico operation under one operation. Kinetic team has established relationships over the past two years with; lawyers, accountants, and financial professionals.

- Legal: Puerto Rico and U.S. legal operations that understand finance and contract law. Also, well versed in Puerto Rico's unique tax/business codes.
- Operations: Kinetic has already secured offices and staff in Puerto Rico.
- Branding: Kinetic is seeking branding and marketing team to establish a brand that resonates with Puerto Rico and the broader Spanish speaking world.
- Domestic Banking: Kinetic has established relationships with Santander and Banco Popular.
- Accounting: Kinetic has in-house accounting and an established relationship with BDO.

Description of Business

Kinetic International will be a registered IFE (ACT 273) to provide a range of financial services and products with headquarter office in Puerto Rico. The firm is designed to be a full-service independent financial service company whose principal clients are high-net worth individuals, businesses, institutions, and government agencies who live and work in the Spanish speaking world and need access to the U.S. financial markets.

Kinetic International's revenue generation is based on combination of management fees, consulting fees, and profit sharing.

All charts, tables in this document are based solely on a 1.5% management fee on AUM and do not include any other sourced income. This establishes the more conservative estimate for business growth.

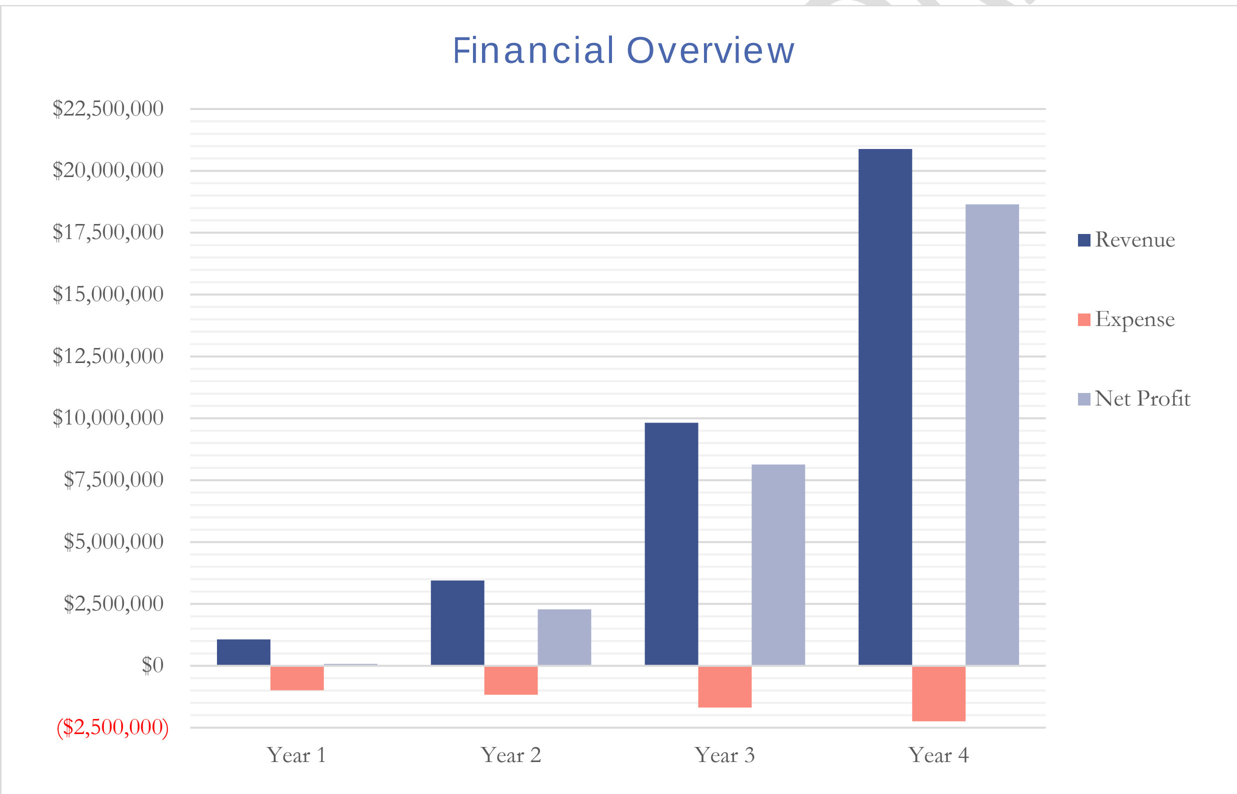
REVENUE

Kinetic International's primary revenue sources are; fee based services based on assets-under-management (AUM) and/or fixed fee financial consulting services, profit sharing in their private equity portfolio and/or investment fund products, interest and fees from securitized lending, and routine banking service fees.

Kinetics' current operations and data reflect breakeven points may vary slightly higher or lower, depending on expansion costs, legal, regulatory, compliance and accounting. Current operations have already secured office space, licenses, and staffing, additional runs costs are based on expansion necessities.

Projected profit margins are based on assets-under-management (AUM), fixed fee relations, and contract relations. The first phase of business (expansion), which is expected to be 12 months in length, will require seed and partner capital of approximately $1m that has already been committed, including the $500k in initial capital requirements of ACT 273 and tier-one firm capital. Break-even is expected for expansion is based on a 6-month period, with profit margins expanding rapidly as run costs remain relatively fixed. Break-even approximations are based on a simple model of $60m AUM at 1.5% fees, rather than a detailed break-down of fixed fee and other fee based businesses, which may vary too much in the initial phase to provide a conservative estimate. The 1.5% fee is higher than the firm expects to charge, but is used to include fixed fees and other fee based revenue to estimate an AUM target to reach break-even based on current business offerings.

This data is based on existing business of approximately $30-$40m of AUM and projected growth.



Note: Graph based on 1.5% management fees. Assumes $100m of AUM by end of year 1 with approx. 50% acquisition rate in year 2 through 4.

Company Ownership/Legal Entity

Kinetic International will be a corporation registered in Puerto Rico as an International Finanical Entity (IFE) (ACT 273). The majority owner is Michael Williams, a resident of Puerto Rico and ACT 22 registered. Additionally, minority partners may include both Puerto Rican residents and U.S. residents.

Location

Kinetic International will be in Puerto Rico. Existing Kinetic affiliated operations are 4 staff members and expects to expand to 8-10 with in the first year.

Kinetic International office location:
53 Palmeras Street
Suite 903
San Juan, PR 00901

Hours of Operation

Kinetic International operations are tied to the U.S. Exchange hours of operation (aka "Market Hours"). Operations run approximately 1 hour prior to exchange trading hours and conclude approximately 1 hour after the close of exchange trading hours. Office hours are approximately 8am to 6pm (depending on changes in Daylight Savings in the U.S.) Kinetic International will observe exchange holidays.

Products and Services

Kinetic International will offer the following services:

- Financial Adviser Services (RIA and CFP) – already currently licensed in PR and U.S.
- Financial Consulting – for public/private sector
- Securitized Lending – already currently licensed in PR (Act 214)
- Private Equity – currently registered in the U.S.
- Investment Funds – currently registered in PR and U.S.
- Tax and Business Consulting
- Private Banking

Management

Kinetic International manager of operations and majority owner:

Michael S. Williams

Resides in: VSJ, Puerto Rico

Michael brings more than 25 years and a wide breadth of experience in the financial markets to his role in the Kinetic family of companies. As an institutional broker on the trading floor of the NYSE options exchange, he represented Goldman Sachs, Swiss Bank, and Morgan Stanley. He later became an options market maker and member of the exchange, making markets in the technology industry including Applied Materials (AMAT) and Advanced Micro Devices (AMD). The Exchange selected Michael to represent the Options Industry Council (OIC) as a guest speaker and instructor. He has lectured at the Securities Exchange Commission (SEC), at Universities and as a guest speaker at financial conferences throughout the country on the use of derivatives and risk management. He was commissioned to write the Exchange Floor Membership Exam and coauthored the McGraw Hill textbook, "Fundamentals of the Options Market". He has created and managed Broker Dealers, Registered Investment Advisor Firms, and consulted for hedge funds and institutional operations.

In 2008 Michael and his partner developed their own financial risk management, trading, and OMS system and formed the company, Silexx Financial Systems (www.silexx.com). It has become the cardinal independent platform used by hedge funds and institutions internationally and is integrated with top-tier Wall Street Firms. Silexx was acquired by CBOE Global (world's largest exchange) in 2017.

His experience in understanding pricing models, probability, and pro-active hedging strategies were instrumental in designing a trading model that focused on principle protection and yield, rather than market direction. This lead to the development of Kinetic Investment Group, LLC (www.kineticfunds.com). By investing partner money as well as their own, they built a fund with a four-year track record, listed on Bloomberg: KFYIELD.

Michael co-founder Lendacy (www.lendacy.com) a private equity and security lending firm, with offices in U.S. and PR. He also co-founded and managed Kinetic Advisers (www.kineticfa.com), a registered financial advisory company (RIA) in U.S. and PR.

Michael currently resides in VSJ, Puerto Rico and established a private financial company to help Puerto Rico private and public firms. He is an honored Navy Veteran and avid sailor.

Financial Management

The start-up costs of the business are low, since Kinetic team has existing businesses that revenue, additionally the technology and infrastructure. Thus, start-up costs will focus on legal, accounting, marketing, and internal expansion efforts.

Run costs are low and fixed. Kinetic International is a service oriented business that generates revenue based on fees. Variables in the run costs will staffing, legal, and marketing.

Maintaining an efficient low-cost budget will be simple as it will rely strictly on covering office related expenses that are fixed. Any increase to costs would be a direct result of additional AUM and increases are subject to review on a case by case basis involving all partners.

We believe maintaining a $250,000 balance in a bank account (just at the FDIC level) by partners to cover costs, after start-up costs, until AUM builds to breakeven at $60m will be enough to manage costs and cover the first 6 months, depending on AUM. Projections of reaching $60m is based on current and existing data from existing businesses.

Start-Up/Acquisition Summary

During the start-up phase we will need to secure additional staff and up-front legal/accounting. A primary consideration for staff is a combination of solid math fundamentals with financial knowledge. Trading operations can be initially done remotely from Kinetic headquarters in Sarasota, FL until equipment and qualified staff is available. Kinetic team has already hired bi-lingual staff in the field of finance and management. Mr. Williams and partners will provide the initial capital and any additional run costs expenses as needed.

Marketing

Kinetic International has selected Puerto Rico due to its natural gateway from the Spanish speaking world to the U.S. financial markets. Marketing primarily consists of face-to-face meetings, understanding investor needs and providing solutions based on said needs. Kinetic International materials will be in English and Spanish.

Market Analysis

Puerto Rico suffers from stringent banking and political fiscal problems, all of which have encumbered the investment and lending capacity of traditional financial centers. Kinetics' team has spent two years in Puerto Rico analyzing and working with Puerto Rico public and private sector, evaluating, consulting, and securing clients to solve both short-term and long-term financing problems.

South and Central America face numerous issues when accessing U.S. financial markets. With the recent stigma and security concerns from the "Panama Papers" and "Paradise Papers", many clients are looking for a secure, regulated, and legal financial services companies with access to the U.S. Additionally, many of these nations have limited financial service capabilities to the U.S. markets and local facilitators are not well versed in the full range of potential U.S. financial products and services.

Market Segmentation

Spanish as a demographic in the Americas is the fastest growing demographic. The fastest growing media companies by viewership are Telemundo and Univision. Spanish is the 2nd most spoken language in the world, spoken in more countries and continents than any other language in the world. The Spanish / Latin culture remains vibrant and an important part of bridging nations in the Americas. Yet, the U.S. and European financial markets continue to underserve these markets for various reasons.

Puerto Rico offers a unique opportunity. While the U.S. media in the States has myopically focused on the bond ratings and risk, as well as the recent hurricane natural disaster, their remains a vibrant and tenacious private sector waiting to expand as infrastructure comes online. Areas like Condado have seen rapid development and growth from the private sector. Several business-related programs have attracted foreign investors and businesses as well. However, local banks are hard pressed to loan any money and U.S. state side banks are not willing to lend into Puerto Rico because of the perception.

The bond risk problem has also created problems with the domestic investor, whose faith in investing has been rattled. UBS had been the large investment firm aggressively selling bonds and other unsecured financial products that had destroyed investments. Investors today are looking for something safe and secured.

Additionally, some of the U.S. foreign investment laws make it unattractive to invest directly into the U.S. financial markets because of (estate taxes), meanwhile local financial professionals have limited knowledge and access to the U.S. financial markets.

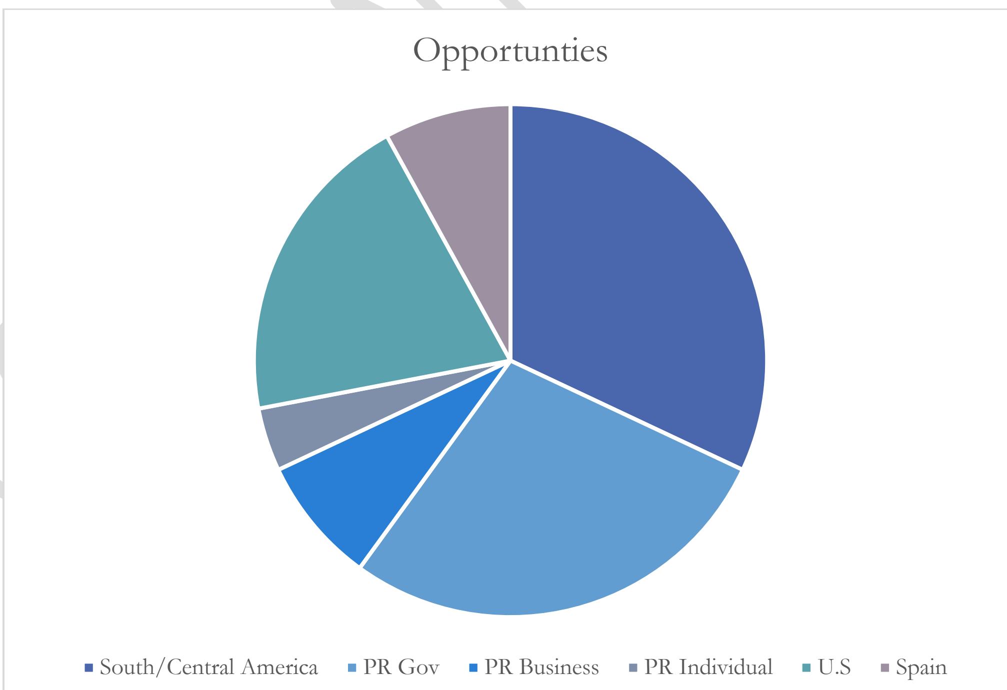
Spanish speaking foreign investors from Central and South America continue to seek U.S. financial products and services, but also have limited access. Local branch offices and even major U.S. firms with local presence are focused on a very narrow product offering and limited services.

Detailed investment banking and financial services data from U.S. major firms reflect the majority of foreign investments to provide services are to Asia (predominately China) and its long-standing relations with European markets. While the Middle East and even India have seen rapid growth in U.S. financial services sector, both Africa and Central/South America remain the lowest and slowest growth market segments for providing financial services to U.S markets.

Opportunities are born out of needs. Necessity is the mother of invention. The business community needs secure investment, investors need secure investments, and even the government agencies. The bond crisis has been devastating, but Puerto Rico will persevere and become a prosperous island.

Kinetic International believes it can fill this need and will be the premier financial service company to the Spanish speaking world.

The demographic for potential Kinetic International clients are accredited investors and qualified purchasers. This may include, but not limited to; family offices, high-net worth individuals, businesses, and government agencies.



Competition

Kinetic International primary competition is U.S. financial institutions and local investment advisors. U.S. and even major foreign investment companies have either left Puerto Rico or have significantly reduced operations due to the bond crisis and the litigation. Local investment advisors are small and have limited knowledge and access to the full scope of U.S. financial services and products.

The current natural disaster crisis has further crippled current competition to a point of almost non-existence. Few firms now have full staff and are operating with limited services.

Meanwhile, Kinetics' team is fully operational in Puerto Rico and has a full complement and support from their U.S. offices.

Strategy and Implementation

Kinetic International advertising and promotion will be based on marketing the advantages of Puerto Rico as a gateway for accessing U.S. financial markets. Offering bi-lingual staff and marketing materials, knowledge able in the financial service markets, and access to premier Wall Street technology, markets, and products.

We believe that giving back to the community helps build relations and builds a stronger community. Kinetic will offer their knowledge and experience through education, information, and economic plans to help both the private and public sector.

Promotions include:

- Private (invitation only) cocktail parties with a brief soft-sell presentation that include financial education and information.
- Membership and promoting Puerto Rican financial education via foundations and universities.
- Sponsorship of education and grants to further education.
- Lectures at Universities and other locals about finance, markets, and economics.

Lendacy (partner) hosting events about capital solutions to solve financial needs will also assist promotional efforts.

Appendix

Start-Up Expenses

Start-up Capital & Expenses	
Investment Capital	500,000
Start-up Expenses	
Legal (incorporting)	-
Rent (3 months) $12k	(36,000)
Staff (3 months) $35k	(105,000)
Accounting	(5,000)
Insurance	(12,000)
Equipment	(25,000)
Travel	(10,000)
Marketing	(10,000)
Website	(10,000)
Misc.	(10,000)
Total Controllable Exp.	**(223,000)**
Subtotal	277,000
Reserves	500,000
Total	**777,000**

Determining Run Cost Start-up Capital

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Starting cash	500,000	469,200	447,650	429,350	420,300	414,500	417,950	431,400	459,350	497,800	551,250	614,200
Cash In:												
AUM Revenue 1.5%	43,750	50,000	56,250	62,500	68,750	75,000	87,500	100,000	112,500	125,000	137,500	150,000
Additional Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash	**543,750**	**519,200**	**503,900**	**491,850**	**489,050**	**489,500**	**505,450**	**531,400**	**571,850**	**622,800**	**688,750**	**764,200**
Cash Out:												
Rent	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Payroll	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Other	(27,550)	(24,550)	(27,550)	(24,550)	(27,550)	(24,550)	(27,050)	(25,050)	(27,050)	(24,550)	(27,550)	(25,050)
Total Cash Out	**(74,550)**	**(71,550)**	**(74,550)**	**(71,550)**	**(74,550)**	**(71,550)**	**(74,050)**	**(72,050)**	**(74,050)**	**(71,550)**	**(74,550)**	**(72,050)**
Ending Balance	469,200	447,650	429,350	420,300	414,500	417,950	431,400	459,350	497,800	551,250	614,200	692,150
Change (cash flow)	**(30,800)**	**(21,550)**	**(18,300)**	**(9,050)**	**(5,800)**	**3,450**	**13,450**	**27,950**	**38,450**	**53,450**	**62,950**	**77,950**

Assumes $40m AUM on Month 2 and reaching $120m AUM by Month 12. Cash in is $500k. Positive cash-flow is at month 6 based on assumption of $60m AUM. Does not assume any additional revenue.

Note: Kinetic existing businesses have over $30m AUM and other revenue sources. Partner capital contribution over $500k.

Income / Cost Projections Year 1

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Annual Total	Annual %
AUM	35,000,000	40,000,000	45,000,000	50,000,000	55,000,000	60,000,000	70,000,000	80,000,000	90,000,000	100,000,000	110,000,000	120,000,000		
INCOME	**43,750**	**50,000**	**56,250**	**62,500**	**68,750**	**75,000**	**87,500**	**100,000**	**112,500**	**125,000**	**137,500**	**150,000**	**1,068,750**	**100.00%**
Controllable Expenses:														
Salaries/Wages	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(420,000)	-39.30%
Peiodicals / Data	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,400)	-0.22%
Accounting/Reporting	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(9,600)	-0.90%
Management	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(96,000)	-8.98%
Postage/Shipping	(500)	-	(500)	-	(500)	-	-	(500)	-	-	(500)	(500)	(3,000)	-0.28%
Travel / AIR	(2,500)	-	(2,500)	-	(2,500)	-	(2,500)	-	(2,500)	-	(2,500)	-	(15,000)	-1.40%
Techology (Silexx/Bloomberg)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-5.61%
Marketing	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(12,000)	-1.12%
Transportation	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(3,600)	-0.34%
Misc.	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-0.09%
Total Controllable Exp.	**(54,300)**	**(51,300)**	**(54,300)**	**(51,300)**	**(54,300)**	**(51,300)**	**(53,800)**	**(51,800)**	**(53,800)**	**(51,300)**	**(54,300)**	**(51,800)**	**(622,600)**	**-58.25%**
Fixed Expenses:														
Office Rent (US/PR)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(144,000)	-13.47%
Corp Apt (US/PR)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(48,000)	-4.49%
Legal	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Permits/Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Internet Fees/Phones	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)	-0.56%
Insurance	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(30,000)	-2.81%
Utilities	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(12,000)	-1.12%
Office Supplies	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(3,000)	-0.28%
Total Fixed Expenses	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(20,250)**	**(243,000)**	**-22.74%**
Total Expenses	**(74,550)**	**(71,550)**	**(74,550)**	**(71,550)**	**(74,550)**	**(71,550)**	**(74,050)**	**(72,050)**	**(74,050)**	**(71,550)**	**(74,550)**	**(72,050)**	**(876,600)**	
Gross Returns	**(30,800)**	**(21,550)**	**(18,300)**	**(9,050)**	**(5,800)**	**3,450**	**13,450**	**27,950**	**38,450**	**53,450**	**62,950**	**77,950**	**192,150**	**17.98%**

Income / Cost Projections Year 2

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Annual Total	Annual %
AUM	130,000,000	145,000,000	160,000,000	175,000,000	190,000,000	205,000,000	230,000,000	255,000,000	280,000,000	305,000,000	330,000,000	355,000,000		
INCOME	**162,500**	**181,250**	**200,000**	**218,750**	**237,500**	**256,250**	**287,500**	**318,750**	**350,000**	**381,250**	**412,500**	**443,750**	**3,450,000**	**100.00%**
Controllable Expenses:														
Salaries/Wages	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(600,000)	-17.39%
Peiodicals / Data	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,400)	-0.07%
Accounting/Reporting	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(12,000)	-0.35%
Management	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(120,000)	-3.48%
Postage/Shipping	(500)	-	(500)	-	(500)	-	-	(500)	-	-	(500)	(500)	(3,000)	-0.09%
Travel / AIR	(2,500)	-	(2,500)	-	(2,500)	-	(2,500)	-	(2,500)	-	(2,500)	-	(15,000)	-0.43%
Techology (Silexx/Bloomberg)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-1.74%
Marketing	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)	-0.70%
Entertainment	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)	-0.17%
Misc.	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-0.03%
Total Controllable Exp.	**(72,700)**	**(69,700)**	**(72,700)**	**(69,700)**	**(72,700)**	**(69,700)**	**(72,200)**	**(70,200)**	**(72,200)**	**(69,700)**	**(72,700)**	**(70,200)**	**(843,400)**	**-24.45%**
Fixed Expenses:														
Office Rent (US/PR)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(144,000)	-4.17%
Corp Apt (US/PR)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(48,000)	-1.39%
Legal	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-1.74%
Permits/Licenses	-												-	0.00%
Internet Fees/Phones	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)	-0.17%
Insurance	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(30,000)	-0.87%
Utilities	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(12,000)	-0.35%
Office Supplies	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(3,000)	-0.09%
Total Fixed Expenses	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(25,250)**	**(303,000)**	**-8.78%**
Total Expenses	**(97,950)**	**(94,950)**	**(97,950)**	**(94,950)**	**(97,950)**	**(94,950)**	**(97,450)**	**(95,450)**	**(97,450)**	**(94,950)**	**(97,950)**	**(95,450)**	**(1,157,400)**	
Gross Returns	**64,550**	**86,300**	**102,050**	**123,800**	**139,550**	**161,300**	**190,050**	**223,300**	**252,550**	**286,300**	**314,550**	**348,300**	**2,292,600**	**66.45%**

Income / Cost Projections Year 3

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Annual Total	Annual %
AUM	380,000,000	430,000,000	480,000,000	530,000,000	580,000,000	630,000,000	680,000,000	730,000,000	780,000,000	830,000,000	880,000,000	930,000,000		
INCOME	**475,000**	**537,500**	**600,000**	**662,500**	**725,000**	**787,500**	**850,000**	**912,500**	**975,000**	**1,037,500**	**1,100,000**	**1,162,500**	**9,825,000**	**100.00%**
Controllable Expenses:														
Salaries/Wages	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(900,000)	-9.16%
Peiodicals / Data	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,400)	-0.02%
Accounting/Reporting	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(18,000)	-0.18%
Management	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(144,000)	-1.47%
Postage/Shipping	(500)	-	(500)	-	(500)	-	-	(500)	-	-	(500)	(500)	(3,000)	-0.03%
Travel / AIR	(3,500)	-	(3,500)	-	(3,500)	-	(3,500)	-	(3,500)	-	(3,500)	-	(21,000)	-0.21%
Techology (Silexx/Bloomberg)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.61%
Marketing	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(120,000)	-1.22%
Entertainment	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)	-0.24%
Misc.	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-0.01%
Total Controllable Exp.	**(110,700)**	**(106,700)**	**(110,700)**	**(106,700)**	**(110,700)**	**(106,700)**	**(110,200)**	**(107,200)**	**(110,200)**	**(106,700)**	**(110,700)**	**(107,200)**	**(1,293,400)**	**-13.16%**
Fixed Expenses:														
Office Rent (US/PR)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(180,000)	-1.83%
Corp Apt (US/PR)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(48,000)	-0.49%
Legal	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.61%
Permits/Licenses	-												-	0.00%
Internet Fees/Phones	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(12,000)	-0.12%
Insurance	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.61%
Utilities	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(18,000)	-0.18%
Office Supplies	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)	-0.06%
Total Fixed Expenses	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(32,000)**	**(384,000)**	**-3.91%**
Total Expenses	**(142,700)**	**(138,700)**	**(142,700)**	**(138,700)**	**(142,700)**	**(138,700)**	**(142,200)**	**(139,200)**	**(142,200)**	**(138,700)**	**(142,700)**	**(139,200)**	**(1,688,400)**	
Gross Returns	**332,300**	**398,800**	**457,300**	**523,800**	**582,300**	**648,800**	**707,800**	**773,300**	**832,800**	**898,800**	**957,300**	**1,023,300**	**8,136,600**	**82.82%**

Income / Cost Projections Year 4

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Annual Total	Annual %
AUM	980,000,000	1,055,000,000	1,130,000,000	1,205,000,000	1,280,000,000	1,355,000,000	1,430,000,000	1,505,000,000	1,580,000,000	1,655,000,000	1,730,000,000	1,805,000,000		
INCOME	**1,225,000**	**1,318,750**	**1,412,500**	**1,506,250**	**1,600,000**	**1,693,750**	**1,787,500**	**1,881,250**	**1,975,000**	**2,068,750**	**2,162,500**	**2,256,250**	**20,887,500**	**100.00%**
Controllable Expenses:														
Salaries/Wages	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(1,200,000)	-5.75%
Peiodicals / Data	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)	-0.03%
Accounting/Reporting	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)	-0.11%
Management	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(180,000)	-0.86%
Postage/Shipping	(500)	-	(500)	-	(500)	-	-	(500)	-	-	(500)	(500)	(3,000)	-0.01%
Travel / AIR	(5,000)	-	(5,000)	-	(5,000)	-	(5,000)	-	(5,000)	-	(5,000)	-	(30,000)	-0.14%
Techology (Silexx/Bloomberg)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.29%
Marketing	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(240,000)	-1.15%
Entertainment	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.29%
Misc.	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(1,000)	0.00%
Total Controllable Exp.	**(157,000)**	**(151,500)**	**(157,000)**	**(151,500)**	**(157,000)**	**(151,500)**	**(156,500)**	**(152,000)**	**(156,500)**	**(151,500)**	**(157,000)**	**(152,000)**	**(1,804,000)**	**-8.64%**
Fixed Expenses:														
Office Rent (US/PR)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(180,000)	-0.86%
Corp Apt (US/PR)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.29%
Legal	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.29%
Permits/Licenses	-												-	0.00%
Internet Fees/Phones	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)	-0.03%
Insurance	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	-0.29%
Utilities	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(12,000)	-0.06%
Office Supplies	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(3,000)	-0.01%
Total Fixed Expenses	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(31,750)**	**(381,000)**	**-1.82%**
Total Expenses	**(188,750)**	**(183,250)**	**(188,750)**	**(183,250)**	**(188,750)**	**(183,250)**	**(188,250)**	**(183,750)**	**(188,250)**	**(183,250)**	**(188,750)**	**(183,750)**	**(2,232,000)**	
Gross Returns	**1,036,250**	**1,135,500**	**1,223,750**	**1,323,000**	**1,411,250**	**1,510,500**	**1,599,250**	**1,697,500**	**1,786,750**	**1,885,500**	**1,973,750**	**2,072,500**	**18,655,500**	**89.31%**

Milestones

Expectations from potential PR and South/Central American client business is $100m of AUM in the first 12-16 months. Some potential investor members could exceed $20 to $50m, accelerating investments. Note: Kinetic current business has over $30m currently of AUM, additional $70m AUM in 12-16 month is a conservative estimate.

1. First milestone is to break-even which is approximate $60m AUM based on current budget. Expectations are for this to be achieved in the first 6-8 months after operation has been fully operational. (Already at $30m AUM)
2. Second mile stone is $100 AUM. Expectations are for 12-16 months. Accelerated rate would be based on single or multiple large investment pools.

Break-Even Analysis

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
AUM	35,000,000	40,000,000	45,000,000	50,000,000	55,000,000	60,000,000	70,000,000	80,000,000	90,000,000	100,000,000	110,000,000	120,000,000
Revenue	43,750	50,000	56,250	62,500	68,750	75,000	87,500	100,000	112,500	125,000	137,500	150,000
Costs	(74,550)	(71,550)	(74,550)	(71,550)	(74,550)	(71,550)	(74,050)	(72,050)	(74,050)	(71,550)	(74,550)	(72,050)
Net	(30,800)	(21,550)	(18,300)	(9,050)	(5,800)	3,450	13,450	27,950	38,450	53,450	62,950	77,950
Net Margin	-41.31%	-30.12%	-24.55%	-12.65%	-7.78%	**4.82%**	**18.16%**	**38.79%**	**51.92%**	**74.70%**	**84.44%**	**108.19%**

EXHIBIT E

THIS INSTRUMENT AND ANY SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION THEREFROM.

Zephyr AeroSpace, LLC

SAFE
(Simple Agreement for Future Equity)

THIS CERTIFIES THAT in exchange for the payment by Kinetic International, LLC (the "**Investor**") of $500,000.00 (the "**Purchase Amount**") on or about March 31, 2019, Zephyr AeroSpace, LLC, a Puerto Rican corporation (the "**Company**"), hereby issues to the Investor the right to certain shares of the Company's capital stock, subject to the terms set forth below.

The "**Valuation Cap**" is $5,000,000.00. See **Section 2** for certain additional defined terms.

1. ***Events***

(a) **Equity Financing**. If there is an Equity Financing before the expiration or termination of this instrument, the Company will automatically issue to the Investor either: (1) a number of shares of Standard Preferred Stock equal to the Purchase Amount divided by the price per share of the Standard Preferred Stock, if the pre-money valuation is less than or equal to the Valuation Cap; or (2) a number of shares of Safe Preferred Stock equal to the Purchase Amount divided by the Safe Price, if the pre-money valuation is greater than the Valuation Cap.

In connection with the issuance of Standard Preferred Stock or Safe Preferred Stock, as applicable, by the Company to the Investor pursuant to this Section 1(a):

(i) The Investor will execute and deliver to the Company all transaction documents related to the Equity Financing; *provided,* that such documents are the same documents to be entered into with the purchasers of Standard Preferred Stock, with appropriate variations for the Safe Preferred Stock if applicable, and *provided further,* that such documents have customary exceptions to any drag-along applicable to the Investor, including, without limitation, limited representations and warranties and limited liability and indemnification obligations on the part of the Investor; and

(ii) The Investor and the Company will execute a Pro Rata Rights Agreement, unless the Investor is already included in such rights in the transaction documents related to the Equity Financing.

(b) **Liquidity Event**. If there is a Liquidity Event before the expiration or termination of this instrument, the Investor will, at its option, either (i) receive a cash payment equal to the Purchase Amount (subject to the following paragraph) or (ii) automatically receive from the Company a number of shares of Common Stock equal to the Purchase Amount divided by the Liquidity Price, if the Investor fails to select the cash option.

In connection with Section (b)(i), the Purchase Amount will be due and payable by the Company to the Investor immediately prior to, or concurrent with, the consummation of the Liquidity Event. If there are not enough funds to pay the Investor and holders of other Safes (collectively, the "**Cash-Out Investors**") in full, then all of the Company's available funds will be distributed with equal priority and *pro rata* among the Cash-Out Investors in proportion to their Purchase Amounts, and the Cash-Out Investors will automatically receive the number of shares of Common Stock equal to the remaining unpaid Purchase Amount divided by the

Liquidity Price. In connection with a Change of Control intended to qualify as a tax-free reorganization, the Company may reduce, *pro rata*, the Purchase Amounts payable to the Cash-Out Investors by the amount determined by its board of directors in good faith to be advisable for such Change of Control to qualify as a tax-free reorganization for U.S. federal income tax purposes, and in such case, the Cash-Out Investors will automatically receive the number of shares of Common Stock equal to the remaining unpaid Purchase Amount divided by the Liquidity Price.

(c) **Dissolution Event**. If there is a Dissolution Event before this instrument expires or terminates, the Company will pay an amount equal to the Purchase Amount, due and payable to the Investor immediately prior to, or concurrent with, the consummation of the Dissolution Event. The Purchase Amount will be paid prior and in preference to any Distribution of any of the assets of the Company to holders of outstanding Capital Stock by reason of their ownership thereof. If immediately prior to the consummation of the Dissolution Event, the assets of the Company legally available for distribution to the Investor and all holders of all other Safes (the "**Dissolving Investors**"), as determined in good faith by the Company's board of directors, are insufficient to permit the payment to the Dissolving Investors of their respective Purchase Amounts, then the entire assets of the Company legally available for distribution will be distributed with equal priority and *pro rata* among the Dissolving Investors in proportion to the Purchase Amounts they would otherwise be entitled to receive pursuant to this Section 1(c).

(d) **Termination**. This instrument will expire and terminate (without relieving the Company of any obligations arising from a prior breach of or non-compliance with this instrument) upon either (i) the issuance of stock to the Investor pursuant to Section 1(a) or Section 1(b)(ii); or (ii) the payment, or setting aside for payment, of amounts due the Investor pursuant to Section 1(b)(i) or Section 1(c).

2. ***Definitions***

"**Capital Stock**" means the capital stock of the Company, including, without limitation, the "**Common Stock**" and the "**Preferred Stock**."

"**Change of Control**" means (i) a transaction or series of related transactions in which any "person" or "group" (within the meaning of Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than 50% of the outstanding voting securities of the Company having the right to vote for the election of members of the Company's board of directors, (ii) any reorganization, merger or consolidation of the Company, other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity or (iii) a sale, lease or other disposition of all or substantially all of the assets of the Company.

"**Company Capitalization**" means the **sum**, as of immediately prior to the Equity Financing, of: (**1**) all shares of Capital Stock (on an as-converted basis) issued and outstanding, assuming exercise or conversion of all outstanding vested and unvested options, warrants and other convertible securities, but excluding (A) this instrument, (B) all other Safes, and (C) convertible promissory notes; **and** (**2**) all shares of Common Stock reserved and available for future grant under any equity incentive or similar plan of the Company, and/or any equity incentive or similar plan to be created or increased in connection with the Equity Financing.

"**Distribution**" means the transfer to holders of Capital Stock by reason of their ownership thereof of cash or other property without consideration whether by way of dividend or otherwise, other than dividends on Common Stock payable in Common Stock, or the purchase or redemption of Capital Stock by the Company or its subsidiaries for cash or property other than: (i) repurchases of Common Stock held by employees, officers, directors or consultants of the Company or its subsidiaries pursuant to an agreement providing, as applicable, a right of first refusal or a right to repurchase shares upon termination of such service provider's employment or services; or (ii) repurchases of Capital Stock in connection with the settlement of disputes with any stockholder.

"**Dissolution Event**" means (i) a voluntary termination of operations, (ii) a general assignment for the benefit of the Company's creditors or (iii) any other liquidation, dissolution or winding up of the Company (**excluding** a Liquidity Event), whether voluntary or involuntary.

"**Equity Financing**" means a bona fide transaction or series of transactions with the principal purpose of raising capital, pursuant to which the Company issues and sells Preferred Stock at a fixed pre-money valuation.

"**Initial Public Offering**" means the closing of the Company's first firm commitment underwritten initial public offering of Common Stock pursuant to a registration statement filed under the Securities Act.

"**Liquidity Capitalization**" means the number, as of immediately prior to the Liquidity Event, of shares of Capital Stock (on an as-converted basis) outstanding, assuming exercise or conversion of all outstanding vested and unvested options, warrants and other convertible securities, but **excluding**: (i) shares of Common Stock reserved and available for future grant under any equity incentive or similar plan; (ii) this instrument; (iii) other Safes; and (iv) convertible promissory notes.

"**Liquidity Event**" means a Change of Control or an Initial Public Offering.

"**Liquidity Price**" means the price per share equal to the Valuation Cap divided by the Liquidity Capitalization.

"**Pro Rata Rights Agreement**" means a written agreement between the Company and the Investor (and holders of other Safes, as appropriate) giving the Investor a right to purchase its *pro rata* share of private placements of securities by the Company **occurring after the Equity Financing**, subject to customary exceptions. *Pro rata* for purposes of the Pro Rata Rights Agreement will be calculated based on the ratio of (1) the number of shares of Capital Stock owned by the Investor immediately prior to the issuance of the securities to (2) the total number of shares of outstanding Capital Stock on a fully diluted basis, calculated as of immediately prior to the issuance of the securities.

"**Safe**" means an instrument containing a future right to shares of Capital Stock, similar in form and content to this instrument, purchased by investors for the purpose of funding the Company's business operations.

"**Safe Preferred Stock**" means the shares of a series of Preferred Stock issued to the Investor in an Equity Financing, having the identical rights, privileges, preferences and restrictions as the shares of Standard Preferred Stock, other than with respect to: (i) the per share liquidation preference and the conversion price for purposes of price-based anti-dilution protection, which will equal the Safe Price; and (ii) the basis for any dividend rights, which will be based on the Safe Price.

"**Safe Price**" means the price per share equal to the Valuation Cap divided by the Company Capitalization.

"**Standard Preferred Stock**" means the shares of a series of Preferred Stock issued to the investors investing new money in the Company in connection with the initial closing of the Equity Financing.

3. ***Company Representations***

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this instrument is within the power of the Company and, other than with respect to the actions to be taken when equity is to be issued to the Investor, has been duly authorized by all necessary actions on the part of the Company. This instrument constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity. To the knowledge of the Company, it is not in violation of (i) its current certificate of incorporation or bylaws, (ii) any material statute, rule or regulation applicable to the Company or (iii) any material indenture or contract to which the Company is a party or by which it is bound, where, in each case, such violation or default, individually, or together with all such violations or defaults, could reasonably be expected to have a material adverse effect on the Company.

(c) The performance and consummation of the transactions contemplated by this instrument do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or non-renewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No consents or approvals are required in connection with the performance of this instrument, other than: (i) the Company's corporate approvals; (ii) any qualifications or filings under applicable securities laws; and (iii) necessary corporate approvals for the authorization of Capital Stock issuable pursuant to Section 1.

(e) To its knowledge, the Company owns or possesses (or can obtain on commercially reasonable terms) sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, processes and other intellectual property rights necessary for its business as now conducted and as currently proposed to be conducted, without any conflict with, or infringement of the rights of, others.

4. ***Investor Representations***

(a) The Investor has full legal capacity, power and authority to execute and deliver this instrument and to perform its obligations hereunder. This instrument constitutes valid and binding obligation of the Investor, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(b) The Investor is an accredited investor as such term is defined in Rule 501 of Regulation D under the Securities Act. The Investor has been advised that this instrument and the underlying securities have not been registered under the Securities Act, or any state securities laws and, therefore, cannot be resold unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available. The Investor is purchasing this instrument and the securities to be acquired by the Investor hereunder for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks

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of such investment, is able to incur a complete loss of such investment without impairing the Investor's financial condition and is able to bear the economic risk of such investment for an indefinite period of time.

5. ***Miscellaneous***

(a) Any provision of this instrument may be amended, waived or modified only upon the written consent of the Company and the Investor.

(b) Any notice required or permitted by this instrument will be deemed sufficient when delivered personally or by overnight courier or sent by email to the relevant address listed on the signature page, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address listed on the signature page, as subsequently modified by written notice.

(c) The Investor is not entitled, as a holder of this instrument, to vote or receive dividends or be deemed the holder of Capital Stock for any purpose, nor will anything contained herein be construed to confer on the Investor, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise until shares have been issued upon the terms described herein.

(d) Neither this instrument nor the rights contained herein may be assigned, by operation of law or otherwise, by either party without the prior written consent of the other; *provided, however*, that this instrument and/or the rights contained herein may be assigned without the Company's consent by the Investor to any other entity who directly or indirectly, controls, is controlled by or is under common control with the Investor, including, without limitation, any general partner, managing member, officer or director of the Investor, or any venture capital fund now or hereafter existing which is controlled by one or more general partners or managing members of, or shares the same management company with, the Investor; and *provided, further*, that the Company may assign this instrument in whole, without the consent of the Investor, in connection with a reincorporation to change the Company's domicile.

(e) In the event any one or more of the provisions of this instrument is for any reason held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this instrument operate or would prospectively operate to invalidate this instrument, then and in any such event, such provision(s) only will be deemed null and void and will not affect any other provision of this instrument and the remaining provisions of this instrument will remain operative and in full force and effect and will not be affected, prejudiced, or disturbed thereby.

(f) All rights and obligations hereunder will be governed by the laws of the State of [Governing Law Jurisdiction], without regard to the conflicts of law provisions of such jurisdiction.

(*Signature page follows*)

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IN WITNESS WHEREOF, the undersigned have caused this instrument to be duly executed and delivered.

Zephyr AeroSpace, LLC

By:____________________________

Jeffery Oniell
CEO, Zephyr AeroSpace, LLC

Address: 150 San Francisco St Suite 200 Box 5062
San Juan, PR 00901

Email: jeff@zephyrseat.com

Kinetic International, LLC

By: ____________________________

Title: Ceo

Address: 53 Palmeras street Suite 903
San Juan, PR 00901

Email: M.williams@KineticBank.com

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EXHIBIT F

UP CONSULTING GROUP LLC
Certified Public Accountants & Consultants

FINANCIAL & REGULATORY ANALYSIS FOR KINETIC INTERNATIONAL LLC

Prepared by:

Arelis Millán, CPA / Managing Member of UP Consulting Group, LLC
Paola Gómez, CPA / Advisory Director of UP Consulting Group, LLC

Private and Confidential

July 19, 2019

Dear Board of Directors of Kinetic International LLC:

We are pleased to provide our report to Kinetic International LLC in accordance with our scope of work described in the executed engagement letter dated May 29, 2019.

Scope and Summary of Work Performed

UP Consulting Group, LLC was engaged by Kinetic International LLC ("KI") on May 29, 2019 to reconstruct the accounting records of KI as of May 7, 2019, ***and to assist in the identification of any potential regulatory matter that must be reported to the Office of the Commissioner of Financial Institutions ("OCIF") in connection to the potential surrender of the granted license as an International Financial Entity pursuant to Act 273 of September 25, 2012, as amended.***

Our report does not constitute an audit in accordance with the Auditing Standards. We did not perform any independent or external testing that provide any assurance that the financial information provided is complete and accurate or that it is in compliance with the US Generally Accepted Accounting Principles. Consequently, we do not express an opinion over the reasonableness of the financial statements included within this report. **This engagement was conducted in conformity to the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA).**

Sources of information

- Information contained in this report is based on the review of financial information supplied by management of KI.
- The primary financial information of KI reviewed includes, but is not limited to, the following:
  - SolCoop bank statements through July 15, 2019;
  - Third party service provider invoices and agreements, if any;
  - Employee contractual agreements;
  - Related party financial statements and trial balances; and
  - Additional information was made available through dropbox access, as well as by inquiries and discussions with management of KI.

Assumptions and Limiting Conditions

We draw your attention to the assumptions and limiting conditions in the "Addendum C – Assumptions and Limiting Conditions" section of this report.

Period of our fieldwork

Our fieldwork was performed in the period between June and July of 2019. We have not performed any fieldwork since July 19, 2019 and, in agreement with the addressees of this report, our report does not take into account matters that may have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Subsequent Evidence Update

The only subsequent evidence **evaluated that had an impact** in the accounting as of May 7, 2019 is as follows:

On August 2, 2019, management provided an invoice and a payment related to MeridianLink, Inc., which resulted in the capitalization of $17,500 as part of a software as a service agreement.

Forms of Report

For your convenience, this report has been made available to you in electronic and hard copy format; therefore, multiple copies and versions of this report may exist, and, in the case of any discrepancies, the final signed hard copy deliverable should be considered definitive.

Confidentiality and Reliance

This presentation is confidential and intended for the sole use for internal purposes of the client to whom it is addressed. This presentation and its report may not be disclosed, reproduced or redistributed, in whole or in part, without our prior written consent. Such consent will only be granted after full consideration of the circumstances at the given time. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than KI for our work, our report, and other communications we have formed. We do not accept any responsibility for any loss or damages arising out of the use of this report by the addressee(s) for any purpose other than in connection with areas specified in the "Scope and Summary of Work Performed".

General

This report is issued on the understanding that the management (and their representative) of KI have drawn our attention to all matters, financial or otherwise, of which they are aware that may have an impact on our report up to the date of the signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume any responsibility for decisions and actions which are based upon an out-of-date report. In addition, we have no responsibility to update this report for events and circumstances occurring after the date of the report.

Contacts

If there are any matters upon which you may require clarification or further information, please contact Arelis Millán at (787) 360-1069 or through e-mail communication at amillan@upconsultingpr.com.

Sincerely,

Aris Millán, CPA

Arelis Millán, CPA
Managing Member / Up Consulting Group, LLC

Index

Kinetic International LLC Background

Kinetic International LLC (hereafter referred as KI) was organized in San Juan, Puerto Rico as a limited liability company in August 17, 2018. KI's business purpose was to engage exclusively in the services authorized by the Puerto Rico Office of the Commissioner of Financial Institution ("OCIF" for its initials in Spanish) under Act No. 273 of September 25, 2012, as amended, and Regulation No. 5653, known as the regulation of International Banking Center (hereafter referred to as "IFE Act"). Effective January 16, 2019, KI was authorized by the OCIF to engage in the following activities:

- With the prior approval of the OCIF, accept adequately collateralized deposits or otherwise borrow properly secured money from the Economic Development Bank of Puerto Rico;
- Make, procure, place, guarantee, or provide services to loans to foreign persons;
- Carry out any banking transactions permitted by the IFE Act in the currency of any country, or in gold or silver, and participate in foreign currency trade;
- With the prior approval of the OCIF, underwrite, distribute and otherwise trade in securities, notes, debt instruments, money orders and bills of exchange issued by a foreign person for financial purchase outside Puerto Rico;
- Acquire and lease personal property at the request of a lessee who is a foreign person, pursuant to a lease agreement;
- With prior approval of the OCIF, buy and sell securities outside of Puerto Rico to the order of foreign persons and provide investment advice in relation to such transactions or separate therefrom;
- Organize, manage, and provide management services to international financial entities and other financial entities outside of Puerto Rico provided that the stock and participation in capital of such companies are not directly distributed to domestic persons;
- With the prior approval of the Secretary of Treasury and the OCIF, finance, through loans or financial guarantees, projects in those areas of priority for the Government of Puerto Rico in those cases designated as extraordinary;
- With the prior approval of the OCIF, provide to other international financial entities or to foreign persons outside of Puerto Rico, those services of financial nature; and
- With the prior approval of the OCIF, engage in providing services of: (i) asset management, (ii) alternative investment management, (iii) management of activities related to private equity investments, (iv) hedge fund management, (v) "pools of capital" management, (vi) administration of trusts that serve to convert different asset groups in securities, and (vii) management services of escrow accounts.

Kinetic International LLC Background (cont'd)

Changes in KI Membership Since Organization Date

Since its organization date, KI has had three (3) changes in membership interest structure:

Based on the Limited Liability Company Operating Agreement (the "Original LLC Agreement") executed as of August 8, 2018, Michael Williams was the initial sole member of KI, which was organized before the Puerto Rico Department of State on August 17, 2018.

On January 1, 2019, pursuant to separate Subscription Agreements and an Amended and Restated Limited Liability Company Operating Agreement executed, Jeanelle Alemar-Escabí and Noel Zamot became members with a 6% and a 1% participation, respectively.

On May 7, 2019, and as resolved by KI's Board of Directors, the membership interest of KI changed distribution to the following: Michael Williams – 25%, Jeanelle Alemar-Escabí (20%), Noel Zamot (20%), and Treasury (35%); provided that up to 9.99% of each Jeanelle Alemar-Escabí and Noel Zamot will be effective immediately and will require notification to the OCIF and the remainder will be effective upon approval by the OCIF, having the difference be kept in Treasury by KI.

As indicated in Act No. 273 of September 25, 2012, as amended, Section 9.- Amendments to Articles of Incorporation, "no amendment whatsoever shall be adopted to the articles of incorporation, partnership agreement, or other written document establishing an international financial institution or to any certification executed in accordance with Section 5 of this Act, unless such amendment has been previously approved, in writing, by the Commissioner. After the due adoption of any amendment to the articles of incorporation, partnership agreement, or other written document establishing an international financial institution or to any certification executed in accordance with Section 5 of this Act, the same shall be filed with the Department of State." On May 8, 2019, the members sent a letter to the OCIF informing and requesting approval for: (i) the new members as of January 1, 2019; (ii) the resignation of the initial officers; and (iii) the proposed membership interests in which Michael Williams surrenders 68% of his ownership. As of the date of this report, no approval has been obtained from the OCIF over this request. Should be mentioned also that as of today and *as represented by management, KI has not started their business operations, as such, they are in a startup company status.*

Evaluation of Financial Data

- This report was prepared with financial information provided by management of Kinetic International LLC ("KI"). All financial information that was analyzed for this report is internal confidential information of KI which has not been subject to external audit procedures or independent tests. Accordingly, this report does not result in the issuance of a written communications from us to third parties, directly reporting on financial data or internal controls, or expressing a conclusion or any other assurance about the adequacy and reliability of the financial information included herein as we cannot ensure that the information is accurate, complete, and is in compliance with the U.S. Generally Accepted Accounting Principles ("US GAAP"). ***It is important mentioning that management is responsible for the accuracy and completeness of the data. As such, there is a significant risk that the information used has a material error and/or omission. We are not responsible for financial information that was not submitted for our evaluation as of the date of this report.***

- The objective of our work is to (1) prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by management; and (2) apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

- This work does not constitute tax advice of any form**. For tax compliance purposes**, ***KI is not required to file an audited financial statement as it does not exceed sales volumes established by law. Additionally , it should be noted that as of the date of this report and as represented by management, KI has not started their business operations.*** Client should not act solely on the basis of the material contained in this report. Advice from proper tax consultants should be obtained prior to taking action on any issue included in this report.

- The financial statements **for the period ended May 7, 2019** are compiled financial statements. We did not audit or review the financial statements nor are we required to perform **any procedures to verify the accuracy or completeness of the information provided by management.**

- The engagement performed was conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental in this engagement:

    a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements;

    b. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America;

    c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error;

    d. The prevention and detection of fraud;

    e. To ensure that the entity complies with the laws and regulations applicable to its activities;

Evaluation of Financial Data (cont'd)

- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement; and,
- g. To provide us with:
  - i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - ii. additional information that we may request from you for the purpose of the compilation engagement; and
  - iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries
- **You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.**
- **Management has represented that before May 7, 2019, the Board of Directors had not held a meeting to establish a budget or discuss KI's financial statements or accounts, and that before such date they were the responsibility of the then CEO, Michael Williams. As per the minutes of such meeting, Michael Williams represented that as of May 7, 2019 KI had no assets or liabilities beyond the initial contribution made pursuant to the Original LLC Agreement.**

Balance Sheet as of May 7, 2019

Assets		
Cash	$	232,380
Software development		812,878
Restricted cash		303,133
Prepaid tax		1,063
Other asset		500,000
	$	**1,849,454**
Liabilities		
Accounts payable	$	327,465
Due to KCL Services LLC		435,302
Due to El Morro Financial LLC		321,206
Due to KMG LLC		437,012
		1,520,985
Member's Equity		
Accumulated deficit		(548,741)
Members' Capital		877,210
		328,469
	$	**1,849,454**

- Cash consists of a commercial account in SolCoop amounting to approximately $232K. Although the banking institution is not insured by the Federal Deposit Insurance Corporation (FDIC), they are protected by COSSEC ("Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico") up to $250K including depositors and stockholders. **We validated this amount by obtaining the Bank Statement as of July 15, 2019 tracing and agreed this amount to it. No exceptions were noted.**
- Restricted cash consists of an interest-bearing certificate of deposit amounting to $300,000 and generated interest of $3,133 as of May 7, 2019. **This restricted cash is maintained to comply with the requirements of Act No. 273 of September 25, 2012, as amended, and Regulation No. 5653**.
- Software development line item represents the capitalization of costs incurred by KI for (i) the development of an internally developed software and (ii) licensing agreements engaged in with third-party vendors (e.g. Software as a Service Agreements) to be used by KI as part of its intended operations as these were authorized by OCIF. See slide #14 through 20 for more details of work performed.
- For further details on "Other Asset" see slide #21.
- Accounts payable is composed of (i) software development costs and (ii) accrued accounting and consulting expenses.
- The capital that was used to try to run or "kick-start" the operations of KI were funded by related parties and/or affiliates. **See slides "Related Party Transactions" for more details.**
- Note that the accumulated deficit's balance does not reflect potential impairments related to the fair value of the intellectual property and the value of the simple agreement to purchase equity securities. **With these factors in mind, it is important to mention that KI could be viewed as being undercapitalized in regard to the normal limits traditionally used by OCIF which are normally based on FDIC guidelines. In addition, note that KI's start-up activities have been funded through liabilities incurred with affiliated entities.**

Income Statement for the Seven-Months Ended May 7, 2019

Revenue	$ -
Expenses:	
Accounting	35,000
Bank charges	120
Consultants	30,000
Launch Event	189,332
Legal	112,110
Licensing fee	1,500
Marketing	6,000
General & administrative	131,874
Software expenses	47,000
Total expenses	552,936
Loss from operations	(552,936)
Other income:	
Interest income	4,195
Total other income	4,195
Net loss	**$ (548,741)**

- There was no revenue given that KI had not commenced operations. As of the date of this report, it has been represented by KI management and members, that none of the authorized services had begun. ***In our assessment of the information provided by management we didn't notice contradictory evidence that could make us think that they were operating.***

- The largest expenses are related to the following:

  1) A launch event expense amounting to approximately $189K. During the month of March 2019, Michael Williams held a launch event to promote KI and ISX, LLC. The total costs incurred for this event amounted to $378,664 of which 50% is being allocated to KI. As was discussed with management, this event was coordinated to benefit KI and ISX, LLC, equally. For this reason, it was agreed with management to split the obligation with ISX LLC. ***These costs were funded in their entirety by, and are payable to, El Morro Financial, LLC***.

  2) Legal expenses amounting to $112,110 were incurred as part of the incorporation and commencement of KI. These expenses consist of legal services obtained primarily from Holland & Knight LLP, Garffer Group of Legal Advisors, and DBPR. ***These costs were funded in great part by, and are payable to, LF42, LLC.***

  3) General & administrative expenses amounting to approximately $132K consists of payroll and rent. ***These costs were funded in their entirety by, and are payable to, El Morro Financial, LLC***; however, the expense balance was reached through an estimated allocation analysis. As part of this estimate, based on information provided by management, we considered the following:

     a. Payroll expense: We considered all employee agreements which were made available to us and signed by both KI and the individual employee. The percentage of allocation used considered (i) date of hire, (ii) termination date, (iii) base salary, and (iv) management's representation on the time incurred by each employee between KI and El Morro.

     b. Rent expense: We considered the latest monthly invoice received and provided to us from Caribe Building and allocated the rent between KI and El Morro. This was not allocated with the other two companies that were incorporated in Puerto Rico, ISX LLC and Kinetic Tech LLC, since as represented by management no work was performed for these entities..

- The amount reflected as interest income amounting to $4,195 is related to the interest generated in SolCoop bank accounts.

Related Party Transactions

In accordance with AICPA guidelines, we used the following criteria to evaluate related party transactions and classify these between capital contribution or related party transactions:

(a) if it is a cash advance or payment on behalf of KI and there is an agreement / written note evidencing a loan relationship and an unconditional obligation to repay it;

(b) ownership structure and relationship nature between related party entities, (e.g. Is the related entity 100% owned by the Michael Williams, CEO?);

(c) management intent of repayment, original intent of the transaction, and payment terms;

(d) regulatory and operating environment;

(e) existence of agreement; and

(f) nature and economic substance of transactions.

Note: Please note that for purposes of our analysis we excluded those related entities for which no transaction was identified as being made with Kinetic International LLC.

Private and Confidential

Related Party Transactions (cont'd)

KI is related to other entities through common ownership, management, and related administrative functions. The following parties are considered related entities under *ASC 850 Related Party Disclosures* and with whom KI has transacted with:

Related Party	Nature of Related Party	Balances in Financial Statement	Factors considered in the classification
El Morro Financial Group, LLC ("El Morro")	An Act 20 limited liability company organized and registered in PR that provides monthly management services to Kinetic Funds, LLC ("KF"). These services are related to the preparation of fund statements of KF customers. El Morro is 90% owned by Michael Williams and 10% owned by Kelly Locke.	Balance Sheet: $189,332 – 50% launch/promotional event $131,874 – 50% of G&A expenses Income Statement: $321,206 – which is the sum of balances shown above.	Full balance is being classified as ***due to related party***. Although no formal agreement is in place, based on conversations with management, there is an intent of repayment for this administrative matters.
KCL Services, LLC ("KCL")	A limited liability company that provides credit lines to applicants up to 70% of their KMG investment.	Balance Sheet: KCL provided the funds amounting to $435K for KI to purchase a simple agreement for future equity in Zephyr Aerospace, LLC (see slide 21).	Full balance is being classified as ***due to related party***. Although no formal agreement is in place, based on conversations with management, there is an intent of repayment for this matter.
Kinetic Securities Trading, LLC ("KST")	A Foreign Limited Liability in the state of Florida founded by Michael S. Williams. This entity was dissolved.	Balance Sheet: KST provided the capital amounting to $64,700 for KI to purchase stock option rights in Zephyr Aerospace, LLC (see slide 21).	Full balance is classified as a ***capital contribution***. If a loan agreement did exist, although it was not made available to us, a corporation once dissolved ends all contracts that were formed.
Kinetic Management Group, LLC ("KMG")	A management company for private investments and accredited investors founded by Michael Williams and Thomas Frey with a percentage of ownership of 60% and 40%, respectively.	Balance Sheet and Income Statement: $437,012 – Payments made by KMG in relation to the internally-developed software.	Full balance is being classified as ***due to related party***. Although no formal agreement is in place, based on conversations with management, there is an intent of repayment for this matter.

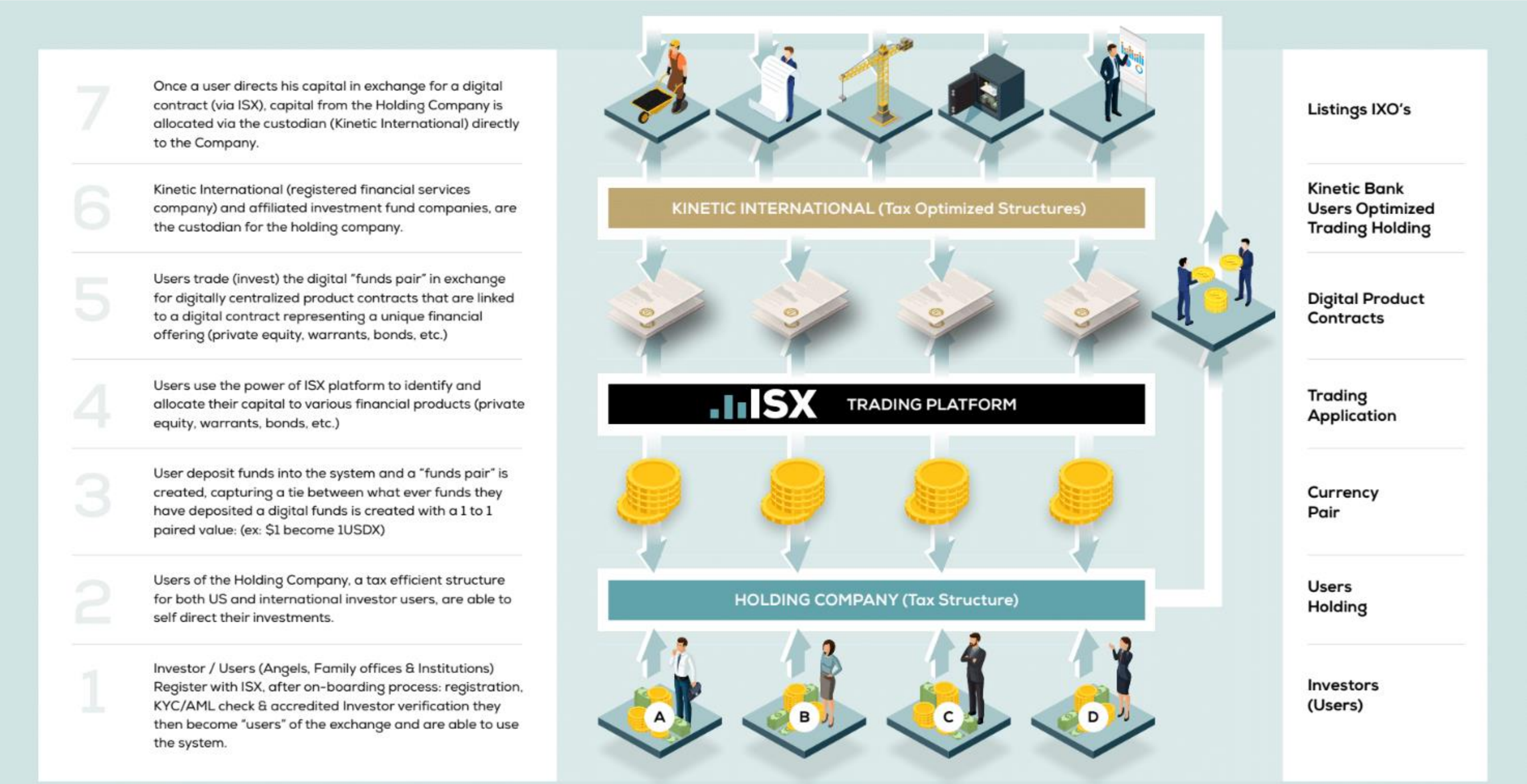
Related Party Transactions (cont'd)

Related Party	Nature of Related Party	Balances in Financial Statement	Factors considered in the classification
LF42, LLC ("LF42")	A limited liability company organized in Delaware with passthrough status that is 100% owned by Michael S. Williams	Balance Sheet: $102,110 – Payment of legal and consulting services incurred to incorporate KI. $160,400 – Payment of software licensing Income Statement: $152,110 – which is the sum of balances shown above.	These amounts were classified as ***capital contributions.*** Per representation of KI, fees amounting to $102K are related to the incorporation costs of KI. Should a loan agreement have existed requiring KI to repay this amount, although none was shared with us, the agreement would not be valid. This is because KI did not exist at the time these payments were made; as such, there would be no enforceability over this contract as there would not have been mutual consent. In addition, this entity is fully owned by Michael Williams.
Kinetic Funds I, LLC ("KF")	A limited liability company organized in Delaware operating as a private investment fund. KF is owned by Michael Williams.	Balance Sheet: $550,000 – Paid-in capital advanced to KI to meet with OCIF requirements mentioned in the IFE Act.	Full balance was reclassified by us as ***capital contribution to*** **be in compliance with OCIF.** KI had to maintain paid-in capital of $250K and a restricted cash of $300K.

From the entities that were organized and registered in Puerto Rico, El Morro was invoicing $40,000 in monthly management fees to KF, a related entity. We haven't been able to obtain sufficient supporting evidence about the revenue generated from this service with respect to its recognition under the arm's length principle, nor were we able to satisfy ourselves as to the nature and economic substance of these transactions. Note that El Morro is operating under an Act 20 Tax Decree which is subject to a preferential income tax rate of 4%. Transactions with related entities operating under tax decrees are normally substantiated through a transfer pricing study. In addition, and as represented by management, none of these related party transactions were made with OCIF's consent.

Software Development

The ISX technology platform ("ISX") is an internally-developed software which seeks to give access to world-class private financial markets at the click of your finger. With this in mind, ISX provides accredited investors and institutional clients detailed information and access to various private investments. ISX is a technology platform for the private financial markets creating transparency, security and data documentation for the ISX user market. Note that the ISX technology is not the same as ISX LLC, a related entity. All references herein are to the trading platform and not the related entity. Refer below for a flowchart of how ISX is expected to operate:



Software Development (cont'd)

Costs Incurred in the Development of ISX Software and costs related to Licensing Agreements entered for SaaS software

Vendor	Description of Service	Capitalized Balance	Expensed Balance	Rationale for Classification
BRAAT	Engaged to produce ISX marketing videos and some additional graphical work.	$ -	$17,000	This was classified as a ***software expense.*** Although no formal contract was made available to us, management represented the nature of BRAAT's services to be completely promotional. Since this does not add functionality to the software it was expensed.
FinTech Agency, BV	Consultancy in the development of ISX.	$130,000	$ -	These costs were ***capitalized***. Although no formal contract was made available to us, per management's representation and invoice descriptions, we linked the services provided to those of a third party directly involved with the in-house development of the software through consulting sessions.
Global Screen BV	Core developer specialized in security, financial technology, blockchain development and testing.	$317,573	$ -	These costs were ***capitalized***. We obtained an offer dated November 9, 2018 that was accepted by both parties. Also, we obtained a ratification letter dated June 17, 2019 signed by Jeanelle Alemar, Interim CFO of Kinetic International, LLC. In addition, per management's and vendors representations, and invoice descriptions we linked the services provided to those of a third party directly involved with the in-house development of the software.
IT Labs, LLC	Core developer first engaged by KI; however, they were changed to engage Global Screen.	$4,419	$ -	These costs were ***capitalized***. Although no formal contract exists, per management's representations, and invoice descriptions we linked the services provided to those of a third party directly involved with the in-house development of the software .
FinLink, Inc. D/B/A MBANQ	Software as a Service providing a cloud-based digital banking solution.	$291,976	$ -	These costs were ***capitalized***. On November 26, 2018, parties executed a Software as a Service Agreement.

Software Development (cont'd)

Costs Incurred in the Development of ISX Software and costs related to Licensing Agreements entered for SaaS software

Vendor	Description of Service	Capitalized Balance	Expensed Balance	Rationale for Classification
IDM Global, Inc D/B/A Identity Mind	Software as a Service providing IDM's platform user interface.	$11,034	$ -	These costs were ***capitalized***. On December 20, 2018, parties executed a Software as a Service Agreement. The initial term of this Agreement is of three years and will auto renew every year after the initial term.
Ocean Systems	SWIFT interface provider.	$ -	$30,000	This was classified as a ***software expense*** given that the contractual agreement signed on December 31, 2018 was for the duration of 1 year. At the point in time that ISX would be put in place to the general public this contract would need to be renewed; adding no functionality to the operating software.
Verify Investor, LLC	Verifies investor accreditation .	$12,500	$ -	These costs were ***capitalized***. On January 2, 2019, parties executed a Software as a Service Agreement. The Agreement continues to be effective until both parties mutually agree to terminate the Agreement; as such, there is no defined termination date.
North47 Creative Group, LLC	Graphic design house	$10,000	$ -	These costs were ***capitalized***. Although no formal contract was made available to us, per management's representation and invoice descriptions we linked the services provided to those of a third party directly associated with developing the design of the software.
MeridianLink, Inc.	Software as a Service providing web-based account, customer, and loan origination platform	$17,500	$ -	These costs were ***capitalized***. On December 31, 2018, parties executed a Software as a Service Agreement for a duration of 48 months from first use of the service which auto-renews at the end of the term.

As mentioned in slides 12 and 13, the development of ISX was completely funded by Kinetic Management Group, LLC and LF42, LLC, both related parties.

Software Development (cont'd)

Summarizing the tables shown on the previous two slides, KI contracted various third-party vendors to either (i) develop the internally-developed software application, or (ii) to provide supplemental services or Software as a Service (SaaS) that would complement the internally-developed software application to operate with its intended purpose. Refer below for a categorization of vendors between both options based on contracts available, invoices, communications with the vendor, and management representations:

Vendors Engaged in the Internally-Developed Software

- Global Screen B.V.
- FinTech Agency, BV
- IT Labs, LLC
- North47 Creative Group, LLC

Vendors Providing Software as a Service or Other Service

- BRAAT, The Artist
- FinLink, Inc.
- IDM Global, Inc.
- Ocean Systems
- Verify Investor, LLC
- MeridianLink, Inc.

It is important to mention that for some of these vendor relationships we weren't able to obtain sufficient evidence (i.e. signed contractual agreements) that would indicate the duration of the contract in order to properly conclude over the classification between capitalized and expensed costs. Refer to slides 15 and 16 for further details of work performed.

Software Development (cont'd)

Accounting Treatment: Capitalized Costs vs. Non- Capitalized Costs

The ISX technology platform is an internally-developed software identified by management as their main operational intangible asset. As such, it is important to highlight the applicable accounting principles that KI should apply based on the information and representations that were obtained.

Codification Topic 350-40 Internal Use Software indicates that a software intended for internal use has both of the following characteristics; (1) the software is acquired, internally developed, or modified solely to meet the entity's internal needs; and (2) during the software's development or modification, no substantive plan exists or is being developed to market the software externally. Internal use software includes back office systems, such as general ledger or billing modules, and platforms where software as a service is provided to customers. It does not apply to software sold or distributed to customers. The accounting guidance specifies three (3) stages of internal-use software development and during which, stages capitalization is required:

1) Preliminary project stage – This stage includes exploratory research, determining the desired functionality of the software, and determining if technology exists to achieve stated performance objectives among other tasks. During this stage costs are expensed as incurred.

2) Application development – This stage includes any costs incurred to develop internal-use software, which may include coding, hardware installation, and testing. At this stage the entity should only capitalize: (i) materials and services consumed in the development effort, such as third-party development fees, software purchase costs, and travel costs related to development work; (ii) payroll costs of those employees directly associated with software development; and (iii) the capitalization of interest incurred to fund the project. Any costs related to data conversion, user training, administration, and overhead should be charged to expense as incurred. The capitalization of these costs can only begin once the Preliminary Project Stage is complete and management has implicitly or explicitly committed to funding the software project. At this point, it must be probable that the project will be completed and that the software will be used to perform the intended function.

3) Post-Implementation (Operation) Stage – Internal and external training costs and maintenance costs are expensed. As such, capitalization ceases once the software is ready for its intended purpose, or when the software is placed in service.

<u>Timing of Expenses:</u> The types of costs discussed under each of the three stages may occur throughout the project. For example, coding and testing often occur simultaneously, and some training may occur during the application development stage.

Software Development (cont'd)

Upgrades and Enhancements: Are defined as modifications to existing internal-use software that result in additional functionality—that is, modifications to enable the software to perform tasks that it was previously incapable of performing. Upgrades and enhancements normally require new software specifications and may also require a change to all or part of the existing software specifications. In order for costs of specified upgrades and enhancements to internal-use computer software to be capitalized in accordance with the concepts discussed above, it must be probable that those expenditures will result in additional functionality. Normally a major upgrade increases the estimated useful life of the existing software.

Impairment: Impairment shall be recognized and measured in accordance with the provisions of Section 360-10-35, which requires that assets be grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The guidance is applicable, for example, when one of the following events or changes in circumstances occurs related to computer software being developed or currently in use indicating that the carrying amount may not be recoverable:

a. Internal-use computer software is not expected to provide substantive service potential;

b. A significant change occurs in the extent or the manner in which the software is used or is expected to be used;

c. A significant change is made or will be made to the software program; and

d. Costs of developing or modifying internal-use computer software significantly exceed the amount originally expected to develop or modify the software.

We did not analyze the potential impairment risk of ISX as we were unable to determine if any indicator existed that would support an impairment as of today. However, a potential impairment could exist should the fair market value of ISX decline significantly and is less than the asset carrying value, if project is abandoned or as a result of becoming outdated.

Amortizations: The capitalized costs shall be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's useful life. For GAAP purposes, amortization should be recorded over the software's estimated useful life when the computer software is ready for its intended use, regardless of whether the software will be placed in service in planned stages that may extend beyond a reporting period**. Per representations made by the developer, the software was functional since late April 2019. However, additional tests are required for the trading platform to be operational and move to launch phase. Additionally, KI hasn't started operations yet.** For these reasons and given that the financial statements presented herein are as of May 7, 2019, KI did not begin the amortization of this software. Nevertheless, its is important to mention that **because technology can be quickly outdated, a shorter life would be expected (3 to 10 years) once the amortization of this asset begins.**

Software Development (cont'd)

Other ISX Matters

In representing that the financial statements are presented fairly in conformity with the applicable financial reporting framework (US GAAP), management implicitly or explicitly makes assertions regarding the recognition, measurement, presentation, and disclosure of the various elements of financial statements and related disclosures. One of these assertions is classified under rights and obligations of recognized assets and liabilities.

In order to validate the rights and obligations of Kinetic International LLC with respect to the development of the ISX Technology Platform, we evaluated the following documents:

1) Offer Letter from Global Screen with Kinetic International LLC. The offer letter is dated November 9, 2018 and is duly signed as accepted by Michael D. Sayre, Chief Technology Officer of Kinetic International, LLC.

2) Non-disclosure agreement (NDA) signed by Michael Williams, former Chief Executive Officer of Kinetic International LLC. This NDA is referring to "Kinetic International LLC and its affiliates".

3) Invoices made to the order of Kinetic International LLC by Global Screen, a third-party developer. As of May 7, 2019, these invoices were paid by affiliated entities; as such, an obligation to a related entity is being recognized in the accompanying balance sheet (See slide 9 for further details of work performed).

After the final examination of these documents, and from an accounting perspective, we believe that the Company holds or controls the rights over the ISX platform, and that the related liabilities are also their obligations.

Other Asset

The “Other Asset” line item is composed of payments amounting to $500,000 (“Purchase Amount”) made by KCL Services, LLC and Kinetic Securities Trading, LLC on behalf of KI, in exchange for the right to shares of Zephyr AeroSpace, LLC, a limited liability company organized in Puerto Rico. This simple agreement for future equity (SAFE), which was duly signed by Michael Williams and Jeffrey O’Neill – Zephyr’s CEO, is subject to a valuation cap of $5MM and is contingent to various future events : (a) Equity Financing, (b) Liquidity Event, (c) Dissolution Event, and a (d) Termination Event. Refer to Addendum A for more details on the specifics of the contract.

The normal mechanics of a SAFE contract are that in the event of an equity financing in which the target company issues and sells preferred stock for the purpose of raising capital, the SAFE notes will convert into a series of preferred stock of the company. The number of shares of preferred stock will be determined by the issue price of the SAFE notes with an established valuation cap ($5,000,000 in this case). In the event of a liquidity, dissolution or termination, the SAFE note holders will either receive cash for their notes, or common stock subject to contract terms. In this sense, SAFEs serve the same purpose as convertible notes, with one very important distinction: there is no obligation to repay.

There is no specific accounting guidance on how to correctly recognize these type of contracts/financial instruments. In order to conclude if this transaction has characteristics of equity / investment vs. asset / obligation, we will have to evaluate the specifics of the target company (Zephyr) and the SAFE contract in a separate accounting memo related to this. We are not engaged by KI to perform this service (refer to “Scope and Summary of Work Performed” within slide #2) at this point. It is important mentioning that this contract includes contingent clauses in order to grant future ownership percentage rights to KI which is subject to volatility and could represent the incorporation of probability methodologies such as the Monte Carlo method. For this reason, we are presenting this asset at cost which is a comprehensive basis of accounting other than generally accepted accounting principles (OCBOA). **Accordingly, this financial line item is not intended to present KI’s financial position in conformity with US GAAP. In addition, we weren’t able to evaluate the potential risk of impairment related to this asset. Please note also that the payments related to this transaction were not made within the dates established in the contract, as several payments were made after March 31st. This transaction was executed by Michael Williams, former CEO, but we weren’t able to verify if it was done with the consent of OCIF and KI’s Board of Directors.**

Eliminated Transactions from Financial Statement

Option to Buy a Building

An asset titled “Option to buy a building in OSJ” in the amount of $500,000 was recorded in KI’s books as part of management’s initial accounting. Based on representations made by management, a fellow associate of Michael Williams asked Mr. Williams to purchase, as a favor to such associate, a building in Old San Juan which is valued in approximately $3.5MM and for which such associate would repay in installments. Mr. Williams agreed and proceeded to option this building for $500,000. We were able to obtain a lease agreement for this building signed by Michael Williams; however, the agreement was not signed by the counterparty; therefore, we did not consider this as a binding agreement. In addition, as represented by management, this transaction was never fulfilled.

As part of our procedures, we were not able to obtain any supporting evidence related to this cash disbursement of $500K. As such, we strongly recommended management to remove this transaction from KI’s books since there is no evidence suggesting that the said asset is their right or obligation. Therefore, it is not part of the Balance Sheet included in this presentation.

Due From Michael Sayre

An asset titled “Due from Michael Sayre” in the amount of $150,000 was recorded in KI’s books as part of management’s initial accounting. Based on representations made by management, this amount is related to an employee loan amounting to $100,000 and a signing bonus of $50,000. We were not able to validate where these advances to Michael Sayre were coming from, nor were we able to corroborate the nature and the collectability of these amounts. ***For this reason, we recommended to remove this transaction from KI’s books since we were not able to find any evidence suggesting that the related asset belongs to KI. Therefore, it is not part of the Balance Sheet included in this presentation.***

OCIF Requirements / Regulatory Matters

For the period ended May 7, 2019, KI should have been in compliance with the requirements under Regulation No. 5653 of the OCIF known as the Regulation of the International Banking Center (Regulation No. 5653). Although it is KI's management responsibility to comply with the specified requirements, the following instances were noted that should be brought to your attention:

IFE will maintain an authorized capital not less than $5,000,000 and a paid in capital not less than $250,000. IFE may request OCIF to maintain a lower amount through a written application: As of May 7, 2019 the company ran on cash inflow from affiliated and/or related entities. These amounts were all accounted by KI as "Due To Related Parties" as the corresponding related party expected and agreed with KI on repayment. Please note that the $250K were reclassified for financial statement presentation purposes from a "Due To" to "Member's Equity" to account for this as a paid capital contribution as per this requirement. Also, the Original LLC Agreement, which was signed by Michael Williams, indicate that the initial capital contribution of $550K (composed of $250K and $300K of restricted cash) shall be contributed as prescribed by Section 5(b)(3) of the IFE Act. In addition, and as indicated in the Original LLC Agreement, as provided by management, KI had an authorized capital of $5MM.

IFE will possess and physically keep in Puerto Rico not less than $300,000 in lien-free assets or financial guarantees: This requirement was met. KI held a Certificate of Deposit amounting to $300,000 in SolCoop.

From the commencement of operations, the IFE will employ in its offices located in Puerto Rico a minimum of 4 persons that are residents of Puerto Rico in full time positions. IFE may request OCIF to employ a lower amount of persons through a written application: This requirement was met. In addition, it is important to mention that KI never engaged in any of the services authorized by OCIF; that is, it never commenced operations.

IFE will need written approval by the OCIF before amending the documents that establish the IFE. Changes of membership ownership were submitted to the OCIF but have not yet been approved. See slide 6 for further details.

It has been our experience when auditing and/or providing consulting services to other IFEs being regulated by the OCIF that transactions held with related party entities are normally approved by the OCIF prior to executing them. In the cases where no approval had been granted by the OCIF, we have experienced that OCIF either requires an amendment to authorized transactions or reverses the transaction in its entirety. With this in mind, we did not see mention of related party transactions as part of KI's OCIF authorized transactions; however, the backbone of this start-up is currently being sustained by affiliated entities. For this reason, we did not eliminate these transactions as part of KI's accounting; however, we classified all identified transactions between those that should be treated as capital contribution versus those that represent a liability to KI. Refer to slides 12 and 13.

It is important to highlight that in our assessment of the information provided by management we didn't notice contradictory evidence that could make us think that they were operating.

Addendum B – Detail of Financial Information Provided

- **Balance Sheet as of May 7, 2019, page 9 / Income Statement for the Seven-Months Period Ended May 7, 2019, page 10 –** Based on SolCoop bank statements through July 15, 2019, third-party vendors invoiced and contractual agreements, and other financial data detailed in the following bullet points.
- **Related Party Transactions, pages 12 and 13 –** Based on contractual agreements, if any, trial balances from related entities, communications and representations made by employees from related entities, and Certificates of Incorporation.
- **Software Development, pages 15 and 16 –** Based on existing signed contractual agreements, third-party vendors invoices, and confirmations received from third-party vendors.
- **Other Asset, page 21** – Based on Simple Agreement for Future Equity (“SAFE”) contractual agreement, confirmations of cash receipt received from Zephyr AeroSpace, LLC CEO, and wire transfer evidence.
- **Eliminated Transactions, page 22** – Based on representations held with management and contractual agreements.
- **OCIF Requirements / Regulatory Matters, page 23** – Based on Act No. 273 of September 25, 2012 and Regulation No. 5653, compiled Balance Sheet as of May 7, 2019, and KI’s meeting minutes.

Addendum C – Assumptions and Limiting Conditions

The primary assumptions and limiting conditions pertaining to the financial and regulatory analysis are summarized below:

- This report is for the exclusive use of our client, Kinetic International LLC for specific purposes as noted herein. They may not be used for any other purpose and are not to be distributed externally to third parties, in whole or in part, without written consent from UPCG in each instance, or used for any other purpose. We disclaim any responsibility or liability for losses, damages, or costs incurred by anyone as a result of the unauthorized circulation, publication, reproduction, or use of our deliverables contrary to the provisions of this proposal. Our deliverables will reflect our observations as of the date we conclude our work. We disclaim any intention or obligation to update or revise the observations reached in our deliverables, we reserve the right to amend our observations and summary documents accordingly.
- We did not make a compliance examination of KI subject to the IFE Act, and this report does not consider the effect, if any, of noncompliance.
- We obtained financial information from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and we have performed no procedures to corroborate the reasonability of the information.
- We acted as contractors in providing these services, as set out in our proposal, and do not undertake to perform any obligations than the ones described in our "Scope of Services" section, whether regulatory or contractual. We did not perform a forensic accounting service nor a litigation support work.
- If we are required, pursuant to subpoena or other legal process, to produce documents relating to this engagement in judicial or administrative proceedings, we will be reimbursed for our professional time and expense, including reasonable attorney's fees, incurred in responding to such request.
- UP Consulting Group, LLC developed and based its understanding of the scope of work presented in this engagement letter on discussions and meetings with key personnel of the Company's management, and other documents supplied by them. Our final deliverables will not represent a conclusion report and should not be taken as any type of assurance.
- We provided our services in accordance with the terms and conditions of our proposal. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagement, as those services are defined in the AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services do not result in the issuance of a written communication to third parties by us directly reporting on financial data or internal control or expressing conclusion or any other form of assurance about the adequacy of internal control over compliance or the reliability of written assertions by KI covering financial data or internal control over compliance.
- The responsibility for establishing and maintaining internal control over financial reporting and directing activities related to the assessment of business processes and controls rests with the Company's management. The Company's management should:
- \- Evaluate the observations and recommendations arising from UP Consulting Group, LLC services completed by this engagement.
- \- Implement any changes in internal control over financial reporting that the Company determine to be appropriate under the circumstances.
- Our assistance was under your direction and supervision, and you will be responsible for the accuracy and completeness of the information provided and for reviewing the work performed by our personnel. We will not audit or independently verify the data. Accordingly, the scope of our involvement will be such that we will not be considered the preparer/developer of the deliverables.
- The following disclosures are made: (1) In the process of conducting advisory services or other tasks included in the engagement we may collect certain information that is nonpublic, such as information concerning income, expenses, assets, liabilities, and other similar information; (2) We will follow professional standards for protecting the confidentiality and security of non-public information collected; and (3) We will not discuss any non-public information to any third party, except as required by law.

EXHIBIT G

From:	Maglich, Jordan D. (TPA x5713)
To:	Kornfeld, Mark A. (TPA x5278); piconej@gtlaw.com
Cc:	KehoeG@gtlaw.com; malinas@gtlaw.com; moots@SEC.GOV; NestorC@SEC.GOV; Cass, Luke V. (WDC x5638)
Bcc:	Maglich_ Jordan D_ Personal Workspace Pending _PERSONAL_JMAGLICH_
Subject:	RE: Kinetic - property in Puerto Rico [QBLLP-ACTIVE.FID40161290]
Date:	Friday, March 6, 2020 4:39:25 PM
Attachments:	image003.png image001.jpg 125EvergreenEmailSignature_a6b3add9-9dae-435d-970f-4c0911565efe.jpg

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Mr. Piccone,

As mentioned, I serve as counsel to the Receiver.

We are in receipt of your correspondence where you indicate that a pending wire for $1.5 million needs to be approved to be sent to Dash "in order to continue to facilitate hedging and trading operations."

This is the first I have heard not only of Dash but also that Kinetic had another outside brokerage account besides Interactive Brokers, and I do not believe this was mentioned at the hearing earlier today. As I am sure you can appreciate by virtue of Mr. Kornfeld's appointment, he is now acting as a fiduciary of the Receivership Defendants. At a minimum in order to understand the basis for need for your request, I will need to know the following. Please also send over any supporting documentation you might have that would be beneficial for Mr. Kornfeld to understand the nature of your request:

- How long has Kinetic had a relationship with Dash?
- Does Kinetic Funds have any other brokerage accounts besides Dash?
- Who is the beneficial owner of the Dash account and who currently has login credentials and trading authority?
- What is the current balance (net of margin) at the Dash account(s)? Please send over the most current statement and login information.
- Why is there a need, and what is the basis, for a "time-sensitive" $1.5 million transfer? Has the necessity for the transfer come at the direction of Dash?
- Is there any contractual requirement for the transfer? Is there any detriment that will result if the transfer is not made?
- Have there been any recent transfers from the BMO Harris account to the Dash account?

We are not denying your request outright and we certainly want to act in the best interests of the Receivership Defendants and the underlying investors; however, Mr. Kornfeld has inadequate (and virtually no) information at this time on which to make a determination on your request.

Sincerely,

Jordan

Jordan D. Maglich / Attorney
Jordan.Maglich@quarles.com / LinkedIn BIO vCard
Quarles & Brady LLP
101 East Kennedy Blvd., Suite 3400 / Tampa, FL 33602-5195
Office 813-384-6713 / quarles.com
Assistant Donna Santoro 813-384-6712

From: Kornfeld, Mark A. (TPA x5278)
Sent: Friday, March 6, 2020 3:36 PM
To: piconej@gtlaw.com
Cc: KehoeG@gtlaw.com; malinas@gtlaw.com; moots@SEC.GOV; NestorC@SEC.GOV; Maglich, Jordan D. (TPA x5713) ; Cass, Luke V. (WDC x5638)
Subject: RE: Kinetic - property in Puerto Rico

Dear Joseph:

Good afternoon. Thank you very much for your email. Jordan Maglich, copied here, as well as Luke Cass (also copied) shall be among the lawyers from Quarles & Brady representing me as the Receiver here. Jordan shall get back to you shortly this afternoon with regards to the prior email I received regarding Dash and a request to transfer $1.5m, as well as the substance of your email below. Going forward please email Jordan directly on all email and/or other written communications.

Thank you in advance for your cooperation and attention with regards to these matters.

Sincerely,

Mark A. Kornfeld

Mark A. Kornfeld / Partner
Mark.Kornfeld@quarles.com / LinkedIn
Quarles & Brady LLP
101 East Kennedy Blvd., Suite 3400 / Tampa, FL 33602-5195
Office 813-387-0278 / Cell 203-216-8508 / quarles.com
Assistant Karen Wollitz 813-384-6704

From: piconej@gtlaw.com <piconej@gtlaw.com>
Sent: Friday, March 6, 2020 2:50 PM
To: Kornfeld, Mark A. (TPA x5278) <Mark.Kornfeld@quarles.com>
Cc: KehoeG@gtlaw.com; malinas@gtlaw.com; moots@SEC.GOV; NestorC@SEC.GOV
Subject: Kinetic - property in Puerto Rico

Mark,

In court there was some discussion about changing locks in Puerto Rico. Please be aware that Mr. Williams has no other residence besides his residence at Unit 109 Calle Cruz. Mr. Williams shares this residence with his girlfriend and her younger sister. In addition, Unit 2E is presently occupied by a tenant with a written lease.

Please advise us whether you intend on seeking approval from the Court to change the locks on this Property. Again, please let us know if you are represented by an attorney and we will contact him or her directly.

Regards,

Joe

Joseph H. Picone
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Tel +1 813.318.5719

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LOCAL PRESENCE, GLOBAL REACH

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EXHIBIT H


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