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5 *Successor Receiver*

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7 **UNITED STATES DISTRICT COURT**
8 **NORTHERN DISTRICT OF CALIFORNIA**
9 **SAN FRANCISCO DIVISION**
10

11 SECURITIES AND EXCHANGE
COMMISSION,

12 Plaintiff,

13 v.

14 JOHN V. BIVONA; SADDLE RIVER
15 ADVISORS, LLC; SRA
MANAGEMENT ASSOCIATES,
16 LLC; FRANK GREGORY
MAZZOLA,

17 Defendants, and

18 SRA I LLC; SRA II LLC; SRA III
19 LLC; FELIX INVESTMENTS, LLC;
MICHELE J. MAZZOLA; ANNE
20 BIVONA; CLEAR SAILING GROUP
IV LLC; CLEAR SAILING GROUP V
21 LLC,

22 Relief Defendants.
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Case No. 3:16-cv-01386-EMC

**DECLARATION OF KATHY BAZOIAN
PHELPS IN SUPPORT OF
ADMINISTRATIVE MOTION BY
RECEIVER KATHY BAZOIAN PHELPS
PURSUANT TO LOCAL CIVIL RULE 7-11
FOR ORDER AUTHORIZING EXECUTION
OF LOCK-UP AGREEMENT AND
APPROVING SALE OF SECURITIES
PURSUANT TO DISTRIBUTION PLAN**

Date: No Hearing Set
Time: No Hearing Set
Judge: Edward M. Chen

1 I, Kathy Bazoian Phelps, declare:

2 1. Pursuant to this Court’s Revised Order Appointing Receiver, entered February 28,
3 2019, I was appointed as the successor receiver (“Receiver”) in this case. I am also an attorney
4 duly licensed to practice in the State of California and am senior counsel at the firm of Diamond
5 McCarthy LLP (“Diamond McCarthy”). I have personal knowledge of the matters set forth
6 below and if called as a witness, I would and could testify competently to the matters stated
7 herein.

8 2. This declaration is made in support of the Motion by Receiver Kathy Bazoian
9 Phelps Pursuant to Local Civil Rule 7-11 for Order Authorizing Execution of Lock-Up
10 Agreement and Approving Sale of Securities Pursuant to Distribution Plan (the “Motion”).

11 3. I have consulted with counsel for the Securities and Exchange Commission and
12 members of the Investor Advisory Committee, who do not oppose the Motion.

13 4. I am advised that Palantir Technologies, Inc. (“Palantir”) intends to go public by
14 directly listing its shares on a publicly-traded exchange and that the direct listing may take place
15 before the end of September 2020. I have been requested by Palantir to sign a certain confidential
16 Lock-Up Agreement (the “Lock-Up Agreement”) in advance of its direct listing. The Lock-Up
17 Agreement will permit the estate to liquidate up to 20% of its Palantir holdings (i.e., 1,084,520
18 shares) expeditiously as soon as the stock becomes publicly traded and will eliminate substantial
19 uncertainty as to which of the estate’s Palantir shares may be publicly traded. The remaining 80%
20 of the estate’s Palantir holdings (i.e., 4,338,080) would be subject to a lock-up period ending after
21 Palantir reports its 2020 annual earnings (likely in early 2021).

22 5. The estate currently holds 5,422,600 shares of Palantir (the “Shares”), excluding
23 an additional 317,649 shares from EAC that are subject to restrictions and not yet allocated to the
24 estate in its transfer agent account. If I sign the Lock-Up Agreement, of the 5,422,600 shares,
25 1,084,520 would become freely tradeable upon the direct listing of Palantir.

26 6. Separately, if I do not sign the Lock-Up Agreement, I have been advised that the
27 total amount of shares not subject to restrictions is approximately 2.6 million. While it is
28 theoretically possible that I could sell and distribute those shares upon the direct listing, without

1 the certainty of the Lock-Up Agreement, I am advised that there may be substantial delay and
 2 expense to the estate in attempting to sell or distribute any Palantir shares that have not been
 3 preapproved by Palantir as freely tradeable (i.e., the 20% under the Lock-Up Agreement), as the
 4 Palantir transfer agent may have to verify that any shares the estate wishes to sell or distribute are
 5 in fact unrestricted. Such a process could be time-consuming, causing the estate to incur
 6 additional administrative costs, and would not have a certain outcome. However, once received, I
 7 could make a limited interim distribution of a portion of those 2.6 million shares above the
 8 amount to be sold for the Plan Fund and associated taxes. The amount and timing of such early
 9 interim distribution is unknown given the uncertainty in the price of the shares but would likely
 10 not exceed 20-35% of the allowed claims.

11 7. The total Gross Investment Amount for Palantir is \$32,551,706, and therefore 30%
 12 of that amount, or \$9,765,512, must be allocated to the Plan Fund pursuant to the terms of the
 13 Distribution Plan approved by the Court.

14 8. The price of Palantir is currently unknown, but the *net amount* of the sale, after
 15 taxes are set aside and commissions are paid, must equal the Plan Fund. The below table
 16 illustrates the number of shares that would need to be sold at a certain price in order for the net
 17 proceeds to be sufficient to fully fund the Plan Fund:

Sale Price Per Share	\$10.00	\$12.50	\$15.00	\$20.00	\$25.00
Total Shares to Sell	978,999	856,286	760,910	622,285	526,386
% of Shares Owned	18.1%	15.8%	14.0%	11.5%	9.7%
Gross Proceeds	\$9,789,990	\$10,703,575	\$11,413,650	\$12,445,700	\$13,159,650
Gain from Sale	\$-	\$2,140,715	\$3,804,550	\$6,222,850	\$7,895,790
Tax Holding (42.57%)	\$-	\$911,302	\$1,619,597	\$2,649,067	\$3,361,238
Commission (0.25%)	\$24,475	\$26,759	\$28,534	\$31,114	\$32,899
Net Proceeds	\$9,765,515	\$9,765,514	\$9,765,519	\$9,765,519	\$9,765,513

23 9. Since the Lock-Up Agreement will not permit the sale of more than 20% of the
 24 Shares, I do not plan to sell the Shares at less than \$10 per share to fund the Plan Fund. If the
 25 price exceeds the tax basis of \$10 per share, the estate will need to sell no more than 1,000,000
 26 Shares to on account of the Plan Fund. If I sign the Lock-Up Agreement, 1,084,520 Shares will
 27 become freely tradeable upon the direct listing of Palantir.

28 9. I am negotiating the commission structure for the sale of securities which will not

1 exceed 0.25% but I will continue to negotiate the rate and believe that I may obtain a flat fee per
2 trade at a substantially reduced cost.

3 10. The sale of the Shares as proposed in this motion will be exempt from the
4 registration requirements of the Securities Act of 1933, as amended, pursuant to Rule 144 of the
5 Securities and Exchange Commission and will be otherwise fully compliant with all applicable
6 laws and regulations under United States federal and applicable state securities laws. I expect to
7 file a further motion at the appropriate time for instructions on distribution when it is closer in
8 time to the expiry of the lockup period and I am then able to distribute shares to the investors.

9
10 I declare under penalty of perjury that the foregoing is true and correct. Executed on this
11 4th day of September 2020 at Los Angeles, California.

12 /s/ Kathy Bazoian Phelps
13 Kathy Bazoian Phelps
14 *Successor Receiver*
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