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

Relief Defendants.
_____/

RECEIVER'S TWENTY SEVENTH INTERIM REPORT

(Reporting Period: July 1, 2026 to September 30, 2026)

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 Seventh Interim Report (the "Twenty Seventh Report") covering information and activity occurring from July 1, 2026 to September 30, 2026. 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.

During the time period covered by this Twenty-Seventh Report (July 1, 2026 to September 30, 2026), 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. Facilitated 2026 Wind Down of Receivership

During the Reporting Period, the Receiver and his staff professionals continued their action to position the Receivership to wind down. As previously reported, while the Receiver had planned on a 2025 wind down, various factors contributed to the decision to close this Receivership in 2026. At present, the Receiver is addressing several issues with funds held in the Receiver's accounts for the benefit of Defendant Williams and whether those funds will be added to the estate to be administered by the Receiver and Receiver's counsel.

2. Prepared for Future Distribution to Investor Claimants.

The Receiver has sent out four distributions of funds to investor claimants in this Receivership. At present, the Receiver and his staff counsel are preparing to distribute a Fifth distribution to investor claimants. While the Receiver plans to close the Receivership in this calendar year, the Receiver does not want to wait to distribute funds available to the investor claimants. The exact amount of the distribution is being determined by the Receiver and his counsel.

3. Attention to all Tax Matters for Receivership Entities

All of the Receivership assets have been monetized to date. 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. The Receiver has continued to work diligently with his professionals, both in Florida and Puerto Rico, to ensure that all tax matters are addressed prior to the wind-down of the Receivership, which the Receiver anticipates will occur during the 2026 calendar year.

4. Preparation of the Twenty-Sixth Interim Report

The Receiver filed his Twenty-Sixth Interim Report on July 29, 2026 (Doc. 381), which provided a comprehensive summary, analysis, and supporting documentation of the Receiver's continuing investigation as well as the tracing of investor funds.

5. 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 for investors and other interested parties. The Receiver continues to work with the Receivership's website hosting platform, RAD Technology Consulting, for updates to the website.

6. 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.

7. Attended to Litigation Matters.

The Receiver continued to monitor the Court's docket for filings in this litigation. Since the final relief was entered by the Court against all defendants, the Receiver anticipates that his team of professionals can formally begin the dissolution of the Receivership and its entities.

8. 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**[1] 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

[1] This amount includes approximately $109,054.15 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.

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 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).
- The Receiver also worked with Interactive Brokers to recover and monetize accounts in the name of the Receivership Entities.

As of the date of this filing, the Receiver's accounts currently have **$361,430.44.**

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 a 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 Williams, the Receiver is currently taking steps to initiate a wind down of the Receivership Estate so that a final distribution may be approved for investor claimants.

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

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

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

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

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

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

C. Receivership Defendants

The Receiver incorporates by reference 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. Continue to Effectuate Fifth Interim Distribution

On May 7, 2025, the Receiver requested formal Court approval to distribute $1,899,999.98 to investor claimants. The request was unopposed by the parties in

this Receivership. On May 12, 2025, the Receiver received an Order from the Court granting the requested relief. Promptly, the Receiver sent out all 30 claims checks to investor claimants. This distribution resulted in 5.8% recovery of the allowed amount of investor claims. To date, the Receiver has provided **$20,016,050.88** to investor claimants, which totals **60.6%** of the allowed amount of investor claims. The Receiver and his staff will continue to effectuate the Fifth Interim Distribution until all checks have been cashed by investor claimants.

2. Position the Receivership for Closure

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 are prepared to issue a final distribution and wind down the Receivership in 2026.

III. CONCLUSION

The Receiver's foregoing efforts have positioned the Receivership for a 2026 wind-down and the Receiver and his team of professionals continue to work diligently toward that end. The Receiver will continue his efforts to distribute funds efficiently and effectively to investor claimants.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 2nd day of November, 2026, 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:

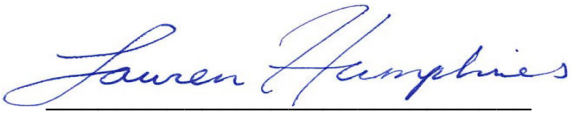
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