

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 Case No.: 1:22-cv-03897-LAK

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5 SECURITIES AND EXCHANGE COMMISSION,

6 Plaintiff,

7 v.

8 STRAIGHTPATH VENTURE PARTNERS, LLC, et al.,

9 Defendants.

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11 StraightPath - Town Hall

12 Melanie L. Cyganowski Presentation

13
14 August 1, 2022
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1 MS. CYGANOWSKI: Good afternoon. I am
2 Melanie Cyganowski, the Court appointed Receiver
3 in the StraightPath Receivership pending in the
4 United States District Court for the Southern
5 District of New York. I am assisted by my legal
6 counsel, Ed Otterbourg, and my financial advisors
7 at Stout.

8 Thank you all for joining me in today's
9 town hall forum. Let me begin by addressing that
10 I understand that we have parties participating
11 by telephone and by webinar. But before we go
12 further, I want to recognize the inconvenience
13 that many of you experienced last week.

14 This town hall was originally scheduled
15 for July 28th, and we did try to hold the town
16 hall on that day. Indeed, I was actually in the
17 middle of speaking when we realized that all of
18 you could not see me or hear me due to technical
19 issues that we faced with Zoom. Indeed, because
20 of those technical issues, we could not even tell
21 you that we were having technical issues. So, I
22 once again, apologize for the inconvenience; I
23 thank you all for your patience.

24 I intend to use this opportunity to
25 provide an initial update on actions taken since

1 my appointment as receiver and the process going
2 forward regarding the administration of the
3 receivership. I intend to hold these town halls
4 periodically, usually at around the same time
5 that I file quarterly status reports with the
6 Court.

7 We have saved some time at the end to
8 answer questions that we may receive during the
9 forum. Those participating by zoom will be able
10 to submit questions during the event using the
11 zoom service. Those participating by phone will
12 be on mute, but you may send questions through
13 the straightpathreceiver@otterbourg.com, email
14 address. Let me repeat, it's
15 straightpathreceiver@otterbourg.com, email
16 address.

17 I will do my best during the forum to
18 answer and address your questions fully. It may
19 not be possible to answer every one,
20 particularly, those that are specific to
21 individuals. Most people are asking questions
22 that are applicable to the broader audience, and
23 we will do our best to answer those.

24 Finally, please note that we are
25 recording a video of this session. We will use a

1 court reporter to transcribe it. We intend to
2 post a recording of the session on the web -- the
3 receivership website in the next couple of weeks
4 for those that are unable to participate today.
5 The receivership website can be accessed at
6 www.straightpathreceivership.com. Again,
7 www.straightpathreceivership.com.

8 By way of brief background, I am the
9 former Chief Bankruptcy Judge for the Eastern
10 District of New York. I served a full term as a
11 Bankruptcy Judge from 1993 through 2007, and as
12 Chief Bankruptcy Judge from 2005 to 2007.

13 I have been a member of the Otterbourg
14 Law Firm since 2008 and was appointed as chair of
15 the Restructuring and Bankruptcy Department in
16 2015.

17 Prior to my investiture as a United
18 States bankruptcy judge, I practiced law at two
19 major law firms in Manhattan for 11 years and
20 served as a judicial law clerk to the former
21 Chief Judge Charles Bryant for the Southern
22 District of New York for a one-year term. I was
23 appointed by the District Court to be receiver in
24 this case on June 14, 2022.

25 I filed my initial status report

1 covering the period from my appointment through
2 July 14th. This status report is available on
3 the receivership website. For those of you who
4 have read the report, some of my initial overview
5 will be repetitive and will sound familiar. But
6 some may not have read the report, so I want to
7 give as broad an overview of the steps taken as I
8 can since my appointment.

9 Before I provide a summary of the
10 initial status report, let me discuss what a
11 receivership is, the events that gave rise to my
12 appointment, and my duties.

13 Courts often appoint receiver's as
14 third-party neutrals to address issues facing the
15 court. Generally, in an SEC initiated
16 receivership, receivers are appointed to manage
17 and conserve the assets and ultimately, to
18 liquidate and distribute the remaining assets to
19 the investors.

20 Receivers are appointed to marshal and
21 monetize assets for the benefit of creditors and
22 investors and maximize the return for investors,
23 provided that it can be done safely and without
24 risk. My professionals and I are paid out of the
25 estate funds upon authorization by the Court.

1 The primary purpose of the receivership
2 is to promote orderly, efficient, and equitable
3 administration of the estate by a District Court
4 for the benefit of investors and creditors. With
5 that said, let me discuss the circumstances
6 leading up to my appointment.

7 On May 13, 2022, the United States
8 Securities and Exchange Commission, also known as
9 the SEC, which is the federal agency tasked with
10 regulating the U.S. Securities industry's, filed
11 a complaint commencing an action among others
12 Brian Martinson, Michael Castillero, Francine
13 Lanaia, and Eric Lachow. I will refer to these
14 individuals simply as the Individual Defendants.

15 In the complaint, the SEC alleged
16 violations of various sections of the Securities
17 Act, the Exchange Act, and the Advisor's Act, and
18 sought among other relief, the appointment of a
19 receiver, disgorgement of an alleged ill-gotten,
20 excuse me -- a disgorgement of allegedly ill-
21 gotten gains and imposition of civil penalties.

22 In the complaint, the SEC alleges that
23 from November 2017 through February 2022, the
24 Individual Defendants raised at least \$410
25 million from more than 2,200 investors located

1 across the country and around the world.

2 The SEC alleges further that the
3 Individual Defendants, along with a network of
4 sales agents, represented to investors that their
5 investments would be directed to a specific
6 Series in one of the StraightPath funds that
7 purportedly owned a specific number of shares of
8 a specific private company that had the potential
9 to undertake an IPO.

10 According to the complaint, Defendants
11 often were unable to obtain the number of pre-IPO
12 Shares that they either claimed to have already
13 had or needed to satisfy the interest of the
14 StraightPath -- in the StraightPath funds that
15 they sold to investors, and rather than return
16 the money investors had paid them, that
17 Defendants allegedly kept the funds for
18 themselves and continued to solicit new
19 investors.

20 The SEC further alleges that the
21 Defendants comingled investor funds, frequently
22 transferring monies invested in one StraightPath
23 fund to other StraightPath funds, or to other
24 StraightPath entities in order to make purchases
25 of pre-IPO Shares or to make Ponzi-like payments

1 back to earlier investors who wanted their money
2 back.

3 In addition, the SEC alleges that,
4 although they told investors they were charging
5 no upfront fees, or that they had waived fees
6 they could have charged. The individual
7 investors in fact paid themselves more than \$75
8 million and their sales agents nearly \$48 million
9 in such fees.

10 While the Individual Defendants' time
11 to answer the complaint has been extended until
12 August 19, 2022, it is my understanding that the
13 Individual Defendants deny all material
14 allegations against them and that they intend to
15 vigorously defend themselves.

16 After the filing of the complaint, the
17 SEC and the Individual Defendants came to an
18 agreement regarding an order appointing a
19 receiver as well as a preliminary injunction.
20 Copies of the complaint, the preliminary
21 injunction order, and the receivership order are
22 all available on the receivership website.

23 As a result of the receivership order,
24 I am now in control of the StraightPath
25 receivership entities and have authority over

1 their assets, books, and records. It is
2 important for you to know that neither the
3 Individual Defendants, the sales agents, nor
4 anyone else for that matter, are authorized to
5 act on behalf of StraightPath in any way. Let me
6 repeat that, the Individual Defendants and the
7 sales agents are no longer authorized to act on
8 behalf of StraightPath in any way.

9 If anyone contacts you purporting to
10 act on behalf of or representing StraightPath,
11 other than myself, my legal counsel at
12 Otterbourg, or my financial advisors at Stout, I
13 urge you to contact me immediately by emailing
14 straightpathreceiver@otterbourg.com or calling
15 212-661-9100, and asking to speak with my
16 counsel, Eric Weinick, 212-661-9100.

17 Now that I have discussed the events
18 leading up to my appointment, I will now discuss
19 my duties as receiver. Under the terms of the
20 receivership order, among other things, I have
21 the responsibility and duty to first determine
22 the nature, location, and value of all
23 receivership property. Second, take custody,
24 control, and possession off all receivership
25 property and relevant records with certain

1 exceptions. Third, engage and employ persons in
2 my discretion to assist me in carrying out my
3 duties. Fourth, pursue, resist, and defend all
4 suits, actions, claims, and demands which may be
5 pending or may be brought or asserted against the
6 receivership asset, estate. Fifth, propose a
7 liquidation plan and distribution plan to the
8 Court upon notice, motion, after notice and
9 hearing.

10 As receiver, I am officer of the court.
11 I have a fiduciary duty to the stakeholders of
12 StraightPath as a whole and to the Court. It is
13 important for you to know that if you are
14 contacted by anyone other than myself or my
15 representatives, they do not have a fiduciary
16 duty to the stakeholders in StraightPath. I am
17 the only person who has those duties to the
18 StraightPath stakeholders.

19 With that said, I am not your lawyer, I
20 can not provide you with legal advice. You have
21 the right to hire or consult with your own lawyer
22 and I encourage you to do so if you believe that
23 to be appropriate.

24 Turning now to my initial steps as
25 receiver. There was much work to be done upon my

1 appointment. There continues to be much work to
2 do. I retained Otterbourg as my counsel as I
3 noted, Stout as my financial advisor, and Stratos
4 as my claims and noticing agent.

5 As will be noted later in this forum, I
6 am also in the process of retaining a tax advisor
7 to assist with the filing of tax returns and
8 issuing K-1s for the receivership.

9 One of the first tasks I have
10 undertaken was to open new bank accounts under my
11 sole control to receive the deposits of the
12 escrow funds, as I will discuss shortly.
13 Emphasis has been placed upon developing and
14 implementing processes and procedures applicable
15 to maximize oversight and authority over the
16 accounts and the expenditure of receivership
17 estate funds.

18 In addition to establishing bank
19 accounts, I have taken steps to control the
20 receivership entities bank and investment
21 accounts that existed on the day of my
22 appointment, which I will refer to as the legacy
23 accounts.

24 The receivership order at Exhibit A
25 identified 50 legacy accounts that were

1 maintained at the financial institutions named on
2 the Exhibit. Immediately upon my appointment, I
3 contacted each of the listed financial
4 institutions' legal departments in writing,
5 provided them with notice of the receivership
6 order, and further notified them that pursuant to
7 the receivership order, the financial
8 institutions were required to freeze the legacy
9 accounts until they were turned over to me and
10 serve me with a certified account statement
11 setting forth the balance of the account or the
12 description of the assets.

13 I have begun transferring the legacy
14 accounts to new accounts under my control and
15 accounting for the funds in the accounts.
16 However, due to administrative procedures at some
17 of the financial institutions holding legacy
18 accounts, I have not gained control of all of the
19 accounts. I am working diligently on a daily
20 basis to gain control of the legacy accounts.

21 Once I have gained control of all of
22 the legacy accounts, I will report on the
23 balances of the accounts and analyze and verify
24 the sources and uses of the funds, both in to and
25 out of the various receivership entities and

1 determine what action if any must be taken.

2 I will now discuss the deposits of the
3 escrow account, excuse me, of the escrow funds
4 into the accounts that I have established. The
5 preliminary injunction order required Mr.
6 Martinsen, Mr. Castellero, and Ms. Lanaia to pay
7 \$15 million plus certain unused retainer funds
8 into a segregated account established under my
9 control.

10 Since my appointment, I have received
11 escrow accounts -- escrow funds in the following
12 amounts. First, \$188,182.45 in unused retainer
13 funds and \$15 million from Mr. Martinsen, Mr.
14 Castellero, and Ms. Lanaia for entities under
15 their control. I will discuss the use of the
16 escrow funds later during this forum.

17 Turning now to the receivership
18 entities financial and operational information.
19 I directed my team immediately to identify and
20 take control of the receivership entities books
21 and records as quickly as possible and began the
22 analysis and to the extent possible, verification
23 of relevant information about the receivership
24 entities.

25 My team has engaged and continues to

1 engage with the Individual Defendants' counsel to
2 take control of the books and records. My team
3 issued an initial written request for information
4 to the Individual Defendants' counsel on June
5 21st and received sworn statements of some of the
6 Individual Defendants on July 8th, 2022, with
7 respect to receivership assets and their
8 individual assets.

9 Thus far, I've been provided
10 credentials for the receivership entities public
11 facing website, the QuickBooks accounts, consumer
12 relation management software, and phone services.
13 Additionally, I've been provided electronic
14 documents such as W-9 forms. Further, my team
15 has received hard copied documents from the
16 Individual Defendants, including 29 boxes of
17 materials from one of the Individuals --
18 Defendants' homes. Additionally, counsel for the
19 Individual Defendants has mailed one box of hard
20 copy materials to my team.

21 As I will explain further in a few
22 minutes, I sent my team down to the office
23 maintained by the Individual Defendants in
24 Jupiter, Florida, to investigate what was there
25 and how StraightPath presented its business.

1 During the visit we secured paper
2 documents and took control of three computers.
3 We retained a third-party service provider known
4 as ETRN/L2 for the purpose of taking custody of
5 the electronic devices. However, I have not yet
6 received access and control over all of
7 StraightPath's books and records.

8 To explain why it is important for me
9 to receive the receivership order. The
10 receivership order grants me broad authority to
11 have immediate and expansive control with narrow
12 exceptions over most of the books and records and
13 information related to and held by the
14 receivership entities.

15 The receivership order directs the
16 receivership entities past and/or present,
17 directors, agents, managers, members, attorneys,
18 accountants, and employees to, "preserve and turn
19 over to Receiver forthwith all paper and
20 electronic information of and/or relating the
21 receivership entities". Moreover, any person
22 receiving notice of the receivership order is
23 required to deliver to me any books and records
24 of the receivership entities in their possession.

25 However, there is a limitation to this

1 broad order, and it is an important one. The
2 Individual Defendants and their counsel are not
3 obligated to provide any pre-appointment
4 privileged materials or personal privileged
5 materials to me. And I am not permitted to
6 receive or review any of these materials.
7 Consequently, my team has been required to
8 negotiate a protocol with counsel for the
9 Individual Defendants so that documents,
10 especially the electronic ones such as the
11 StraightPath operational documents, may be turned
12 over to me while making sure that allegedly
13 privileged materials are withheld as appropriate.

14 The agreement was finalized on July
15 12th and the parties are still implementing the
16 terms of this protocol along with the assistance
17 of L2. As a result, obtaining access to and
18 control over, as well as, analyzing vast amounts
19 of StraightPath's books and records, especially
20 those in electronic form, has not been fully
21 accomplished and remains a work in progress
22 despite my best efforts.

23 As noted, this information includes the
24 StraightPath clouds data system, which my team
25 understands contains a vast amount of operational

1 information with respect to StraightPath and is
2 essential to my understanding of the business
3 operations of StraightPath, as well as
4 information with respect pre-IPO shareholdings
5 and investors. Additional electronic information
6 includes the StraightPath email systems.

7 Critically, in the absence of having
8 access to StraightPath's electronic books and
9 records, at this time I do not know, nor can I
10 identify all investors, their holdings, and/or
11 their potential losses. Nor can I identify all
12 pending investments or holdings of the
13 StraightPath receivership entities. Nor can I
14 answer other questions about the StraightPath
15 receivership entities financial affairs.

16 I am hopeful that I will have access to
17 the electronic records in the next few days. I
18 do not have them as I stand here today. Once I
19 obtain access to and control of StraightPath's
20 outstanding books and records, in addition to the
21 work I've already completed, I will continue to
22 seek to ascertain the existence of the pre-IPO
23 Shares as well as any IPO shares held by
24 StraightPath, how and by whom the pre-IPO Shares
25 were held, and information related to the

1 investors in StraightPath.

2 The Individual Defendants' counsel has
3 informed me that information with respect to
4 investors and the funds holdings is recorded in
5 StraightPath's books and records including
6 QuickBooks, welcome letters, and tracking
7 spreadsheets. Given the allegations in the
8 complaint however, my team has an obligation to
9 and will verify the accuracy of StraightPath's
10 records against the source documents such as bank
11 transactions, stock purchase, or transfer
12 agreements, welcome letters, and subscription
13 contracts.

14 Because I do not have complete
15 information about all of the investors in
16 StraightPath, I anticipate taking steps such as
17 filing a motion to set a bar date for investors
18 to submit information to me substantiating their
19 interest in the StraightPath receivership
20 entities.

21 A bar date is a court ordered date by
22 which investors are required to submit a form and
23 supporting documentation to show that they
24 invested in StraightPath and to make a claim
25 against the assets of the receivership entities.

1 The bar date motion, once filed, will be posted
2 to the receivership website and investors will be
3 provided with additional notice.

4 It is imperative that you begin
5 compiling and saving all of your documentations
6 and communications with respect to your
7 investments in StraightPath. I may request
8 copies of this documentation from you in the near
9 future and anticipate that these will be
10 collected electronically from those that are able
11 to do so and by mail for those that are not as
12 comfortable submitting information through an
13 online portal.

14 Many of you have already started
15 emailing me information about your investments
16 and we are reviewing these communications. Let
17 me point out however, please do not panic, we are
18 not going to be having a bar date that only has a
19 few weeks. It is our intention to give all
20 investors and parties in interest more than an
21 ample opportunity to respond to the bar date.
22 You will have months to do this, please watch,
23 however, the website because once the order is
24 issued following the motion being made, it will
25 be posted on the website, and you will be able to

1 respond as you think most appropriate.

2 I know that many, if not most of you,
3 are eager to know when and in what manner, for
4 example stock verses cash, I plan to distribute
5 StraightPath's assets. However, because I do not
6 have adequate information about StraightPath's
7 holdings, or the investors in StraightPath, at
8 this time, I will not be discussing any plans to
9 liquidate or supplement StraightPath's assets or
10 to make distributions to investors either in cash
11 or shares of stock or what priorities may or may
12 not be applied in a distribution.

13 Said differently, any statement by me
14 at this time as to what a distribution would like
15 and on what timeline would be purely speculative
16 and I do not believe it will be helpful to any of
17 you.

18 As I mentioned earlier, I am in
19 possession of over \$15 million in escrow funds
20 that were contributed by certain of the
21 Individual Defendants. While the receivership
22 order provides that I may use the escrow funds to
23 purchase enough pre-IPO Shares to rectify any
24 share shortfall, given my limited access to
25 StraightPath's electronic books and records, I

1 have not yet decided whether there are any pre-
2 IPO Share shortfalls or whether I will be
3 purchasing any pre-IPO Shares.

4 In the event that I do intend to use
5 the escrow to purchase pre-IPO Shares, the
6 receivership order requires that I first obtain
7 the Court's approval through a motion. In the
8 event that I file such a motion, this will be
9 posted, again, to the receivership website.

10 Motions are on notice to the parties who follow
11 the Court docket.

12 That said, please rest assured that the
13 liquidation and distribution of StraightPath's
14 holdings are issues that my team and I are paying
15 close attention to. We are working diligently on
16 determining the form and timing of distribution.
17 We recognize that many of you are understandably
18 anxious and eager to know how and when you may
19 realize a recovery and in what form. There are,
20 however, numerous legal and factual issues to
21 understand and consider before I can propose a
22 plan for distribution of the receivership assets
23 either on an interim or final basis.

24 Among these are a host of questions
25 which focus on was there comingling among the

1 accounts or the funds, whether investors received
2 payments from other accounts, whether the books
3 and records are accurate, and so on.

4 Let me address a few administrative
5 matters in the receivership. Prior to my
6 appointment, StraightPath leased office space
7 through January 31, 2023, in Jupiter, Florida at
8 a monthly cost of approximately \$1,727 per month
9 at the time of my appointment. On June 30th
10 members of my team traveled to the Florida
11 office, as I mentioned, with the Individual
12 Defendants' counsel present to inspect the space
13 and take control of hard copy documents and
14 electronic devices which included three
15 computers.

16 I have analyzed the lease and
17 determined it is in the best interest of
18 receivership estate to seek to terminate or
19 assign the lease before the end of the lease
20 term. There is no point keeping it open. In the
21 interim the Florida office has been closed, to
22 that extent, expenses will be kept to a minimum.
23 My team has been working with a landlord to begin
24 marketing the Florida office to prospective
25 tenants as well as terminating unnecessary

1 services such as internet and janitorial services
2 to reduce the monthly charge.

3 It is my understanding that the
4 landlord has found a perspective tenant to take
5 over the lease, we are working on terminating the
6 receivership entity's obligation under the lease.
7 Additionally, the landlord has begun forwarding
8 the receivership entity's mail to my offices.

9 I am planning on identifying all
10 purported obligations of StraightPath for the
11 purpose of minimizing or eliminating them,
12 including for example, phone services which is
13 approximately \$20 per line, per month. I am
14 becoming aware of other additional alleged
15 obligations and will promptly take action with
16 respect to them.

17 I am not yet aware of any taxes that
18 may be owed by the StraightPath receivership
19 entities or other regulatory fees but am
20 diligently working to ascertain if taxes or other
21 regulatory fees may be outstanding or owed in the
22 future.

23 Additionally, I've been contacted by
24 certain purported counter parties to contract
25 with StraightPath. I continue to review these

1 communications to ascertain whether in fact the
2 StraightPath receivership entities may have
3 obligations and/or whether these purported
4 transactions may present a beneficial economic
5 opportunity for the receivership.

6 With respect to creditors of
7 StraightPath. I contemplate filing a motion, as
8 I noted, to set a bar date for creditors and --
9 excuse me -- and for creditors to file claims in
10 the same manner as investors discussed
11 previously. Treatment of creditors will be part
12 of any plan of distribution that I may propose or
13 if proposed by the Individual Defendants that I
14 may consider.

15 In addition to retaining legal counsel
16 and a financial advisor, I'm currently in the
17 process of retaining an accountant for the estate
18 to assist with tax matters with respect to
19 StraightPath including issuing K-1s to investors.

20 Although StraightPath employed an
21 accountant prior to my appointment, I believe
22 that it would be in the best interests of the
23 estate to retain an unaffiliated accountant
24 moving forward.

25 With respect to issuing K-1s for the

1 year 2021, StraightPath's former accountant has
2 informed my team that K-1s for 2021 are almost
3 complete for StraightPath Ventures Fund, 1
4 through 6. However, given the SEC's allegations
5 in the complaint and because I have not yet had
6 an opportunity to independently verify the
7 information in the books and records, which are
8 reflected in the K-1s, I will not be issuing K-1s
9 to investors until I have retained an accountant
10 and verified the information that will be
11 provided in the K-1s. At this time, we have not
12 yet decided when the K-1s will issue and we are
13 waiting on counsel from the tax advisors in order
14 to permit the necessary calculations to be
15 accomplished.

16 I understand that the K-1s are
17 important for investors to file their own tax
18 returns and many of you are frustrated, and duly
19 so about the lag of time. But as a fiduciary to
20 the estate, I must be vigilant to ensure that the
21 information provided is accurate.

22 With that said, I am not your tax
23 accountant, I can not provide you with tax
24 advice. I advise that you consult your tax
25 advisors and your accountants on how to file your

1 2021 tax returns.

2 In addition to filing the initial
3 status report, I have a duty to file quarterly
4 status reports. I will be filing a quarterly
5 status report on August 29th, 2022. Because we
6 are holding this town hall so closely to the
7 filing of the next status report, the next town
8 hall will likely not take place until October or
9 November.

10 However, in the event that there are
11 issues that call for town hall before then, I
12 will certainly consider holding one as soon as
13 appropriate.

14 As I mentioned earlier, I have
15 established a dedicated email address for
16 receivership, which is
17 straightpathreceiver@otterbourg.com, Otterbourg
18 is spelled O-T-T-E-R-B-O-U-R-G.

19 Since my appointment, we have received
20 approximately 96 emails or phone inquiries from
21 parties in interest. My team tries to respond
22 directly to each of them within a few days. If
23 we do not respond as promptly as you would like,
24 please be patient.

25 With that said, I will now answer

1 questions that we have received before the town
2 hall and during the town hall.

3 The first question, rumors about a
4 settlement. I have been informed that there are
5 rumors circulating that the legal issues with
6 respect to StraightPath have been settled or
7 resolved.

8 So far as I am aware, those rumors are
9 incorrect. I am not aware of any resolution of
10 the SEC complaint nor am I aware of any
11 modifications of my appointment as receiver. The
12 most accurate information with respect to the
13 status of the receivership can be found on the
14 receivership website at
15 www.strightpathreceivership.com, where you can
16 access information from the Court docket for
17 free.

18 Additionally, in the event that you
19 have questions about the status of the
20 receivership, you can contact the receivership
21 team at straightpathreceiver@otterbourg.com.

22 Similarly, I have been asked by a few
23 of you whether you need to participate in a class
24 action lawsuit to recover from the receivership
25 estate?

1 The receivership is not a class action.
2 You do need to opt in or opt out of participating
3 in the receivership. As I mentioned earlier, we
4 will be implementing a claims process in the
5 receivership which we will use as a process for
6 gathering your information with respect to your
7 investments in StraightPath.

8 And let me repeat what I said, because
9 I may have said it incorrectly, you do not need
10 to opt in or opt out of participating in the
11 receivership. And my apology if that was
12 confusing. So, this is not a class action and
13 you do not need to opt in or opt out.

14 With respect to receivership costs, I
15 have been asked about the anticipated costs of
16 the receivership. When we discuss receivership
17 costs, there are several different categories of
18 costs. One set, of course, are my fees as
19 receiver and my professional fees.

20 There are also costs to the
21 receivership including the legacy costs of the
22 StraightPath business, such as for example, the
23 cost to maintain StraightPath's QuickBooks
24 accounts. And there are other purported costs
25 that might arise during the case. For example,

1 the Individual Defendants have asked the
2 receivership to pay their legal fees, which are
3 approximately \$1.2 million for a few months of
4 their attorney's work. They assert that under
5 the StraightPath governing agreements that the
6 Individual Defendants are entitled to advancement
7 and indemnification. This request was made
8 fairly recently, and it is still something that I
9 am looking into.

10 To be clear, merely because I mention
11 it here does not mean that I have agreed or will
12 agree with the request or that the receivership
13 should pay for the Individual Defendants' legal
14 fees. But I wanted you all to know that the
15 Individual Defendants are asking for the payment
16 of their legal fees for their own personal
17 counsel, which in effect would be paid before any
18 money is returned to investors.

19 As we stand here today, there are just
20 too many unknowns about what could unfold during
21 the course of the receivership to provide an
22 exact number of the costs or the indeed range of
23 scope of the costs of today for the future.

24 So, let's focus on what is known about
25 the costs. As I mentioned at the beginning of

1 the call, I was appointed by the Court, I'm
2 authorized to retain professionals. I submitted
3 retention applications to the Court to retain
4 them. You can find those applications on the
5 receivership website.

6 In those applications I identified the
7 hourly rates of the professionals. The
8 Individual Defendants consented to both the
9 receivership order and the retention applications
10 to retain my professionals. The Court,
11 subsequently, approved the retention
12 applications.

13 Now that the professionals are retained
14 and before they receive any money from the
15 receivership, my professionals are required to
16 submit quarterly interim fee applications. The
17 fee applications require detailed information,
18 they are submitted to the SEC first for review.
19 Once the fee applications are filed with the
20 Court, they are available to the public and will
21 be posted on the receivership website.

22 The Court then reviews my
23 professional's fee applications and if they are
24 approved, the receivership is authorized to pay a
25 portion of the fees with a 20 percent hold back

1 which means that these held back funds cannot be
2 released until a later point in the case,
3 typically, at the conclusion of the receivership.
4 At the end of my case my professionals will
5 submit final fee applications which again, are
6 subject to review by the Court.

7 There are going to be a lot of factors
8 that drive that the cost in this case. I think
9 the biggest factor so far has been the effort to
10 access the books and records. Looking forward, I
11 expect that the next factor that is going to
12 drive costs in this case will be the review of
13 StraightPath's records. At the moment, I've not
14 had an opportunity to review, nor has my team, to
15 review all of StraightPath's electronic records
16 and cannot comment on how much work that will
17 require.

18 I think for context another thing to
19 keep in mind are the costs that the investors
20 have allegedly incurred for investing their funds
21 in StraightPath. The SEC alleges in their
22 complaint that while the Individual Defendants
23 told investors that they were charging no upfront
24 fees or that they had waived the fees, they paid
25 themselves more than \$75 million and their sales

1 agents nearly \$48 million. I'm not saying that
2 the allegations are true, but I think that these
3 allegations are important to consider when we are
4 discussing costs to investors.

5 A second series of questions we
6 received are the following. Are personal assets
7 of the individuals still frozen?

8 Some of the personal assets of the
9 Individual Defendants have been unfrozen, while
10 other personal assets remain frozen. The assets
11 that remain frozen are Mr. Martinsen, Mr.
12 Castillero, and Ms. Lanaia's real estate
13 holdings. Pursuant to the preliminary injunction
14 order they cannot sell or encumber their real
15 estate holdings without order of the Court.

16 In my initial status report, I reported
17 they hold either individually or with a family
18 member or through an entity that they control
19 real property with the following values. Mr.
20 Martinsen, property approximately \$3 million.
21 Mr. Castillero, approximately \$6.4 million of
22 value. Mr. Lanaia approximately, \$2.7 million in
23 value. Pursuant to the preliminary injunction
24 order, Mr. Martinsen, Mr. Castillero, and Ms.
25 Lanaia's other assets are now unfrozen. I

1 reported on their other assets in the initial
2 status report, and I commend that to you.

3 Another series of questions address the
4 investment management strategy. I have received
5 questions about my investment strategy going
6 forward.

7 As I mentioned earlier, I am continuing
8 my work to understand the assets of the
9 StraightPath receivership entities and cannot at
10 this time, specifically, state exactly how each
11 asset will be administered. However, I can tell
12 you that my role is not to make speculative
13 investments. My goal will be to prudently wind
14 down StraightPath, dispose of assets in a manner
15 that safely returns to stakeholders what value
16 and can be recovered.

17 Triller. I have been asked about
18 several of StraightPath's investments in pre-IPO
19 companies that may issuing public offerings in
20 the near future. Most of these inquires have
21 been with respect to Triller, which I understand
22 may be going public this year. We are looking
23 into the Triller IPO and once we gain access to
24 StraightPath's electronic books and records, we
25 will be reviewing StraightPath's holdings in

1 Triller.

2 As I have already mentioned, in the
3 future, if and when appropriate, we will be
4 proposing a plan for liquidating and distributing
5 StraightPath's assets whether on an interim or
6 final basis.

7 Another series of questions which I
8 received concerned carried interest,
9 reimbursement of hidden fees, and other
10 recoveries. These inquiries are about whether I
11 will be commencing litigation to recover
12 transfers that were made from StraightPath as
13 well as to recover money that was transferred to
14 the Individual Defendants and sales agents.

15 At this time, I will not be commenting
16 on potential causes of action, but I am working
17 to understand what potential causes of action the
18 receivership entities may hold. If I determine
19 that it is appropriate to commence litigation, I
20 will do so in accordance with the receivership
21 order.

22 Another set of questions concerned the
23 Legend Ventures Partners. We have heard from
24 several of you that you have been contacted by
25 representatives of entity known as Legend

1 Ventures Partners asking whether you invested
2 money in Legend. I recognize that the name
3 Legend Venture Partners is similar to the name
4 StraightPath Ventures Partners, but please note
5 that Legend is not part of the receivership and
6 is not under my jurisdiction. We are
7 investigating this issue. I ask that if a
8 representative of Legend contacts you stating
9 that Legend is a continuation of StraightPath,
10 that you take their information and the details
11 of the communications and send it to my team at
12 straightpathreceiver@otterbourg.com.

13 Let me now turn to some of the
14 questions that we have received during the course
15 of this forum. Some of them ask very specific
16 questions about litigation strategies, which at
17 this time we cannot disclose nor divulge.

18 We also have been asked the question,
19 repeatedly, will we, when we -- we, meaning the
20 investors, get K-1s?

21 All I can assure you is that this at
22 the highest point of priority for my team, that
23 we are awaiting the retention of tax counsel,
24 that upon their retention we will continue to
25 meet with them to explore whether or not it is

1 possible based on the information that we have at
2 this time in our possession to issue those K-1s.
3 At this time, unfortunately, I cannot give you a
4 more specific answer than that.

5 Another question we received in this
6 forum is, is there a criminal investigation?

7 That is up to the relevant authorities.
8 I do not have a role in that. Whether one is
9 happening or not happening is beyond the scope of
10 this receivership and any information that I may
11 have.

12 A further question is do we own shares
13 or was it all a scam?

14 We are investigating that, we are
15 trying to understand exactly what the
16 receivership entities own and what rights
17 receivers, excuse me, what rights investors have
18 in those assets. Again, until I get access to
19 all of the relevant information, that answer
20 cannot be determined.

21 A further question, how long will all
22 of this take?

23 My answer to that is simply, we are
24 trying as hard and as promptly as we can to
25 digest this information. We will take all steps

1 -- the professionals that I retained on behalf of
2 the receivership, are skilled professionals. If
3 there are ways that they can review and
4 investigate the information in prompter ways,
5 they will. Our intention is not to keep this
6 receivership open any moment longer than it needs
7 to be, it's our intention to move as quickly as
8 we can.

9 A further question is whether or not
10 the \$15 million, which has been placed into this
11 receivership by way of the escrow funds is
12 sufficient? Will it cover the potential losses
13 that the investors have suffered?

14 Again, I do not know, it is too early
15 to tell. The investigation is just beginning
16 and, obviously, we will take care to protect the
17 escrow funds, we will continue to prevent
18 unnecessary expenditures, and conserve as much as
19 we can. We will also look to see to what extent
20 those funds can be augmented by way of legitimate
21 and appropriate requestions for turnover and/or
22 litigation to be made against the appropriate
23 parties.

24 At this time, we have tried to answer
25 all the questions that we received both before

1 and during this forum. We tried to anticipate
2 questions that were of broader interest to all of
3 the parties in interest who are listening to this
4 forum. We know from the other day there were
5 over 200, almost 300 persons who signed into the
6 forum, so we appreciate that there is significant
7 interest. Today I've been told that there are
8 approximately 250 persons who have signed on.

9 We know the importance of the
10 receivership, we accept the trust and
11 responsibility that have been placed on us, and
12 we look forward to continuing to work, not only
13 for you, but on your behalf. Thank you very
14 much.

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C E R T I F I C A T I O N

I, Sonya Ledanski Hyde, certify that the
foregoing transcript is a true and accurate
record of the proceedings.

Sonya M. Ledanski Hyde

Veritext Legal Solutions
330 Old Country Road
Suite 300
Mineola, NY 11501

Date: August 9, 2022

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