

**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-MSS-SPF**

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.

RECEIVER'S SIXTH INTERIM REPORT

Mark A. Kornfeld, Esq., in his capacity as the court-appointed Receiver (the "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"), respectfully files his Sixth Interim Report (the "Sixth Report") covering information and activity occurring from April 1, 2021 to June 30, 2021. 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 is regularly updated with important court filings (including previous and subsequent Interim Reports), announcements, and other news that might be relevant to interested parties.

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I. INTRODUCTION

A. Overview of Significant Activities During This Reporting Period

During the time period covered by this Sixth Report (April 1, 2021 to June 30, 2021), the Receiver and his team of legal, technology, tax, and accounting professionals (collectively, the “Retained Professionals”) have engaged in significant activities including but not limited to:

1. **Reviewed Claims Received During Claims Process, Engaged In Discussions With Claimants, Filed and Obtained Court Approval Of Motion To Approve Receiver’s Claim Determinations And Plan Of Distribution**
 - Following the Court’s approval of the Receiver’s Motion to Establish and Approve (i) Procedure to Administer and Determine Claims; (ii) Proof of Claim For; and (iii) Claims Bar Date and Notice Procedures (the “Claims Motion”), the Receiver and his professionals mailed out over 100 “proof of claim” informational and directional packets to potential claimants, published notice of the claims process in several newspapers, and reviewed 37 proof of claim packets from potential claimants. On June 18, 2021, the Receiver filed his Unopposed Motion to Approve Determination and Priority of Claims; (ii) Pool Receivership Assets and Liabilities; (iii) Establish Objection Procedure; and (iv) Approve Plan of Distribution (the “Claims Approval Motion”). On July 21, 2021, the Court entered an Order granting the Claims Approval Motion.
2. **Marketed Sale Of El Banco Espanol Building, Located And Negotiated With Bona Fide Bidders, And Closed Sale Of Building For \$4.15 Million**
 - After working with a real estate broker and marketing the El Banco Espanol building located in San Juan, Puerto Rico, the Receiver ultimately received several offers before entering into an agreement to sell the building for \$2.1 million (exclusive of costs, commissions, and other expenses). The Receiver filed his motion seeking Court approval of the sale on February 1, 2021, and the Court approved that motion on March 24, 2021 (Doc. 206). After publishing notice of the sale which notified

interested third parties of the ability to submit a *bona fide* offer pursuant to 28 U.S.C. § 2001, the Receiver received four *bona fide offers* within the statutory period at a substantial premium over the previous sale price approved by the Court. The Receiver determined to accept the highest offer of \$4.15 million with a closing in 30 days. The Receiver subsequently worked diligently with local counsel to ensure that the Order granting the sale and procedures could be recognized in Puerto Rico and that the property could be sold on an ambitious closing schedule. These efforts were successful, and the Receiver ultimately closed on the sale of the property on May 11, 2021, which resulted in net proceeds to the Receivership Estate of approximately \$4 million (Doc. 236).

3. Reviewed Potential Third-Party Claims, Sent Demand Letters To Third-Parties, And Negotiated Resolutions

- The Receiver has identified various potential claims with respect to third-parties that may have received improper transfers consisting of investor assets. After the Court granted his Unopposed Motion to Approve Procedure to Pursue Potential Third Party Claims, the Receiver and his professionals continued evaluating those potential claims pursuant to the procedures approved by the Court. In May 2021, the Receiver and his professionals sent out seven demand letters to various individuals seeking the return of funds the Receiver believes are rightfully owing to the Receivership Entities. To date, the Receiver is in negotiations with several third parties to resolve his demands and continues to pursue other potential claims.

4. Worked With Court-Approved Professional To Evaluate ISX Asset

- The Receiver was provided with what was represented to be the current code of the ISX software that was being developed by Receivership Defendant KIH, Inc. f/k/a Kinetic International, LLC. The Receiver has traced a significant amount of investor funds that were used to fund the development of the ISX software, which purported to be a blockchain-based trading exchange. The Receiver understands that development of this software ceased when all of Kinetic International's employees resigned in May 2019. On March 18, 2021, the Receiver filed his Unopposed Motion for Authorization to Retain Marshall Swatt for Evaluation of ISX Asset, and the Court approved that motion on March 24, 2021 (Doc. 207). Following Mr. Swatt's retention, the Receiver was

informed that the ISX code in his possession was incomplete and there were outreach efforts with third parties that had previously worked on the software. With Mr. Swatt's assistance and guidance, the Receiver now believes he has obtained a complete copy of the software code and will await Mr. Swatt's analysis and evaluation of that software.

5. Continued Efforts To List Villa Gabriella Property For Sale

The Receiver and Defendant Williams previously entered into an agreement regarding the Villa Gabriella property in San Juan, Puerto Rico, following the Receiver's filing of his Motion for Turnover (Doc. 72). As required by the pertinent federal statute, the Receiver obtained three appraisals from disinterested real estate professionals and is working with his real estate broker to list the property for sale in the near-future. In late May, Defendant Williams' counsel communicated to the Receiver that he was opposed to any sale of the Villa Gabriella property before the case was scheduled for trial in September 2021. The Receiver has engaged in discussions with Defendant Williams' counsel and is also exploring potential avenues to list the market for sale. When the property is listed for sale, the Receiver will also post details to the Receiver's website, www.kineticreceivership.com/assets-for-sale. In the event the Receiver reaches an agreement with a prospective purchaser, he will then seek the Court's approval.

6. The Fifth Interim Report

- The Receiver prepared and filed his Fifth Interim Report on April 30, 2021 (Doc. 229), which provided a comprehensive summary, analysis, and supporting documentation of the Receiver's continuing investigation as well as the tracing of investor funds.

7. Continued Investigation And Review of Relevant Documentation and Information

- The Receiver and his professionals continued their investigation of the business operations of the various Receivership Entities. This included identifying, obtaining, and reviewing relevant documentation and information from the Receivership Entities' offices and interviewing various individuals.

8. Listed For Sale And Disposed Of Personal Property from Sarasota Office

- The Receiver filed his Unopposed Motion to Liquidate Personal Property on October 21, 2020, which was granted by the Court on November 5, 2020 (Doc. 153). Despite listing the items for sale on his website and on Craigslist, the Receiver received very little interest. The Receiver ultimately donated a significant amount of the items to several local non-profits and is exploring options to dispose of the remaining items as soon as possible.

9. Attended To Litigation Matters

- Both the Commission and Defendant Williams filed their respective motions for summary judgment on March 16, 2021, with Defendant Williams also filing his Motion for Judgment on the Pleadings. Those motions are fully briefed and remain pending. In addition, the Receiver monitored and took action when necessary relating to Defendant Williams' multiple motions seeking to modify the Court's asset freeze order (Docs. 233, 235, 237-238).

10. Continued Investor Outreach and Website Updates

- The Receiver responded to phone calls and written communications from Kinetic Funds investors and continued to provide updates and announcements on the informational website at www.kineticreceivership.com for investors and other interested parties.

In summary, as of the date of this Report, the Receiver has (i) secured, frozen, marshaled, and liquidated assets for the benefit of victims, with a current balance of **approximately \$20 million** in the Receiver's fiduciary bank accounts;

(ii) secured significant real property assets and commenced the process of marketing and liquidating those assets which shall result in additional proceeds deposited with the Receivership Estate; and (iii) commenced a Court-approved claims process framework through which he intends to return recovered funds to approved claimants.

The Receiver's approximately \$20 million cash on hand is the result of the following actions:

- March 6, 2020: Froze approximately **\$7.6 million** in Receivership bank accounts located at BMO Harris Bank;
- March 20, 2020: Liquidated securities located in Kinetic Funds sub-accounts at Interactive Brokers. After satisfying the account margin obligations, approximately **\$5.5 million** was transferred to the Receiver's bank accounts on January 7, 2021;
- June 25, 2020: Liquidated gold coins held by Kinetic Funds for total proceeds of **\$223,877.75** which were deposited into the Receiver's bank accounts;
- November 10, 2020: Received nearly **\$3.5 million from** two Kinetic Funds investors as part of a settlement that ultimately offset roughly \$8 million of the approximately \$12 million in margin obligations in Kinetic Funds' Interactive Brokers' sub-accounts;
- May 11, 2021: Received approximately **\$4.0 million** in net sales proceeds from the sale of the property located at 152 Tetuan Street, San Jan, Puerto Rico 00901; and
- Through March 31, 2021, the Receiver and his retained legal, accounting, tax, and technology professionals have been paid approximately **\$950,000** in fees and expenses for their services.

The Receiver has updated his website and filed a notice with the Court regarding his closing of the sale of the El Banco Espanol building. The Receiver anticipates the additional deposit of a low seven-figure sum from his anticipated liquidation of the remaining Puerto Rico real estate parcel purchased using investor funds.

The Receiver also continues to evaluate the viability and equities of advancing potential claims against third parties to recover additional funds for the benefit of defrauded victims. Through these efforts, the Receiver has sought to and continues to investigate the relevant issues in order to enforce the Estate's rights and protect and maximize the Kinetic Funds' assets available for future return to investors. The above-referenced activities are discussed in more detail in the pertinent sections of this Sixth Report.

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 Defendants and Relief Defendants alleging that 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 Defendant 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 also attracted to the Kinetic Funds investment opportunity by the advertised ability to obtain low-interest and unsecured loans from Lendacy based on their 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.

On May 12, 2020, Defendant Williams filed his Answer and Affirmative Defenses to the Commission's Complaint in which he denied the Commission's substantive allegations and set forth 13 affirmative defenses (Doc. 56). On May 28, 2020, the Commission filed its Motion for Judgment of Permanent Injunction (Doc. 86) following the Receiver's execution of a Consent Judgment on behalf of the various Receivership Entities named in the Complaint, and the Court entered that Consent Judgment on November 5, 2020 (Doc. 156). The Commission and Defendant Williams mediated this case on August 28, 2020, which resulted in an impasse (Doc. 132). Both the Commission and Defendant Williams have filed pending dispositive motions seeking judgment in their favor. Docs. 200-202.

B. The Receiver's Role and Responsibilities

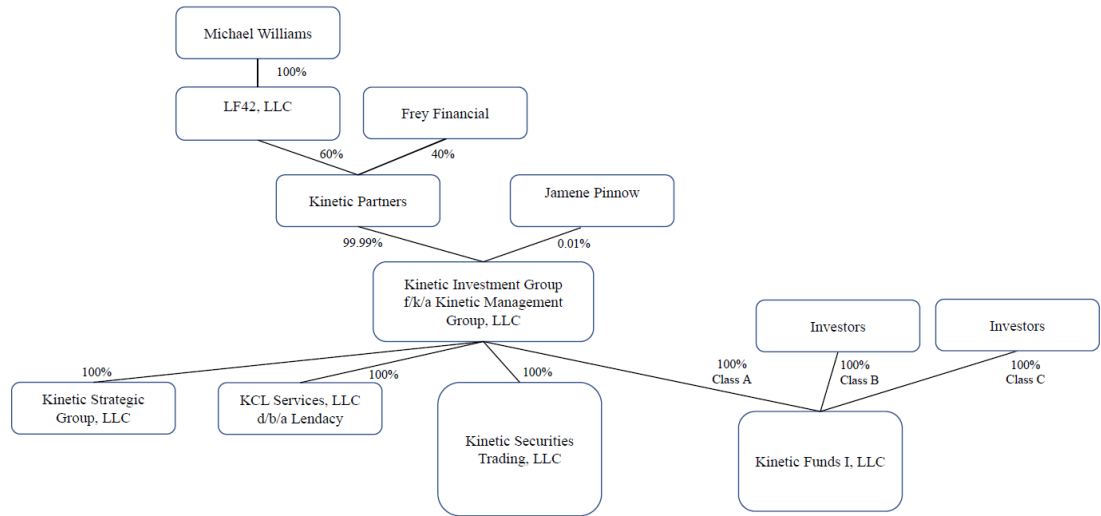
As an independent agent of the Court, the Receiver's powers and responsibilities are set forth in the Order Appointing Receiver which provides, in relevant part, that the Receiver:

- “[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.

C. Receivership Defendants

The Receiver incorporates by reference herein the descriptions of the various Receivership Defendants and Other Relevant Non-Parties set forth in the First Report. *See* Doc. 60 at pp. 12-16. A previous chart illustrating the relationship between these various entities is reproduced 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 RECEIVER’S PRELIMINARY FINDINGS

The Receiver’s issuance of interim quarterly reports is intended to, among other things, present a detailed summary of various preliminary findings and ongoing investigation. Unless specifically indicated herein, those preliminary findings are incorporated herein and remain consistent with the Receiver’s ongoing investigation. The Receiver reserves the right to revise, amend, and/or supplement these conclusions as the investigation progresses. The Receiver presents the following non-exclusive conclusions that he continues to supplement based on his preliminary review of the documents in his possession and with the assistance of his Retained Professionals.

A. Discrepancies Between Kinetic Funds’ Actual And Reported Performance And Assets

i. Performance Discrepancies

Many investors were attracted to KFYield through promises of consistent investment returns made possible through lower risk, “principle [sic] protection,” and “maximum liquidity.” No later than early 2017, KFYield’s performance and other information were listed on Bloomberg, and those reports were provided to current and prospective investors showing that KFYield had achieved consistent positive returns. For example, the Q2 2019 Quarterly Report distributed to current investors included a Bloomberg report indicating that the fund had profitable monthly returns for 41 out of the 50 months during the period from April 2015 to June 2019 - including a streak of 21 consecutive months of positive monthly returns from October 2017 to June 2019.¹

The following chart lists KFYield’s annual performance from 2013 to 2019 based on figures reported by Bloomberg and distributed to current and prospective investors:

¹ With the exception of a -3.33% monthly return in 2015, the fund’s performance for the remaining reported eight unprofitable months during that period ranged from -.02% to -.61%.

<u>Year</u>	<u>Bloomberg Reported Performance For KFYield Fund</u>
2013	
2014	9.79%
2015	21.27%
2016	.21%
2017	2.24%
2018	1.04%
2019 (through June 28, 2019) ²	7.09%
	2.45%

Beginning in June 2014, Kinetic Funds moved its brokerage accounts for KFYield and other sub-accounts to Interactive Brokers.³ According to Interactive Brokers' Portfolio Analyst tool, the KFYield trading account's performance (and change in net asset value) from 2015 (the first full year at Interactive Brokers) to 2019 was:

<u>Year</u>	<u>Actual Interactive Brokers Performance For JFYield Fund</u>
2015	-8.8%
2016	-3.8%
2017	-27.5%
2018	12.8%
2019 (annual)	-1.2%

There are significant discrepancies between the figures reported on Bloomberg and calculated by Interactive Brokers.

² The Receiver has not seen any information indicating that Kinetic Funds updated the Fund's reported Bloomberg performance figures after September 2019.

³ Prior to June 2014, trading accounts for KFYield and other sub-funds were held at Bank of America/Merrill Lynch by Kinetic Securities Trading ("KST"), a predecessor to Kinetic Funds.

For example, in the “Fourth Quarter 2017” quarterly report distributed by Kinetic Investment Group that included the fund’s reported performance data on Bloomberg for that period, Defendant Williams stated that “[l]ast year maintained a conservative approach of over-hedging against potential market volatility.” The Bloomberg report included with that Quarterly Report showed that, as of December 29, 2017, the fund had total assets of \$31.78 million and its year-to-date performance was 1.04%.

However, the 2017 annual statement produced by Interactive Brokers for KFYield’s trading account showed that the account declined in value by over 25% during that period:

Net Asset Value					
	December 31, 2016	December 31, 2017			
	Total	Long	Short	Total	Change
Cash	-11,437,677.94	0.00	-88,877,936.84	-88,877,936.84	-77,440,258.90
Stock	17,663,496.00	104,667,799.00	-219,768.00	104,438,041.00	86,784,546.00
Options	264,376.52	3,067,374.02	-13,927,674.86	-10,860,300.83	-11,124,677.36
Interest Accruals	-4,140.83	0.00	-99,942.86	-99,942.86	-96,802.03
Dividend Accruals	34,887.82	134,620.11	0.00	134,620.11	99,632.29
Total	6,510,940.57	107,869,693.13	-103,126,312.66	4,734,380.58	-1,776,559.99
Time Weighted Rate of Return					-27.62%

According to this statement, KFYield had a Net Asset Value (“NAV”) of \$6,510,940.57 as of December 31, 2016, and that NAV declined to \$4,734,380.58 as of December 31, 2017 - an annual change of -\$1,776,559.99 or -27.62% of the account’s NAV. As of December 31, 2017, the account holdings consisted of over

\$104 million in stock positions, -\$10.8 million in net options positions, and a cash balance of nearly -\$89 million.⁴

Another portion of that statement entitled “Change in NAV” showed a breakdown of the annual change in the NAV during that period:

Change in NAV	Total
Starting Value	6,610,940.67
Mark-to-Market	-3,164,606.38
Position Transfers	16,684.00
Dividends	1,923,148.82
Withholding Tax	-2,036.76
Change in Dividend Accruals	99,632.29
Interest	-439,632.20
Change in Interest Accruals	-96,802.03
Other Fees	-263.30
Commissions	-120,842.30
Transaction Fees	-2,959.13
Ending Value	4,734,380.68

As the statement shows, the KFYield account generated nearly \$2 million in dividends during this period (which appeared to have largely been generated by using significant amounts of margin to purchase dividend-generating equities) but also incurred mark-to-market losses of over -\$3.1 million and paid over \$500,000 in commissions and margin interest charges.

⁴ Unlike previous reports, which included the fund’s top 10 holdings as of the end of the relevant quarter, the 2017 Q4 report included the fund’s top holdings as of February 13, 2018 - approximately 45 days after the end of the relevant quarter and which were significantly different than the fund’s holdings as of December 29, 2017.

Despite having open equity positions with a value of more than \$100 million as of December 29, 2017, the account statement shows that the vast majority of these holdings were purchased using margin and that the net account value was actually \$4.734 million as of December 29, 2017. In other words, the account's liquidation would have generated less than \$5 million in net proceeds. The fund's reported NAV of roughly \$4.7 million (and thus value of its investment holdings) as of December 31, 2017, differs by over \$25 million compared to the total assets represented in the Bloomberg report for the same time period. Similarly, the account's annual decline of over 27% during 2017 is significantly different than the 1.04% increase represented in the Bloomberg report for the same period. The Receiver has made requests to Defendant Williams' counsel for more information and clarification regarding the calculation of investment performance for KFYield but has, to date, not received any formal response.

ii. Apparent Shortfall

Based on the above-identified discrepancies, there appears to have been a shortfall between actual and reported fund assets since at least 2017. Using the late-2017 timeframe as an example, the December 2017 monthly statements distributed to KFYield investors show the total market value of the KFYield fund

investments as nearly \$27 million.⁵ This theoretically is the amount of funds that were being held and managed on behalf of KFYield investors, and accordingly is the amount that would need to be returned in the event that all investors elected to redeem their investments.

However, it appears that Kinetic Funds had approximately half of the amount represented to KFYield investors readily accessible and available for withdrawal as of December 31, 2017. As of December 31, 2017, Kinetic Funds' bank account at BMO Harris (which held investor deposits) had a balance of approximately \$9.8 million, and KFYield's sub-account at Interactive Brokers had a value of approximately \$4.73 million. Thus, Kinetic Funds had approximately \$14.5 million of available cash or securities assets to satisfy total KFYield investor obligations of approximately \$27 million (which does not include holdings or margin obligations in Kinetic Funds' other sub-accounts at Interactive Brokers⁶). Although the Receiver understands that Kinetic Funds had extended various Lendacy loans to investors and non-investors, the near-entirety of those loans specifically provided that the loans were unsecured and thus were not assets that could be immediately called or otherwise converted to cash to meet investor

⁵ This figure also appears to differ from the Bloomberg report showing total KFYield assets of nearly \$32 million as of December 29, 2017.

⁶ For example, Kinetic Funds' master account had a negative margin balance of -\$7.3 million as of December 31, 2017 for which Kinetic Funds was legally responsible.

redemptions. Indeed, in the event that KFYield's largest investor alone sought to liquidate its \$18 million investment (which did not have a corresponding Lendacy loan), it is unclear how Kinetic Funds would have been able to satisfy that redemption - let alone maintain continuity of operations. The Receiver continues to investigate the origin, extent, and duration of this shortfall.

B. Analyzing The Use Of Investor Deposits

From January 15, 2013 to March 4, 2020 (the "Relevant Period"), approximately \$44.1 million was deposited into Kinetic Funds' BMO Harris bank account with account number ending in x4255 (the "KF Bank Account"). The analysis by the Receiver and his Retained Professionals shows the following flow of funds and transaction activity in the BMO Account holding investor deposits:

- Approximately **\$11 million** was transferred during the Relevant Period from the KF Bank Account to Kinetic Funds' Interactive Brokers brokerage account in the master account with account number ending in x8796 (the "Brokerage Account"). This included a \$5 million transfer on December 29, 2016 which was used to reduce the then-outstanding -\$12.23 million margin balance to -\$7.24 million as of December 31, 2016, and thus never deposited into the KFYield sub-account. Another \$5 million was transferred to the Brokerage Account on June 29, 2018, of which \$4.995 million was transferred to the KFYield sub-account that same day.
- Nearly **\$13 million** of investor deposits was transferred from the KF Bank Account to Lendacy's BMO Harris bank accounts ending in x8676 and x1081 (the "Lendacy BMO Accounts") during the Relevant Period, which was in turn used for various purposes including:
 - Making at least 34 loans totaling **\$6.1 million** to various investors, insiders, and third-parties (excluding Michael Williams);

- Transferring an additional **\$4.3 million** at the direction, and for the benefit, of Defendant Williams for the purchase of two parcels of real estate in Puerto Rico;
 - Transferring nearly **\$1 million** to Kinetic Investment Group's BMO Harris bank account;
 - Transferring **\$586,550** to El Morro Financial;
 - Transferring **\$550,000** to LF42; and
 - Transferring nearly **\$500,000** for a private investment in an aerospace company in the name of Kinetic International.
- At least **\$6.1 million** of investor deposits was transferred from the KF Bank Account to current and former investors in the form of redemptions and distributions.
 - Nearly **\$3.9 million** was transferred from the KF Bank Account to Kinetic Investment Group's BMO Harris bank account during the Relevant Period.⁷ Kinetic Investment Group's bank account also received transfers of nearly \$1 million from Lendacy.
 - Over **\$4 million** was transferred by the Receivership Entities to various third parties for professional services or payments, including:
 - Over \$1.53 million to ADP, a payroll processing company;
 - Nearly \$1 million to American Express for credit card payments;
 - Nearly \$700,000 for rental payments for the Sarasota KIG office and the Puerto Rico office used by El Morro and other entities;
 - Roughly \$230,000 for health insurance;
 - Approximately \$122,000 to Bloomberg LP; and

⁷ Kinetic Investment Group also received nearly \$1 million in transfers from the Lendacy Accounts, which received the near-entirety of their funding from the KF Bank Account (\$12.9 million) and payments from loan recipients (\$2.7 million).

- Nearly \$500,000 to legal and accounting firms.
- Over **\$1 million** was transferred in connection with Receivership Entity KIH, Inc. f/k/a Kinetic International, LLC's efforts to develop a software exchange platform known as ISX, including:
 - The transfer of **\$550,000** from the KF Bank Account to two Puerto Rico bank accounts established for Kinetic International, LLC;
 - The transfer of over **\$500,000** to fund a "launch event" in March 2019 and to pay outside contractors and developers.

On March 5, 2020, one day before the Court's hearing on the Commission's motions seeking an asset freeze and appointment of a receiver, Defendant Williams deposited approximately \$2.9 million with the Receivership Entities which included a \$2.35 million deposit into the KF Bank Account. Prior to that deposit the day before the Court's hearing, the KF Bank Account had a balance of less than \$5.2 million. Following appointment of the Receiver on March 6, 2020, a total of approximately \$7.6 million was frozen in the Receivership Entities' bank accounts at BMO Harris.

C. Kinetic Funds Management Fees

The Receiver's investigation shows Kinetic Funds and Lendacy made total transfers of nearly \$5 million to Kinetic Investment Group over the relevant period - including nearly \$3.9 million alone from Kinetic Funds. Although the agreements between Kinetic Funds and its investors specified that Kinetic Funds would 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,

the total transfers of nearly \$5 million appear to be significantly larger than what the 1% “expense ratio” for assets under management would have been even using the numbers reported to investors at the end of each calendar year.⁸ Based on the Receiver’s investigation, it appears that at least a portion of these transfers were used by Kinetic Investment Group for other unauthorized expenses that did not benefit investors. For example, Kinetic Investment Group made nearly \$1 million in transfers to El Morro Financial during the period of March 2017 to December 2019. *See* First Report pp. 47-53.⁹ The Receiver continues to investigate these discrepancies.

D. Lendacy’s Funding Source Was Kinetic Funds

Lendacy received approximately \$17 million into its bank accounts from February 2013 to March 2020, including nearly \$13 million in transfers of investor funds from Kinetic Funds’ bank account. Lendacy used these transfers to fund at

⁸ This also assumes that Kinetic Investment Group was entitled to receive this “expense ratio” fee even if a majority of investor funds were never deposited into brokerage accounts as represented.

⁹ The vast majority of these transfers appear to have been made pursuant to monthly invoices ranging from \$25,000 to \$50,000 generated by El Morro for purported services relating to “Statement Reporting” and other various expenses apparently for Kinetic Funds investors. El Morro also funded a lavish Kinetic Financial Summit in San Juan, Puerto Rico in early 2019 that had no discernible benefit to Kinetic Funds investors.

least 34 loans to various individuals and entities during that time period. These loans often featured significantly below-market rates, were not typically collateralized, and contained little recourse in the event of default. Of those loans, roughly a third were made to insiders and non-KFYield investors that were necessarily funded using investor assets.

For example, a Lendacy loan was made to non-investor M.J. on or about May 4, 2016. It is believed that M.J. is Defendant Williams' niece, and the purpose of the loan appears to have been to fund a summer college program. The loan has been in default since M.J. last made a payment in June 2019. At least four employees also received Lendacy loans for various reasons including a "sales draw" and also to fund employee K.P.'s purchase of Defendant Williams' car. Each of those loans were in default no later than February 2019. Another Lendacy loan was made to Puerto Rico resident A.C. for what appears to be repairs to a business located in Puerto Rico. None of those Lendacy loan recipients were Kinetic Funds investors, meaning that their "loans" were necessarily funded with investor deposits.

A document located in Kinetic Funds' files and prepared by the former office administrator shows that a number of the investor loans were also in default as of December 2019 – including some loan recipients that had not made payments in months or even years. For example, Lendacy loans totaling approximately **\$2.5**

million to investors L.W., M.S., and C.G. appear to have been in default **since at least 2015**.

E. Significant Losses From Association With VTrader Pro, LLC

At the March 6, 2020 hearing, Defendant Williams' counsel disclosed that part of the Kinetic Funds asset shortfall identified by the Court was attributable to losses suffered in connection with Kinetic Funds' previous relationship with a failed broker-dealer named VTrader Pro, LLC ("VTrader"). The Receiver has seen evidence that Kinetic Funds' predecessor, KST, was a Class B, "Entrepreneurial Member Trader" of VTrader before VTrader's registration was terminated in January 2013.¹⁰ As an "Entrepreneurial Member Trader," KST shared in the profits and losses of VTrader and received distributions based on the percentage of profits in its individual trading accounts. There were number of other Member Traders in VTrader that were unrelated to KST or Defendant Williams. KST and every other Member Traders' trading accounts were assets of VTrader and essentially comingled. This meant that KST's trading account was subject to VTrader's obligations and third party claims and exposed to the losses and shortfalls incurred by other Member Traders.

¹⁰ See <https://brokercheck.finra.org/firm/summary/131920>.

At some point in 2011, VTrader suffered heavy losses and needed a capital infusion to remain viable. To this end, Defendant Williams agreed to exchange \$1 million from the KST Class B investment in VTrader and convert it to Class A stock. VTrader subsequently collapsed, resulting in the loss of KST's \$1 million investment. It appears those losses were satisfied by (and correspondingly depleted) investor assets.¹¹ A K-1 was also generated showing a \$1 million loss for Kinetic Partners, LLC.

Between mid-2012 through the end of 2012, it appears KST moved its accounts out of VTrader and over to Bank of America/Merrill Lynch. The Receiver's investigation into these events has been hampered by the passage of nearly ten years from these events and the unavailability of sufficient documentation, but it appears that investor funds were adversely affected.

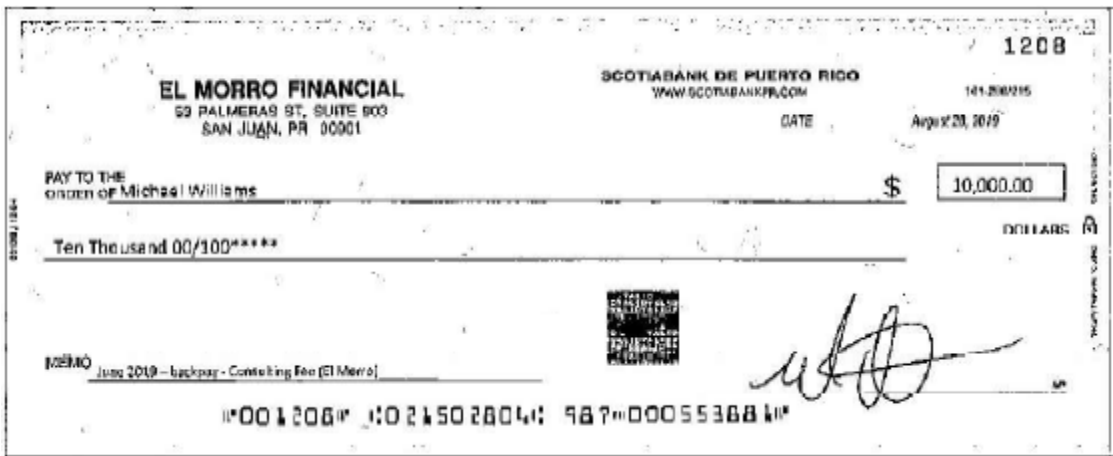
F. Williams' Use Of Investor Funds For His Own Benefit

The Receiver's review of the financial transactions among the various Receivership Entities has allowed him to trace millions of dollars in investor funds that were transferred to or for the benefit of Defendant Williams and without any

¹¹ In January 2012, VTrader informed Williams that most of the \$1 million that KST had converted to Class A stock had been used to pay down debt balances owed by Class B members and was gone. With respect to the \$1 million Williams converted into a Class A investment, it appears that KST received only \$5,000 in the liquidation. Thus, in addition to any trading losses KST incurred on its subaccounts, it also seemingly lost nearly \$1,000,000 as a result of its Class A investment in VTrader.

discernible authorized purpose or benefit to Kinetic Funds. As further detailed in the First Report, these transfers include:

- The use of \$1.5 million in investor funds, later classified as a Lendacy loan, to purchase a luxury apartment multiplex in Puerto Rico and corresponding parking spaces. In addition to using one of the apartments as his primary residence, Defendant Williams also rented out one of the units to a tenant for which he received monthly rental income not turned over to Kinetic Funds (*See* First Report pp. 43-44);
- The use of \$2.755 million in investor funds, later classified as a Lendacy loan, to purchase a historic commercial bank building in San Juan, Puerto Rico on behalf of Receivership Entity Scipio, LLC (*See* First Report pp. 45-46);
- The use of \$2 million in investor funds, later classified as a Lendacy loan on behalf of Receivership Entity LF42, for various expenses relating to several Receivership Entities located and operating in San Juan, Puerto Rico, including the funding of the “Kinetic Summit” in February 2019 (*See* First Report p. 47);
- The payment of nearly \$1 million in investor funds to Receivership Entity El Morro Financial purportedly for statement preparation and other services and the payment of more than \$50,000 in salary to Defendant Williams from mid-2017 to mid-2019. Several \$10,000 checks were also written payable to (and signed by) Defendant Williams in late 2019 that contained the notation “Consulting Fee” in the memo portion:



(See First Report pp. 47-53);

- The structuring of at least one “Consulting Agreement” between Kinetic Investment Group and LF42, Defendant Williams’ entity, including an agreement in September 2019 - after Defendant Williams was on notice of the Commission’s investigation - signed by Defendant Williams on behalf of KIG and LF42 and pursuant to which Kinetic Investment Group transferred \$10,000 per month to LF42 from September 2019 to February 2020 for Defendant Williams’ benefit (See First Report p. 47);
- The sale of Defendant Williams’ car to an employee in the Sarasota, Florida Kinetic Funds office for which the employee signed a Lendacy loan for \$18,000 and the same sum was wired to Defendant Williams (See First Report p. 47); and

- Arranging for who the Receiver understands to be Defendant Williams' girlfriend to be on the payroll of Kinetic Investment Group despite the lack of any justifiable business purpose or services for value (*See* First Report pp. 47).

IV. **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. **Reviewed Claims Received During Claims Process, Engaged In Discussions With Claimants, And Filed Motion Seeking Court Approval Of Receiver's Claim Determinations And Plan Of Distribution**

On August 20, 2020, the Receiver filed his Motion to Establish and Approve (i) Procedure to Administer and Determine Claims; (ii) Proof of Claim Form; and (iii) Claims Bar Date and Notice Procedures (the "Claims Motion"). On November 5, 2020, the Court entered an Order granting the Claims Motion which established, in relevant part, the draft proof of claim form, the method to determine investor claims, timing and deadlines for submission of claims, and mechanisms to provide notice of the claims process. The Court also established a Claim Bar Date of 90 days following the mailing of Proof of Claim Forms to all potential claimants or investors. Pursuant to the Court's Order, any person or entity who failed to submit a completed proof of claim to the Receiver so that it is actually received by the Receiver on or before the Claim Bar Date is barred and precluded from asserting any claim against the Receivership or Receivership Entity.

On November 17, 2020, the Receiver mailed 141 claim packets to each known investor, other known potential creditors, and certain other individuals and/or entities, which established a **Claim Bar Date of February 15, 2021**. In addition to publishing notice on his website, the Receiver also published a Claim Bar Date Notice in (i) *The New York Times* on December 16, 2020; (ii) *El Nuevo Dia* on December 10, 11, 14, 15, 16, 17, and 18; and (iii) *the Sarasota Herald Tribune* on December 8, 9, 10, 11, 12, 15, and 16. On December 28, 2020, the Receiver filed his Notice of (i) February 15, 2021 Claim Bar Date and (ii) Publication of Claim Bar Date Notice (Doc. 165).

The Receiver ultimately received 33 timely and completed proof of claim packets on or before the Claim Bar Date, including 28 claims from Kinetic Funds investors and principals and 5 claims from non-investor creditors. The Receiver also received 4 investor proof of claim packets that were submitted shortly after the Claims Bar Date. In total, the Receiver received approximately \$35 million in claims submitted by investors and non-investors, which included a claim submitted by Defendant Williams for approximately \$1.4 million.

The Receiver worked with his legal and forensic Retained Professionals to review each of these claims and, where necessary, engage in further dialogue with the submitting potential claimant about any identified issues or discrepancies. On June 18, 2021, the Receiver filed his Unopposed Motion to Approve

Determination and Priority of Claims; (ii) Pool Receivership Assets and Liabilities; (iii) Establish Objection Procedure; and (iv) Approve Plan of Distribution (the “Claims Approval Motion”) (Doc. 249). The Court entered an Order granting the Claims Approval Motion, and that Order has been posted on the Receiver’s website. Pursuant to the Order, the Receiver mailed out correspondence to all Claimants on July 23, 2021 setting the Objection Deadline as **August 23, 2021**. Following the passage of the Objection Deadline, the Receiver intends to ask the Court for approval to proceed with a first distribution.

B. Marketed Sale Of El Banco Espanol Building, Located And Negotiated With Bona Fide Bidders, And Closed Sale Of Building For \$4.15 Million

In May 2018, Receivership Entity Scipio, LLC entered into an agreement to purchase the historic Banco Espanol building located at 152 Tetuan Avenue, San Juan, Puerto Rico (the “Bank Building”). The Receiver’s investigation showed that approximately \$2.775 million of funds traceable to Kinetic Funds’ bank account were used to purchase the Bank Building and that Scipio was listed as the buyer on the purchase agreement. *See* Doc. 60 at pp. 45-46.

After obtaining three appraisals of the Bank Building, the Receiver determined that liquidating the Bank Building via a private sale would yield the maximum recovery for the receivership estate, and as a result, entered into a listing agreement with Mr. Benjamin Rivera with ODV Appraisal Group. Following a

lengthy marketing process¹², the Receiver entered into a Purchase and Sale Agreement to sell the Bank Building for \$2.1 million contingent on financing. The \$2.1 million offer was the highest offer submitted during the marketing process. The Receiver filed a motion seeking Court approval of the proposed sale as well as authority to publish the terms of the sale and accept qualifying overbids pursuant to 28 U.S.C. § 2001(b) on January 29, 2021 (the “Sale Motion”).¹³ The Court approved the Sale Motion on March 24, 2021 (Doc. 206), which in relevant part granted the Receiver’s request to publish the terms of the proposed sale and accept qualifying overbids pursuant to 28 U.S.C. § 2001(b) and also gave the Receiver sole authority and discretion to review any overbid offers and sell the Bank Building.

The Receiver published the Court-approved Notice of Sale (the “Sale Notice”) on his website and in the *Sarasota Herald Tribune* and *El Nuevo Dia* on March 31, 2021.¹⁴ The Sale Notice established an April 10, 2021 deadline for any interested third-party interested to submit a *bona fide* offer pursuant to 28 U.S.C. § 2001(b). The Receiver ultimately received four timely cash *bona fide* offers

¹² See Doc. 175 at pp. 17-19 for further detail.

¹³ The Receiver filed the Sale Motion after being informed by the then-buyer that the financial institution providing the financing would need a Court Order approving the sale to proceed any further.

¹⁴ See Doc. 209, Receiver’s Notice of Publication.

pursuant to 28 U.S.C. § 2001(b), and determined to accept the highest offer of \$4.15 million with a closing in 30 days. The Receiver subsequently worked diligently with local counsel to ensure that the Order granting the sale and procedures could be recognized in Puerto Rico and that the property could be sold on an ambitious closing schedule. These efforts were successful, and the Receiver ultimately closed on the sale of the property on May 11, 2021, which resulted in net proceeds to the Receivership Estate of approximately \$4 million (Doc. 236).

C. Reviewed Potential Third-Party Claims, Sent Demand Letters to Third Parties, And Negotiated Resolutions

The analysis performed by the Receiver and his Retained Professionals identified various potential claims with respect to third-parties that may have received improper transfers consisting of investor assets. This included, without limitation, non-investors and/or insiders that received Lendacy loans as well as third-parties that received an inequitable transfer and/or benefit traceable to investor funds. The Receiver filed his Unopposed Motion to Approve Procedure to Pursue Potential Third Party Claims on February 10, 2021, and the Court approved the motion on February 25, 2021 (Doc. 181).

On April 16, 2021, the Receiver sent out demand letters to six non-investor recipients of Lendacy loans with current outstanding balances and is engaged in discussions with several of the recipients regarding their repayment of the loans.

The Receiver and his Retained Professionals are also reviewing additional potential claims.

D. Worked With Court-Appointed Professional To Evaluate ISX Asset

Receivership Defendant KIH, Inc. f/k/a Kinetic International, LLC operated out of the same Puerto Rico office as El Morro, and was purportedly a start-up business working on the development of a blockchain trading platform known as ISX. Following Defendant Williams' resignation from Kinetic International in May 2019, the remaining Board of Directors ultimately ceased operations after an independent audit was performed. Following the Receiver's appointment nearly a year later, the Receiver was provided with what was represented to be the current source code of the ISX software. The Receiver sought to identify a professional that could provide an opinion on the status and potential value of the ISX software, and on March 18, 2021, filed his Unopposed Motion for Authorization to Retain Marshall Swatt for Evaluation of ISX Asset. The Court approved that motion on March 24, 2021 (Doc. 206).

Following Mr. Swatt's retention, the Receiver was informed that the ISX code in his possession was incomplete and engaged in outreach efforts with third parties that had previously worked on the software. With Mr. Swatt's assistance and guidance, the Receiver has obtained a complete copy of the repository of the software code and awaits Mr. Swatt's analysis and evaluation of that software.

Following Mr. Swatt's analysis and evaluation, the Receiver will then consider whether any value may be realized for the software.

E. Continued Efforts To Market The Villa Gabriella Luxury Apartment Multiplex In Puerto Rico

In addition to the Bank Building, the Commission's Complaint also alleged that Defendant Williams "used KFYield funds" to purchase "three luxury apartments and two parking spaces for himself in San Juan, Puerto Rico" ("Villa Gabriella") Doc. 1 ¶ 34. The Receiver's investigation revealed evidence supporting these allegations, including that funds from Kinetic Funds' bank account were directly traceable to the purchase of Villa Gabriella. *See, e.g.*, First Report pp. 43-44. On May 15, 2020, the Receiver filed his Motion for Possession of and Title to Residential Real Property (the "Motion for Turnover") (Doc. 72) seeking turnover of Villa Gabriella in order to secure and liquidate the property to generate additional funds to be used to compensate Kinetic Funds investors.¹⁵ After the Motion for Turnover was filed, the Receiver was approached by Defendant Williams' counsel and subsequently entered into an agreement to resolve the Motion for Turnover that was set forth in the Joint Stipulation filed on July 6, 2020, and later adopted by the Court on July 8, 2020 (Doc. 105).

¹⁵ 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 temporarily agreed not to seek possession of the Villa Gabriella property in which Williams (and his girlfriend) were allegedly living.

After the mediation between the Commission and Defendant Williams resulted in an impasse, the Receiver reached out to local appraisers and commissioned three appraisals of Villa Gabriella and the associated parking spots. The Receiver has now received all three of these appraisals and is in the process of listing the properties for sale. In late May, Defendant Williams' counsel communicated to the Receiver that he was opposed to any sale of the Villa Gabriella property before the case was scheduled for trial in September 2021. The Receiver has engaged in discussions with Defendant Williams' counsel and is also exploring potential avenues to list the market for sale. When the property is listed for sale, the Receiver will also post details to the Receiver's website, www.kineticreceivership.com/assets-for-sale. In the event the Receiver reaches an agreement with a prospective purchaser, he will then seek the Court's approval. Any interested parties should check the Receiver's website at www.kineticreceivership.com/assets-for-sale or contact the Receiver's listing agent at ba-rivera@msn.com.

F. Continued Monitoring Status Of Zephyr Aerospace Investment

In or around March 2019, Kinetic International made a speculative investment totaling \$500,000 in an early-stage airline seat startup known as Zephyr Aerospace ("Zephyr") which was memorialized in a simple agreement for future equity ("SAFE") signed by Defendant Williams on behalf of Receivership Entity Kinetic International. This investment was traceable to investor funds. The SAFE

provided that Kinetic would be entitled to an issuance of shares or a return of its investment in the event of certain future events. Following the Receiver's appointment and discovery of the Zephyr investment, he has been in contact with Zephyr's principal and has continued to monitor the company's progress.

G. Tended To Ongoing Litigation Matters

The Receiver has, as necessary, tended to various pending litigation matters in this case. The Receiver continues to make monthly transfers to Defendant Williams to pay Court-ordered monthly living expenses (Doc. 95). Both the Commission and Defendant Williams filed their respective motions for summary judgment on March 16, 2021, with Defendant Williams also filing his Motion for Judgment on the Pleadings. Those motions are fully briefed and remain pending. In addition, the Receiver monitored and took action when necessary relating to Defendant Williams' multiple motions seeking to modify the Court's asset freeze order (Docs. 233, 235, 237-238).

Pursuant to the Order Appointing Receiver, the Receiver has also updated the Court and interested parties of his continuing progress in this case through the preparation of the First Report (Doc. 60), the Liquidation Plan (Doc. 92), the Second Report (Doc. 111), the Third Report (Doc. 150), the Fourth Report (Doc. 175), and the Fifth Report (Doc. 229). These documents and all other case filings are available on the Receiver's website, www.kineticreceivership.com.

H. Ongoing Efforts to Obtain Documentation And Information From Parties And Non-Parties

In addition to the computers and various documents located at the Sarasota Office, the Receiver and his Retained Professionals have continued to seek the production of relevant documentation and information from other parties. The Receiver recently served subpoenas on several third parties seeking relevant information and documents.

I. Continued Investor Outreach and Administration Of Website

Throughout the relevant period, the Receiver continued to communicate with investors and other interested parties regarding the status of his efforts and any particular questions or issues brought to the Receiver's attention. The Receiver also continued to administer his informational website located at www.kineticreceivership.com which is regularly updated with court filings and reports and also allows interested parties to contact the Receiver.

J. Receivership Accounting

Receivership funds are currently being held at ServisFirst Bank. The Receiver has attached a standardized fund accounting report showing the total funds on hand and secured as of June 30, 2021 as **Exhibit 1**.¹⁶

¹⁶ The report includes the bank account holding funds previously transferred by Williams' former counsel to the Receiver.

V. THE NEXT QUARTER

A. Investigation

The Receiver believes he has identified and, if applicable, frozen or secured all known assets attributable to investor funds, and he continues to investigate the Receivership Defendants' business operations and underlying financial transactions between those operations.¹⁷ These investigative efforts remain ongoing through the review of additional documents from (and, where necessary, interviews with) third parties. The Receiver continues to work diligently and efficiently on this task, which includes a substantial amount of documentation and financial records. 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. The Receiver believes that continuation of the Receivership (and employment of the Retained Professionals) is necessary and imperative for the continued marshaling, liquidation, and distribution of assets.

¹⁷ A further description of these assets and the Receiver's intended liquidation plan is set forth in the Receiver's Liquidation Plan (Doc. 92) available on the Receiver's website and incorporated herein.

B. Continuing Implementation Of Claims Process

The Receiver has prioritized the process of returning investor funds as soon as possible. The claims process prioritized by the Receiver is now well underway, with the Court having recently approved the Receiver's motion to approve his claim determinations, pooling of assets and liabilities, objection procedure, and plan of distribution (Doc. 256). The Receiver has mailed out correspondence to all Claimants to establish an Objection Deadline of August 23, 2021, and following that deadline intends to request approval for an interim distribution to Claimants holding approved claims with the highest priority.

C. Liquidation of Assets

The Receiver continues to prioritize the marketing and sale of the Receivership Estate's real property assets. Following his successful liquidation of the Bank Building for net proceeds of **\$4.0 million**, the Receiver is now working to market and liquidate the Villa Gabriella property. The Receiver has been informed that, despite Defendant Williams' execution of the Joint Stipulation in which he "acknowledge[d] that he has no ownership, property, or other legal rights or interests in the Puerto Rico Condos and waives any claim to the contrary," Defendant Williams now opposes any sale of the Villa Gabriella Property on the basis that the Commission's trial should first take place. The Receiver does not believe this proposal is logical given the clear diversion of investor funds to

purchase the property, and he is continuing to evaluate the most proper and effective method to convert the asset to cash for the benefit of defrauded victims.

The Receiver has disposed of some, but not all, of the remaining personal property secured from Kinetic Funds' office in Sarasota, Florida. This has included donations to three local non-profits. Otherwise there has been very little interest from any third-parties for those assets, and the Receiver plans to dispose or donate the remaining items. As for the ISX software, the Receiver will review the evaluation prepared by Mr. Swatt and proceed with any viable avenues to realize any value from the sale of that asset. Finally, the Receiver will continue to engage in discussions with the Zephyr principal regarding the ability to receive any value for that investment. Any interested parties should visit the Receiver's website at www.kineticreceivership.com for more information.

D. Potential Third-Party Claims

The Court granted the Receiver's Unopposed Motion to Approve Procedure to Pursue Potential Third Party Claims on February 25, 2021. The Receiver is proceeding with pursuing some of those potential claims and will report back to the Court as necessary. It is too early to estimate whether or not the Receiver will bring any such claims or whether any claims will result in any recovery to the Receivership Estate, and thus the Receiver is not yet able to predict the likelihood, amount or effectiveness of any particular claim or the claims as a whole. The Court did approve the Receiver's plan to, in some instances, first offer

those who are required to return money to the Receivership Estate the opportunity to do so cooperatively and at a slight discount in an effort to avoid costly litigation for all involved. The Receiver will keep the Court apprised if any such actions are instituted.

Respectfully submitted,
BUCHANAN INGERSOLL & ROONEY PC

By: /s/ Jordan D. Maglich
Jordan D. Maglich, Esq. (FBN 0086106)
Lauren V. Humphries, Esq. (FBN
117517)
401 E. Jackson St., Suite 2400
Tampa, FL 33602
Telephone: (813) 222-2098
Facsimile: (813) 222-8189
Email: jordan.maglich@bipc.com
Email: lauren.humphries@bipc.com
Attorneys for Receiver Mark A. Kornfeld

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 30th day of July, 2021, 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 Viniegra, Esq.
Securities and Exchange Commission
801 Brickell Avenue, Suite 1950
Miami, FL 33131
nestorc@sec.gov
moots@sec.gov
houchinj@sec.gov
viniegrab@sec.gov
Counsel for Plaintiff

Timothy W. Schulz, Esq.
Timothy W. Schulz, P.A.
224 Datura Street, Suite 815
West Palm Beach, FL 33401
e-service@twslegal.com

Jon A. Jacobson, Esq.
Jacobson Law, P.A.
224 Datura Street, Suite 812
West Palm Beach, FL 33401
jjacobson@jlpa.com
e-service@jlpa.com
Counsel for Defendant Michael Williams

/s/ Jordan D. Maglich
Attorney

SEC vs. Kinetic Investment Group, LLC, et al
CASE NO.: 8:20-cv-394

EXHIBIT “1”



REPORT OF STANDARDIZED FUND ACCOUNTING REPORT

Mark A. Kornfeld, As Receiver for Kinetic Investment Group, LLC et al.
Tampa, FL

We have compiled the standardized fund accounting report for the period January 1, 2021 to March 31, 2021 and from inception March 6, 2020 to March 31, 2021, included in the accompanying prescribed form (Civil Court Docket No. 8:20-cv-00394-WFJ-SPF). We have not audited or reviewed the accompanying standardized fund accounting report and accordingly, do not express an opinion or any assurance about whether the standardized fund accounting report is in accordance with the form prescribed by the Civil Court Docket No. 8:20-cv-00394-WFJ-SPF).

Mark A. Kornfeld, As Receiver for Kinetic Investment Group, LLC et al, is responsible for the preparation and fair presentation of the standardized fund account report in accordance with requirements prescribed by the Civil Court Docket No 8:20-cv-00394-WFJ-SPF, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the standardized fund accounting report.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist Mark A. Kornfeld, As Receiver for Kinetic Investment Group, LLC et al, in presenting financial information in the form of a standardized fund accounting report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the standardized fund accounting report.

This standardized fund accounting report is presented in accordance with the requirements of the Civil Court Docket No. 8:20-cv-00394-WFJ-SPF , which differ from accounting principles generally accepted in the United States of America. This report is intended solely for the information and use of the Civil Court Docket No 8:20-cv-00394-WFJ-SPF and is not intended and should not be used by anyone other than this specified party.

Oldsmar, Florida
April 12, 2021

Standardized Fund Accounting Report for
Mark A. Kornfeld as Receiver for Kinetic Investment Group, LLC et al. - Cash Basis
Receivership; Civil Court Docket No. 8:20-cv-00394-WFJ-SPF
Reporting Period 01/01/2021 to 03/31/2021

FUND ACCOUNTING (See Instructions):		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 01/01/2021):			\$ 16,587,336.47
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income			
Line 3	Cash and Securities**			
Line 4	Interest/Dividend Income	10,023.95		
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income			
Line 8	Miscellaneous - Other			
	Total Funds Available (Line 1 - 8):		10,023.95	16,597,360.42
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	95,078.23		
Line 10b	Business Asset Expenses	(626.78)		
Line 10c	Personal Asset Expenses	5,886.54		
Line 10d	Investment Expenses	3,391.70		
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments			
	Total Disbursements for Receivership Operations		103,729.69	103,729.69
Line 11	Disbursements for Distribution Expenses Paid by the Fund			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator			
	Independent Distribution Consultant (IDC)			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses			
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			
	Total Plan Implementation Expenses			
	Total Disbursements for Distribution Expenses Paid by the Fund			
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees			
Line 12b	Federal Tax Payments			
	Total Disbursements to Court/Other:			
	Total Funds Disbursed (Lines 9 - 11)			103,729.69
Line 13	Ending Balance (As of 03/31/2021)			16,493,630.73

**Standardized Fund Accounting Report for
 Mark A. Kornfeld as Receiver for Kinetic Investment Group, LLC et al. - Cash Basis
 Receivership; Civil Court Docket No. 8:20-cv-00394-WFJ-SPF
 Reporting Period 01/01/2021 to 03/31/2021**

FUND ACCOUNTING (See Instructions):		Detail	Subtotal	Grand Total
Line 14	Ending Balance of Fund - Net Assets:			16,493,630.73
Line 14a	Cash & Cash Equivalents			16,493,630.73
Line 14b	Investments			
Line 14c	Other Assets or Uncleared Funds			
	Total Ending Balance of Fund - Net Assets			16,493,630.73
OTHER SUPPLEMENTAL INFORMATION:		Detail	Subtotal	Grand Total
Line 15	Report of Items Not To Be Paid by the Fund			
	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 15a	Plan Development Expenses Not Paid by the Fund			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses Not Paid by the Fund		-	
Line 15b	Plan Implementation Expenses Not Paid by the Fund			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			
	Total Plan Implementation Expenses Not Paid by the Fund		-	
Line 15c	Tax Administrator Fees & Bonds Not Paid by the Fund:			
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			-
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	Investment Expenses/CRIS Fees			
Line 16b	Federal Tax Payments			
	Total Disbursements to Court/Other Not Paid by the Fund		-	
Line 17	DC & State Tax Payments			
Line 18	No of Claims			
	# of Claims Received This Reporting Period _____			
	# of Claims Received Since Inception of Fund _____			
Line 19	No of Claimants/Investors:			
Line 19a	# of Claimants/Investors Paid This Reporting Period _____			
	# of Claimants/Investors Paid Since Inception of Fund _____			

***Broker accounts U1364167 and U1364170 are not part on the Receivership and not included in above report. Accounts were closed and transferred out to the investors**

Receiver:

By: _____

Title _____

Date _____

Standardized Fund Accounting Report for
Mark A. Kornfeld as Receiver for Kinetic Investment Group, LLC et al. - Cash Basis
Receivership; Civil Court Docket No. 8:20-cv-00394-WFJ-SPF
Reporting Period From Inception 03/06/2020 to 03/31/2021

FUND ACCOUNTING (See Instructions):		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 03/06/2020):			\$ -
	Increases in Fund Balance:			
Line 2	Business Income			
Line 3	Cash and Securities	13,652,912.22		
Line 4	Interest/Dividend Income	88,636.66		
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income	3,472,685.90		
Line 8	Miscellaneous - Other	223,877.75		
	Total Funds Available (Line 1 - 8):		17,438,112.53	17,438,112.53
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	854,140.88		
Line 10b	Business Asset Expenses	8,739.18		
Line 10c	Personal Asset Expenses	26,488.38		
Line 10d	Investment Expenses	55,113.36		
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments			
	Total Disbursements for Receivership Operations		944,481.80	944,481.80
Line 11	Disbursements for Distribution Expenses Paid by the Fund			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator			
	Independent Distribution Consultant (IDC)			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses			
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution			
	(FAIR) Reporting Expenses			
	Total Plan Implementation Expenses			
	Total Disbursements for Distribution Expenses Paid by the Fund			
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees			
Line 12b	Federal Tax Payments			
	Total Disbursements to Court/Other:			
	Total Funds Disbursed (Lines 9 - 11)			944,481.80
Line 13	Ending Balance (As of 03/31/2021)			16,493,630.73

**Standardized Fund Accounting Report for
 Mark A. Kornfeld as Receiver for Kinetic Investment Group, LLC et al. - Cash Basis
 Receivership; Civil Court Docket No. 8:20-cv-00394-WFJ-SPF
 Reporting Period From Inception 03/06/2020 to 03/31/2021**

FUND ACCOUNTING (See Instructions):		Detail	Subtotal	Grand Total
Line 14	Ending Balance of Fund - Net Assets:			16,493,630.73
Line 14a	Cash & Cash Equivalents		*	16,493,630.73
Line 14b	Investments			
Line 14c	Other Assets or Uncleared Funds			
	Total Ending Balance of Fund - Net Assets			16,493,630.73
OTHER SUPPLEMENTAL INFORMATION:		Detail	Subtotal	Grand Total
Report of Items Not To Be Paid by the Fund				
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 15a	Plan Development Expenses Not Paid by the Fund			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses Not Paid by the Fund		-	
Line 15b	Plan Implementation Expenses Not Paid by the Fund			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			
	Total Plan Implementation Expenses Not Paid by the Fund		-	
Line 15c	Tax Administrator Fees & Bonds Not Paid by the Fund:			
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			-
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	Investment Expenses/CRIS Fees			
Line 16b	Federal Tax Payments			
	Total Disbursements to Court/Other Not Paid by the Fund		-	
Line 17	DC & State Tax Payments			
Line 18	No of Claims			
	# of Claims Received This Reporting Period _____			
	# of Claims Received Since Inception of Fund _____			
Line 19	No of Claimants/Investors:			
Line 19a	# of Claimants/Investors Paid This Reporting Period _____			
	# of Claimants/Investors Paid Since Inception of Fund _____			

Receiver: _____
 By: _____
 Title _____
 Date _____

Misc Items

Sale of Gold Coins 223,877.75

Total \$ 223,877.75