

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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SECURITIES AND EXCHANGE COMMISSION,	:
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Plaintiff,	:
	:
-v-	:
	:
	No. 1:22-cv-03897-LAK
	:
STRAIGHTPATH VENTURE PARTNERS LLC,	:
STRAIGHTPATH MANAGEMENT LLC,	:
BRIAN K. MARTINSEN,	:
MICHAEL A. CASTILLERO,	:
FRANCINE A. LANAIA, and	:
ERIC D. LACHOW,	:
	:
Defendants.	:
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THE RECEIVER’S INITIAL STATUS REPORT TO THE COURT

Melanie L. Cyganowski, the duly appointed Receiver (the “**Receiver**”) of SP Ventures Fund LLC, SP Ventures Fund 2 LLC, SP Ventures Fund 3 LLC, SP Ventures Fund 4 LLC, SP Ventures Fund 5 LLC, SP Ventures Fund 6 LLC, SP Ventures Fund 7 LLC, SP Ventures Fund 8 LLC, and SP Ventures Fund 9 LLC (each an “**SP Fund**” and collectively, the “**SP Funds**”), StraightPath Venture Partners LLC (the “**SP Fund Manager**”), and StraightPath Management LLC (the “**SP Advisor**” and collectively with the SP Funds and the SP Fund Manager, the “**Receivership Entities**” or “**StraightPath**”), by her undersigned counsel, hereby submits this initial status report (the “**Initial Report**”) in accordance with the Consent Order Appointing Receiver (Dkt. No. 56) (the “**Receivership Order**”), entered on June 14, 2022 (the “**Receivership Commencement Date**”). The facts presented in this Initial Report are preliminary and may be amended and changed as the Receiver’s work continues. This Initial Report includes the preliminary assessment of the Receiver, with the assistance of her legal and financial advisors (collectively, the “**Receivership**

Team”), performed from the Receivership Commencement Date to date (the “*Initial Reporting Period*”).

I.

PRELIMINARY STATEMENT

Since her appointment on June 14, 2022, the Receiver and the Receivership Team have completed a number of steps that are vital to the Receivership: establishing bank accounts, communicating with parties-in-interest including through a dedicated e-mail address and website, filing the Receivership Order in United States District Courts across the country as required by 28 U.S.C. § 754, retaining professionals, establishing financial procedures and controls, and visiting in person and taking physical control of the commercial office space in Jupiter, Florida and the contents thereof. Nonetheless, obtaining access to and control over, as well as analyzing, vast amounts of the Receivership Entities’ books and records, has not been accomplished and remains a work in progress despite the Receiver’s best efforts. Specifically, because the Receivership Order in this case is unique among any that the Receivership Team has reviewed in that it restricts the Receiver’s access to documents and information unilaterally deemed by the Individual Defendants to be “Pre-Appointment Privileged Materials” or “Personal Privileged Materials,” the turn-over of virtually *all* of the electronic documents to the Receiver was delayed until a protocol could be created and implemented. Consequently, the Receiver and her team have been in near daily discussions and negotiations with counsel for the Individual Defendants to effectuate this protocol so that documents may be turned over to the Receiver as soon as possible. Indeed, the protocol with the Individual Defendants was finally agreed upon two days before the submission of this Initial Report and the Receiver and the Receivership Team are poised to finally gain access and

control of the documents other than those deemed by the Individual Defendants to be “Pre-Appointment Privileged Materials” or “Personal Privileged Materials”.

Accordingly, as of the time of submitting this Initial Report, the Receiver has still not received access to vast swaths of the Receivership Entities’ books and records, which include, among other things, the Receivership Entities’ email domain system, cloud data system, and the information contained in those systems (the “***Outstanding Books and Records***”), as the Individual Defendants assert they are subject to the privileges protocol discussed above. Critically, in the absence of having access to the Receivership Entities’ Outstanding Books and Records to verify information, and despite beginning to receive information directly from investors themselves, the Receiver does *not* know the amount or identity of all investors, their holdings and/or their potential losses and cannot identify all pending investments or holdings of the Receivership Entities, nor can she answer other questions about the Receivership Entities’ financial affairs. Although the Receiver has now entered into a protocol with the Individual Defendants intended to provide her with access to the Outstanding Books and Records, if the Receiver is ultimately unable to gain access to, and control of, Receivership documents, the Receiver may require this Court’s assistance to obtain Outstanding Books and Records, and other relevant documents.

For these reasons, this Initial Report is truly that, an *initial* overview for both the Court and parties-in-interest.

II.

PROCEDURAL BACKGROUND

A. The Complaint

On May 13, 2022, the Securities and Exchange Commission (the “***SEC***”) filed a complaint (the “***Complaint***” or “***Compl.***”) commencing this action against the SP Fund Manager, the SP

Advisor, Brian K. Martinsen (“*Martinsen*”), Michael A. Castellero (“*Castillero*”), Francine A. Lanaia (“*Lanaia*”), and Eric D. Lachow (“*Lachow*” and together with Martinsen, Castellero, and Lanaia, the “*Individual Defendants*” and together with the SP Fund Manager and the SP Advisor, the “*Defendants*”), alleging, among other things, violations of various sections of the Securities Act, the Exchange Act, and the Advisers Act, and seeking, among other relief, the appointment of a receiver, disgorgement of allegedly ill-gotten gains and imposition of civil penalties (Dkt. No. 1).

In the Complaint, the SEC alleges that from November 2017 through February 2022, the Defendants raised at least \$410 million from more than 2,200 investors located across the country and around the world. (Compl. ¶2). The SEC alleges that the Defendants, along with a network of sales agents, represented to investors that their investments would be directed to a specific series in one of the SP Funds (“*SP Fund Series*”) that purportedly owned a specific number of shares of a specific private company that had the potential to undertake an IPO (“*Pre-IPO Shares*”).

According to the Complaint, Defendants often were unable to obtain the number of Pre-IPO Shares they either claimed to already have or needed to “back” the interests they sold to investors and rather than return the money investors paid them, Defendants kept it for themselves and continued to solicit new investors. (Compl. ¶4).

The SEC alleges further that the Defendants commingled investor funds, frequently transferring monies invested in one SP Fund to other SP Funds or to the SP Fund Manager in order to make purchases of Pre-IPO Shares or Ponzi-like payments back to earlier investors who wanted their money back. (Compl. ¶5). In addition, the SEC alleges that although they told investors they were charging no upfront fees (or had waived the fees they could have charged), the Individual

Defendants paid themselves more than \$75 million and their sales agents nearly \$48 million. (Compl. ¶6).

While the Defendants' time to file an answer to the Complaint has been extended to August 19, 2022 (Dkt. 69), it is the Receiver's understanding that the Individual Defendants deny all material allegations against them and intend to vigorously prosecute their defense. (*See e.g.* Defendants' May 13, 2022 Letter to the Court, Dkt. 15).

Simultaneous with the filing of the Complaint, the SEC sought and obtained emergency relief, including a temporary restraining order and an order freezing the assets of the SP Fund Manager, the SP Adviser, and the personal assets of Martinsen, Castellero, and Lanaia (the "***Personal Assets***") (Dkts. 5, 16). On the Receivership Commencement Date, the Court entered (i) a consent order imposing a preliminary injunction (Dkt. 55) (the "***PI Order***"); and (ii) the Receivership Order, in which the Court appointed the Receiver for the estate of the Receivership Entities (the "***Receivership Estate***" or "***Receivership***").

B. The Receiver's Rights and Duties Pursuant to the Receivership Order

Under the terms of the Receivership Order, the Receiver, among other things, has the responsibility and duty to (i) use reasonable efforts to determine the nature, location, and value of all Receivership Property,¹ including Receivership Assets,² and Recoverable Assets³; (ii) take

¹ Under the Receivership Order, "***Receivership Property***" includes, but is not limited to "monies, funds, securities, credits, effects, goods, chattels, lands, premises, leases, claims, rights, economic interests, and other assets, together with all rents, profits, dividends, interest or other income attributable thereto, of whatever kind, which the Receivership Entities own, possess, have a beneficial interest in, or control directly or indirectly." (Receivership Order, 5).

² The Receivership Order defines "***Receivership Assets***" as the assets of the Receivership Entities and the Escrow Funds (as defined in the PI Order). (Receivership Order, 2).

³ The Receivership Order defines "***Recoverable Assets***" as any assets of the Receivership Entities that are "(a) held in constructive trust for the Receivership Entities as determined by the Court; (b) were fraudulently transferred out of Receivership Entities as determined by the Court; and/or (c) may otherwise be includable as assets specifically covered by this Order." (Receivership Order, 2).

custody, control, and possession of all Receivership Property (excluding the “Pre-Appointment Privileged Materials” or “Personal Privileged Materials”); (iii) sue for and collect, recover, receive, and take into possession all Receivership Property and records relevant thereto; (iv) manage, control, operate, and maintain the Receivership Estate; (v) engage and employ persons in the Receiver’s discretion to assist the Receiver in carrying out the Receiver’s duties and responsibilities; (vi) pursue, resist and defend all suits, actions, claims and demands which may be pending or which may be brought by or asserted against the Receivership Estate; (vii) make necessary or required filings in the counties, states, and/or jurisdictions in which the Receivership Property is located in order to secure these assets; and (viii) propose a liquidation plan and distribution plan to the Court upon motion. (Receivership Order, 5-6).

The Receivership Order directs the Receiver to file this Initial Report within thirty (30) days of its entry, reflecting the existence, value, and location of all Receivership Assets and “Individual Assets”, and the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estate. (Receivership Order, 18).⁴ For these reasons, the Receiver is filing this Initial Report at this time.

C. The Books and Records of the Receivership Entities

The Receivership Order grants the Receiver broad authority to have immediate and expansive control, with narrow exceptions, over most of the books and records, and information related to, and held by, the Receivership Entities. (Receivership Order, 8). To effectuate the Receiver’s possession, custody and control, of the books and records, the Receivership Order directs the Receivership Entities’ past and or present directors, agents, managers, members,

⁴ In addition to the requirement to file this Initial Report, the Receiver has the duty to file “*Quarterly Status Reports*” within thirty (30) days after the end of each calendar quarter. (Receivership Order, 18-19). The Receiver will be filing Quarterly Status Reports, which will include additional information as required by the Receivership Order.

attorneys, accountants, and employees to “preserve and turn over to the Receiver forthwith all paper and electronic information of, and/or relating to, the Receivership Entities....” (Receivership Order, 6). Moreover, any person receiving notice of the Receivership Order is required to deliver to the Receiver any books and records of the Receivership Entities in their possession. (Receivership Order, 8).

As noted, there is an important limitation to this broad Order: the Individual Defendants and their counsel are not obligated to provide any Pre-Appointment Privileged Materials⁵ or Personal Privileged Materials⁶ to the Receiver, and the Receiver is not permitted to receive or review any of these materials. (Receivership Order, 6) (the “***Privilege Provision***”). Accordingly, this exception to the Receivership Order’s otherwise broad grant of access and control to the Receiver prohibits the Receiver from accessing and reviewing the alleged Pre-Appointment Privileged Materials of the Receivership Entities themselves, notwithstanding her authority over these entities. As noted, the Receiver has worked to establish a protocol intended to resolve these competing objectives, without waiving or prejudicing her right to seek Court intervention or a change to the Receivership Order itself with respect to the Privilege Provision.

III.

THE RECEIVER’S ACTIONS TO DATE

During the Initial Reporting Period, the Receiver and the Receivership Team have completed the following activities: (i) establishing the Receivership Estate, including the opening of bank accounts, creation of financial controls, and receiving the deposits of the Escrow Funds;

⁵ The Receivership Order defines “***Pre-Appointment Privileged Materials***” as any “documents or communications containing information that would be protected by the attorney-client privilege or any other privilege held by any of the Receivership Entities.” (Receivership Order, 6).

⁶ The Receivership Order defines “***Personal Privileged Materials***” as “information protected by any personal attorney-client privilege of any of the Individual Defendants.” (Receivership Order, 6).

(ii) ascertaining information about the Receivership Entities and taking control of the Receivership Entities' books and records to the fullest extent possible at this time; (iii) communicating with parties-in-interest, the Individual Defendants and the SEC; and (iv) administering the Receivership Estate. This section of this Initial Report summarizes the actions taken to date by the Receiver.

A. Opening Financial Accounts, Control of Legacy Accounts, and Escrow Funds

1. Opening of Bank Accounts and Creation of Financial Controls

One of the first tasks undertaken by the Receiver was to open bank accounts to receive the deposit of the Escrow Funds, as further discussed below (the “*Receivership Accounts*”). Emphasis has been placed upon developing and implementing processes and procedures applicable to the Receivership Accounts to maximize oversight and authority over the Receivership Accounts and the expenditure of Receivership Estate funds. Additional bank accounts will continue to be opened as appropriate.

2. Legacy Bank and Financial Accounts

The Receiver has taken steps to take control of the Receivership Entities' bank and investment accounts that existed as of the Receivership Commencement Date (the “*Legacy Accounts*”). The Receivership Order at Exhibit A identifies 50 Legacy Accounts that are listed as being maintained at the financial institutions named on the Exhibit, but does not contain full account numbers nor contact information with respect to the institutions. Immediately upon the Receiver's appointment, the Receiver contacted each of the listed financial institutions' legal departments in writing, provided them with notice of the Receivership Order (the “*Notice*”), and further notified them that pursuant to the Receivership Order, the financial institutions were required to freeze the Legacy Accounts (pending turn-over of the funds to the Receiver) and serve

the Receiver with a certified account statement setting forth the balance of the account or the description of the assets.

Initially, the Receiver was unable to give notice to specific relationship points of contact at the respective financial institutions because their contact information was not immediately provided to her by the Individual Defendants. Further, she did not have the full account numbers of the Legacy Accounts. Upon finally receiving the full account numbers and relevant contact information from the Individual Defendants on July 6, 2022, in response to the Receiver's June 21, 2022 request (as discussed *infra*), the Receiver issued additional written notices to the relationship contacts at each of the financial institutions.

The Receiver has begun: (i) transferring the accounts to the exclusive control of the Receiver; and (ii) accounting for the funds in the accounts. Certain financial institutions that are listed on Exhibit A to the Receivership Order have informed the Receiver that they do not maintain one or more Legacy Accounts of the Receivership Entities. Other financial institutions have not yet responded to the Receiver's demands. Additionally, certain of the contacts provided to the Receiver were in fact not representatives of the institutions identified on Exhibit A to the Receivership Order. Others assert that they made proprietary investments in the SP Funds and are investors themselves. The Receivership Team is working with these institutions to understand the true nature of their relationships with the Receivership Entities.

The Receiver is continuing to attempt to contact those institutions that have not yet responded to take control of the Legacy Accounts. The Receiver will seek relief from this Court on these points if required.

Because the information at this time is incomplete, the Receiver will not report on the balances of the Legacy Accounts. Once the Receiver has gained access to all of the Legacy

Accounts, she will analyze and verify the sources and uses of funds into and out of the various Receivership Entities and determine what actions, if any, must be taken as a result.

3. The Escrow Funds

The PI Order provides that Martinsen, Castellero, and Lanaia (collectively, the “*Escrow Defendants*”)⁷ are required to pay \$15,000,000, plus certain unused retainer funds (collectively the “*Escrow Funds*”) into a segregated account established and under the control of the Receiver, with certain conditions. (PI Order, 7).

During the Initial Reporting Period, through a series of nine transfers between June 23, 2022 and July 8, 2022,⁸ the Receiver received Escrow Funds in the following amounts: \$188,182.45 in unused retainer funds and \$15,000,000 from the Escrow Defendants or entities under their control. While the Receiver has no reason to believe that the funds transferred by the Escrow Defendants are subject to claims by third parties, one of the transfers included a memo stating “LANAIA UNDER PROTEST IRS TAX \$.” The Receiver is in communication with the Escrow Defendants’ counsel to understand the meaning of this memo and its implication with respect to the Escrow Funds.

B. The Receivership Entities’ Financial and Operational Information

The Receiver directed her team to identify and take control of the Receivership Entities’ books and records as quickly as possible and thereafter analyze and, to the extent possible, verify all relevant information about the Receivership Entities. To that end, during the Initial Reporting Period, the Receivership Team engaged in multiple communications with the Individual

⁷ The Escrow Defendants include all of the Individual Defendants, except for Lachow. (Receivership Order, 3).

⁸ While the Escrow Defendants assert these transfers were timely made in accordance with the PI Order, the Receiver reserves her rights to dispute these assertions. *See e.g.* Letter Motion for Extension of Time to Provide Verified Accountings Required by the PI Order and Receiver Order (Dkt. 65).

Defendants' counsel to take control of the books and records, issued an initial written request for information to the Individual Defendants' counsel on June 21, 2022, and reviewed the Escrow Defendants' sworn statements provided on July 8, 2022 with respect to Receivership Assets and their individual assets.

As explained above, the Receiver has not had the ability to take full control of the books and records and thereby "step into the shoes" of the prior management of the Receivership Entities. Due to the Receiver's limited access to books and records of the Receivership Entities, the Receiver's investigation of the Receivership Assets during the Initial Reporting Period has been based on other sources of information, including public information on the docket in this action, communications from investors and parties-in-interest, the Individual Defendants' counsel, and the Receivership Entities' legacy outside tax preparer.

1. The Receiver's Initial Request for Information

Within days of the Receiver's appointment, and at her direction, the Receivership Team took immediate steps to gather the information most pertinent to her initial steps by sending the Individual Defendants' counsel an initial written request for information on June 21, 2022 (the "*Initial Request*"), which requested provision of the requested information on a rolling basis. The Initial Request sought information to help the Receiver understand the operations of the Receivership Entities and the Receivership Property, including information with respect to the investors in the SP Funds and the Pre-IPO Share holdings by fund. The Individual Defendants' counsel initially provided general responses by phone and written responses to the Initial Request were provided on July 7, 2022.

The Receiver continues to review these responses. In some instances, including responses with respect to investors and Pre-IPO Shares, the Individual Defendants' counsel notes that the

information is recorded in the Receivership Entities' books and records to which the Receiver is seeking to gain access.

2. Books and Records and Control of Data Systems

As required by the Receivership Order, the Receiver has taken steps to take control of the Receivership Entities' books and records. Thus far, the Receiver has been provided credentials for the Receivership Entities' public-facing website, the QuickBooks accounts, customer relationship management software, and phone services. The Receiver is working with the Individual Defendants' counsel to gain access to the respective accounts (some of which she has not yet been able to access), as well as to terminate the Individual Defendants' login or administrative capabilities with respect to certain accounts. Additionally, she has been provided electronic documents, such as W-9 forms and, as discussed above, the full bank and brokerage account numbers of the Legacy Accounts. Further, the Receiver has retrieved hard copy documents from the Individual Defendants, including documents located at the Receivership Entities' office in Jupiter, Florida (as discussed in section III.B.4), and 29 boxes of additional material, which the Individual Defendants notified the Receiver of on July 7, 2022, and which the Receiver retrieved on July 12, 2022 from one of the Individual Defendants' homes.⁹

Importantly, notwithstanding the Receivership Order's directive that the Individual Defendants must preserve and turn over to the Receiver forthwith all paper and electronic information, and books and records, relating to the Receivership Entities (Receivership Order, 6, 8), as noted, *supra*, the Individual Defendants took the position that a privilege protocol had to be established before providing the Receiver with access to the Outstanding Books and Records,

⁹Although the Receiver has agreed to retrieve these materials, she does so without waiver of the right to recoup this expense. *See* Receivership Order, 8-9, directing parties to "deliver" books and records to the Receiver.

including the Receivership Entities' email systems, cloud computing systems, the documents contained in those systems, and electronic hardware (other than as noted above).

The Receiver has advised the Individual Defendants that she believes that under law, she holds the Receivership Entities' attorney-client privilege with respect to pre-receivership communications (*see e.g. Commodity Futures Trading Comm'n v. Weintraub*, 471 U.S. 343, 358 (1985); *U.S. v. Shapiro*, No. 06 CR. 357(KMW)(FM), 2007 WL 2914218, at *6 (S.D.N.Y. Oct. 1, 2007) ("under *Weintraub*, it is the Receiver who has the authority to waive [the receivership entities'] attorney-client and work product protections")). As such, to the fullest extent possible, the Receiver reserves her right to challenge not only the Individual Defendants' application of the Privilege Provision beyond any reasonable scope, but also to seek to modify the Privilege Provision in the Receivership Order itself.¹⁰

In addition, the Receiver may be seeking Court intervention to determine whether the Individual Defendants may continue to assert the alleged privilege for the Receivership Entities, whether they are required to provide a privilege log in accordance with Local Rules or otherwise demonstrate the basis and propriety of their privilege claims, and whether the Individual Defendants waived any purported privilege including that of the Receivership Entities by, among other things, use of the electronic systems owned and controlled by the Receivership Entities.

The Receiver requested copies of the Individual Defendants and the Receivership Entities' respective engagement agreements with counsel to aid the Receiver in determining the propriety of the Individual Defendants' various claims of privilege, and is working with counsel for the

¹⁰ As noted, the Receivership Order in this case is unique insofar as these privilege issues are involved. The Receivership Team surveyed twenty (20) receivership orders from various districts across the United States, including this District. Of those twenty, *none* of them had the language in the Receivership Order that limits a receiver's rights to access and review "Pre-Appointment Privileged Materials" of the entities in receivership, and instead contained broad language that authorized the receiver to collect as much information and have as much unfettered access as possible to the receivership entities' own documents and information.

Individual Defendants for the turnover of those agreements. As noted, the Receiver fully reserves her right to request relief from this Court as to these issues.

Despite the differences in views, the Receiver and counsel for the Individual Defendants have been working cooperatively with each other and the Receiver is appreciative of the professional approach taken by counsel. As noted above, two days before the filing of this Initial Report, the Receiver and the Individual Defendants entered into a letter agreement (the “***Privilege Protocol Agreement***”) to establish a protocol by which the Receivership Entities’ Outstanding Books and Records and other information and data will be turned over to the Receiver, with the exception of materials that the Individual Defendants assert are subject to the Privilege Provision, while reserving the parties’ rights to challenge, or defend, such designations.

As noted, the Privilege Protocol Agreement establishes a procedure to preserve the Receivership Entities’ electronic systems while the parties work through the privilege issues described above, by hiring a third-party service provider, which has taken custody of the Receivership Entities’ computers and, has also taken control of certain of the Receivership Entities’ other data systems, including the email domain. The service provider will screen the data systems for Pre-Appointment Privileged Materials or Personal Privileged Materials based on the filters created by the Individual Defendants – as to which the Receiver has reserved all rights – and once the allegedly privileged material has been removed, all other data will be released to the Receiver, subject to the terms of the Privilege Protocol Agreement. This will allow the Receivership Team to begin analyzing much of the Receivership Entities’ books and records even as the Receiver attempts to resolve the open issues regarding privilege.

One reason why the Receiver is particularly concerned about her inability to fully access the Receivership Entities’ documents is that she is at risk of not being able to fully review the

Receivership Entities' pre-receivership affairs, even though she may need to make critical business decisions regarding certain purported holdings as early as September of this year.

The efforts to access the books and records of the Receivership Entities has consumed approximately 40% of the Receivership Team's time to date. Moreover, because the Receivership Entities' electronic data will need to be screened for Pre-Appointment Privileged Materials or Personal Privileged Materials, the electronic data will need to be stripped from its native format and the non-privileged materials will need to be hosted on e-discovery software for unknown periods of time. The Receiver has begun retention of e-discovery vendors, and based on preliminary discussions, anticipates that uploading and hosting the data will cost the Receivership Estate tens of thousands of dollars or more, not including ongoing licensing and user fees.

3. The Escrow Defendants' Sworn Statements

The Receivership Order and the PI Order require the Escrow Defendants (Martinsen, Castellero, and Lanaia) to provide sworn statements (the "***Sworn Statements***") with respect to, among other things, all Receivership Assets, all Individual Assets,¹¹ all liabilities of either the Receivership Entities or the Escrow Defendants, and the books and records of the Receivership Entities. The Sworn Statements were provided to the Receivership Team on July 8, 2022 and the Receivership Team is still reviewing them and reserves all rights with respect to the form and substance thereof. Moreover, because the Receiver has not yet accessed the Receivership Entities' Outstanding Books and Records, the Receiver has not yet been able to verify all of the information in the Sworn Statements as they pertain to the Receivership Entities.

¹¹ The Receivership Order defines "***Individual Assets***" as the personal assets of the Escrow Defendants, which include without limitation, the accounts and other property listed on Exhibit C to the Receivership Order.

The Escrow Defendants' counsel designated the Sworn Statements as confidential and subject to Protective Order,¹² and for this reason, the Receiver is not attaching the Sworn Statements to this Initial Report. However, the Receiver has worked with the Escrow Defendants' counsel to identify information from the Sworn Statements that the Receiver may disclose in this Initial Report. Counsel for the Individual Defendants has agreed to authorize the Receiver to describe the Sworn Statements of the Escrow Defendants in the below summary. As stated above, the Receiver has not independently verified the Sworn Statements.¹³ Moreover, the Receiver believes there is additional pertinent information contained in the Sworn Statements, including the dates in which the assets were purchased, and she will seek to work with the Individual Defendants to attempt to establish a protocol to disclose the additional information in subsequent reports. The summary of the Sworn Statements is as follows:

- The Escrow Defendants and certain of their family members, either directly or indirectly, hold financial accounts approximately totaling:
 - Mr. Martinsen: \$8,485,692
 - Mr. Castellero: \$786,702
 - Ms. Lanaia: \$1,931,887

¹² Although the Receiver, the Individual Defendants, and the SEC have had discussions regarding entering into a protective order, and the Receiver has been provided with drafts of a protective order, the Receiver is not aware of a protective order currently in effect.

¹³ Counsel for the Escrow Defendants did not confirm the accuracy of the Receiver's calculations in the summary.

- The Escrow Defendants own, either individually, with a family member, or through an entity they control, real property with a collective value ascribed by the Escrow Defendants totaling¹⁴:
 - Mr. Martinsen: \$3,003,333
 - Mr. Castellero: \$6,446,333
 - Ms. Lanaia: \$2,768,333
- The Escrow Defendants own, or their immediate family members own, vehicles with a collective value ascribed by the Escrow Defendants totaling:
 - Mr. Martinsen: \$1,220,000
 - Mr. Castellero: \$1,723,000
 - Ms. Lanaia: \$113,000
- Additional personal assets of Mr. Martinsen include boats, a propeller plane (\$70,000), watches, and jewelry in the approximate amount of \$580,000.
- Additional personal assets of Mr. Castellero include a shared ownership in a boat, interests in horse breeding and racing, loans to third parties, investments in restaurants, gold, and jewelry in the approximate amount of \$2,700,000.
- Additional personal assets of Ms. Lanaia include gold in the approximate amount of \$40,000.
- The Escrow Defendants have monthly expenditures, not including mortgage, income or property taxes in the approximate amount of:
 - Mr. Martinsen: \$50,750

¹⁴ Certain of the real property is owned by a business entity that is jointly owned by the Escrow Defendants. For the purposes of this summary, the value of that property has been allocated 1/3 to each Escrow Defendant.

- Mr. Castellero: \$32,887
- Ms. Lanaia: \$4,576

The Receiver will continue to review the Individual Assets of the Escrow Defendants.

4. Ownership of Pre-IPO Shares and Identification of Investors

The Complaint alleges that the Receivership Entities' business model was to acquire Pre-IPO Shares and then sell to investors an interest in an SP Fund Series that owned those Pre-IPO Shares. (Compl. ¶26). Each SP Fund was divided into segregated parts (a SP Fund Series) in which investors could purchase interests and each SP Fund Series purportedly held a set number of Pre-IPO Shares, or rights to Pre-IPO Shares, of a particular pre-IPO company. (Compl. ¶¶41-42). Allegedly, Martinsen, with assistance from Lanaia and Castellero, had primary responsibility for sourcing and acquiring Pre-IPO Shares on behalf of the SP Fund Manager, which they did through signing certain contracts to acquire Pre-IPO Shares on behalf of the SP Fund Manager. (Compl. ¶¶54, 56). As noted, the Individual Defendants deny all material allegations against them.

Once the Receiver obtains access to and control of the Receivership Entities' Outstanding Books and Records, in addition to the work she has already completed, she will continue to seek to ascertain the existence of the Pre-IPO Shares held by the SP Funds, how and by whom the Pre-IPO Shares were held, and the names and contact information for the investors in the Receivership Entities. As soon as the Receiver has confirmed an investor list in the Receivership Entities, she will mail notice of the Receivership Order to the investors.

Notwithstanding the absence of the Receivership Entities' Outstanding Books and Records, the Receiver has started to seek such information regarding, among other things, the Pre-IPO Shares and investors. In the Initial Request to the Individual Defendants' counsel, the Receivership Team requested a list of the investors and the Pre-IPO Share holdings by fund, and

the contact information with respect to the companies for which the Receivership Entities hold Pre-IPO Shares.

In response to the Initial Request, the Individual Defendants' counsel responded that information with respect to the list of investors and the funds' holdings is recorded in the Receivership Entities' books and records, including QuickBooks, "Welcome Letters," and tracking spreadsheets, stating it would be prudent for counsel for the Individual Defendants to work with the Receiver to compile accurate and complete information.

While the Receiver and her team have access to the QuickBooks account, it does not contain or provide access to the underlying documents to verify the information set forth in the QuickBooks data. Moreover, the QuickBooks account does not contain investor addresses or contact information. The Receiver's financial advisor has begun its review and analysis of the QuickBooks data, obtaining key reports and attempting to reconcile them with other available information. However, until the Receiver has complete access to the Outstanding Books and Records of the Receivership Entities, her team will not be able to definitively verify the QuickBooks entries. Notably, the Receiver has still not been granted administrative rights to the QuickBooks accounts by the Individual Defendants to enable her to remove the Individual Defendants' access and user accounts, but is working amicably with the Individual Defendants' counsel to resolve this issue, which appears to be technical, and has been informed by counsel for the Individual Defendants that they will not attempt to access the accounts. It is expected that the Receiver will obtain administrative authority shortly, failing which the Receiver may seek Court intervention.

Additionally, in the response to the Initial Request for information with respect to the Receivership Entities' holdings of Pre-IPO Shares, and in the Sworn Statements, the Individual

Defendants, or their counsel, also stated that the books and records contain documentation regarding the Receivership Entities' share acquisitions.

At this time, the Receiver cannot identify all of the investors in the Receivership Entities or the Receivership Entities' holdings in Pre-IPO Shares. The Receiver will continue her efforts to investigate these issues and anticipates taking steps, such as filing a motion to set a bar date for investors to submit information to the Receiver substantiating their interests in the SP Fund Series.

5. The Florida Office Space

Prior to the appointment of the Receiver, the SP Fund Manager and FLF Heritage LLC (the "**Landlord**"), entered into an Executive Suites Agreement for a lease through January 31, 2023 (the "**Lease**") of the premises located at 601 Heritage Drive, Suite 220, Jupiter, Florida 33458 (the "**Florida Office**"), at a monthly cost of approximately \$1,727.42 (as of the Receivership Commencement Date). During the Initial Reporting Period, members of the Receivership Team travelled to the Florida Office, with the Individual Defendants' counsel present, to inspect the space, and take control of hard copy documents and electronic devices, which included three computers. During this visit, the Receivership Team coordinated the receipt of the electronic devices by a third-party service provider. These devices may contain information important to the Receivership and they are currently being held independently, without providing access to the Receiver, subject to the procedures in the Privilege Protocol Agreement.

Additionally, the Receiver has analyzed the Lease and determined that it is in the best interests of the Receivership Estate to seek to terminate or assign the Lease before the end of the lease term. In the interim, the Florida Office has been closed so that expenses will be kept to a minimum. The Receivership Team is working with the Landlord to begin marketing the Florida Office to prospective tenants, as well as terminating unnecessary services (i.e., internet and

janitorial services) to reduce the monthly charges. Additionally, the Landlord has begun forwarding the Receivership Entities' mail to the Receiver.

6. Additional Purported Obligations of the Receivership Entities

The Receiver and her team are trying to identify all ongoing purported obligations of the Receivership Entities for the purpose of minimizing or eliminating them, including, for example, phone services (\$19.95 per line per month). The Receiver is becoming aware of other additional alleged obligations through conversations with counsel for the Individual Defendants, the Initial Request, and the Sworn Statements, and will promptly take action with respect to them. The Receiver is not yet aware of any taxes that may be owed by the Receivership Entities or other regulatory fees.

Further, the Receiver has been contacted by certain purported counterparties to contracts with the Receivership Entities. The Receiver and her team continue to review these communications to ascertain whether, in fact, the Receivership Entities may have obligations, and/or whether these purported transactions may present a beneficial economic opportunity for the Receivership Entities.

With respect to creditors of the Receivership Estate, the Receivership Team contemplates filing a motion to set a bar date for creditors to file claims.

The Receiver reserves her right to dispute any of the purported obligations of the Receivership Entities.

C. Communications with Parties-In-Interest and Receivership Administration

1. Communications with Investors and Other Parties-In-Interest

To facilitate communications with parties-in-interest, the Receivership Team has developed a dedicated website for this Receivership (<https://www.straightpathreceivership.com>). This

website provides investors and other interested parties with, among other things, periodic updates, access to court documents, and answers to frequently asked questions. Additionally, the Receiver has taken control of the Receivership Entities' pre-Receivership legacy website (<https://straightpathventurepartners.com/>), taken down and deactivated all legacy website content, and posted information regarding the Receiver's appointment and how to access the Receivership website.

The Receiver has also created a dedicated email address for inquiries (StraightpathReceiver@Otterbourg.com). As discussed above, in accordance with the Privilege Protocol Agreement, a third-party service provider is currently in control of the Receivership Entities' email domain (@straightpathvp.com). An automatic response for that domain has been established so that all incoming emails receive a response containing information about the Receiver's appointment and where to find additional information.¹⁵

Since establishing the website and e-mail address, the Receivership Team has received calls and correspondence from purported investors and creditors and is communicating with those parties. During the Initial Reporting Period, the Receivership Team received approximately sixty-five (65) investor and 3 creditor inquiries via email and phone. The scope of these inquiries has been diverse, ranging from individual investors, to domestic and international financial and investment advisors, to counterparties in purported pre-receivership transactions with the Receivership Entities.

The reception by the investor community has been positive to the openness of the Receiver's approach, which has led to a consistent flow of additional correspondence and follow-

¹⁵ In response to a question by the Receiver, counsel for the Individual Defendants have informed the Receiver that another domain name (@straightpath.email) exists, but that it was not created or authorized by the Receivership Entities and that they do not control the domain name.

up phone conversations. The Receiver seeks to keep open lines of communication with the various parties, and expects to continue to do so throughout the duration of this Receivership. Indeed, the Receiver looks forward to conducting periodic virtual “Town Halls.”

The Receiver has scheduled the first of what are expected to be regular virtual Town Halls for Thursday, July 28, 2022 at 12:00 pm EDT. This informational event is for all investors and parties-in-interest to learn more about the status of these proceedings. All parties that wish to attend the virtual Town Hall, either by computer or phone, must register in advance at the following link: https://otterbourg.zoom.us/webinar/register/WN_E0S-LR2rRuyQrOJjQObEVQ .

2. Retained Professionals

After the Court entered the Receivership Order, the Receiver filed an application to retain Otterbourg P.C. (“**Otterbourg**”) as her counsel to assist her in marshalling the assets of the Receivership Entities, accessing books and records, preparing a liquidation plan and distribution plan and status reports, commencing and defending litigation as needed, reviewing transaction documents, negotiating and preparing any necessary documents in connection with the disposal of assets, and analyzing the claims against the Receivership Estate. The Court approved the retention of Otterbourg on June 27, 2022. (Dkt. 67).

The Receiver also filed an application to retain Stout Risius Ross, LLC (“**Stout**”) as her financial advisor (the “**Stout Application**”) (Dkt. 62) to assist her with among other things, taking control and evaluating the Receivership Assets, assisting with the administration, and liquidation, of such assets and accounts, as necessary, assisting with understanding the financial affairs of the Receivership Entities, investigating possible causes of action to reclaim assets, and assisting with the review and analysis of the claims against the Receivership Estate. The deadline to object to

the Stout Application was July 5, 2022. No parties have objected to the Stout Application. The Stout Application remains under submission with the Court.

Finally, the Receiver filed an application to retain Stretto, Inc. (“***Stretto***”) as her administrative and claims agent (the “***Stretto Application***”) (Dkt. 64) to establish the necessary bank accounts, establish a website for the Receiver to communicate with parties-in-interest, provide noticing to parties-in-interest and provide claims administration and analysis. The deadline to object to the Stretto Application was July 8, 2022. No parties have objected to the Stretto Application. The Stretto Application remains under submission with the Court.

The Receiver is in the process of retaining a tax accountant to provide accounting services to the Receivership Estate, including preparing the Receivership Entities’ federal and state corporate tax returns and Form K-1s. Because the Receiver has not had full access to all the documents of the Receivership Entities, there may be a delay in completing and the filing of these tax statements and extensions may be required.

3. Filing of Receivership Order in the United States District Courts

In accordance with 28 U.S.C. § 754, and in an abundance of caution, the Receiver has sought to file copies of the Complaint and the Receivership Order in each and every United States District Court in the United States and its territories. The Receiver began this effort by first filing in the specific districts where the Receiver believed Receivership Property was most likely to be located.

4. Pending Litigation Against the Receivership Entities

The Receivership Order provides for a stay, with certain exceptions, of civil legal proceedings against the Receivership Entities, including the action styled *Advisory Management Ltd. v. StraightPath Venture Partners LLC*, Civ. No. 153453/2021 (N.Y. Sup. Ct.) (the “***State Court***”).

Litigation”).¹⁶ (Receivership Order, 12-13). In the State Court Litigation, Advisory Management Ltd. (“*Advisory*”) asserted a claim against SP Fund Manager for breach of contract, and sought a judgment against SP Fund Manager in the amount of \$43,530, alleging SP Fund Manager failed to pay Advisory commission it was owed in exchange for referring 54 customers to SP Fund Manager. On June 27, 2022, counsel for the Receiver filed a stipulation to change attorneys, substituting Otterbourg for Nelson Mullins Riley & Scarborough, LLP as attorneys for SP Fund Manager in the State Court Litigation. Additionally, counsel for the Receiver filed a letter stating that pursuant to the terms of the Receivership Order, the State Court Litigation is stayed and suggesting that the state court adjourn a hearing on the plaintiff’s Motion for Summary Judgment and a compliance conference scheduled for June 30, 2022. On June 27, 2022, the state court adjourned the June 30 hearing date to December 15, 2022, which will be used as a control date to revisit whether the receivership litigation stay remains in effect.

IV.

CONCLUSION

In accordance with the Receivership Order, the Receiver will submit a Quarterly Status Report within thirty days after the end of the second calendar quarter.

Dated: July 14, 2022
New York, New York

OTTERBOURG P.C.

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¹⁶ The State Court Litigation includes a companion action with the Index No. 155089/2021.