

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA

CASE NO.: 8:20-cv-00394-MSS-SPF

SECURITIES AND EXCHANGE COMMISSION,	)
	)
<b>Plaintiff,</b>	)
	)
v.	)
	)
KINETIC INVESTMENT GROUP, LLC and	)
MICHAEL SCOTT WILLIAMS,	)
	)
<b>Defendants, and</b>	)
	)
KINETIC FUNDS I, LLC,	)
KCL SERVICES, LLC d/b/a LENDACY,	)
SCIPIO, LLC,	)
LF42, LLC,	)
EL MORRO FINANCIAL GROUP, LLC, and	)
KIH, INC. f/k/a KINETIC INTERNATIONAL, LLC,	)
	)
<b>Relief Defendants.</b>	)
_____	)

**PLAINTIFF’S NOTICE OF RELATED ACTION AND STATUS REPORT**

Plaintiff Securities and Exchange Commission (the “Commission”) respectfully files this Notice of Related Action as required by Local Rule 1.07(c) and status report to update the Court on the recently unsealed parallel criminal case against Defendant Michael Scott Williams (“Williams”):

**I. Relevant Background on the Commission's Case**

1. On February 20, 2020, the Commission filed its Complaint against Defendants and Relief Defendants alleging that Defendants violated the anti-fraud provisions of the federal securities laws [DE 1]. On the Commission's motion and following a hearing, the Court entered on March 6, 2020 Orders freezing Defendants' and Relief Defendants' assets [DE 33], and appointing a Receiver over the corporate Defendant and Relief Defendants (the "Receivership Entities") [DE 34].

2. On November 5, 2020, the Court entered a judgment of permanent injunction against the Receivership Entities [DE 156] pursuant to their consent [DE 86], and with monetary relief to be addressed upon motion by the Commission.

3. Following discovery, on March 12, 2021, the Commission moved for summary judgment on all 14 counts against Williams, the sole remaining defendant as to liability [DE 200], and Williams moved for summary judgment on all 14 counts against him [DE 202] and for judgment on the pleadings [DE 201] (collectively, the "Case-Dispositive Motions").

4. On the Commission's motion [DE 251], the Court on July 21, 2021, stayed the trial term and all remaining deadlines pending resolution of the Case-Dispositive Motions [DE 257].

5. The Case-Dispositive Motions were fully briefed as of April 26, 2021, and are pending before the Court.

6. As to the receivership estate, the Receiver has continued to marshal, liquidate, and distribute assets to approved claimants. Pursuant to the Receiver's Sixteenth Interim Report [DE 324-2], after the Receiver's third distribution to investors, the Receiver will have returned a total of approximately \$18.1 million to approved claimants.

## **II. Criminal Case Against Williams**

7. On July 19, 2023, a federal grand jury in the United States District Court for the District of Puerto Rico returned a sealed Indictment against Williams based on similar conduct alleged in the Commission's Complaint. *United States v. Williams*, 3:23-cr-00276-SCC (D.P.R.) (the "Criminal Case"). The Indictment alleges one count of securities fraud, 18 U.S.C. § 1348, and three counts of wire fraud, 18 U.S.C. § 1343. A copy of the recently unsealed Indictment is attached hereto as **Exhibit "1"**. The Criminal Case docket reflects that Williams was arrested in Portugal in or around March 2024. The Criminal Case was ordered unsealed on March 12, 2024, but undersigned counsel for the Commission is unable to open and view many of the docket entries.

April 23, 2024

Respectfully submitted,

By: /s/ Christine Nestor & Stephanie N. Moot

Christine Nestor

Senior Trial Counsel

Fla. Bar No. 597211

Direct Dial: (305) 982-6367

E-mail: [nestorc@sec.gov](mailto:nestorc@sec.gov)

Stephanie N. Moot

Senior Trial Counsel

Fla. Bar No. 30377

Direct Dial: (305) 982-6313

E-mail: [moots@sec.gov](mailto:moots@sec.gov)

Attorneys for Plaintiff

**Securities and Exchange Commission**

801 Brickell Avenue, Suite 1950

Miami, FL 33131

Facsimile: (305) 536-4154

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on April 23, 2024, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record via transmission of Notices of Electronic Filing generated by CM/ECF.

/s/ Stephanie N. Moot

Stephanie N. Moot

**SERVICE LIST**

Timothy W. Schulz, Esq.  
TIMOTHY W. SCHULZ, P.A.  
224 Datura Street, Suite 815  
West Palm Beach, Florida 33401  
Telephone: (561) 659-1167  
Facsimile: (561) 659-1168  
Email: [schulzt@twslegal.com](mailto:schulzt@twslegal.com)  
Email: [e-service@twslegal.com](mailto:e-service@twslegal.com)  
*Co-Trial Counsel for Williams*

Jon A. Jacobson, Esq.  
JACOBSON LAW P.A.  
224 Datura St., Suite 812  
West Palm Beach, FL 33401  
Telephone: (561) 880-8900  
Facsimile: (561) 880-8910  
Email: [jjacobson@jlpa.com](mailto:jjacobson@jlpa.com)  
Email: [e-service@jlpa.com](mailto:e-service@jlpa.com)  
*Co-Trial Counsel for Williams*

Lauren V. Humphries, Esq.  
Buchanan Ingersoll & Rooney PC  
401 E. Jackson St., Suite 2400  
Tampa, FL 33602  
813-222-2098  
[lauren.humphries@bipc.com](mailto:lauren.humphries@bipc.com)  
*Counsel for Receiver, Mark A. Kornfeld*

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO

UNITED STATES OF AMERICA,  
Plaintiff,

v.

MICHAEL SCOTT WILLIAMS,  
Defendant.

INDICTMENT

CRIMINAL NO. 23-276 (SCC)

VIOLATIONS:  
18 U.S.C. § 1348  
18 U.S.C. § 1343

FORFEITURE:  
18 U.S.C. § 982(a)(2)  
28 U.S.C. § 2461(c)

FOUR COUNTS

THE GRAND JURY CHARGES:

GENERAL ALLEGATIONS

At all times material to this Indictment:

1. Kinetic Group, formerly known as Kinetic Management Group, LLC, was a private limited liability company founded by Michael Scott Williams in 2013. Its principal place of business was Sarasota, Florida.
2. Kinetic Group managed Kinetic Funds, a private pooled investment fund, and charged a 1% management fee.
3. Kinetic Fund's investment strategy was called KFYIELD and solicited investors through marketing brochures, websites, and referrals. The Operating Agreement stated that Kinetic Funds "will trade derivatives, but may also be invested in individual stocks, components of indices, cash, and other exchange listed products." Kinetic brochures claimed, "Your money is always available ... The Fund's positions are



hedged out to 90 days, so with a 30-day written notice prior to the quarter end, the Fund can redeem 100% principal without penalties.”

4. Defendant MICHAEL SCOTT WILLIAMS maintained and utilized bank account XXXXXX4255 with BMO Harris Bank, N.A. (“BMO Harris”), a subsidiary of the Bank of Montreal, to receive wire transfers and payments from investors.

#### SCHEME TO DEFRAUD

5. It was the purpose of the scheme to defraud for Defendant MICHAEL SCOTT WILLIAMS to defraud investors and obtain money by making materially false and fraudulent misrepresentations to investors in order to induce, cause, and encourage investors to make monetary payments to Kinetic Funds. It was further the purpose of the scheme to defraud for Defendant MICHAEL SCOTT WILLIAMS to use the monetary payments fraudulently obtained from investors through the scheme to defraud for his personal benefit, use, and enrichment.

#### MANNER AND MEANS OF THE SCHEME TO DEFRAUD

It was the part of the scheme to defraud that:

6. From at least in or around December 2016 to at least in or around April 2019, in the District of Puerto Rico, and elsewhere within the jurisdiction of this Court, Defendant MICHAEL SCOTT WILLIAMS, and others known and unknown to the Grand Jury, willfully agreed to participate and did participate in a scheme to defraud investors of Kinetic Funds, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises. Defendant MICHAEL SCOTT WILLIAMS solicited funds under false pretenses, failed to use investors’ proceeds as

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- promised, and misappropriated and converted investors' proceeds for his personal benefit.
7. Defendant MICHAEL SCOTT WILLIAMS fraudulently solicited funds from prospective investors, fraudulently marketed Kinetic Funds to potential investors, and made materially false representations regarding investments in Kinetic Funds through in-person meetings, brochures, and through the use of the internet. Investors were told that their money would be invested in U.S. financial products, including securities registered under section 12 of the Securities Exchange Act of 1934. Additionally, Defendant MICHAEL SCOTT WILLIAMS used interstate wire communications to collect investor proceeds and spend investor proceeds through bank accounts and credit cards for Kinetic Funds.
8. As a result of the scheme to defraud, Defendant MICHAEL SCOTT WILLIAMS fraudulently raised over \$24,000,000 from three corporate investors in Puerto Rico, identified herein as Entity A, Entity B, and Entity C.
9. Defendant MICHAEL SCOTT WILLIAMS made material omissions to investors by not disclosing that investments would be used to pay his personal expenses and purchase real estate for himself.

COUNT ONE  
Securities Fraud  
Title 18, United States Code, Section 1348

10. Paragraphs 1 through 9 of the Indictment are re-alleged and incorporated by reference as though fully set forth herein.



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11. From at least in or about December 2016 to at least in or about April 2019, in the District of Puerto Rico and elsewhere within the jurisdiction of this Court,

MICHAEL SCOTT WILLIAMS,

the defendant herein, aided and abetted by individuals known and unknown to the Grand Jury, did knowingly and willfully execute, and attempt to execute, a scheme and artifice (1) to defraud a person in connection with a commodity and a security registered under Section 12 of the Securities Exchange Act of 1934 for future delivery; and (2) to obtain, by means of materially false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of a commodity and a security registered under Section 12 of the Securities Exchange Act of 1934 for future delivery. All in violation of Title 18, United States Code, Section 1348.

COUNTS TWO through FOUR

Wire Fraud

Title 18, United States Code, Section 1343

12. Paragraphs 1 through 9 of the Indictment are re-alleged and incorporated by reference as though fully set forth herein.

13. On or about the dates set forth below, in Puerto Rico and elsewhere within the jurisdiction of this Court,

MICHAEL SCOTT WILLIAMS,

the defendant, aided and abetted by individuals known and unknown to the Grand Jury, for the purpose of executing the scheme described above, caused to be transmitted by means of wire communication in interstate commerce the signals and

sounds described below for each count, each transmission constituting a separate count:

Count	Date	Investor	Issuing Financial Institution Submitting Interstate Wire	Amount of Interstate Wire	Account Where Funds Deposited from Interstate Wire
Two	07/19/2018	Entity A	Wells Fargo XXXX6992	\$2,000,000	BMO Harris XXXXXX4255
Three	12/28/2018	Entity B	Northern Trust XXX0658	\$2,000,000	BMO Harris XXXXXX4255
Four	04/29/2019	Entity C	JP Morgan Chase XXXXXX2179	\$3,000,000	BMO Harris XXXXXX4255

All in violation of Title 18, United States Code, Section 1343.

#### FRAUD FORFEITURE ALLEGATION

14. The allegations contained in Counts One through Four of this Indictment are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 982(a)(2) and Title 28, United States Code, Section 2461(c).
15. Upon conviction of one or more of violations of Title 18, United States Code, Section 1343, set forth in this Indictment, Defendant MICHAEL SCOTT WILLIAMS, shall forfeit to the United States of America, pursuant to Title 18, United States Code, Sections 982(a)(2)(A), and Title 28, United States Code, Section 2461(c), any property constituting, or derived from, proceeds obtained, directly or indirectly, as a result of such violations. The property to be forfeited includes but is not limited to all monies and/or property constituting, or derived from, proceeds traceable to the offense.

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16. If any of the above-described forfeitable property, as a result of any act or omission of the defendant: (a) cannot be located upon the exercise of due diligence; (b) has been transferred or sold to, or deposited with, a third party; (c) has been placed beyond the jurisdiction of the court; (d) has been substantially diminished in value; (e) or has been commingled with other property which cannot be divided without difficulty, the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p) as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c).



TRUE BILL,  
FOREPERSON

Date: 7/19/23

W. STEPHEN MULDROW  
United States Attorney

Seth A. Erbe  
Assistant U.S. Attorney  
Chief, Financial Fraud and Public  
Corruption Section

Scott Anderson  
Assistant U.S. Attorney