

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.

**RECEIVER'S MOTION FOR AUTHORIZATION
TO EMPLOY AND APPROVE WORK OF
PUERTO RICAN TAX PROFESSIONALS**

Mark A. Kornfeld, Esq., as Receiver (the “**Receiver**”) appointed over 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 (collectively, the “**Receivership Entities**”), by and through undersigned counsel and pursuant to the Court’s March 6, 2020 Order Granting Plaintiff Securities and Exchange Commission’s Emergency Motion for Appointment of Receiver (the “**Order Appointing Receiver**”) (Doc. 34), hereby files this Motion for

Authorization to Employ Puerto Rican Tax Professionals and states the following in support:

1. This action commenced on February 20, 2020, with the filing of the Securities and Exchange Commission's ("SEC") Complaint against Defendants and Relief Defendants, the SEC's Emergency Motion and Memorandum of Law for Asset Freeze and Other Relief (Doc. 2), and the SEC's Emergency Motion and Memorandum of Law for Appointment of Receiver (Doc. 3).

2. Following a hearing on March 6, 2020, this Court entered the Order Appointing Receiver appointing Mark A. Kornfeld, Esq., as Receiver of all assets of the Receivership Entities. Pursuant to the Order Appointing Receiver, the Receiver is authorized to, among other things, "engage and employ persons in his discretion to assist him in carrying out his duties and responsibilities hereunder, including, but not limited to, accountants...financial or business advisors,...forensic experts..." *See* Order Appointing Receiver at ¶ 7.F.

3. The Receiver must obtain an Order of this Court to retain professionals to assist with the Receivership. *See* Order Appointing Receiver at ¶ 52. Any professionals that the Receiver engages with this Court's approval are "entitled to reasonable compensation and expense reimbursement from the Receivership Estates as described in the 'Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission'... agreed to by the Receiver." *Id.*

4. In this Motion, the Receiver seeks to retroactively approve the work of

(i) Valdes, Garcia, Marin, & Martinez (“**Valdes**”), who provided and will provide Puerto Rican tax advice and services, and (ii) Goldman Antonetti & Cordova, LLC (“**Goldman**”), who provided and will provide tax advice and file the tax returns for Scipio, LLC.

5. Due to tax issues arising under local Puerto Rican law, the Receiver and his team sought guidance from the Receiver’s retained CPA, William Price of PDR CPAs and Advisors (“PDR”), regarding the appropriate path to handle Puerto Rican tax compliance requirements, the filing of Puerto Rican returns, and the handling of Puerto Rican corporate entities.

6. Mr. Price advised the Receiver that local Puerto Rican professional guidance was necessary to ensure that all returns were completed timely and that capital gains for previously sold Puerto Rican real property were properly reported.

7. Mr. Price’s firm had affiliate status with two firms in Puerto Rico (Goldman and Valdes) who had the requisite knowledge and experience to assist the Receivership in complying with Puerto Rican law. Specifically, both Valdes and Goldman have extensive experience in providing tax services, specifically related to real property assets held in Puerto Rico.

8. Due to the affiliate status of Goldman and Valdes with Mr. Price’s firm PDR, the Receiver was informed by Mr. Price that Valdes and Goldman could operate and invoice their work under PDR’s invoices.

9. The Receiver, due to the time sensitivity of obtaining this advice and

complying with local Puerto Rican tax requirements in the final stages of this Receivership, moved forward with working with Valdes and Goldman, incurring fees of **\$5,928.00 for Goldman** and **\$1,875.00 for Valdes**. See Invoices attached as Exhibit A.

10. As indicated by the attached invoices, the Receiver began working with Valdes in May of 2022 and Goldman in July of 2022.

11. In consideration for the services Valdes will provide and has provided to the Receiver, the Receiver proposes to pay Valdes fees based on the time expended by tax professionals and staff (based on fee applications to be filed, payment of which is subject to this Court's approval). The proposed hourly rates for this matter are \$220.00 for partners, \$90.00 for managers, and \$65.00 for staff. These rates will be locked in for the course of the Receivership.

12. In consideration for the services Goldman will provide and has provided to the Receiver, the Receiver proposes to pay Goldman fees based on the time expended by tax partners (based on fee applications to be filed, payment of which is subject to this Court's approval). The proposed hourly rates for this matter are \$375.00 for partners. These rates will be locked in for the course of the Receivership.

13. The Receiver does not anticipate a lengthy continued engagement with Goldman and Valdes as their services shall be limited to ensuring the Receivership has complied with applicable Puerto Rican tax law, paying the

Department of Hacienda for taxable gains, and advising on final dissolution of the Puerto Rican entities in the final stages of this Receivership.

14. Because Goldman and Valdes operate as affiliates of PDR, the amounts for their services are listed in PDR's invoices under their name. The Receiver has also included the invoices and fee amounts as exhibits to the Fee Application for full transparency to investors and this Court.

15. As always, the Receiver and his staff will take all steps to ensure that there is no duplication of efforts or expenses between or among any of the professionals he engages with the approval of this Court.

WHEREFORE, the Receiver respectfully requests that this Court enter the proposed Order attached as **Exhibit B**, approving the **\$7,803.00** of fees incurred to date and authorizing the Receiver to employ Valdes, Garcia, Marin, & Martinez and Goldman Antonetti & Cordova, LLC as tax professionals for the Receiver and for such other and further relief as is just and proper.

LOCAL RULE 3.01(g) CERTIFICATION

Pursuant to Local Rule 3.01(g), the Receiver hereby certifies that he has conferred with counsel for Plaintiff, Securities and Exchange Commission, which does not oppose the requested relief. The Receiver has also conferred with counsel for Defendant Michael S. Williams, who takes no position on the requested relief.

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY PC



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Facsimile: (813) 222-8189
Email: Lauren.Humphries@bipc.com
Attorneys for Receiver Mark A. Kornfeld

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that on this 16th day of February, 2024, 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.
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Counsel for Plaintiff

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Counsel for Defendant Michael Williams



Attorney

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

EXHIBIT “”A

VALDES, GARCIA, MARIN & MARTINEZ, LLP
 ADDENDUM TO INVOICE 22766

Date	Description – Hours incurred by Yahaira Feliciano	Time Incurred
May 22, 2023	Introductory call to discuss tax status and requirements.	1
May 25, 2023	Evaluation of information received and brief discussion with Bill Price (US CPA)	.5
June 5, 2023	Call with attorneys Myrna Lozada, Rebecca Cuevas (PR attorneys) and Bill Price (US CPA)	.5
June 8, 2023	Call with Bill Price	.25
June 15, 2023	Review of memo provided by Bill Price, including the details of steps to follow.	.5
July 12, 2023	Review of attorney's memo, call with all the team and review of additional information received for next steps.	2.75
July 17, 2023	Call with Rebecca Cuevas and Bill Price for the determination of the Member and certain expenses to include in the PR income tax return.	.5
July 21, 2023	Review of additional information and call with team.	1.5
July 24, 2023	Answer attorney's questions and review of sale informative forms.	.5
July 31, 2023	Preparation of the income tax return draft.	3.25
August 1, 2023	Preparation of income tax return draft and research for applicability of the 29% vs 20% withholding at source.	2.75
August 2, 2023	Call with team.	1
August 4, 2023	Changes to income tax return draft.	1
August 6, 2023	Emails for income tax drafts and possible need of filing 2019 and 2020 income tax returns.	.25
August 9, 2023	Emails and calls with information and status of payment plan application with the PR Treasury Department.	1.25
August 11, 2023	Call with tax attorney and changes to the income tax draft.	1.25

VALDES, GARCIA, MARIN & MARTINEZ, LLP
ADDENDUM TO INVOICE 22766

August 14, 2023	Call with Lauren Humphries for final documents, filing of income tax return.	1
August 16, 2023	Review and filing letter including facts to be presented with the return filed.	.5
August 17, 2023	Follow up with tax attorney on status of payment plan.	.25
August 22, 2023	Calls with the PR Treasury Department and letter to request debt assessment.	.25
August 25, 2023	Preparation and review of the document to request the payment plan to the PR Treasury Department.	1.5
August 28, 2023	Review of payment plan provided by the PR Treasury Department and recalculation of additional interest included.	.75
	Total hours	23
	Rate	\$220
	Total invoice for Yahaira Feliciano	\$5,060

Date	Description – Hours incurred by María Martínez	Time Incurred
August 2, 2023	Call with team.	1
August 22, 2023	Calls, emails and visits to the PR Treasury Department to coordinate payment of payment plan.	1.75
August 25, 2023	Visit to the PR Treasury Department to continue with the presentation of the payment plan.	2
August 28, 2023	Calls to the PR Treasury Department for review of interests added to payment plan presented.	1
August 29, 2023	Calls and visit to the PR Treasury Department for final instructions on payment plan.	1
	Total hours	6.75
	Rate	\$90
	Total invoice for María Martínez	\$607.50

VALDES, GARCIA, MARIN & MARTINEZ, LLP
ADDENDUM TO INVOICE 22766

Date	Description – Hours incurred by Frances Sosa	Time Incurred
August 14, 2023	Preparation of payment plan document.	.25
August 15, 2023	Preparation of payment plan document.	.25
	Total hours	.50
	Rate	\$65
	Total invoice for Frances Sosa	\$32.50

GOLDMAN ANTONETTI & CORDOVA, LLC
 ATTORNEYS AND COUNSELORS AT LAW

TELEPHONE (787) 759-8000
 TELECOPIER (787) 767-9333
 WWW.GACLAW.COM

POST OFFICE BOX 70364
 SAN JUAN, PUERTO RICO 00936-8364

PDR CPA & Advisors, Inc as acct for Mark Kornfeld,
 4023 Tampa Road Suite 2000
 Oldsmar FL 34677

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 12730

Attn William E Price, CPA

FOR PROFESSIONAL SERVICES RENDERED

	<u>Fees</u>	<u>Expenses</u>	<u>Advances</u>	<u>Balance</u>
12730-00001 Scipio, LLC's Filing of Income Tax Returns, 2022 Transaction, Basis for Capital Gains or Loss from Transaction, Expenses to Reduce Capital Gains Offset or Losses to Pass Through	1,875 00	0 00	0 00	<u>\$1,875 00</u>

DUE UPON RECEIPT

Total Waiver Certificate / Federal Tax ID # 66-0230360

Please verify this invoice for accuracy. Should you have any claim, please note that no changes and or claims will be accepted once the period of ten days after the date of issuance of the invoice, has elapsed.

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Oldsmar FL 34677

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Bill No

Attn William E Price, CPA

Scipio, LLC's Filing of Income Tax Returns, 2022
Transaction, Basis for Capital Gains or Loss from
Transaction, Expenses to Reduce Capital Gains
Offset or Losses to Pass Through

FOR PROFESSIONAL SERVICES RENDERED

		Rate	Hours	
07/06/2023	RCF Video conference with client and Myrna Lozada to discuss memo prepared to answer certain queries related to the sale of property by Scipio in PR	375 00	1 00	375 00
07/06/2023	MLG Conference call with Scipio team on Puerto Rico filings	375 00	1 00	375 00
07/07/2023	RCF Video conference with client and Myrna Lozada to finalize discussion of memo prepared to answer certain queries related to the sale of property by Scipio in PR	375 00	0 50	187 50
07/07/2023	MLG Additional tax returns sent by Scipio team to discuss with tax department, discuss memorandum sent to client	375 00	0 50	187 50
07/14/2023	RCF Reviewed and replied email from CPA Yahaira Feliciano with additional queries related to the Puerto Rico tax return	375 00	0 50	187 50
07/17/2023	RCF Meeting with Bill Price and Yahaira Feliciano to discuss different scenarios with Receiver as owner of the property for tax purposes, analyzed the new scenarios with receivership documents	375 00	1 00	375 00
07/17/2023	MLG Conference call with Scipio's team to discuss alternatives for tax filings in Puerto Rico	375 00	0 50	187 50
	For Current Service		5 00	1,875 00

Recapitulation

<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Rebecca Cuevas Fontan	3 00	\$375 00	\$1,125 00
Myrna Lozada Guzman	2 00	375 00	750 00

Total Current Work

1,875 00

GOLDMAN ANTONETTI & CORDOVA, LLC
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PDR CPA & Advisors, Inc as acct for Mark Kornfeld,

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Bill No

Scipio, LLC's Filing of Income Tax Returns, 2022
Transaction, Basis for Capital Gains or Loss from
Transaction, Expenses to Reduce Capital Gains
Offset or Losses to Pass Through

Please Remit	<u>\$1,875 00</u>
Please Remit	<u>\$1,875 00</u>

DUE UPON RECEIPT

Total Waiver Certificate / Federal Tax ID # 66-0230360

Please verify this invoice for accuracy. Should you have any claim, please note that no changes and or claims will be accepted once the period of ten days after the date of issuance of the invoice, has elapsed

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EXHIBIT "B"

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,
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SCIPIO, LLC, LF 42, LLC, EL MORRO
FINANCIAL GROUP, LLC, and KIH, INC.,
f/k/a KINETIC INTERNATIONAL, LLC,

Relief Defendants.

**ORDER GRANTING RECEIVER’S MOTION FOR AUTHORIZATION
TO EMPLOY AND APPROVE WORK OF PUERTO RICAN
TAX PROFESSIONALS**

THIS CAUSE came before the Court on the Receiver’s (the “Receiver”) Motion for Authorization To Employ and Approve Work of Puerto Rican Tax Professionals (the “Motion”) (Doc. ____). With the Court having considered the Motion, and finding that cause exists to grant the Motion, it is hereby

ORDERED as follows:

1. The Motion is GRANTED.
2. The Receiver is authorized, to engage Goldman Antonetti & Cordova, LLC and Valdes, Garcia, Marin, & Martinez to assist the Receiver in fulfilling his

duties under the Order Appointing Receiver (Doc. 34) and to pay the outstanding amount of \$7,803 accordingly as indicated in the Sixteenth Fee Application.

DONE AND ORDERED this ____ day of February, 2024 in the Middle District of Florida.

UNITED STATES DISTRICT COURT JUDGE