

**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 FIRST QUARTERLY STATUS REPORT TO THE COURT

Melanie L. Cyganowski, the receiver (the “**Receiver**”) for StraightPath Venture Partners LLC (the “**SP Fund Manager**”), StraightPath Management LLC (the “**SP Advisor**”), 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, SP Ventures Fund 9 LLC (collectively, the “**SP Funds**” and together with the SP Fund Manager and the SP Advisor, the “**Receivership Entities**” or “**StraightPath**”), by her undersigned counsel, hereby submits this First Quarterly Status Report, covering the period from the date of her appointment, June 14, 2022, through and including June 30, 2022 (the “**Reporting Period**”), as required by the Consent Order Appointing Receiver [Dkt. No. 56] (the “**Receivership Order**”), entered on June 14, 2022 (the “**Receivership Commencement Date**”), which appointed the Receiver for the estate of the Receivership Entities (the “**Receivership Estate**” or “**Receivership**”).¹

¹ The Receiver already reported on a portion of her activities during the Reporting Period in her Initial Status Report to the Court [Dkt. No. 70] (the “**Initial Report**”), dated July 14, 2022. Given this timing, this report will include descriptions by the Receiver of activities that occurred both during and after the Reporting Period.

I. PRELIMINARY STATEMENT

Although much remains to be done, the Receiver, with the assistance of her legal and financial advisors (collectively, the “*Receivership Team*”)², has made significant progress in this case, including the following:

A. Communications with investors and other parties-in-interest

It is particularly important to the Receiver that investors and other parties-in-interest are kept informed of, and understand, the Receiver’s efforts.³ To that end, the Receiver mailed an initial letter introducing herself and the Receivership to over 1,500 addresses listed in StraightPath’s QuickBooks accounts, believed to be addresses of certain investors, and is working to identify the addresses for the remaining investors, particularly approximately 600 investors in SP Ventures Fund 9.⁴ Additionally, the Receiver held a “Town Hall” forum on August 1, 2022 via a Zoom Webinar that was open to the public during which she introduced herself, made clear that she and the Receivership Team were available to discuss the Receivership process and provided an update and answered questions with respect to the Receivership. Over 230 participants signed up for the Town Hall and a recording and transcript of the presentation has been posted to the Receivership Website (<https://www.straightpathreceivership.com/>), which the Receiver created to inform investors and creditors about Receivership activities. Since her

² The Receivership Team includes Otterbourg P.C. (“*Otterbourg*”) as the Receiver’s legal counsel, Stout Risius Ross, LLC (“*Stout*”) as the Receiver’s financial advisor, and Stretto, Inc. (“*Stretto*”) as her claims and noticing agent. Additionally, by application dated August 16, 2022, the Receiver seeks to retain the Berkeley Research Group, LLC as her tax advisor.

³ The Receiver has a duty to the Court and to all stakeholders, including investors in the SP Funds and creditors of the Receivership Entities. See https://www.sec.gov/oiea/investor-alerts-bulletins/ib_receivers.

⁴ Counsel for Brian K. Martinsen, Michael A. Castillero, Francine A. Lanaia, and Eric D. Lachow (collectively, the “*Individual Defendants*”) has informed the Receiver that the information for the individual investors in SP Ventures Fund 9 was not fully compiled into a central database, or list, prior to the Receivership, thus requiring the Receiver to search through, and review, hundreds of thousands of documents to create a database of these investors for purposes of providing K-1 statements, notice of the claims process and other information about the Receivership.

appointment, the Receivership Team has received or made over 550 individual communications by phone and email with parties-in-interest, including receiving inquiries from over 367 investors and parties-in-interest. To promote open communication, the Receiver has designated a member of the Stout team to act as an investor liaison to communicate with investors in the first instance, respond to each inquiry and/or to bring such communications to the attention of other members of the Receivership Team for a further response, as appropriate.

Based on the communications received to date and other information that the Receivership Team has accessed, it appears, preliminarily, that the investors in StraightPath are varied in their age, geography and level of experience in financial and investment markets. Certain investors have advised the Receivership Team that they cannot easily access or operate a computer. The Receivership Team is therefore documenting, when advised, of each investor's communication preference, to ensure that they receive information from the Receivership in the manner that is most accessible to them. Of note, many investors have stated that they are facing financial hardship as a result of not being able to monetize their investments in StraightPath. The investors are concerned about the funds they contributed to StraightPath – in some instances, their retirement savings or borrowed funds – and they question whether they will ever recover their investments, in whole or in part, and if so, in what form (i.e., cash or shares).

B. Assets of the Receivership Estate

To efficiently maximize value for investors, as promptly as possible, the Receiver has taken the following steps in administering the Receivership Estate, among others:

First, taking control of the Receivership Property (as defined in the Receivership Order), including bank and brokerage accounts, and identifying and seeking to take control of all interests of Pre-IPO assets (the “*Pre-IPO Assets*”) held by the SP Funds, directly or through intermediaries.

Bank and Brokerage Accounts: The Receivership Team has been communicating with the financial institutions that hold StraightPath’s pre-existing bank and investment accounts (the “*Legacy Accounts*”) for the purposes of (i) transferring the accounts to the exclusive control of the Receiver, (ii) obtaining online access, (iii) accounting for the funds in the accounts, and (iv) securing the ability to review historical financial activity. To date, the Receiver has taken control of 12 active bank accounts and 20 active brokerage accounts at several financial institutions.⁵ Currently, the total assets in the Legacy Accounts under the Receiver’s control are \$6,279,979, comprised of cash of \$1,832,272 and other assets of \$4,447,707. Additionally, the Receiver is holding approximately \$15,171,505 in an account established by the Receiver to hold the “Escrow Funds” (as defined in the Stipulated and Consent Order Imposing Preliminary Injunction and Other Relief [Dkt. No. 55] (the “*PI Order*”)).

Pre-IPO Assets: Based upon the Receivership Team’s preliminary findings, the Pre-IPO Assets are held through complex legal and financial arrangements with third-parties that require continued efforts to have those assets transferred, to the extent possible, to the direct custody and control of the Receivership Estate. StraightPath purchased Pre-IPO Assets using various methods, including through entities that acquired interests on behalf of StraightPath, as well as purchasing assets in StraightPath’s name. Based on the Receivership Team’s preliminary review of StraightPath’s financial records, StraightPath remitted funds to over 25 entities, and hundreds of individuals, for the purpose of acquiring Pre-IPO Assets. These interests were varied, including but not limited to:

- Interests in Special Purpose Vehicles. The Receivership Team’s preliminary investigation and analysis appears to demonstrate that StraightPath invested in special purpose

⁵ In addition, the Receiver has taken control of 18 accounts which were closed before the Receiver’s appointment or had a zero balance at the time of the Receiver’s appointment.

vehicles (“*SPVs*”), which are non-StraightPath entities controlled by third-parties. These third-parties, in turn, invested in financial instruments to own interests in Pre-IPO Assets.

- Forward Contracts. The Receivership Team believes some of the Pre-IPO Assets may be held as “forward contracts.” Among other mechanisms, these forward contracts include agreements pursuant to which the purchaser makes an upfront payment to an employee of a Pre-IPO company to purchase securities that are restricted from being transferred at the time of the contract. Once the securities become transferable (e.g. after a company makes an initial public offering), the securities are transferred to the purchaser.

- Direct Shares. The Receivership Team believes some of the Pre-IPO Assets may be held as “direct shares.” Among other mechanisms, these direct shares were purchased through agreements to purchase interests in Pre-IPO companies. Based on the Receivership Team’s preliminary findings, these Pre-IPO Assets are not held in a StraightPath account, but StraightPath’s holdings are reflected on the Pre-IPO companies’ books, records, and capitalization tables.

Identifying and taking control of all of these Pre-IPO Assets will take time. To that end, the Receiver is identifying all intermediaries that hold shares or interests in shares on behalf of StraightPath and is seeking the transfer of those shares and interests to the Receiver on an amicable basis in the first instance. The Receivership Team has also sought information from others, including the Individual Defendants, through counsel, and will continue to do so. Based on the foregoing and the Receivership Team’s analysis of StraightPath’s holdings, the Receiver expects that a substantially complete inventory of the holdings will be reported in the next status report.

Second, monitoring the Pre-IPO Assets and determining how to administer those assets. Due to the complexity of StraightPath’s holdings, and as further explained below, the Receiver has

not yet determined whether it is best to hold (and distribute in-kind or cash) or liquidate all or a portion of the Pre-IPO Assets, once identified and secured. The Receivership Team is monitoring the market for Pre-IPO Assets so that the Receiver has sufficient information on hand. However, given the often indirect means by which the SP Funds hold beneficial interests in pre-IPO Assets, it is not clear yet whether a distribution in-kind is achievable in any respects.⁶

Adding to this complexity is that the market has changed significantly over the last year. Indeed, in the week before the filing of this Status Report, *The Wall Street Journal* reported that the IPO market faces its “worst year in two decades.” A copy of this article is attached hereto as **Exhibit B**.⁷ “Klarna,” one of the Pre-IPO companies in which StraightPath appears to have invested, is featured in this article, and reportedly recently cut its valuation by 85% in a recent fundraise in the private market.⁸ According to another report, another company in which StraightPath apparently invested, “Triller,” recently called off a reverse-merger, its public offering date is speculative, and its creditors recently filed a lawsuit against it seeking \$28 million for allegedly defaulting on its debts.⁹ Finally, according to news sources, yet another company that StraightPath appears to have invested in “Kraken,” which runs a cryptocurrency exchange, is reportedly the subject of an investigation by the United States Treasury Department for allegedly

⁶ Additionally, once a Pre-IPO company goes public, holders of Pre-IPO shares may be subject to a “lock up” period, which could restrict trading of the shares for a period after an initial public offering.

⁷ *IPO Market Faces Worst Year in Two Decades. ‘Really Hard Pill to Swallow.’*, Corrie Driebusch, *The Wall Street Journal* (available at <https://www.wsj.com/articles/ipo-market-faces-worst-year-in-two-decades-startups-11661181427>).

⁸ *Id.*; *Klarna valuation plunges 85% to \$6.7 billion as ‘buy now, pay later’ hype fades*, Ryan Browne, CNBC (available at <https://www.cnn.com/2022/07/11/klarna-valuation-plunges-85percent-as-buy-now-pay-later-hype-fades.html>).

⁹ *Short-video app Triller calls off SeaChange merger, says it will pursue IPO*, Nivedita Balu, Reuters, June 14, 2022 (available at <https://www.reuters.com/technology/short-video-app-triller-seachange-call-off-5-bln-merger-2022-06-14/>); *Short video app Triller confidentially files for U.S. IPO*, Manya Saini, Reuters, June 30, 2022 (available at <https://www.reuters.com/markets/europe/triller-confidentially-files-us-ipo-2022-06-30/>); *Swizz Beatz, Timbaland sue Triller for \$28 million in missing payments*, Taylor Lorenz, *The Washington Post*, August 16, 2022 (<https://www.washingtonpost.com/technology/2022/08/16/timbaland-triller-verzuz-lawsuit/>).

violating sanctions.¹⁰ The Receivership Team, which includes professionals with expertise in private investments, is monitoring and assessing the market conditions with respect to the Pre-IPO Assets.

Third, the Receivership Team must review and confirm investors and creditors' claims against the Receivership Estate to ensure that only investors and creditors who are entitled to distributions receive them. While in some receiverships the Receiver initiates a claims process later in the process, here, the Receiver recognizes the need to commence the claims reconciliation process earlier on precisely because of the interest expressed by certain investors for an in-kind distribution. Therefore, shortly after the Receiver compiles the contact information for the investors in SP Ventures Fund 9, among others, the Receiver will file a motion with the Court for authorization to establish a bar date for investors and creditors to submit claims substantiating their rights against the Receivership Entities. This process will provide investors and creditors with ample notice and time to submit their claims and supporting documentation and will also provide a process for claimants to dispute the Receiver's determinations as to those claims, including before the Court, if necessary.

Fourth, before seeking Court approval of any distribution of Receivership Property, as required by the Receivership Order, or any plans to use the Escrow Funds to purchase additional Pre-IPO Assets, the Receiver must review StraightPath's records to understand the pre-Receivership financial affairs of StraightPath, including but not limited to, allegations of commingling of funds and the shortfall of interests in the Pre-IPO Assets.

The Receiver is aware that certain investors, and the Individual Defendants, do not believe that this is necessary because any shortfall or commingling can be remedied by using the

¹⁰ *Kraken, a U.S. Crypto Exchange, Is Suspected of Violating Sanctions*, Ryan Mac and David Yaffe-Bellany, The New York Times (available at: <https://www.nytimes.com/2022/07/26/technology/kraken-crypto-iran.html>).

approximately \$14 million dollars of “Escrow Funds” to make up any alleged shortfall, and thereby allow the investors to receive what they “bargained” for when they invested in StraightPath. However, the reality is not that simple. As a threshold matter, the Securities and Exchange Commission’s complaint alleges that the shortfall is “*at least*” \$14 million across seven Pre-IPO companies. Accordingly, if the shortfall is greater than \$14 million, or there has been substantial commingling, or the value of the Pre-IPO Assets has fallen substantially, the assets of the Receivership may not be sufficient to afford a full recovery to all investors. Further, the Receiver needs to determine the components of the alleged shortfall. She must answer questions such as: (i) whether the shortfall affects a discrete group of investors; (ii) did the shortfall accumulate over time, either within a particular SP Fund or across all SP Funds, and hence involve more than one subset of investors; and (iii) whether the shortfall in one SP Fund was remedied by investor contributions made in other SP Funds?

The commingling of funds is also an important element that the Receiver must consider in formulating a plan of distribution, as it may significantly impact who is and who is not entitled to a distribution. Further, based on the Receivership Team’s preliminary review of StraightPath’s governing documents and private placement memoranda, investors in StraightPath only own undivided interests in particular SP Funds, which are limited liability companies, and not the assets held by any SP Fund itself (i.e., the Pre-IPO Assets).¹¹

¹¹ At 5:32 p.m. (EDT), on Friday, August 26, 2022, counsel for the Individual Defendants emailed a letter to the Receiver titled “Plan Regarding Shortfalls in Pre-IPO Shares,” which provides a proposal to the Receiver to use the Escrow Funds to purchase pre-IPO assets “to cover any potential shortfall that may be identified by the Receiver.” (the “*Defendants’ Proposal*”). The Receiver is reviewing the Defendants’ Proposal, and will respond to the Individual Defendants as promptly as possible. However, for the reasons stated in this status report, making a decision with respect to the Defendants’ Proposal is complex because among other things: (i) the assets of StraightPath are held by third-parties subject to the structure and cash flow of financial instruments, (ii) the outstanding investments in StraightPath need to be verified, (iii) there are allegations of commingling of funds of StraightPath that need to be reviewed, and (iv) the shortfall may be far greater than \$14 million. While the Receivership Team is promptly proceeding to understand a highly complex situation, StraightPath’s email and computer data – comprised of hundreds of thousands of documents – was only released to the Receiver less than a month ago after the Individual Defendants

C. Administration of the Receivership Estate

In addition to the above steps, and as explained below, the Receiver has been diligently administering the Receivership Estate, by among other things:

- Obtaining StraightPath's documents, especially electronic documents such as the StraightPath operational documents and email accounts, including, at the insistence of the Individual Defendants, negotiating a protocol to exclude the Receiver's access to allegedly privileged materials, as provided for in the Receivership Order. The Receiver only obtained access to the Receivership Entities' data from its email systems and computer systems on August 8, 2022, over seven weeks after her appointment, after being excluded from accessing allegedly privileged materials that the Receivership Order forbade her to review, including material that is subject to the Receivership Entities' own privilege. Upon review, the Receivership Team has discovered that the books and records are in a state of disarray.
- Taking steps to be tax compliant, including by seeking the retention of the Berkeley Research Group, LLC ("**BRG**") [Dkt. No. 80], as the Receiver's tax advisor, to assist with tax issues in the case, including among other things, (a) preparing and timely filing 2021 tax returns and issuing Schedule K-1s, which were not filed as of the time of the Receiver's appointment and are due as of September 15 of this year, (b) preparing and filing tax returns during the Receivership, and (c) advising on strategies to minimize the taxes that might become due as a result of the distribution of assets during the Receivership.

insisted that a privilege protocol was necessary, having failed to prepare the books and records in advance for the turnover, which they consented to in the Receivership Order, rendering the Receiver unable to begin her work on day one. Additionally, the condition of the pre-IPO market is reportedly the worst it has been in two decades. The Receiver has concerns about the risks of using the Escrow Funds to invest in risky assets that might be illiquid for years into the future, lose significant value, or become worthless. Further, the Defendants' Proposal includes the possibility of further commingling, which the Receiver must consider.

- Responding to a request by counsel for the Individual Defendants for (i) reimbursement of approximately \$1.17 million in initial legal fees and costs incurred by the Individual Defendants in May and June 2022 in connection with the defense of the above-captioned action (the “**SEC Action**”), and an investigation by the Department of Justice (the “**DOJ Investigation**”), and (ii) for advancement of the legal fees and costs incurred by the Individual Defendants going forward, in unknown amounts (the “**Demand**”).
- Communicating with StraightPath’s legacy accountant to obtain documents with respect to StraightPath’s tax filings and QuickBooks records, necessary for filing StraightPath’s 2021 tax returns.
- Working with the landlord of StraightPath’s leased office space located in Jupiter, Florida to terminate the lease, which has been completed.
- Working on understanding any regulatory fees that may be due by the Receivership Entities, as well as other purported obligations.

II. SUMMARY OF OPERATIONS OF THE RECEIVERSHIP

A. Appointment of Receiver

On June 14, 2022, the Court entered (i) the Receivership Order, which appointed the Receiver; and (ii) the PI Order. Under the terms of the Receivership Order, the Receiver was granted broad powers and duties.

To assist her with her duties, the Receiver sought the retention of counsel, a financial advisor, a claims and noticing agent, and a tax advisor. To that end the Court approved the retention of Otterbourg as her legal counsel [Dkt. No. 67], Stout as her financial advisor [Dkt. No. 71], and Stretto, as her claims and noticing agent [Dkt. No. 72]. Additionally, on August 16, 2022, the Receiver filed an application to retain BRG as her tax advisor [Dkt. No. 80].

B. Actions of the Receiver

The Receiver's initial actions in the Receivership are set forth in the Initial Report that was filed on July 14, 2022, and covers the actions taken during the Reporting Period [Dkt. No. 70]. The Receiver provides the following updates on several items that were reported on in the Initial Report.

1. 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 A. To date, the Receiver has taken control of 12 active bank accounts and 20 active brokerage accounts at several financial institutions. Currently, the total assets in the Legacy Accounts under the Receiver's control are \$6,279,979 comprised of cash of \$1,832,272 and other assets of \$4,447,707. Additionally, the Receiver is holding \$15,171,505 in an account established by the Receiver to hold the "Escrow Funds."

However, for certain of these accounts, while the Receiver has been advised that the accounts are frozen, the financial institutions have not yet completed the transfer of the accounts into the name of the Receivership. The Receivership Team continues to work to access the accounts. Should it ultimately become necessary, the Receiver will seek the Court's assistance in gaining complete access to these accounts. Information regarding the accounts, including balances held in the Legacy Accounts during the Reporting Period, is set forth in Section II of this Status Report.

Of importance, based on the Receiver's preliminary analysis, a substantial amount of StraightPath investments are not held in the Legacy Accounts and are not comprised of shares held in an account. Instead, and as discussed in this Status Report, StraightPath's value in Pre-IPO

Assets is held through complex financial arrangements, including investments held by unrelated entities or individuals, either as agents of StraightPath or through contractual arrangements, or investments in other SPVs that have invested in Pre-IPO Assets. An inventory of the Pre-IPO Assets was not included in an exhibit to the Receivership Order or the PI Order. Accordingly, the Receiver is taking all steps to identify and quantify these financial arrangements and where possible, to take control of the investments held by the other entities and individuals. However, this process is time-consuming and the Receivership Entities bear the execution and credit risk for each such investment.

2. The Receivership Entities' Financial and Operational Information

As reported in the Initial Report, 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. As explained in the Initial Report, the Receivership Order 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 "*Privilege Provision*"). The Individual Defendants took the position that a privilege protocol had to be established before providing the Receiver with access to certain books and records, including the Receivership Entities' email systems, cloud computing systems, the documents contained in those systems, and electronic hardware. On July 12, 2022, counsel for the Receiver and counsel for 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 would 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.

Pursuant to the Privilege Protocol Agreement, a third-party service provider, ETRM/L2 ("L2") took custody of the Receivership Entities' computers and of certain of the Receivership Entities' other data systems, including StraightPath's email domain and cloud system. L2 downloaded the data from these systems and screened 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 reserved all rights. In accordance with the Privilege Protocol Agreement, it was not until August 8, 2022, that L2 released to the Receiver data on the email and computer systems comprised of over 450,000 documents, other than the allegedly privileged material. All of the data, including the allegedly privileged material has either been released or is available to the Individual Defendants. Other data systems have not yet been released to the Receiver, including data from certain of the Individual Defendants' personal electronic devices on which they conducted company business.

L2 has begun hosting the data on an e-discovery software system allowing the Receivership Team to begin their review of the data as well as other documents for purposes of gaining critical information with respect to the Receivership Property, including the Pre-IPO Assets, reviewing investors' interests in the SP Funds, and reviewing StraightPath's pre-Receivership financial transactions.

As reported in the Initial Report, the Receiver is seeking to determine the propriety of the Individual Defendants' various claims of privilege. Counsel for the Individual Defendants have provided the Receiver with copies of the engagement agreements and has designated them as confidential. The Receiver will continue to discuss this issue with counsel for the Individual

Defendants in hopes that an amicable resolution will occur but should the Court's assistance become necessary, the Receiver will promptly notify the Court.

3. Protective Order

The Receiver, the SEC, and the Individual Defendants entered into a protective order [Dkt. No. 75], which the Court approved by order dated August 9, 2022 [Dkt. No. 76] (the “***Protective Order***”). The Protective Order provides, among other things, a procedure for a party to designate certain documents and testimony as “confidential” and sets forth certain restrictions on how a party can disclose the information designated as confidential as well as how to challenge the designation of information marked as confidential.

4. The Individual Defendants' Request for Reimbursement and Advancement

On July 21, 2022, counsel for the Individual Defendants sent the Receiver's counsel the Demand in which they demanded that the Receiver (i) reimburse the Individual Defendants for approximately \$1.17 million in legal fees and costs they are said to have incurred in May and June 2022 in connection with their defense in the SEC Action and the DOJ Investigation, and (ii) indemnify and advance to the Individual Defendants the reasonable legal fees and expenses they incur going forward defending the SEC Action and the DOJ Investigation, in unknown amounts.

After consideration of the Demand, the Receiver sent a letter to counsel for the Individual Defendants dated August 5, 2022, in which the Receiver denied the Demand on a preliminary basis and provided her reasons for doing so. Among other things, even if the Individual Defendants are entitled to indemnification and advancement, they are not entitled to immediate payment because their claims are based on pre-Receivership contracts which are no different from other creditors' claims. Accordingly, even if the Receivership Entities are obligated to the Individual Defendants under the pre-Receivership agreements set forth in the Demand, the Individual Defendants are not

entitled to payment priority. The Receivership Team proposed a meet and confer to discuss the Demand but to date, have not heard back from the Individual Defendants.

5. The Florida Office Space

As reported in the Initial Report, 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). The Receivership Team has worked with the Landlord to release the Receivership Entities from their obligations under the Lease and the Receivership Team received a partial refund of the security deposit of \$272.18, net of any move-out and service charges.

6. Purported Obligations of the Receivership Entities

The Receivership Team has been working to identify other purported obligations of the Receivership Entities. The Receivership Team has established payment methods to pay for critical expenses of administering the Receivership, which include maintaining StraightPath’s QuickBooks accounts, corporate registrations, websites, online data systems, phones, and email systems. The Receiver has sought to eliminate or minimize other expenses, such as StraightPath’s postage machine and services.

7. Proposed Retention of BRG as the Receiver’s Tax Advisor

On August 16, 2022, the Receiver filed an application for an Order to approve the retention of BRG effective as of August 12, 2022 [Dkt. No. 80] (the “***BRG Application***”). As explained in the BRG Application, the retention of a tax advisor is necessary to assist the Receiver with tax issues in the case, including among other things (a) preparing and timely filing 2021 tax returns

and issuing Schedule K-1s, which were not filed as of the time of the Receiver's appointment and are due as of September 15 of this year, (b) preparing and filing tax returns during the Receivership, and (c) advising on the taxes that might become due as a result of the liquidation or distribution of assets during the Receivership.

As further explained in the BRG Application, at the commencement of the Receivership, the Receiver was informed that the Receivership Entities had utilized an accountant for several years prior to her appointment in order to prepare tax returns and K-1s. The Receiver believes that the tax issues that she will encounter in this case are highly sophisticated and require professionals like BRG, with broad experience, including experience regarding the tax implications of receiverships (which the prior accountant lacks), as well as an independent firm, without any prior relationship with any party or predisposition to the practices of StraightPath.

The BRG professionals who will be working on this case have extensive experience and expertise in State and Federal income tax matters in the context of federal receiverships, bankruptcies and liquidation proceedings, as well as formation of and tax compliance for liquidating trusts. They have the capability of filing 2021 tax returns and issuing Schedule K-1s in a short timeframe with limited documentation provided. Also, importantly, the BRG professionals are independent and disinterested with respect to StraightPath's pre-Receivership financial affairs and without potential pre-Receivership claims against the Receivership Estate for, among other things, outstanding fees and expenses.

The time for parties to file opposition to the BRG Application is August 30, 2022. On August 16, 2022, investors Michael J. Black, Thomas K. Jamieson, and Timothy Healy filed a letter with the Court, in which they state that the Receiver's proposed retention of BRG "signals her intention to liquidate any shares that may be issued to investors in the future" [Dkt. No. 81]

(the “*August 16 Letter*”). The August 16 Letter misunderstands the purpose of the BRG Application. The BRG Application does not signal the Receiver’s plans to liquidate any Pre-IPO shares – as noted, the Receiver has not made any such determination. Indeed, in the BRG Application, the Receiver explicitly states “[f]or the avoidance of doubt, by way of this Application, the Receiver is not seeking authority to liquidate or distribute any assets.” BRG Application, 2 n.1. Rather, the BRG Application is intended to allow for the Receivership Entities’ timely filing of their tax returns and issuance of K-1s on September 15, and to provide necessary tax advice going forward. Indeed, the Receiver understands that there will be tax implications to the Receivership Estate regardless of whether the Receiver distributes shares or cash to investors. Moreover, the Receiver is required to file tax returns during the administration of the Receivership Estate. The Receiver will file a direct response to the August 16 Letter on the docket concurrently with this Status Report.

8. Filing of Protocols Motion

Many parties-in-interest may wish to have their opinions heard on the applications or motions the Receiver may submit for the Court’s consideration in this SEC Action. Given the large number of parties-in-interest, including approximately 2,200 investors in the SP Funds, if each were to file their opinion on the docket, there is a potential for the docket to become unwieldy. In an effort to prevent this, concurrently with this Status Report, the Receiver will file a motion for an order adopting protocols to enable parties-in-interest, other than the parties named in the SEC Action, to be heard on motions or applications brought before the Court by the Receiver.

9. The Receiver’s Involvement in the Civil Litigation of the SEC Action

Two of the Receivership Entities are named defendants in the SEC Action: (i) the SP Fund Manager; and (ii) the SP Advisor (collectively the “*Corporate Defendants*”). The Receiver, in

consultation with the SEC and counsel for the Individual Defendants, has determined that, at this time, it would not be an appropriate use of resources for the Corporate Defendants to litigate the SEC's Complaint on behalf of the Corporate Defendants. Accordingly, on August 17, 2022, the Receiver filed a letter motion with the Court requesting that the Corporate Defendants' time to answer the SEC's Complaint be adjourned sine die. [Dkt. No. 82]. On August 18, 2022, the Court approved the motion. [Dkt. No. 83].

III. CASH, EXPENSES, AND UNENCUMBERED ASSETS

A schedule summarizing cash receipts and disbursements, as well as cash on hand for the Reporting Period, is set forth in the Standardized Fund Accounting Report ("*SFAR*") prepared and filed in the receivership case, as of June 30, 2022, and is attached hereto as **Exhibit A**.

As of June 30, 2022, the Receivership Entities had approximately \$12,825,668.91 in cash and securities, of which \$7,283,420.03 of cash was held in the account for the Escrow Funds, \$1,832,377.15 of cash was held in the Receivership Entities' Legacy Accounts that are bank accounts for which the Receiver maintains control, and \$3,709,871.73 worth of securities were held in Legacy Accounts that are brokerage accounts, for which the Receiver maintains control. It is estimated that, as of June 30, 2022, accrued and unpaid administrative expenses amount to approximately \$255,892.80. These administrative expenses consist of accrued and unpaid professional fees and expenses owed as of June 30, 2022 to the Receiver, Otterbourg, Stout, and Stretto. In addition to these unpaid administrative expenses, the Receivership Estate incurred and paid other operating expenses during the Reporting Period as described below.

Cash disbursements during the Reporting Period totaled \$4,762.42. This amount consisted of (i) \$4,312.00 in filing fees, including the filing of the Receivership Order and Complaint in

United States District Courts throughout the United States and territories; (ii) \$450.42 in business expenses (primarily including bank and technology fees, and lease expenses).

Cash receipts during the Reporting Period totaled \$7,288,182.45, consisting of the receipt of a portion of the Escrow Funds, with the remaining balance received after the Reporting Period.

IV. RECEIVERSHIP PROPERTY, PRE-IPO ASSETS, AND INTERESTS SOLD TO INVESTORS

A. Receivership Property

As of June 30, 2022, the Receivership Property consisted of the following:

- (a) Cash, cash equivalents, and securities of approximately \$12,825,668.91;
- (b) Pre-IPO Assets, including holdings in SPVs, forward contracts, and direct shares, held either directly or indirectly, as well as other securities;

At the time of this Status Report, the Receiver continues to collect and review financial information with respect to StraightPath, including the ownership of Pre-IPO Assets. Moreover, the value of the Receivership Entities' investment portfolio has not yet been independently verified by the Receiver. The Receiver hopes to gain a better understanding of the value of these investments over time and will disclose it at the appropriate time.

B. Information with respect to Pre-IPO Assets

The Receivership Order requires the Receiver to report on the following items with respect to StraightPath's holding in Pre-IPO Assets:

- Itemization by SP Fund series of the number of Pre-IPO Shares purchased by each SP Fund series.
- Itemization by SP Fund series of the number of investment interests in Pre-IPO Shares sold to investors by each SP Fund series, the SP Fund Manager, or the SP Adviser.
- Inventory of the Pre-IPO Shares held by the Receivership Entities.

As explained above, the Receivership Team is working to take inventory of StraightPath's holdings in Pre-IPO Assets. As further explained above, StraightPath's holdings in Pre-IPO Assets are complex – they are not in a single account or at a single financial institution. Based on the Receivership Team's preliminary review of StraightPath's financial records, StraightPath remitted funds to over 25 entities, and hundreds of individuals, for the purpose of acquiring Pre-IPO Assets. These entities may be counterparties to contracts with StraightPath, brokers who assisted StraightPath with the purchase of Pre-IPO Assets, or entities holding interests in Pre-IPO Assets for the benefit of StraightPath. Based on the Receivership Team's preliminary findings, and as explained above, these assets are held through complex financial instruments, including interests in SPVs that purportedly hold interests in Pre-IPO companies. The Receivership Team is working diligently to take inventory of the Pre-IPO Assets and intends to provide a report in subsequent status reports.

Additionally, with respect to the membership interests in the SP Funds that were sold to StraightPath investors, the Receiver is reviewing StraightPath's financial records, StraightPath's pre-Receivership communications with investors, documents provided by investors to the Receivership Team, and its books and records, to confirm the investments that were made in the SP Funds. This process will also be supplemented by a bar date, for investors and creditors to submit claims substantiating their rights against the Receivership Entities.¹² This process will provide investors and creditors with ample notice and time to submit their claims, and will also provide a process for claimants to dispute the Receiver's determinations as to those claims, including before the Court, if necessary.

¹² The Receiver had intended to file that motion concurrently with this Status Report, but simply could not do so due to the sheer disarray in which she found StraightPath's books and records, particularly those that would have been expected to list investors and their basic contact information in an orderly manner.

V. LIQUIDATED AND UNLIQUIDATED CLAIMS HELD BY THE RECEIVERSHIP ESTATE/INVESTIGATION OF TRANSACTIONS

The Receiver is not currently aware of litigation recoveries to which the Receivership Entities may be entitled. The Receiver may, however, have causes of action against a number of parties and will be considering associated claims. The Receiver at this time cannot state whether any actions will be commenced and, if commenced, the value of any claims and the likelihood of collecting on any judgment that may ultimately be obtained.

VI. CLAIMS ANALYSIS

As noted, once the Receiver has assembled a reliable investor and creditor list, the Receiver will file a bar date motion to begin the claims process. Specifically, the Receiver will file a motion with the Court for authorization to establish a bar date for investors and creditors to submit claims substantiating their rights against the Receivership Entities and a process for the Receiver to evaluate such claims and for the claimants in turn to dispute any of the Receiver's determinations. Specifically, before filing the motion for a bar date, and claims evaluation process, the Receiver must identify the addresses for certain investors and creditors, including approximately 600 investors in SP Ventures Fund 9 and other investors in other SP Funds.

VII. RECOMMENDATIONS FOR CONTINUATION OR DISCONTINUATION OF RECEIVERSHIP

The Receiver believes that continuation of the receivership is in the best interests of the creditors and investors of StraightPath. While the Receivership Entities could be liquidated in a bankruptcy proceeding, the Receiver believes that continuing with the orderly liquidation of the Receivership Entities in this receivership case provides much greater flexibility to achieve an equitable result for the investors.

This receivership case arose as a result of an alleged fraud with respect to the Individual Defendants’ alleged actions in connection with the Receivership Entities. As the United States District Court for the Southern District of New York stated in another action – *SEC v. Byers*, 637 F. Supp. 2d 166 (S.D.N.Y. 2009) – in which the Court considered whether liquidation through an SEC receivership or through a bankruptcy case was preferable, the Court stated that “[u]nder these circumstances, it would be inequitable to force the case into bankruptcy, where the bankruptcy court would have less flexibility in determining the most equitable approach to distribute assets to victims. The overriding goal of these proceedings should be fairness to the defrauded investors, and forcing this case into bankruptcy would, I believe, be inconsistent with that goal.” *Byers*, 637 F. Supp. 2d at 175-76.

The Receiver believes that the reasons set forth in the *Byers* case hold true here. The Receiver also has the ability to propose a plan for distribution of assets that does not adhere to the absolute priority rule, which is required in bankruptcy. Here, the Receiver has not made any decisions regarding the treatment of creditor and investor claims, but remaining in the receivership offers her flexibility, if appropriate, to prioritize defrauded investors.

VIII. CONCLUSION

The Receiver cannot at this time state when she expects the case to be concluded. The Receiver is expeditiously working to marshal all of the StraightPath assets for the benefit of investors and creditors, including the Pre-IPO Assets, and she believes that remainder of the year 2022 will show significant progress in taking control and understanding the Receivership Entities’ assets, which will be reported in future status reports to the Court. The Receiver has set the foundation to make additional progress in this case, including analyzing and understanding (i) the existence and quantum of any shortfall; (ii) the existence and quantum of commingling; and (iii)

the marshalling, structure and management of the investments. The Receivership Team is swiftly making progress towards understanding a complex investment structure.

Dated: August 29, 2022
New York, New York

OTTERBOURG P.C.

By: /s/ Erik B. Weinick
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*Counsel for Melanie L. Cyganowski,
as Court-Appointed Receiver*

EXHIBIT A

SFAR

STANDARDIZED FUND ACCOUNTING REPORT for STRAIGHTPATH RECEIVERSHIP - Cash Basis

Receivership; Civil Court Docket No. 1:22-cv-03897-LAK

Reporting Period 06/14/2022 to 06/30/2022

FUND ACCOUNTING (See instructions):				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 06/14/2022):			\$ -
	Increase in Fund Balance:			
Line 2	Business Income	\$ -		
Line 3	Cash and Securities	5,542,248.88		
Line 4	Interest/Dividend Income	-		
Line 5	Business Asset Liquidation	-		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	-		
Line 8	Miscellaneous - Other [1]	7,288,182.45		
Total Funds Available (Lines 1 - 8):			\$ 12,830,431.33	\$ 12,830,431.33
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors		\$ -	
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	\$ -		
Line 10b	Business Asset Expenses	(50.42)		
Line 10c	Personal Asset Expenses	-		
Line 10d	Investment Expenses	-		
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees	-		
	2. Litigation Expenses	-		
	Total Third-Party Litigation Expenses	-		
Line 10f	Tax Administrator Fees and Bonds	-		
Line 10g	Federal and State Tax Payments	-		
Total Disbursements for Receivership Operations			\$ (50.42)	
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator.....	\$ -		
	Independent Distribution Consultant (IDC).....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisors.....	-		
	Tax Advisors.....	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
Total Plan Development Expenses		\$ -		
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator.....	\$ -		
	IDC.....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisors.....	-		
	Tax Advisors.....	-		
	2. Administrative Expenses	-		
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	-		

STANDARDIZED FUND ACCOUNTING REPORT for STRAIGHTPATH RECEIVERSHIP - Cash Basis

Receivership; Civil Court Docket No. 1.22-cv-03897-LAK

Reporting Period 06/14/2022 to 06/30/2022

	Claimant Identification.....	-		
	Claims Processing.....	-		
	Web Site Maintenance/Call Center.....	-		
	4. Fund Administrator Bond	-		
	5. Miscellaneous	-		
	6. Federal Account for Investor Restitution	-		
	7. (FAIR) Reporting Expenses	-		
	<i>Total Plan Implementation Expenses</i>	\$ -		
	Total Disbursement for Distribution Expenses Paid by the Fund		\$ -	\$ -
Line 12	Disbursements to Court/Other:			
<i>Line 12a</i>	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>	\$ (4,712.00)		
<i>Line 12b</i>	<i>Federal Tax Payments</i>	-		
	Total Disbursements to Court/Other:		\$ (4,712.00)	
	Total Funds Disbursed (Lines 9 - 11):		\$ (4,762.42)	\$ (4,762.42)
Line 13	Ending Balance (As of 06/30/2022):			\$ 12,825,668.91
Line 14	Ending Balance of Fund - Net Assets:			
<i>Line 14a</i>	<i>Cash & Cash Equivalents</i>	\$ 9,115,797.18		
<i>Line 14b</i>	<i>Investments</i>	3,709,871.73		
<i>Line 14c</i>	<i>Other Assets or Uncleared Funds</i>	-		
	Total Ending Balance of Fund - Net Assets			\$ 12,825,668.91

OTHER SUPPLEMENTAL INFORMATION:

		Detail	Subtotal	Grand Total
	Report of Items NOT To Be Paid by the Fund:			
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
<i>Line 15a</i>	<i>Plan Development Expenses Not Paid by the Fund:</i>			
	1. Fees:			
	Fund Administrator.....	\$ -		
	Independent Distribution Consultant (IDC).....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisors.....	-		
	Tax Advisors.....	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	<i>Total Plan Development Expenses Not Paid by the Fund</i>		\$ -	
<i>Line 15b</i>	<i>Plan Implementation Expenses Not Paid by the Fund:</i>			
	1. Fees:			
	Fund Administrator.....	\$ -		
	IDC.....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisors.....	-		
	Tax Advisors.....	-		
	2. Administrative Expenses	-		
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	-		
	Claimant Identification.....	-		
	Claims Processing.....	-		

STANDARDIZED FUND ACCOUNTING REPORT for STRAIGHTPATH RECEIVERSHIP - Cash Basis

Receivership; Civil Court Docket No. 1.22-cv-03897-LAK

Reporting Period 06/14/2022 to 06/30/2022

	Web Site Maintenance/Call Center.....	-		
	4. Fund Administrator Bond	-		
	5. Miscellaneous	-		
	6. FAIR Reporting Expenses	-		
	<i>Total Plan Implementation Expenses Not Paid by the Fund</i>		\$ -	
Line 15c	<i>Tax Administrator Fees & Bonds Not Paid by the Fund</i>	\$ -	\$ -	
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			\$ -
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	<i>Investment Expenses/CRIS Fees</i>	\$ -		
Line 16b	<i>Federal Tax Payments</i>	-		
	Total Disbursements to Court/Other Not Paid by the Fund:		\$ -	\$ -
Line 17	DC & State Tax Payments			
Line 18	No. of Claims:			
	<i># of Claims Received This Reporting Period.....</i>			0
	<i># of Claims Received Since Inception of Fund.....</i>			0
Line 19	No. of Claimants/Investors:			
	<i># of Claimants/Investors Paid This Reporting Period.....</i>			0
	<i># of Claimants/Investors Paid Since Inception of Fund.....</i>			0

Notes:

- [1] Paragraph VIII of the Preliminary Injunction and Other Relief (ECF 55) requires that the three individual defendants, Brian Martinsen, Francine Lanaia and Michael Castillero, collectively pay \$15 million, plus the remainder of retainer funds provided to Nardello & Co., into an account established by the Receiver (the "Escrow Account"). As of June 30, 2022, the Escrow Account has been partially funded by \$2.1 million from Mr. Castillero, \$5 million from Ms. Lanaia, and \$188,182.45 from Nardello & Co. related to the remaining retainer funds.

Receiver:

By: /s/ Melanie L. Cyganowski
(signature)

Melanie L. Cyganowski
(printed name)

Court Appointed Receiver
(title)

Date: August 15, 2022

Exhibit B

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<https://www.wsj.com/articles/ipo-market-faces-worst-year-in-two-decades-startups-11661181427>

MARKETS

IPO Market Faces Worst Year in Two Decades. 'Really Hard Pill to Swallow.'

Inflation, rising interest rates and Russia's invasion of Ukraine sent shock waves through the stock market, putting a freeze on the IPO pipeline

By *Corrie Driebusch* [Follow](#)

Aug. 22, 2022 11:19 am ET

The IPO market is on pace for its worst year in decades, leaving fledgling companies with few options but to burn through cash while they wait for the stock market to calm.

Late last year, hundreds of companies were in the final stages of preparing to go public, encouraged by the best 18 months ever for U.S. initial public offerings. Then a combination of factors—sky-high inflation, rising interest rates and Russia's invasion of Ukraine—sent shock waves through the stock market.

The IPO pipeline froze. So far this year, traditional IPOs have raised only \$5.1 billion all told, Dealogic data show. Typically at this point in the year, traditional IPOs have raised around \$33 billion, according to Dealogic data that goes back to 1995. Last year at this point, these offerings raised more than \$100 billion.

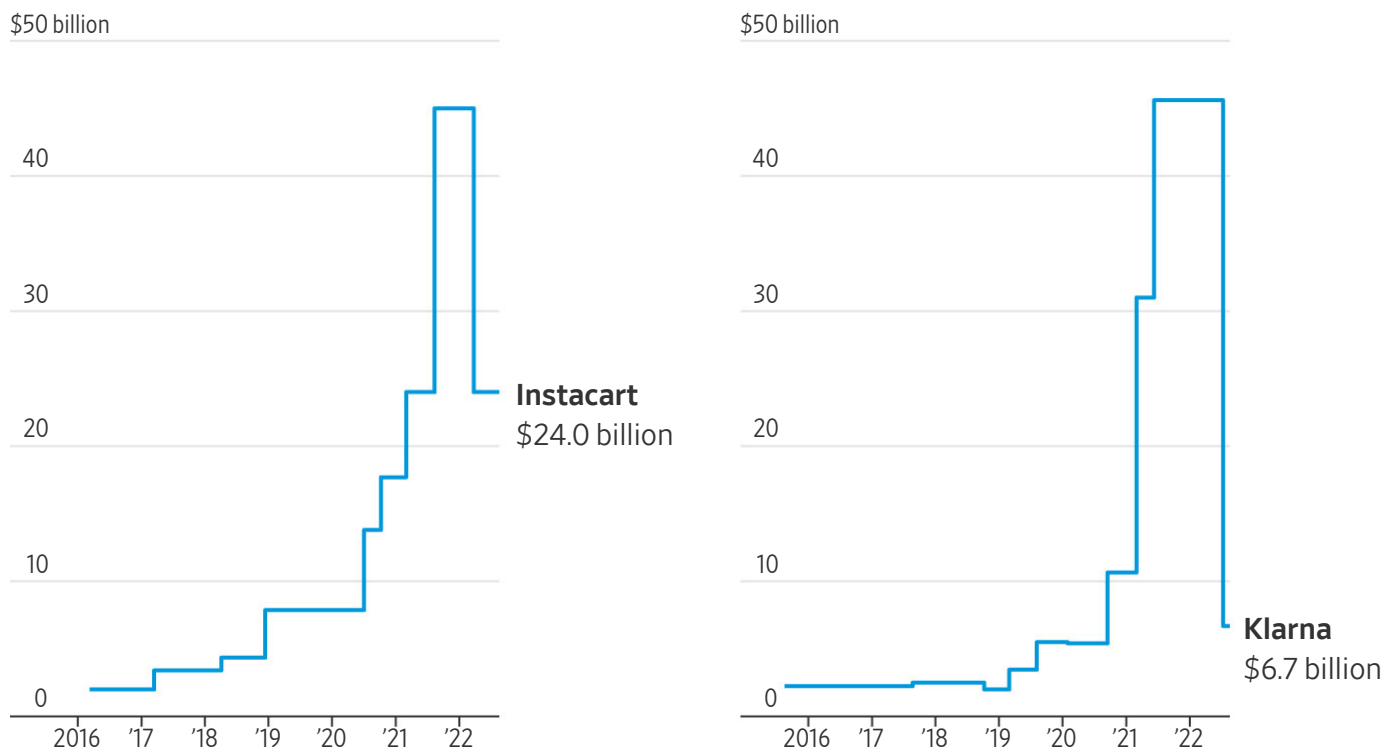
The last time levels were this low was 2009, when the U.S. was recovering from the depths of the financial crisis and the IPO market reopened near the end of the year.

IPO advisers say they don't expect 2022 to follow that pattern, meaning it could end up being the worst year for raising money in IPOs since Dealogic, a research firm, started tracking it in 1995.

Fintech firm Klarna Bank AB was a highly anticipated 2022 IPO, but instead of making a splashy debut, the Sweden-based company laid off hundreds of workers to cut costs and was forced to seek funding in private markets. Klarna, which specializes in buy-now-pay-later services, managed to raise \$800 million this summer—but only after cutting its valuation by 85% to \$6.7 billion.

That valuation is still three times the level Klarna was valued three years ago, a Klarna spokeswoman said.

Post-money valuation



Source: PitchBook
Stephanie Stamm/The Wall Street Journal

StockX, an online marketplace that sells sneakers, streetwear and other items, had planned to go public as early as the second half of 2021, people familiar with the matter told The Wall Street Journal last year. But StockX has yet to file IPO paperwork. In June, the company laid off 8% of its workforce. The company declined to comment.

Fewer companies going public is typically viewed as bad news for the economy and investors.

An IPO, especially when a company is younger with more room to grow, can allow more small investors to benefit from future gains. Publicly traded firms must register with regulators and provide more transparency around their finances. Big-name IPOs are typically the kinds of high-growth companies that helped the stock market rise for a decade after the financial crisis.

Bankers and lawyers who work on IPOs said companies that decide to brave a fall or early winter stock-market debut this year may need to halve their valuations after two years of

roaring markets where private investors plowed cash into money-losing companies at sky-high valuations.

Top IPO lawyers say they are “pencils down” for almost all their expected deals this year, and that some companies looking to 2023 IPOs are pushing off hiring bankers.

Denny Fish, a portfolio manager at Janus Henderson Investors, typically buys shares of growth companies in their IPOs. He said he doesn’t plan to participate in any IPOs until 2023 at the earliest. “It might feel a little better because the market has bounced in July, but there’s still so much uncertainty,” Mr. Fish said. “There’s just not a market for companies coming public right now.”

As of Friday, the tech-heavy Nasdaq Composite was down 19% in 2022. That’s up from its mid-June trough, when the index was trading off more than 30% for the year.

Notable cryptocurrency startups, food-delivery companies and financial-technology firms are among the companies that had planned 2022 IPOs. As time passes and their cash reserves diminish, companies may need to tighten their belts as financing gets tougher.

Some, such as rapid-delivery startup Gopuff, are cutting costs by laying off workers. Grocery-delivery company Instacart Inc. and payments company Stripe Inc. have slashed their private valuations. Others have had to raise new money at steep discounts to prior financing rounds.

Many fund managers agree with Mr. Fish. Those who bought stock in the blockbuster IPOs in 2020 and 2021, including trading platform Robinhood Markets Inc., electric-vehicle maker Rivian Automotive Inc. and restaurant-software provider Toast Inc., are saddled with big losses.

Even though the IPO market isn’t healthy right now, many companies still have a burning desire to go public, bankers say. Some need the cash. Others are running against a ticking clock for restricted stock units issued to employees through vesting plans. And some are eyeing acquisitions but need stock or money to complete offers.

“I don’t think a lot of companies that are private right now expected they’d be private by now,” said Barrett Daniels, U.S. IPO co-leader at accounting firm Deloitte LLP.

He said companies that need money, especially founder-led firms, may struggle with the lower valuations their companies might now command. “It’s a really, really hard pill to swallow. Going backwards is hard to compute,” he said.

There are a handful of companies determined to go public in 2022, people familiar with the matter said, including Intel Corp.'s self-driving car unit Mobileye, Instacart, and American International Group spinoff Corebridge Financial.

Other offerings, including SoftBank Group Corp.'s Arm, a chip-design specialist, following its failed sale to Nvidia Corp., are expected within the first few months of 2023, people familiar with the matter say.

There are many reasons for the IPO drought. Late last year, fears of inflation and subsequent Federal Reserve rate increases spooked investors who put money into companies that promised big growth but have little or no current profits. High-growth companies sold off and inflation fears accelerated, with many analysts warning of a coming recession, driving shares of profitable companies lower, too. The economy contracted at an annualized rate in two consecutive quarters, a common definition of a recession, and volatility climbed.

Fund managers hunkered down, attempting to protect against big losses, which meant avoiding taking extra risks, like newly public companies.

Meanwhile, IPO advisers and investors agree the IPO playbook is changing: They say the first companies to go public after the markets calm down should be profitable, fairly large, and "must own" names—companies that are well-known and leaders in their specific industry.

Many private companies are taking note. Thanks in part to cost-cutting, Instacart, for example, was profitable in the second quarter of this year under generally accepted accounting principles, according to a person familiar with the matter. Revenue for Instacart during the three months ended in June climbed 39% from the year-earlier period to \$621 million, investors told The Wall Street Journal, the highest quarterly revenue in Instacart's history.

Though some companies including Klarna were forced to face a sharp valuation cut because they needed to raise more money, many others aren't hurting for cash yet, because they raised a lot in 2021 before the market turned. Last year, U.S. venture-backed companies raised nearly \$330 billion, almost double the previous record raised in 2020, according to research company PitchBook.

Although the stock market is bouncing back and some secondary stock offerings have performed well, bankers fear what a poor showing by a new issue could do to the IPO market.

In May, Bausch + Lomb Corp. went public when virtually no one else was doing so, and investors were largely uninterested. The eye-care company priced its stock at \$18 a share, far below its expectations. It commanded a valuation of about \$6.3 billion, less than half of what the company had been hoping to reach just months earlier, people familiar with the matter said. A company spokeswoman declined to comment. Now the stock trades around \$15.50 a share.

Write to Corrie Driebusch at corrie.driebusch@wsj.com

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