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*Successor Receiver*

**UNITED STATES DISTRICT COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**SAN FRANCISCO DIVISION**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

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

Defendants. and

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

Relief Defendants.

Case No.: 3:16-cv-01386-EMC

**MOTION BY RECEIVER KATHY  
BAZOIAN PHELPS FOR ORDER  
AUTHORIZING:**

- (1) FINAL DISTRIBUTION TO  
CLASS 3 UNSECURED  
CREDITORS;**
- (2) THIRD INTERIM  
DISTRIBUTION TO CLASS 4  
INVESTORS;**
- (3) FIRST INTERIM  
DISTRIBUTION TO CLASS 6A  
AND 6B INVESTORS;**
- (4) ALLOWANCE OF REMAINING  
FAILED INVESTMENT  
CLAIMS;**
- (5) EXTENSION OF TIME TO  
COMPLETE DISTRIBUTIONS**

Date: May 22, 2025

Time: 1:30 pm

Judge: Edward M. Chen

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Kathy Bazoian Phelps, the successor receiver (the “Receiver”) of SRA Management Associates, LLC, SRA I, LLC, SRA II, LLC, SRA III, LLC, Clear Sailing Group IV, LLC, Clear Sailing Group V, LLC, Felix Multi-Opportunity Fund I, LLC, Felix Multi-Opportunity Fund II, LLC, Felix Management Associates, LLC, NYPA Fund I, LLC, NYPA Fund II, LLC, NYPA Management Associates, LLC, and Solis Associates Fund LLC (collectively, the “Receivership Entities” and their estates the “Receivership Estate”), hereby files this Motion for an Order Authorizing: (1) Final Distribution to Class 3 Unsecured Creditors; (2) Third Interim Distribution to Class 4 Investors; (3) First Interim Distribution to Class 6A and 6B Investors; (4) Allowance of Remaining Failed Investment Claims; and (5) Extension of Time to Complete Distributions (the “Motion”). The Receiver has conferred with the Securities and Exchange Commission (“SEC”), the Investor Advisory Committee (“IAC”), and counsel for Progresso Ventures LLC and, except as noted herein, they do not have any response to the Motion.

## **I. INTRODUCTION**

In the instant Motion, the Receiver asks the Court for the following relief:

1. Authorization of a final distribution to Class 3 Unsecured Creditors pursuant to the distribution schedule attached as Exhibit “1” to the Declaration of the Receiver, which will provide a 100% return of principal investment to the Class 3 claimants, with a holdback of any distribution to Global Generation due to an ongoing dispute with its counsel and an asserted attorneys’ lien;
2. Authorization to make an interim distribution to the following subclasses of Class 4 pursuant to the distribution schedules attached as Exhibits “2” through “11” to the Declaration of the Receiver: Airbnb, Inc. (“Airbnb”), Bloom Energy Corp. (“Bloom”); Cloudera, Inc. (“Cloudera”); Dropbox, Inc. (“Dropbox”); Lyft, Inc. (“Lyft”); MongoDB, Inc. (“MongoDB”); Palantir, Inc. (“Palantir”); Pinterest, Inc. (“Pinterest”); Snap, Inc. (“Snap”); and Uber, Inc. (“Uber”) (collectively, the

“Publicly Traded Securities”);<sup>1</sup>

3. Authorization to make an interim distribution to Class 6A and 6B Investors pursuant to the distribution schedules attached as Exhibits “12” and “13” to the Declaration of the Receiver;
4. Modification of the Plan to allow Remaining Failed Investment<sup>2</sup> claims to be paid from the SEC segregated funds in the Anne Bivona Funds account pursuant to the distribution schedules attached as Exhibit “14” to the Declaration of the Receiver, and authorization to make distributions pursuant to Exhibit “14”;<sup>3</sup>
5. Authorization to pay any administrative or wire fees or any other reasonable administrative expenses necessary to make the distributions in this Motion;
6. Setting a deadline by which any Claimant wishing to receive a distribution by wire transfer must provide the Receiver with valid wire instructions. Otherwise, the Receiver shall make distribution by check to each claimant at the claimant’s last known address; and
7. An extension of time to complete the distributions beyond May 2025, as required by the Plan. (Plan at 20).

The matters that will remain following these distributions are: (1) distributions to Addepar, Evernote, and Lookout investors; (2) distributions to Class 5 creditors, which includes deficiency claims of Class 4 investors who have not yet received a 100% return of the

<sup>1</sup> Distributions of funds from the recent sales of Evernote Corp. (“Evernote”), Lookout, Inc. (“Lookout”), and Addepar, Inc. (“Addepar”) will be deferred pending conclusion of the tax review period. Since a receiver may be held personally liable for unpaid federal income taxes pursuant to 31 U.S.C. § 3713, it is imperative that the estate hold these Reserves to fund any unanticipated tax liability before any distributions are made.

<sup>2</sup> The Remaining Failed Investments consist of Aliphcom DBA Jawbone, Badgeville, Inc., Glam Media, Inc., Jumio, Inc., Odesk Corp., and Virtual Instruments Corp. (the “Remaining Failed Investments”). The other Failed Investments, Candi Controls and Practice Fusion, have separately been addressed in Classes 6A and 6B.

<sup>3</sup> There was no accommodation in the Plan for the claims arising from the Failed Investments. The Motion to Modify the Plan addressed a subcategory of Failed Investments (Candi Controls and Practice Fusion) that generated tax benefits for the estate, but left the handling of the other Failed Investments (the Remaining Failed Investments) to be addressed in the future.

1 principal investment amount<sup>4</sup>; (3) possible future distributions to Failed Investment claimants  
2 from the SEC Disgorgement Funds if additional funds are received; and (4) disposition of the  
3 pre-IPO ZocDoc, Inc. shares.

4 Since the Receiver's Distribution Plan (the "Plan," Dkt. No. 570-1) was approved by  
5 this Court on May 25, 2020 (Dkt. No. 613),<sup>5</sup> the Receiver has largely completed  
6 implementation of the Plan, distributing over \$83 million in stock and nearly \$8 million in cash  
7 to investors. The Receiver has also filed her tax returns, including for the years in which the  
8 bulk of the estate's tax liability with respect to the distribution was incurred, 2020 and 2021.  
9 As part of her motions to distribute shares, sell for taxes, and hold administrative reserves (Dkt.  
10 Nos. 617, 638, 657, 663), the Receiver has also requested minor modifications to the Plan,  
11 most notably to hold the administrative reserves in the form of cash for each of the Publicly  
12 Traded Securities.

13 The completion of the distribution of Publicly Traded Securities, made possible in part  
14 by Palantir and Airbnb becoming Successful Investments after the Plan was approved, along  
15 with the filing of the 2020 and 2021 tax returns, has removed much of the uncertainty that  
16 existed when the Plan was approved at a time when the bulk of the estate's value was locked  
17 into pre-Initial Public Offering ("IPO") securities. Now that the financial impact to investors  
18 of the distributions to Class 4 investors is much more certain, the Receiver files the current  
19 Motion to obtain authorization to distribute the cash reserves to the Class 4 investors holding  
20 claims in the Publicly Traded Securities, following the closure of the three-year tax audit period  
21 for the Internal Revenue Service ("IRS"), but still holding sufficient funds in reserve in the  
22 Plan Fund and the Tax Holding accounts through the conclusion of the four-year review period  
23 for the California Franchise Tax Board, which will occur in April 2026.

24  
25 <sup>4</sup> Whether the Class 4 investors will receive a 100% payout on their principal investment  
26 amounts will depend on whether the Failed Investments are included in the deficiency  
27 analysis. As set forth herein, the Receiver does not recommend including the Failed  
28 Investments in the Deficiency Analysis, which would result in a 100% payout to the Class 4  
investors.

<sup>5</sup> Any capitalized term not defined herein shall have the meaning ascribed to it in the Plan.

## II. BACKGROUND

### A. Distribution Plan and Its Modifications

#### 1. The Original Plan

The Plan created five classes of claims: (1) Class 1: Administrative Claims; (2) Class 2: Priority Claims (consisting solely of tax claims); (3) Class 3: Unsecured Creditor Claims, consisting of just under \$10 million in cash claims; (4) Class 4: Investor Claims, consisting of fourteen subclasses for each of the securities held by the estate at the time the Plan was approved<sup>6</sup>; and (5) Class 5: Subordinated Claims consisting of \$1.65 million in known cash claims plus Investor Deficiency Claims. (Plan at 10-13.). A subsequent modification of the Plan created Class 6, with two new subclasses: Class 6A for Practice Fusion and Class 6B for Candi Controls.

As the primary intent of investments in the Receivership Entities was generally to receive securities in the various underlying companies once they went public or had a similar liquidity event, the Plan was structured to distribute the securities held by the estate once they became a Successful Investment. (Plan at 18-19.) A Successful Investment was one for which a liquidity event had occurred, such as an initial public offering or a direct listing. (Plan at 7.) Such a liquidity event would allow the shares in the company to become freely tradeable, which

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<sup>6</sup> The Class 4 subclasses are:

- 4A: Addepar
- 4B: Airbnb
- 4C: Bloom Energy
- 4D: Cloudera
- 4E: Dropbox
- 4F: Evernote
- 4G: Lookout
- 4H: Lyft
- 4I: MongoDB
- 4J: Palantir
- 4K: Pinterest
- 4M: Snap, Inc.
- 4N: Uber
- 4O: ZocDoc

1 would allow them to be distributed to investors, unlike pre-IPO shares which are generally not  
2 freely tradeable.

3 The Plan also recognized that under the applicable tax laws that govern the  
4 Receivership Estate, which is a Qualified Settlement Plan (“QSF”) under IRS regulations, the  
5 estate would be responsible for significant taxes with respect to the sale or distribution of the  
6 shares, and that the sale of shares would be required to satisfy those significant tax obligations.  
7 (Plan at 19.) The Plan also recognized that the estate needed cash to satisfy Class 1, 2, 3, and  
8 5 Claims, and that the assets of the estate were the shares in the underlying securities. The Plan  
9 therefore required that once a liquidity event occurred, each subclass of Class 4 Claims was  
10 required to contribute 30% of the total gross investment in that security to the Plan Fund, by  
11 sale of the underlying stock. (Plan at 15-16.)

12 The Plan recognized that, due to inherent challenges in valuing pre-IPO stock, it would  
13 be necessary to engage a valuation expert to determine the tax bases for the various shares in  
14 the estate, which in turn determined the estate’s tax liability. (Plan at 19.) In order to protect  
15 the estate and the Receiver from the chance of a later challenge to that tax basis by a taxing  
16 authority, the Plan also allowed the Receiver to retain an administrative stock reserve in the  
17 Publicly Traded Securities to ensure that the estate had sufficient funds to satisfy all tax  
18 obligations, known and unknown. (Plan at 18-19.)

19 **2. First, Second, and Third Plan Modifications (Administrative**  
20 **Reserves)**

21 Once the Receiver began to implement the Plan, it became clear that the Receiver  
22 would be able to minimize the amount of administrative reserves held if she could hold those  
23 reserves as cash rather than stock, as the estate would not be exposed to future fluctuations in  
24 the stock price. Upon the distribution of Palantir, Airbnb, and upon the second distribution of  
25 the remaining Publicly Traded Securities, the Receiver moved this Court to modify the Plan to  
26 convert those administrative reserves to cash, which this Court granted in each instance. (Dkt.  
27 Nos. 638, 657, 663.) The further modifications set forth in the Motion to Modify the Plan  
28



1 finalized that process, taking into account the actual 2020 and 2021 tax returns, so that the  
 2 Class 4 Reserves could be segregated as indicated in those prior motions for each subclass until  
 3 they were needed or the IRS review period passed.

4                   **3.       Fourth Plan Modification (Practice Fusion, Candi Controls, and**  
 5                   **Investor Deficiency Claims)**

6           On October 31, 2023, the Court granted the Receiver’s Motion to Modify the Plan in  
 7 its entirety (Dkt. No. 716) (“Plan Modification Order”). The Receiver took steps pursuant to  
 8 the Plan Modification Order, including the following:

- 9           1.       Completed the process begun with Palantir, Airbnb, and MongoDB, and created  
 10                   a separate cash Class 4 Reserve subaccount for each of the other Publicly  
 11                   Traded Securities, funded with the prior sales of those Publicly Traded  
 12                   Securities to ultimately pay cash distributions to the Class 4 claimants by  
 13                   investment subclass.
- 14           2.       Adjusted the Class 4 Reserve for each Publicly Traded Security to reflect the  
 15                   tax burden or benefit for each Security based upon the actual tax burden or  
 16                   benefit to the estate associated with each of the Publicly Traded Securities.
- 17           3.       Created a Class 6A for Practice Fusion and a Class 6B for Candi Controls,  
 18                   funded from the tax benefits Practice Fusion and Candi Controls provided to  
 19                   the estate.

20           The Plan recognized that a number of companies in which investors had invested  
 21 through SRA had failed and categorized those as Failed Investments. Because those companies  
 22 would have failed regardless of any alleged malfeasance by the former managers of the  
 23 Receivership Entities, the Plan does not allow for a distribution on claims for Failed  
 24 Investments. Two of those investments, Practice Fusion and Candi Controls, failed after the  
 25 receivership was created, which resulted in a substantial loss to the estate. At the time the Court  
 26 approved the Plan, those losses had been carried forward, but the estate had not yet realized  
 27 any benefit from those losses, and so the Court reserved judgment on how to treat claimants in  
 28

1 Practice Fusion and Candi Controls. As a result of the gains in 2021, reflected in the 2021 tax  
2 return, the estate has realized a tax benefit of over \$1 million for Practice Fusion and over \$1.8  
3 million for Candi Controls. The Receiver therefore asked for authorization from the Court in  
4 the Motion to Modify the Plan to allocate those funds to a new class of claimant – Class 6A  
5 for Practice Fusion and Class 6B for Candi Controls – to be distributed at a later date. The  
6 Court approved the creation of these classes pursuant to order entered on October 31, 2023  
7 (Dkt. No. 716).

8 Additionally, the Receiver sought clarification regarding the methodology to calculate  
9 Class 5 deficiency claims. Class 5 contemplated that a shortfall of shares to each investor would  
10 be treated as an Investor Deficiency Claim, but at the time there was insufficient information  
11 to determine the balance of the equities as to how those deficiencies would be calculated and  
12 apportioned. (Plan at 18.) The financial picture of the estate was clearer when the Receiver  
13 filed the Motion to Modify the Plan. The Receiver believed there was sufficient information to  
14 further specify how such Investor Deficiency Claims should be calculated and proposed a  
15 solution in the Motion to Modify the Plan. The Court adopted the Receiver's recommended  
16 methodology that deficiency claims be calculated on a per investor basis, as opposed to per  
17 investment. (Dkt. No. 704).

#### 18 **4. Fifth Plan Modification (Evernote Shares)**

19 The Plan contemplated that investments would either be Successful Investments that  
20 underwent an IPO or similar transaction, or Failed Investments. As explained to the Court in  
21 the Receiver's motion to sell shares in Evernote (Dkt. No. 670), it was in the best interest of  
22 the estate to liquidate Evernote such that it was neither a Successful Investment nor a Failed  
23 Investment. The Plan contemplates a contribution of 30% of the gross investment in a security  
24 to the Plan Fund for IPO shares, as a precondition for distribution after such security becomes  
25 a Successful Investment. Evernote did not have an IPO. The Receiver therefore proposed a  
26 new distribution methodology for Class 4F (Evernote) claimants in the Motion to Modify the  
27 Plan that accounted for the specific circumstances of the Evernote sale, and obtained  
28

1 authorization to bypass the Plan's requirement to contribute 30% of the Evernote investors'  
 2 gross investment. (Dkt. No. 716). Evernote was sold at a loss, and the benefit to the estate in  
 3 tax savings following the sale of the Publicly Traded Securities far outweighed fulfilling the  
 4 Plan's original requirements. That tax benefit was allocated to the Evernote investors.

5 **5. Sixth Plan Modification (Addepar Shares)**

6 The Receiver similarly obtained approval to modify the Plan to accommodate the sale  
 7 of the estate's Addepar shares, which also was neither a Successful Investment nor a Failed  
 8 Investment. (Dkt. No. 748). The Plan was modified to permit the sale of the estate's shares in  
 9 Addepar and the net proceeds to be held in a reserve account for Addepar investors. Addepar  
 10 also did not have an IPO and was still on the secondary market. The Receiver did not believe  
 11 it was appropriate to withhold 30% of the Addepar investors' gross investment and obtained  
 12 authorization to segregate the full amount of the net sales proceeds for the benefit of the  
 13 Addepar investors.<sup>7</sup>

14 **6. Seventh Plan Modification (Lookout Shares)**

15 Lookout was also neither a Successful Investment nor a Failed Investment, and the  
 16 Receiver obtained approval to modify the Plan to accommodate the sale of the estate's  
 17 economic interest in the Lookout shares and to hold the net proceeds in a reserve account for  
 18 the benefit of the Lookout investors. (Dkt. No. 755). Because of the severe restrictions on the  
 19 Lookout shares and lack of market interest, Lookout was sold at a loss. The Receiver believes  
 20 that the transaction was the best way to maximize the value of the estate's holdings in Lookout.  
 21 Similar to the Evernote transaction, the estate obtained tax savings from the Lookout  
 22 transaction. The tax loss from the Lookout sale offset the tax consequences from the sale of  
 23

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24 <sup>7</sup> The Receiver later obtained authorization to transfer the tax benefit from the loss from the  
 25 Lookout sale ("Tax Loss Savings") to the Lookout Reserve account because the loss from the  
 26 Lookout sale eliminated gains on Addepar entirely. The Receiver was authorized to allocate  
 27 the Tax Loss Savings from the reserve account held for the Addepar investors to the Lookout  
 28 Reserve Account in the amount of tax savings derived from offsetting the loss from the sale of  
 the estate's interest in the Lookout Shares against any tax liability arising from the sale of the  
 Addepar shares.

1 the Addepar shares. The Receiver obtained authorization to allocate the amount of savings  
2 from this tax loss to the Lookout investors in the newly formed Lookout Reserve account. *Id.*

3 **B. Summary of Prior Distributions Pursuant to Plan**

4 In December 2020, after Palantir went public and the Receiver was able to increase the  
5 Plan Fund by nearly \$10 million, this Court approved a distribution to Class 3 Unsecured  
6 Creditor Claims of 80% of their total allowed Class 3 Claims. (Dkt. No. 631). By January 2021,  
7 the Receiver completed that distribution, distributing \$7,721,752.95 to Class 3 claimants, with  
8 an additional \$1,930,438.28 remaining on those claims.

9 Beginning in July 2020, and continuing in four separate distributions until August  
10 2021, the Receiver sold the necessary shares for the ten Publicly Traded Securities to fund the  
11 Plan Fund, pay necessary taxes and commissions, and to hold appropriate administrative  
12 reserves. The Receiver also completed the distributions of the shares in the Publicly Traded  
13 Securities to the claimants, and the estate is no longer in possession of shares in those securities.  
14 A summary of the sale, distribution, and tax impact to the estate for each of the Publicly Traded  
15 Securities is attached to the Receiver's Declaration in support of the Motion to Modify the Plan  
16 as Exhibit 1 (Dkt. No. 704-1).

17 **C. Remaining Issues**

18 The entire Plan was subject to further equitable adjustments (Plan at 20), as it was not  
19 clear at the time which investments would be successful – with significant uncertainty around  
20 Palantir, by far the estate's largest holding – and whether the Plan would result in some  
21 claimants receiving a full distribution of the value of their claims while others would not. The  
22 Receiver did not propose that any distribution of cash be made until the tax review period for  
23 the 2021 tax year had passed (anticipated in April 2025).

24 With resolution of the issues addressed by the Receiver's several motions to modify  
25 the Plan, the following issues and actions remain in the case at this time:

- 26 (1) Complete the distribution of the remaining 20% owing to the Class 3 Unsecured  
27 Creditors in the total amount of \$1,930,438.28 pursuant to the schedule set forth in  
28

Exhibit “1.”

- (2) One Unsecured Creditor in Class 3, Global Generation, is engaged in a dispute with its former counsel who has asserted an attorney’s lien against the distribution owing to Global Generation. The remaining amount owing to Global Generation is \$447,275.26. Absent a resolution of the dispute between Global Generation and its counsel, the Receiver intends to withhold distribution to Global Generation and will ultimately have no choice but to file an interpleader action if the parties cannot agree upon a resolution. The Receiver requests the Court order Global Generation and its counsel to provide instructions to the Receiver regarding the distribution no later than ten days from the Court’s Order on this Motion.
- (3) Complete the distribution of the Cash Reserves held on account of the following subclasses in Class 4B, 4C, 4D, 4E, 4H, 4I, 4J, 4K, 4M, 4N, 6A, and 6B pursuant to the schedules set forth in Exhibits “2” through “13.”
- (4) Hold the cash reserves for the following Class 4 subclasses: Addepar – 4A; Evernote – 4F; and Lookout – 4G, pending conclusion of the tax review period anticipated to occur in May 2029;
- (5) Determine how the SEC disgorgement funds obtained from Relief Defendant Anne Bivona and Defendants John Bivona and Frank Mazzola (the “Disgorgement Funds”) should be allocated, and make distribution of the Disgorgement Funds pursuant to the schedule set forth in Exhibit “14” if the recommended proposal is approved by the Court. The SEC supports the Receiver’s proposal that the Disgorgement Funds be used to provide a distribution to the investors in the Remaining Failed Investments (most of which are also Class 4 Investors). The SEC and the Receiver have conferred about whether to include these distributions in the determination of Class 5 Investor Deficiency Claims. The Receiver recommends, and the SEC supports, that the Failed Investment claims and the distributions made on those claims from the SEC Disgorgement Funds should not be included in the

1 Deficiency Analysis.

2 **III. PROPOSED DISTRIBUTIONS**

3 **A. Final Distribution to Class 3 Unsecured Creditors**

4 Pursuant to the Plan, the Receiver is required to sell certain of the estate's security  
5 holdings, in the amount of 30% of the Gross Investment Amount, in order to fund the Plan  
6 Fund. The Plan provides that the Plan Fund is to be used to pay Class 1 Administrative Claims  
7 (primarily the Receiver's fees and costs and the costs and fees of professionals retained by the  
8 Receiver), Class 2 Priority Claims (tax claims to the extent there is any shortfall in the Tax  
9 Holding Account), Class 3 Unsecured Creditors, and, if there is a surplus in the Plan Fund after  
10 other classes are paid, Class 5 Subordinated Claims.

11 In consultation with her professionals, the Receiver concluded that a distribution of  
12 80% of the Class 3 allowed claims was appropriate, for a total cash distribution of \$7,721,753.  
13 The Court granted the Receiver's Motion to Make Interim Distribution to Class 3 Claimants  
14 (Dkt. No. 629) on November 9, 2020 (Dkt. No. 631). That left nearly \$4.6 million remaining  
15 in the Plan Fund following distribution, which accrued interest.

16 The Receiver believes in conservative management of the Plan Fund and the estate,  
17 and is mindful of the fact that many of its tax basis valuations are pre-IPO. The Receiver is  
18 confident in the correctness and reasonableness of those valuations, but wished to be cautious  
19 in the event that a higher tax liability was ultimately assessed. Additionally, the time horizon  
20 of this case was unknown as some of the securities remain pre-IPO. There are also outstanding  
21 Class 1 Administrative Claims in the form of holdbacks, currently in the amount of  
22 \$295,620.97 (as of December 31, 2024). For these reasons, and after consulting with her  
23 accountants, the Receiver believed that an 80% distribution to Class 3 claims would leave a  
24 sufficient reserve for any unanticipated taxes and future administrative expenses.

25 The remaining amount of Class 3 claims is \$1,930,438.28. The schedule in Exhibit "1"  
26 to the Receiver's declaration sets forth the exact amount that would be paid on each Class 3  
27 Claim in this final distribution. The Receiver respectfully requests that the Court grant the  
28

Receiver authority to make a final distribution to Class 3 claimants, in the amount of 20% of their allowed cash claims, with the exception of the distribution to Global Generation as set forth below.

**B. Reserve Distribution to Particular Class 3 Unsecured Creditor**

An attorneys' lien has been asserted by the law firm of Lubin Olson against the proposed distribution to Global Generation, one of the Class 3 Unsecured Creditor Claims, which is contested by Global Generation. The Receiver has repeatedly urged Lubin Olson and Global Generation to resolve their dispute and has advised them that, absent a written resolution, the Receiver is unable to make a distribution on account of that claim with respect to the disputed amount. The dispute remains unresolved as of this time, and the Receiver asks the Court to authorize the Receiver to reserve the distribution for this Class 3 Claimant in the Plan Fund for the time being. The Receiver will have no choice but to file an interpleader action if the parties are unable to work out their disagreement. The Receiver asks the Court to order Global Generation and its counsel to provide instructions to the Receiver regarding the distribution no later than ten days from the Court's Order on this Motion.

**C. Third Interim Distribution to Class 4 Investors**

Under the structure of the Plan, Class 4 is divided into subclasses by security, and each subclass is responsible for the taxes arising from the disposition of the associated security. As such, shares of each security were sold to pay for the tax burden associated with the disposition of that security, leaving fewer shares to distribute to that subclass. The Receiver believes that, under the same logic, to the extent that the disposition of a security provided a quantifiable tax benefit to the estate, the associated subclass should receive that benefit from the Tax Holding Account into its Class 4 Reserve. Following the filing of the 2021 tax return, the Receiver proposed in the Motion to Modify the Plan to use the numbers from the actual returns, combined with the actual results of the stock sales, to fix the Class 4 Reserve.

Therefore, the total Class 4 Reserve for each Publicly Traded Security began with the cash the estate received from the sale of that security's stock (and in the case of MongoDB,

the Sabrin Settlement as well (*see* Status Report for First Quarter 2023, Dkt. No. 700, at 4-5)), less the contribution to the Plan Fund. If the total tax impact from the disposition of that security was a cost to the estate, that cost was deducted from the reserve. If the total tax impact from the disposition of that security was a benefit to the estate, that benefit was added to the reserve (from the Tax Holding Account). A comparison of the estate's cash position before and after the proposed transfers is attached to the Receiver's Declaration in support of the Motion to Modify the Plan as Exhibit 2 (Dkt. No. 704-1).<sup>8</sup>

The Plan Modification Order authorized the Receiver to hold each Class 4 Reserve until the three-year audit period for the estate's 2021 tax return lapsed. Any unused portion of each Class 4 Reserve may be distributed to such subclass, *pro rata* based on Allowed Shares, subject to any equitable adjustment.

The Receiver proposes that each Class 4 Reserve be paid as cash to Class 4 claimants. The Receiver has prepared schedules of the impacted investors by subclass and the distribution of to those investors. Those schedules are attached to the Receiver's Declaration as Exhibits "2" through "11."

**D. Distribution to Class 6A and 6B Investors**

**1. Tax Benefits from Failed Investments (Candi Controls and Practice Fusion)**

In the Court's Order approving the Plan, the Court suggested that the tax benefit to the estate associated with the Failed Investments might be fairly distributed to the investors in those investments. (Dkt. No. 613, ¶ 5.) The estate realized nearly \$7 million in losses with respect to Candi Controls in 2018 and Practice Fusion in 2019. Both of those losses were carried forward to 2020, where they were applied (along with operating losses) to reduce the estate's 2020 tax burden to zero, and they were further carried forward to 2021 to further reduce the estate's tax burden by being netted against the substantial gains the estate realized in its

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<sup>8</sup> Exhibit 2 also contains the proposed adjustments for Evernote and Failed Investments, discussed *infra*. Once the final tax liabilities of the estate are determined, the Receiver expects to propose to collapse the remainder of the Tax Holding Account into the Plan Fund.



disposition of the Publicly Traded Securities.

<b>TAX BENEFITS: Candi Controls and Practice Fusion</b>			
<b>Security</b>	<b>Loss</b>	<b>Date of Loss</b>	<b>Benefit to Estate</b>
Candi Controls	(\$4,285,560.00)	5/3/2018	\$1,824,328.61
Practice Fusion	(\$2,552,000.00)	4/17/2019	\$1,086,365.98
<b>Total</b>	<b>(\$6,837,560.00)</b>		<b>\$2,910,694.59</b>

These specific tax benefits were realized by lowering the tax burden of the estate. Because these tax benefits relate to specific investments, the Receiver proposed in the Motion to Modify the Plan the creation of two separate Class 6 subclasses for each investment: Class 6A for Practice Fusion and Class 6B for Candi Controls. The Receiver further proposed that the realized benefit to the estate for each of those two investments, up to the total Allowed Shares, be transferred to a newly created Class 6A Practice Fusion Reserve, and a Class 6B Candi Controls Reserve.

The Receiver has prepared schedules of the impacted investors and the estimated *pro rata* distribution of these tax benefits to those investors. Those schedules are attached to the Receiver's Declaration as Exhibits "12" and "13."

#### **E. Administration of Distributions**

The Receiver respectfully requests the Court to authorize the Receiver to pay any administrative or wire fees or incur any other reasonable administrative expenses necessary to make the distributions proposed in this Motion.

The Receiver also requests the Court to order any claimant wishing to receive a distribution by wire transfer to provide the Receiver with valid wire instructions no later than May 1, 2025. Otherwise, the Receiver intends to make distribution by check to each claimant at the claimant's last known address.

#### **IV. REMAINING FAILED INVESTMENT CLAIMS**

The Receiver proposes modifying the Plan to establish a new Class for the Remaining Failed Investments, which consist of Aliphcom DBA Jawbone, Badgeville, Inc., Glam Media,

1 Inc., Jumio, Inc., Odesk Corp., and Virtual Instruments Corp. (the “Remaining Failed  
 2 Investments”).<sup>9</sup> Claimants invested a total of \$11.7 million in the Remaining Failed  
 3 Investments. The Court previously disallowed those claims, as the investors’ losses were not  
 4 attributable to the SRA managers’ malfeasance. Under the Plan, the investors in the Remaining  
 5 Failed Investments will have received no distribution whatsoever on account of their Failed  
 6 Investment claims..

7 The SEC has advised the Receiver that it supports her proposal to recommend  
 8 distribution of the SEC’s Disgorgement Funds for the purpose of making a pro rata distribution  
 9 to these investors in this class of Remaining Failed Investments. The Receiver currently holds  
 10 \$2,359,620.95 (as of December 31, 2024) as the Disgorgement Funds that have come from  
 11 three sources – Anne Bivona, John Bivona, and Frank Mazzola. These funds have not  
 12 otherwise been allocated to any class.

13 The Receiver recommends, and the SEC supports, that the ultimate disposition of these  
 14 segregated funds should be to distribute the funds pro rata to the investors in the Remaining  
 15 Failed Investments. The Receiver recommends, and the SEC supports, the creation of a new  
 16 class called Remaining Failed Investments “Class 7,” and believes that distributions to the  
 17 Remaining Failed investments Class 7 shall not be used in the calculations of the Class 5  
 18 investor deficiency claims.

#### 19 **1. Anne Bivona Funds**

20 The Disgorgement Funds obtained by the SEC are not assets of the Receivership Estate  
 21 and may be distributed or transferred at the SEC’s discretion on receiving any necessary Court  
 22 approval. Plan at 17. The Plan defined “Disgorgement Funds” or “Fair Fund” as “monies  
 23 collected by the Commission that are ordered paid to the Commission or the Receivership  
 24 pursuant to a final judgment entered in this case.” Plan at 3. The Plan provided for a checking  
 25 account established by the Receiver to accept Disgorgement Funds or Fair Fund monies from  
 26

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27 <sup>9</sup> The other Failed Investments, Candi Controls and Practice Fusion, have separately been  
 28 addressed in Classes 6A and 6B as set forth above.

the Commission, subject to any limitations on disbursement required by the Commission, and the Receiver created an account referred to as “Anne Bivona Funds” for this purpose. Plan at 3-4.

In the SEC’s Complaint, the SEC asked the Court to enter an order requiring Defendants and Relief Defendants including Anne Bivona to “to disgorge their ill-gotten gains.” Compl. at 24. John Bivona had diverted approximately \$1 million from the SRA Funds to Anne Bivona. *Id.* ¶ 18. The SEC also received a distribution from the Bivona estate on account of its claim in the John Bivona bankruptcy in the amount of \$32,039.21, which were deposited in the segregated Anne Bivona Funds account held by the Receivership Estate on November 17, 2021. *See* Chapter 7 Bankruptcy Proceeding of John Vincent Bivona, No. 16-12961-SCC, in the United States Bankruptcy Court for the Southern District of New York.

## 2. Frank Mazzola Bankruptcy

On December 5, 2024, the court in the Chapter 11 Bankruptcy Proceeding of Frank Gregory Mazzola (the “Debtor”), No. 23-21589, in the United States Bankruptcy Court for the District of New Jersey, issued an Order Confirming the Debtor’s Plan of Reorganization (“Confirmation Order”), which contained provisions with respect to the claim filed by the SEC including the following:

The Debtor will remit total payments to the SEC in the amount of \$4,134,421.09, the amount owed to the SEC as of November 6, 2024, (the “SEC Claim Amount”) as outlined below. Interest accrues pursuant to 28 USC § 1961 upon the SEC Claim Amount at the rate of 1.7% per annum. The SEC Claim Amount, with interest accrued, is nondischargeable, as provided in 11 USC §§ 523(a) and 1192 and will not be discharged or released notwithstanding any provisions in the [Debtor’s] Plan or this Confirmation Order to the contrary. Any amounts owed by nondebtor or third parties to the SEC will not be discharged or released notwithstanding any provisions in the [Debtor’s] Plan or this Confirmation Order to the contrary.

Commencing on January 2, 2025, and on the first day of each month thereafter, unless the first day of the month falls on a weekend or holiday, then the payment shall be on the next business day, the Debtor will remit the following minimum monthly payments to the SEC: (i) \$10,000.00 for six consecutive months; (ii) followed by \$15,000.00 for twelve consecutive months; (iii) followed by \$30,000.00 for twelve consecutive months; (iv) followed by \$50,000.00 for twelve consecutive months, and (v) followed

1 by \$68,360.00 for eighteen consecutive months.  
2 Confirmation Order at 10-12.

3 The Debtor is to satisfy his obligation to the SEC by remitting the above listed monthly  
4 payments to the Receiver in this case pursuant to the Final Judgment in this case against Frank  
5 Mazzola. *Id.* at 11. Pursuant to the Final Judgment in this case, the amounts paid to the  
6 Receiver will be held in a separately identified account and shall satisfy the obligation set forth  
7 in the Final Judgment. *Id.* at 12. The Receiver will deposit the payments in the segregated  
8 Anne Bivona Funds account.

9 In addition, “the balance of \$1,769,507.433” was remitted to the Receiver on behalf of  
10 the SEC from the proceeds from the sale of the Debtor’s residence pursuant to the Confirmation  
11 Order by remitting the amount to the Receiver within 10 days of the Confirmation Order.  
12 Confirmation Order at 14. This payment will apply to the joint and several debt of Frank and  
13 Michele Mazzola pursuant to the Final Judgment against Frank Mazzola in this case.  
14 Confirmation Order at 15.

15 The Receiver has received the payment of \$1,779,507.433 and has deposited it in the  
16 segregated Anne Bivona Funds account. The Receiver received an additional payment of  
17 \$5,000 in March 17, 2025, which has not been included in the calculations in this Motion which  
18 cut off as of February 28, 2025. Each of the above payments the Receiver receives will also be  
19 deposited in that account going forward, so the Receiver anticipates that a further distribution  
20 will be made to Remaining Failed Investment claimants at a later date.

21 **3. Proposed Distribution Method for Remaining Failed Investment**  
22 **Claims**

23 The Receiver proposes the following method to distribute the Disgorgement Funds to  
24 the Remaining Failed Investment claimants in proposed Class 7 pursuant to the Schedule  
25 attached as Exhibit “14.”

26 While many of the investors in Class 7 are the same investors in Class 4, the Receiver  
27 does not believe it is appropriate to include the deficiency claims of Class 7 in the global  
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1 deficiency analysis prepared by the Receiver for purposes of calculating the Class 4 investors'  
2 Class 5 deficiency claims. The Receiver has calculated that the total deficiency claims for the  
3 Class 4 investors after inclusion of the proposed distributions set forth in this Motion as well  
4 as the anticipated distributions to be made to Addepar, Evernote, and Lookout investors that  
5 will total approximately \$1,679,000. On the other hand, if the Failed Investment claims are  
6 included in the analysis, the total deficiency claims will be approximately \$3,050,000.

7 The Receiver believes that following distribution to Class 1, 2, 3 and 4 investors, and  
8 including reserves for future and unpaid administrative claims, she will have available cash  
9 remaining in the estimated amount of \$4,826,016.76.

10 Since the proposed distribution to the Failed Investment claimants is independent of  
11 the distribution scheme set forth in the Plan, as modified herein, the Receiver proposes to make  
12 the distributions as set forth on Schedule 14 at the same time as distributions are made to Class  
13 4 and 6 investors. Since many of the investors are the same, including all cash distributions per  
14 investor in one distribution will increase efficiency and cost savings to the estate.

15 The Receiver notes, however, that additional payments are to be received from Mazzola  
16 and will become a part of the SEC Disgorgement Funds, so a future distribution to the Failed  
17 Investments will likely occur in any event.

18 **V. CLASS 5 DISTRIBUTION**

19 Under the Plan, Class 5 consists of subordinated claims and Investor Deficiency  
20 Claims. "Investor Deficiency Claim" means "any remaining unpaid Investor Claim (Class 4)  
21 following distribution of shares pursuant to the terms of the Plan that should be calculated as  
22 follows: The gross dollar amount invested by an Investor less 30% of the gross investment  
23 amount, less the Investor's pro rata share of the total dollar value generated to fund the Tax  
24 Holding Account, less the value of any shares actually distributed to the Investor under the  
25 terms of this Plan calculated as the posted value of those shares as of the close of business on  
26 the dates that the shares are actually distributed to the Investor." Plan at 5.

27 Following the distributions to Classes 3, 4, and 6, the amount remaining in the estate is  
28

essentially the definition of Investor Deficiency Claims under the Plan. Class 5 is made up of Investor Deficiency Claims (approximately \$956,670) and Non-Investor Claims (\$1,652,936.43).

The Class 5 claimants, who will share *pro rata* in the remaining funds after distribution to Classes 1 - 4 and 6, are as follows:

Progresso Ventures	\$552,936.43
Kenneth Lacey	\$500,000.00
Alexander Pisemski	\$500,000.00
Carsten Klein	\$100,000.00
Investor Deficiency Claims	\$956,670

The allocation of distributions to Class 5 claimants will depend on whether Failed Investments are included in the deficiency analysis for the Class 4 deficiency claims. As set forth above, the total deficiency claims for the Class 4 investors is anticipated to be approximately \$956,670, or possibly lower if the cash position of the estate has increased due to accrued interest prior to the time of distribution. On the other hand, if the Failed Investment claims are included in the analysis, the total deficiency claims would be approximately \$2,269,804 and the total Class 5 claims would be \$3,922,740.

Without the Failed Investment claims included in the deficiency analysis, as is recommended by the Receiver, the total Class 5 claims is approximately \$2,609,606. Barring unforeseen circumstances, Class 5 claimants may also be paid in full. However, the Receiver believes it is appropriate to wait to distribute to Class 5 claimants because the the four year tax review period for the state of California will not close until April 2026. While the federal review period will close April 2025, California has an additional year. The Receiver has worked with her accountants to calculate an appropriate and reasonable reserve for any possible tax issues at the state level, and her accountants have concluded that such reserve is less than the amount of surplus funds that the Receiver will remain holding for the benefit of

the Class 5 claimants. As such, the Receiver does not anticipate making a distribution to Class 5 claimants any earlier than May 2026.

#### **VI. SUMMARY OF CASH DISTRIBUTIONS AND REMAINING CASH**

A summary of the waterfall distribution of funds in this case is anticipated to occur along the following lines. The Receiver notes, however, that the cash position of the estate may increase due to accruing interest, and the amount of the Class 5 deficiency claims may decrease due to slightly larger distributions if the cash position has increased. Accordingly, the following figures are estimates and are subject to change.

Cash on Hand <sup>10</sup>	\$28,736,375.46
Administrative Reserves <sup>11</sup>	\$(302,605.27)
Anticipated Future Administrative Costs	\$(250,000.00)
Class 3 Distributions	\$(1,930,438.28)
Class 4 Distributions (all subclasses)	\$(18,581,188.95)
Class 6 Distributions	\$(2,846,126.20)
<b>Total Cash Remaining for Class 5</b>	<b>\$4,826,016.76</b>
Class 5 Non-Investor Claims	\$(1,652,936.43)
Class 4 Investor Deficiency Claims (est)	\$(956,670)
<b>Total Cash Remaining</b>	<b>\$2,216,410.33<sup>12</sup></b>

The waterfall of funds set forth above is a demonstrative only of the fact that, barring any unforeseen circumstances, there will likely be sufficient cash available to pay all classes, including Class 5 – the subordinated claims – in full. For purposes of clarity, the Receiver sets forth below a summary of the cash position now (as of February 28, 2025) and the cash position

<sup>10</sup> This figure excludes the Disgorgement Funds and is as of February 28, 2025.

<sup>11</sup> This figure reflects the amount of professional fee holdbacks previously awarded but not yet paid.

<sup>12</sup> This amount reflects a possible surplus of funds to be held until final distribution. Any distribution of surplus funds will be subject to further Court order.

following the proposed distribution to be made at this time (i.e. to Class 3 and most of Class 4, but not to Class 5 at this time).

### Current Cash Position

Plan Fund	\$4,809,606.10	Class 3 distribution, Pinterest and Uber to be distributed from Plan Fund
Tax Holding Account	\$130,271.12	To be transferred to the Plan Fund Account
Addepar	\$1,512,168.48	Not to be paid now
Airbnb	\$129,419.01	
Bloom Energy	\$722,706.69	
Candi Controls	\$1,698,997.97	
Cloudera	\$135,066.58	
Dropbox	\$119,008.46	
Evernote	\$416,992.84	Not to be paid now
Failed Investments	\$2,371,000.00	
Lookout	\$378,074.48	Not to be paid now
Lyft	\$72,523.51	
MongoDB	\$174,925.35	
Palantir	\$14,628,264.00	
Pinterest	\$3,474.31	To be paid from Plan Fund
Practice Fusion	\$1,147,128.23	
Snapchat	\$288,215.24	
Uber	\$350.00	To be paid from Plan Fund

### Cash Position Following Proposed Distribution

Plan Fund	\$2,875,343.51	Class 3 distribution, Pinterest and Uber to be distributed from Plan Fund
Tax Holding Account	\$130,271.12	
Addepar	\$1,512,168.48	Not to be paid now
Airbnb	0	
Bloom Energy	0	
Candi Controls	0	
Cloudera	0	
Dropbox	0	
Evernote	\$416,992.84	
Failed Investments	0	
Lookout	\$378,074.48	



Lyft	0	
MongoDB	0	
Palantir	0	
Pinterest	\$0.00	Paid from Plan Fund
Practice Fusion	0	
Snapchat	0	
Uber	\$0.00	Paid from Plan Fund

## **VII. EXTENSION OF TIME TO COMPLETE THE DISTRIBUTIONS**

The Plan provided that the “Receiver will complete the distributions required by the Plan within five years from date the Plan is approved by the Court, unless an application is filed with and approved by the Court to extend the time to complete the distributions.” Plan at 20. The Plan was approved by this Court on May 25, 2020 (Dkt. No. 613), requiring the Receiver to complete distributions by May 25, 2025. The Receiver requires an extension of time to complete the distributions required by the Plan. Unfortunately, due to the length of the tax review period, the Receiver presently does not believe that she can complete the distributions to the Evernote, Addepar and Lookout investors until at least 4 years following the filing of the 2024 tax return, which is anticipated to be filed in May 2025. Accordingly, the Receiver requests an extension of time to make all distributions until at least July 2029.

## **VIII. THE PROPOSED CHANGES ARE FAIR AND EQUITABLE**

The Court’s power to determine appropriate procedures for administering a receivership is “extremely broad.” *SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986); *see also SEC v. Basic Energy*, 273 F.3d 657, 668 (6th Cir. 2001); *SEC v. Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992). The “primary purpose of equity receiverships is to promote orderly and efficient administration of the estate by the District Court for the benefit of creditors.” *Hardy*, 803 F.2d at 1038. As such, the Court has wide latitude when it exercises its inherent equitable power to approve a plan of distribution of receivership funds. *SEC v. Forex Asset Mgmt. LLC*, 242 F.3d 325, 331 (5th Cir. 2001) (affirming district court’s approval of plan of distribution because court used its discretion in “a logical way to divide the money”) (quoting *United States*

1 v. *Durham*, 86 F.3d 70, 73 (5th Cir.1996)); *Quilling v. Trade Partners, Inc.*, 2007 WL 107669,  
 2 at \*1 (W.D. Mich. 2007) (same). In approving a plan of distribution in a receivership, “the  
 3 district court, acting as a court of equity, is afforded the discretion to determine the most  
 4 equitable remedy.” *Forex*, 242 F.3d at 332. The Court may adopt any plan of distribution that  
 5 is logical, fair, and reasonable. *See, e.g., SEC v. Wang*, 944 F.2d 80, 83-84 (2d Cir. 1991);  
 6 *Basic Energy*, 273 F.3d at 671; *Quilling*, 2007 WL 107669 at \*1.

7 The Receiver believes the proposed modifications to the Plan are logical, fair, and  
 8 reasonable.

### 9 **IX. CONCLUSION**

10 For the foregoing reasons, the Receiver respectfully requests that this Court grant the  
 11 Motion and authorize the Receiver to (1) make a final distribution to Class 3 claimants; (2)  
 12 make an interim distribution to most Class 4 investors; (3) make an interim distribution to  
 13 Class 6A and 6B investors; (4) reserve the distribution for Class 3 Unsecured Creditor Global  
 14 Generation; (5) modify the Plan to allow Remaining Failed Investment Claims to be paid from  
 15 the Disgorgement Funds; (6) exclude the Remaining Failed Investment Claims from the  
 16 deficiency analysis for Class 5 Investor Deficiency Claims; (7) pay any administrative or wire  
 17 fees or incur any other reasonable administrative expenses necessary to make the distributions  
 18 in this Motion; and (8) extend the time to complete the distributions through July 2029.

19 The Receiver also requests the Court order: (1) Global Generation and Lubin Olson to  
 20 provide instructions to the Receiver regarding the distribution no later than ten days from the  
 21 Court’s Order on this Motion; and (2) any claimant wishing to receive a distribution by wire  
 22 transfer to, within 14 days after the date of the Court’s Order, provide the Receiver with valid  
 23 wire instructions. Otherwise, the Receiver shall make distribution by check to each claimant  
 24 at the claimant’s last known address.

25 The Receiver requests all other appropriate relief.  
 26  
 27  
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1 Dated: April 7, 2025

RAINES FELDMAN LITTRELL LLP

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3 By: /s/ Kathy Bazoian Phelps  
4 Kathy Bazoian Phelps  
5 *Successor Receiver*  
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