

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA DIVISION**

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

Relief Defendants.

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**RECEIVER'S TWENTY FIRST INTERIM REPORT**

**(Reporting Period: January 1, 2025 to March 31, 2025)**

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 Twenty First Interim Report (the "Twenty First Report") covering information and activity occurring from January 1, 2025 to March 31, 2025. 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](http://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.

During the time period covered by this Twenty First Report (January 1, 2025 to March 31, 2025), the Receiver and his team of legal, technology, tax, and accounting professionals (collectively, the “Retained Professionals”) have engaged in significant activities regarding the Receivership Estate, which are discussed more thoroughly in the forthcoming report.

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## **I. EXECUTIVE SUMMARY OF REPORTING PERIOD**

### **A. Significant Activities Occurring During this Reporting Period**

#### **1. Preparation for 2025 Wind Down of Receivership and Evaluated Fourth Interim Distribution to Investors**

During the Reporting Period, the Receiver and his staff professionals took significant steps toward preparing for a 2025 wind down of the Receivership. During this period, the Receiver met with his tax professionals to determine what is necessary for filing final tax returns for the Receivership Entities. The Receiver evaluated the funds available in the Servis accounts to assess the amount of funds that can be distributed to investors. After reviewing the available funds in the Receivership accounts, the Receiver has determined that a Fourth Interim Distribution of approximately \$1.9M should be allocated to investors at this time. The Receiver anticipates requesting formal Court approval to distribute this amount in Quarter Two of 2025. The Receiver has been working diligently with counsel for the Securities & Exchange Commission to provide any information needed for final orders or judgments involving the Receivership Entities.

#### **2. Addressed Issues on All Distributions to Date**

The Receiver is diligently working toward winding down the Receivership and facilitating the final steps that will allow the Receiver to move for final distribution of all of the assets of the Receivership Estate to investors. The Receiver and his team have worked expeditiously to make three distributions date.

On November 9, 2021, the Receiver, via his Distribution Motion (Doc. 264), distributed **\$13,216,050.91** to investors. Subsequently, in January 2023, the Receiver received Court approval for a Second Interim Distribution of **\$3,500,000.02** to investors. (Doc. 304). On December 22, 2023, the Court granted the Receiver's unopposed Motion for Third Interim Distribution of **\$1,399,999.97**. (Doc. 313). As of March 2024, every investor had cashed his or her check for the Third Interim Distribution. To date, the Receiver has returned a total amount of **\$18,116,050.90** to investors in this Receivership.

During the Reporting Period, the Receiver has determined that a Fourth Interim Distribution is warranted prior to a final distribution in this Receivership. The Receiver anticipates filing a motion requesting court approval of a Fourth Interim Distribution of approximately \$1,900,000.00 in the next Reporting Period. As of the date of this filing, the Receivership Estate's accounts total **\$2,611,335.57**.

### **3. Attention to all Tax Matters for Receivership Entities**

Due to the Receiver's efforts and those of the professionals supporting him during prior Reporting Periods, the sale of real property in the Receivership Estate occurred as planned—bringing in substantial funds in excess of seven figures to the Receivership Estate. The Receiver expended substantial work to assist the Receiver's professionals in finalizing a myriad of legal, financial, and tax issues,

including communicating regularly with the Purchaser on all aspects of “Villa Gabriela,” representing the following real property:

- Condominium Villa Gabriela, Apartment PH1-A/PH 1-B located at 109 De la Cruz Street, San Juan, Puerto Rico 00901;
- Condominium Villa Gabriella, Apartment 2-E located at 109 De la Cruz Street, San Juan, Puerto Rico 00901;
- Parking Space #321 located at Cochera San Francisco, Luna Street #204, San Juan, Puerto Rico 00901; and
- Parking Space #325 located at Cochera San Francisco, Luna Street #204, San Juan, Puerto Rico 00901.

Virtually all of the Receivership assets have been monetized to date. Accordingly, the Receiver and his professionals expended time and necessary resources to fully analyze the state of the Receivership’s tax and related obligations in connection to the funds brought into the Receivership Estate from the sale of real property. This analysis included coordinating with a number of tax professionals and consultants to ensure that any capital gains of the Receivership were recognized and reported for both Puerto Rico and U.S. IRS tax returns.

As part of his appointment, the Receiver was charged with monetizing any and all real property, including such property located outside the continental U.S. The location of this real property in San Juan, Puerto Rico yielded some tax

challenges requiring attention by the Receiver. Specifically, some of the real property at issue was held by Receivership Relief Defendant Scipio, LLC. Prior to the appointment of the Receiver, Scipio, LLC, had apparently not filed taxes for 2019 but still held title to this real property that was later sold by the Receivership. The Receiver therefore was required to address tax issues related to the sale of this property and this unique entity. To necessarily address and resolve these matters, the Receiver worked with local counsel and CPAs in Puerto Rico, who were experts with the tax code and compliance requirements of Puerto Rico law, as to the realization and approach to capital gains for the sale of real property.

The Receiver has continued to work diligently with his professionals, both in Florida and Puerto Rico, to ensure among other things that all tax matters are addressed prior to the wind-down of the Receivership, which the Receiver anticipates will occur within the 2025 calendar year.

## **2. Order on Summary Judgment against Defendant Williams**

On November 22, 2024, the Court entered a ruling on the Commission's Motion for Summary Judgment against Defendant Williams. Specifically, the Court granted the Commission's Summary Judgment Motion and issued the following findings:

- **Williams negligently obtained investor money by means of an omission regarding the source of LLandarcy's funding;**

- **Williams knowingly misrepresented to investors that their investment would be invested in US listed financial products instead diverting their capital to Lendacy, in which he was the majority owner;**
- **Williams knowingly misrepresented to investors that their principal would be secured because 90% of the KFYield portfolio would be hedged with US listed options;**
- **Williams knowingly misrepresented to investors that the KFYield assets had liquidity;**
- **Williams knowingly misrepresented the performance of the KFYield portfolio;**
- **Williams failed to disclose to investors that he and his entities, Scipio, and LF42, were receiving loans from Lendacy; and,**
- **Williams failed to disclose to investors that he used investor capital, routed to LF42 from Lendacy to invest in Zephyr Aerospace.  
(See Doc. 338.)**

The Court, in its lengthy 110-page order determined that Williams had engaged in material misrepresentation when acting as an “investment advisor.” The Commission and Defendant Williams are currently in a stay period. The Receiver anticipates that a Final Judgment will be entered against Defendant Williams after the stay period has ended.

### **3. Continued Assessment of Zephyr Aerospace Investment**

In March of 2019, Kinetic International made an investment totaling \$500,000.00 in an early-stage airline seat startup known as Zephyr Aerospace (“Zephyr”). The investment into Zephyr was beyond the disclosed and stated scope of the use of investors proceeds, (e.g. that there was no “dividend strategy”



associated with this investment). The stated business purpose of Zephyr at the time was to “revolutionize” the way individuals select airline seats on commercial airlines. This \$500,000.00 investment was clearly and directly traceable to investor funds. Understanding that the Zephyr investment is now a loss, the Receiver has worked with his tax professionals to analyze how the investment can be treated for tax purposes. The Receiver will continue to take any measures as are required associated with lost value of the investment.

#### **4. Continued Work to Bring in Funds to the Receivership Estate**

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 demand letters to various individuals seeking the return of funds the Receiver believes are rightfully owing to the Receivership Entities. For several of those claims, the Receiver reached an agreement to recover the full amount sought. In 2024, the Receiver consolidated funds held in Interactive Broker Accounts for the benefit of the Investor Claimants, totaling \$27,183.54 to the Receivership Assets.

#### **5. Preparation of Twentieth Interim Report**

The Receiver prepared and filed his Twentieth Interim Report on January 31, 2025 (Doc. 341), which provided a comprehensive summary, analysis, and supporting documentation of the Receiver’s continuing investigation as well as the

tracing of investor funds.

**6. Communication with Investors**

The Receiver's staff professionals and counsel continued to communicate regularly with investors via phone and through email correspondence. Additionally, the Receiver continues to provide updates and announcements on the informational website at [www.kineticreceivership.com](http://www.kineticreceivership.com) for investors and other interested parties.

**7. Continued Investigation and Review of Relevant Documentation and Information regarding the Receivership Entities**

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. Attended to Litigation Matters.**

The Receiver continues to monitor the Court's docket given that the Commission's claims against Mr. Williams remain pending.

**9. Managed Receiver's Cash Accounts Held at ServisFirst Bank.**

Receivership funds are currently being held at ServisFirst Bank. As of the date of this Report, the Receiver has (i) secured, frozen, marshaled, and liquidated assets for the benefit of victims that resulted in the deposit of **approximately \$20**

**million**<sup>1</sup> in the Receiver's fiduciary bank accounts during the Receiver's appointment; (ii) secured significant real property assets and completed the process of marketing and liquidating those assets which resulted in excess of \$5 million in additional proceeds deposited with the Receivership Estate; (iii) made an initial distribution of **\$13.2 million** to Investor Claimants with approved claims; and (iv) made a second distribution of **\$3.5 million** to Investor Claimants with approved claims.

The over **\$20 million** recovered for the benefit of claimants is the result of the following (including without limitation):

- 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

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<sup>1</sup> This amount includes approximately \$142,463.43 in funds previously held in Mr. Williams' prior counsel's trust account and which were subsequently transferred to the Receiver's fiduciary accounts to be held in trust pending further Order from the Court. In the interim, the Court has authorized the payment of various living and legal expenses to or for Mr. Williams' benefit.

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
- January 13, 2023: Received a net recovery—after payment of commissions and other standard closing costs—of **\$1,606,053.00** for the sale of the Villa Gabriela property and associated parking spaces. (Docs. 301 and 303).

As of the date of this filing, the Receiver's accounts currently have **\$2,611,335.57**

## **II. BACKGROUND**

### **A. Procedure and Chronology**

On February 20, 2020, the Securities & Exchange Commission (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). On July 21, 2021, the Court granted the Commission's request to postpone the trial pending resolution of the pending case-dispositive motions. (Doc. 257).

On November 22, 2024, the Court entered a ruling on the Commission's Motion for Summary Judgment against Defendant Williams. Specifically, the Court granted the Commission's Summary Judgment Motion and issued an 110 page Order of its findings. After the filing of this Order, the Commission and Defendant Williams entered into a 90-day stay period to have an opportunity to confer on the remaining issues of injunctive and monetary relief sought by the Commission. On December 20, 2024, the Stay was formally entered by the Court and was scheduled to cease on April 23, 2025. However, on April 16, 2025, the Commission filed its Unopposed Motion for an Extension of Time to Move for Relief Against Defendant Michael Scott Williams. (See Doc. 346). On April 16,

2025, the Court granted the Commission's Motion and extended the stay period up until July 21, 2025. (See Doc. 347.)

Given the ruling against Defendant Williams, the Receiver is currently taking steps to initiate a wind down of the Receivership Estate so that a final distribution of assets may be approved and distributed to Investor Claimants within this calendar year. The Receiver is working closely with counsel for the Commission to provide any information necessary during the course of the Stay period.

While the stay period continues between the Commission and Defendant Williams, the Receiver has prepared a motion to move forward with a Fourth Interim Distribution for Investors, which he anticipates being filed during the Second Reporting Period of this calendar year. The Receiver continues to work with his tax and forensic professionals to ensure that all deadlines are met with the Receivership Entities. The Receiver believes that the Receivership is well-positioned for the wind down process and final distribution to occur in 2025.

**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.)

### **D. The Next Quarter**

#### **1. Fourth Interim Distribution to Investor Claimants**

Based on the current balance of the Receivership accounts, the Receiver plans to seek leave to make a Fourth Interim Distribution of approximately \$1,900,000.00 during the next Quarter. This distribution, if approved by the



Court, will result in 5.8% recovery of the allowed amount of investor claims. If approved by the Court, the Receiver will have provided **\$20,016,050.88** to investor claimants, which totals **60.6%** of the allowed amount of investor claims.

As of the date of this filing, the total balance of the Receivership accounts is **\$2,611,335.57**. The Receiver believes that by making a Fourth Interim Distribution, he will be able to provide a significant amount of money to investors now while still maintaining adequate funds to cover the expenses of administering the Receivership and to pay the Receiver's professionals who assist with its administration and the wind down process.

The Receiver intends to distribute the remaining funds in a final distribution based on relevant factors including the resolution of a Final Judgment against Defendant Williams, which is still being negotiated in the current stay period.

## **2. Position the Receivership for a 2025 Wind Down**

The Receiver has communicated with claimants and counsel for the Commission regarding the Receiver's intent to wind down this Receivership during the 2025 calendar year. At present, the Receiver and his team are continuing to prepare, in all fashion, to position the Receivership to divest the Receivership Assets to the Claimant Investors in a final distribution. The Receiver and his team continue to work with their professionals on tax issues for Puerto Rican Receivership Entities and U.S. Entities in addition to handling any final


corporate issues that need to be address prior to the final distribution of funds. The Receiver and his team will be prepared to issue a final distribution as soon as the wind-down can formally commence and be approved by the Court.

### **III. CONCLUSION**

The Receiver's foregoing efforts have positioned the Receivership for a 2025 wind-down and the Receiver and his team of professionals continue to work diligently toward that end.

Respectfully submitted,

**BUCHANAN INGERSOLL & ROONEY PC**

By:   
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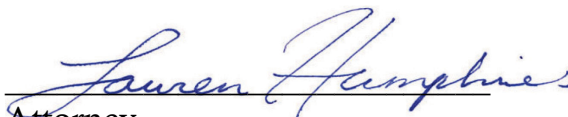
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 30<sup>th</sup> day of April, 2025, 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:

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