

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-v- :

PLATINUM MANAGEMENT (NY) LLC; :
 PLATINUM CREDIT MANAGEMENT, L.P.; :
 MARK NORDLICHT; :
 DAVID LEVY; :
 DANIEL SMALL; :
 URI LANDESMAN; :
 JOSEPH MANN; :
 JOSEPH SANFILIPPO; and :
 JEFFREY SHULSE, :

Defendants. :

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No. 16-CV-6848 (BMC)

THE RECEIVER’S NINTH STATUS REPORT TO THE COURT

Melanie L. Cyganowski, the duly appointed Receiver (the “Receiver”) of Platinum Credit Management, L.P., Platinum Partners Credit Opportunities Master Fund LP,¹ Platinum Partners Credit Opportunities Fund (TE) LLC, Platinum Partners Credit Opportunities Fund LLC, Platinum Partners Credit Opportunity Fund (BL) LLC, Platinum Liquid Opportunity Management (NY) LLC, Platinum Partners Liquid Opportunity Fund (USA) L.P., Platinum Partners Liquid Opportunity Master Fund L.P., Platinum Partners Credit Opportunities Fund International Ltd and Platinum Partners Credit Opportunities Fund International (A) Ltd (collectively, the “Receivership Entities,” the “Platinum Entities” or “Platinum”), by her undersigned counsel, hereby submits this Ninth Status Report, covering the period from July 1, 2019 through and including September 30, 2019 (the “Reporting Period”).

¹ Platinum Partners Credit Opportunities Master Fund LP and its feeder funds are collectively referred to herein as “PPCO” or “PPCO Funds” and the Platinum Partners Liquid Opportunity Funds are collectively referred to as “PPLO” or “PPLO Funds”.

This quarterly status report is being filed in accordance with the requirements of the Second Amended Order Appointing Receiver (the “Receiver Order”), entered on October 16, 2017 by the District Court for the Eastern District of New York (the “Receivership Court”). [Dkt. No. 276].

I. PRELIMINARY STATEMENT

During the Reporting Period, the primary focus of the Receiver and her team² continued to be (i) the litigation commenced by the Receiver at the end of 2018 in the United States District Court for the Southern District of New York against a group of defendants seeking the avoidance of certain liens which may otherwise adversely impact potential distributions to investors and creditors as well as damages for claims arising from a fraudulent scheme perpetrated to the detriment of Platinum (the “Beechwood Action”); and (ii) the confidential arbitration proceeding commenced against the auditor of PPCO’s 2014 financial statements (the “Arbitration”). The Receiver also finalized the disposition of one of the Receivership’s most problematic assets – LC Energy – and made significant progress towards bringing another one of its problematic assets – Arabella Exploration – to a conclusion.

II. SUMMARY OF OPERATIONS OF THE RECEIVERSHIP

A. Appointment of Receiver and Duties

On December 19, 2016, the District Court entered an Order Appointing Receiver, [Dkt. Nos. 6 and 16], which appointed Bart Schwartz as receiver (the “Prior Receiver”). At the time of his appointment, the Prior Receiver was serving as a monitor for the Platinum Entities.

On June 23, 2017, after six months, the Prior Receiver resigned and, upon the recommendation of the SEC, by Order dated July 6, 2017, Melanie L. Cyganowski was

² To assist her with her duties, the Receiver retained, with the approval of the Court (on July 21, 2017), Otterbourg P.C. (“Otterbourg”) as her legal counsel [Dkt. no. 231] and Goldin Associates LLC as her financial advisor [Dkt. no. 232] (“Goldin” and, together with Otterbourg, the “Receivership Team”).

appointed as Receiver, effective immediately (*i.e.*, July 6, 2017), and ordered to assume all authority held by the Prior Receiver. [Dkt. No. 216].

Under the terms of the Receiver Order, the Receiver is, among other things, required to preserve the *status quo*, ascertain the extent of commingling of funds, ascertain the true financial condition of the Platinum Entities, prevent further dissipation of property and assets of those entities, prevent the encumbrance or disposal of property or assets of the Platinum Entities, preserve the books, records, and documents of the Platinum Entities, be available to respond to investors' inquiries, protect investors' assets, conduct an orderly wind down, including a responsible disposition of assets and an orderly and fair distribution of those assets to investors, and determine whether one or more of the Receivership Entities should undertake bankruptcy filings.

B. Analysis and Disposition of Receivership Assets

During the Reporting Period, the Receivership Team completed the sale of one portfolio asset (LC Energy LLP), which resulted in the limitation of potential liabilities with respect to the asset. The Receivership Team also participated in a successful mediation in Texas that resolved one of the last remaining issues so that the Arabella bankruptcy case can be closed and distributions made to creditors, including Platinum as its secured creditor. Both Arabella and LC Energy have been two of the more challenging assets in the Platinum portfolio. The Receiver continues to explore options for some of the smaller assets in the Platinum portfolio, but the Receiver is not anticipating any significant recoveries on account of the remaining non-litigation assets.

To assist the Receiver with the monetization of the assets, she retained Houlihan Lokey Capital, Inc. (“Houlihan Lokey”)³ and Conway MacKenzie Capital Advisors, LLC (“Conway MacKenzie”) shortly after her appointment.⁴ The services of both Houlihan Lokey and Conway MacKenzie have since concluded.

During the current Reporting Period, the Platinum Receivership received approximately \$1.8 million from the settlement of a dispute with two insurance companies relating to the Accutane litigation finance investment. This amount is in addition to the approximately \$64.2 million received by the Platinum Receivership from the liquidation of other assets from the date of appointment of the Receiver. Certain parties have asserted a claim to all or part of the proceeds of some of such liquidated investments. None of these assets has been marketed or sold in a “fire sale” fashion.

C. Investigation of Pre-Receivership Activities and Litigation

The bulk of the Receiver’s efforts during the Reporting Period related to the ongoing Arbitration and the Beechwood Action.

1. The Beechwood Action

On December 19, 2018, the Receiver commenced the Beechwood Action in the Southern District of New York against (i) certain so-called Beechwood entities, (ii) Senior Health Insurance Company of Pennsylvania, (iii) Fuzion Analytics, Inc., (iv) CNO Financial Group, Inc., (v) Bankers Consec Life Insurance Company, (vi) Washington National Insurance Company and (vii) 40|86 Advisors, Inc. The case is captioned “*Melanie L. Cyganowski, as*

³ The Court approved Houlihan Lokey’s retention on November 11, 2017, *nunc pro tunc* to September 11, 2017, and issued a Memorandum Opinion regarding Houlihan Lokey’s retention on November 21, 2017 [Dkt. No. 285] (the “Houlihan Opinion”).

⁴ Conway MacKenzie’s retention was approved by the Court on November 11, 2017, *nunc pro tunc* to October 12, 2017. [Dkt. No. 280].

Equity Receiver for Platinum Partners Credit Opportunities Master Fund LP, et al. v. Beechwood RE Ltd., et al.” and is pending as Case 1:18-cv-12018 in the United States District Court for the Southern District of New York. The Receiver exercised her right under the applicable rules and orders of the Court to amend the original filed complaint, and on March 29, 2019, the Receiver filed an amended complaint. A copy of the redacted amended complaint filed in the Beechwood Action may be accessed on the Receiver’s website (www.PlatinumReceivership.com). The summary here is not intended to alter or recast any of the substantial allegations in the complaint.

The Receiver’s complaint (subsequently amended) seeks redress for an alleged scheme perpetrated to the detriment of Platinum and its innocent investors by certain now criminally charged managers of Platinum. Specifically, in the complaint, the Receiver alleges, among other things, that through the creation of what was a thinly disguised independent reinsurance entity, Beechwood, the Platinum insiders, fueled with money knowingly or recklessly contributed by the defendants, were able to prolong and expand a scheme that personally enriched the insiders through the generation of tens of millions of dollars in management fees, incentive fees, false profits and other remuneration over the years.

Certain of the defendants named in the Receiver’s amended complaint were alleged to have substantially assisted, and participated with, Beechwood and the Platinum insiders to commit fraud and breach their fiduciary duties to the PPCO Funds. Specifically, these defendants – acting through Beechwood – structured and implemented a series of transactions that ultimately saddled the PPCO Funds with approximately \$69.1 million of debt owing to Beechwood, as agent for the insurers, secured by purported liens on substantially all of the PPCO

Funds' assets, including those of nearly all of their portfolio companies, in consideration for assets that were worth a fraction of that amount.

For these reasons, the Receiver asserted causes of action for, among other things, (i) violations of the Racketeer Influenced and Corrupt Organizations Act and/ or federal securities fraud; (ii) aiding and abetting common law fraud; (iii) aiding and abetting breach of fiduciary duty; (iv) actual and constructive fraudulent conveyances; and (v) unjust enrichment. In addition to seeking to avoid the purported first-priority liens asserted against PPCO Funds' assets by certain defendants that may otherwise adversely impact potential distributions to investors and creditors, the Receiver seeks monetary damages.

Each of the defendants in the Beechwood Action filed motions to dismiss the Amended Complaint. The hearing on the motions to dismiss took place on August 15, 2019. Shortly thereafter, Judge Rakoff issued a "bottom line" decision, which, while dismissing certain of the Receiver's causes of action, sustained her causes of action to set aside the liens currently preventing a distribution of estate assets. The parties are now fully immersed in discovery, including the exchange of documents, and fact and expert depositions. Discovery will conclude on December 31, 2019, followed by summary judgment motions and a trial sometime in late spring 2020.

The Receiver will update her website, www.PlatinumReceivership.com/index, with developments in the case.

2. The Arbitration

On April 27, 2018, the Receiver timely commenced a confidential arbitration against an accounting firm and its affiliate (collectively, the "Accounting Firms") that provided audit services to certain of the Receivership Entities, claiming that the Accounting Firms committed

negligence in conducting audits of the financial statements of certain of the Receivership Entities (the “Audited Platinum Entities”) for the fiscal year ended December 31, 2014, and that the Accounting Firms breached their contractual obligations to the Audited Platinum Entities in connection with those audits. The Receiver seeks monetary damages in an amount to be determined by the arbitration panel. The arbitration is before a tribunal of three neutral arbitrators, and, subject to the resolution of disputes, recently completed the discovery phase. On June 25, 2019, the Accounting Firms submitted a dispositive motion to dismiss all of the Receiver’s claims. The Receiver submitted her response on July 25, 2019. The Accounting Firms submitted their reply papers on August 9, 2019. Depositions were taken and completed between September 6th and 20th. Argument date on the motion had been scheduled for September 24, 2019, but, unfortunately, the Chairperson of the Panel passed away on September 10, 2019. On October 17, 2019, a new Chairperson was appointed, and a new date for argument on the motion is expected to be set. A hearing is currently scheduled for February 10, 2020. Because of confidentiality restrictions, no further information regarding the arbitration can be provided at this time, including the identity of the Accounting Firms.

3. Additional Review of Potential Claims

In addition, the Receiver continues to review whether additional causes of action against other parties should be asserted. The analysis also includes transfers from Platinum and the value of the assets it transferred and consideration given in return. Applicants have entered into tolling agreements with certain parties.

D. Administrative Matters

During the Reporting Period, the Receiver and the Receivership Team continued to speak and meet with various interested parties and groups, including the joint liquidators for Platinum

Partners Value Arbitrage Fund L.P. (together with its feeder funds, “PPVA” or “PPVA Funds”),⁵ the SEC and Platinum investors. The Receiver regularly updates the Receiver’s website with key documents, answers to frequently asked questions, and status reports to investors. The website also includes links to the Beechwood Action docket.

The Receivership Team also filed and responded to other applications made before this Court and in other court proceedings involving Platinum. Some of the Platinum investments are subject to their own bankruptcy proceedings or are involved in other court proceedings around the country and the world. During the Reporting Period, the Receivership Team continued to monitor such proceedings, either directly or through local counsel, and, when necessary, prepared pleadings and/or made appearances in such proceedings.

1. Website and Investor Communications. In accordance with Section E.2.1 (Communications with Investors), the receivership hired Epic, f/k/a Garden City Group, to create and maintain the Receiver’s website (www.PlatinumReceivership.com). This website provides investors and other interested parties with, among other things, periodic status reports, access to court documents and answers to frequently asked questions. The Receiver revises the website as necessary to update the “Frequently Asked Questions” section and to add “key documents.” The website allows interested parties to sign up to receive daily notices whenever there are new filings on the Receivership docket. The Receiver and the Receivership Team have attempted to respond to investor inquiries and continue to regularly respond and react to inquiries and requests for information.

The Receiver regularly holds “town hall” style meetings with investors and other interested parties via webinar and telephone to provide an update on the actions taken to date and

⁵ PPVA is the subject of insolvency proceedings pending in the Cayman Islands and a Chapter 15 bankruptcy proceeding in the U.S. Bankruptcy Court for the Southern District of New York.

to answer questions. The last Town Hall took place on August 14, 2019 and the next Town Hall is scheduled for December 11, 2019 at 12:00 p.m. The videos of the Town Halls are available through the website (www.PlatinumReceivership.com).

2. Criminal Trial. During the Reporting period, the Receiver continued to monitor the criminal trial of Mark Nordlicht, David Levy and Joseph SanFilippo to analyze any impact those proceedings may have on the Receivership. Following the trial, the jury returned a verdict convicting Mr. Nordlicht and Mr. Levy of defrauding bondholders in portfolio company Black Elk Offshore Operations LLC, but acquitting the pair on the remaining charges. Mr. SanFilippo was acquitted on all counts with which he was charged. Subsequently, the Court overturned the jury verdict with respect to Mr. Levy and ordered a new trial with respect to Mr. Nordlicht. The Department of Justice is in the process of appealing those decisions, and in the interim, the commencement of two additional criminal trials have been delayed.

It is the view of the Receiver that the outcome of the criminal trial does not directly impact her work. The Receivership was established with Mr. Nordlicht's and the other defendants' consent in the civil enforcement case brought by the Securities and Exchange Commission titled *SEC v. Platinum Management (NY) LLC, et al.*, case No. 16-cv-06848 (E.D.N.Y.) (BMC). Until the civil action is resolved, the Receiver's role is to administer the Receivership. The Receiver and the Receivership Team were not involved in either the prosecution of the criminal case by the Department of Justice (which focused almost entirely on PPVA, not PPCO) or the advancement of the civil litigation by the SEC.

3. Advancement of Fees. During the Reporting Period, and following the conclusion of the criminal trial, certain of the Defendants renewed their requests for the advancement of attorneys' fees. The Receiver's position has remained unchanged and she does

not believe that the acquittals impact the Court's prior decision denying the advancement of attorneys' fees.

4. **Schafer & Weiner**. On September 25, 2018, the Court issued its Memorandum Decision and Order denying Schafer & Weiner's ("S&W") fee application and reserving judgment on the Receiver's cross-motion seeking disgorgement of the pre-Receivership fees paid to S&W. [Dkt. No. 383] S&W then appealed that decision to the U.S. Court of Appeals for the Second Circuit. During the Reporting Period, Applicants participated in the Second Circuit's mandatory mediation conference (CAMP) and engaged in conversations with S&W and the SEC regarding a possible resolution of the appeal and the Receiver's cross-motion. The CAMP process did not lead to a resolution of issues with S&W, and has come to a conclusion. The parties continue to discuss a potential resolution, without further extending S&W's time to file its appellate brief.

5. **SEC Meetings**. The Receiver also communicated from time to time with the SEC staff to keep them apprised of ongoing matters as to which SEC input is appropriate and to alert them to certain filings by the Receiver. The Receiver and the Receivership Team also had periodic communications with SEC personnel about pending matters before the Court for which SEC input was appropriate.

6. **PPVA**. The Receiver and the Receivership Team had periodic teleconferences and in-person meetings with the Joint Liquidators for the PPVA Master Fund and the PPVA Feeder Fund and/or their staff to discuss issues of mutual interest, including jointly held assets, the Beechwood Action, a related Chapter 15 bankruptcy proceeding, the Agera Action (discussed below) and additional claims that may be jointly held. Otterbourg also continued to discuss

procedures regarding access to documents held on the Platinum mainframe and the production of documents in connection with the ongoing litigations.

7. **Receivership Estate Oversight.** Time during the Reporting Period was also devoted to the general oversight of the Platinum Entities and the Receivership Estate. Conferences with the Receiver and members of the Receivership Team occurred on a regular basis to facilitate the exchange of relevant information and to avoid duplication of effort. The Receivership Team met with the Receiver bi-monthly to discuss ongoing asset disposition, litigation, claims and other administrative matters, and prepared agendas and reviewed assets for discussion in advance of the meetings. The Receiver maintained direct oversight over all legal and financial-related work being done by her Receivership Team. Otterbourg attorneys assisted the Receiver, along with assistance from internal management and Goldin, in analyzing budget, cash management and other administrative issues of the Receivership estate.

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 Schedule of Receipts and Disbursements attached hereto as **Exhibit A.**

As of September 30, 2019, the Receivership Entities had approximately \$37.7 million in funds. Certain parties claiming an interest in particular sold assets have asserted claims to a portion of the sale proceeds of such assets (as opposed to a general claim against the Receivership Estate). Other parties have presented documentation purporting to grant them security interests in all or certain of Platinum's assets. These claims are being challenged, as discussed in Section II hereof.

Cash disbursements during the Reporting Period totaled approximately \$4.9 million. This amount consisted primarily of (i) \$4,037,597 in disbursements to professionals; (ii)

\$517,613 in business asset expenses (payroll and related expenses paid to Platinum employees, as well as office rent); and (iii) \$427,053 in investment expenses (of this amount, \$380,000 represents funds paid to the purchaser of LC Energy to avoid certain potential environmental liabilities and the balance represents funds used to preserve the pre-sale value of LC Energy).

It is estimated that, as of September 30, 2019, accrued and unpaid administrative expenses amount to approximately \$5.5 million. This amount includes the estimate of fees and expenses that have been incurred by the Receiver, Otterbourg and Goldin during the second and third quarters of this year and that will be requested in future applications, holdbacks for prior applications of the Receiver, Otterbourg and Goldin, holdbacks to the Prior Receiver's counsel (Cooley) with respect to its interim fee application, and fees and expenses of other professionals retained by the Receiver or the Prior Receiver. In addition to these unpaid administrative expenses, the Receivership Estate paid remaining in-house Platinum staff and other operating expenses during the Reporting Period.

Cash receipts during the Reporting Period totaled \$1,863,885. This amount primarily consists of net proceeds derived from the settlement of a dispute with two insurance companies relating to the litigation finance investment referred to as "Accutane," which is discussed below.

IV. RECEIVERSHIP PROPERTY

As of September 30, 2019, the primary assets of the Receivership Estate ("Receivership Property") consisted of the following:

- (i) Cash and cash equivalents of approximately \$37.7 million;
- (ii) Real estate investments without any set book value, due to their inherently speculative nature;
- (iii) Remaining investments in natural resources, litigation financing, energy and other miscellaneous investments; and
- (iv) Potential litigation claims.

A list of Receivership Property – namely, each asset of the PPCO and PPLO entities – is attached hereto as **Exhibit B**.

The Receiver cannot ascribe values to the assets that have not yet been monetized. Unfortunately, many of the values ascribed to Platinum assets, whether by the Prior Receiver or Platinum management, were based upon assumptions that derived from the plans and projections of prior (now removed) management. The actual realized value of these investments may differ materially from the valuations determined by Platinum’s prior management and/or the Prior Receiver, and the underlying assets may suffer from significant liabilities that were not accounted for in prior valuations. Many of the investments made by Platinum were investments in enterprises that are still in the developmental stage, have no established market value (with any future value being highly speculative) and, in some instances, require significant additional capital investment to even have the possibility of realizing a return on such investment. As such, the prior valuations were often based on assumptions that Platinum would invest significant additional capital in the assets with the hope that such investments would pay dividends in the long-term future. As the Court previously stated, the Receiver is not tasked with making speculative investments or indulging in risky investment opportunities. *Houlihan Opinion* at 8. Even with such assumptions made by prior management regarding additional investment, the prior valuations generally were not supportable.

The Receiver at this time does not anticipate significant recoveries from the remaining non-litigation assets. There are certain assets that may ultimately have no realizable value. All assets have been reviewed and disposition options for the remaining assets that are not in the process of being monetized are limited. Based upon the thorough due diligence performed by the Receivership Team, the Receiver’s goal is to limit any further investment of professional

resources in assets for which there is a limited or non-existent market. If the Receiver believes that there is the possibility that a market will develop (*e.g.*, a stock that is not currently trading, but for which the underlying company may develop into a profitable business), the Receiver may hold the asset for a period of time until a final decision must be made. Certain assets may ultimately be abandoned or become part of a bulk lot remnant sale. The Receivership Team also continues to work with other parties to realize upon assets that are subject to bankruptcy or liquidation proceedings.

Certain parties have asserted an interest, including an alleged secured interest, in some or all of the proceeds of the sale of Receivership Estate assets. In the Beechwood Action, the Receiver is seeking to void the purported blanket liens asserted on the Platinum assets.

The Receiver has focused on several investments during the Reporting Period. Below is an overview of certain of the investments in which the Receiver and the Receivership Team have dedicated significant time. The below summaries include a brief description of the nature of the investment, work performed, and status during the Reporting Period.

I. **Abdala** – refers to PPCO’s formerly held interests (through a subsidiary, West Ventures LLC) in a gold tailings impoundment located near Cuiababa, Brazil. PPCO owned contract rights to extract gold for a period of ten years from the tailings impoundment, which was adjacent to the former Abdala gold mining operation. The sale of the Abdala Tailings Project was previously approved and closed in September 2018. The sale was for \$27.5 million in cash at closing (less payment of fees and taxes). The sale agreement also provided that if the gold content of the tailings impoundment was validated to exceed 9 grams per ton, the Receivership Estate will be entitled to receive \$3 million in cash royalty advances approximately six months after closing. Multiple rounds of testing have now been performed on the tailings

impoundment to determine the gold content. The results of these tests as reported to the Receiver are that the gold content is well below the 9 grams per ton threshold and Platinum will not be receiving any additional consideration from this asset.

2. **Accutane** –refers to a litigation financing investment by Platinum in a products liability litigation concerning the drug Accutane. In October 2018, the Supreme Court for the State of New Jersey entered a decision ending the lawsuits. This investment was insured by insurance from two insurance companies that had insured up to a \$4.5 million return on the litigation finance investment. The PPCO subsidiary made a claim under the insurance policy for the \$4.5 million which was initially denied by the insurers. The parties then commenced informal discovery after which they entered into arms’ length negotiations to resolve their dispute without court intervention. During the Reporting Period, the Receiver completed the settlement with the insurance companies and recovered \$1.8 million in settlement proceeds.

3. **Agera** – refers to Agera Energy LLC and Agera Holdings, LLC (collectively, “Agera”). Agera is a retail energy service company. In June 2016, prior to the receivership, Principal Growth Strategy, LLC (“PGS”), which is owned 55% by PPVA and 45% by PPCO, sold a portion of its interests in Agera to certain entities affiliated and/or associated with Beechwood Re Investments LLC.

Pursuant to their respective interests in PGS, both PPVA and PPCO agreed to pursue certain claims and causes of action relating to PGS’s ownership of a certain promissory note convertible into 95% of the common equity of energy reseller Agera Energy (the “Agera Claims”). In connection with such agreement, a complaint was filed in the Court of Chancery of the State of Delaware on June 7, 2019 against numerous defendants, including AGH Parent LLC, Senior Health Insurance Company of Pennsylvania and CNO Financial Group, Inc. (the “Agera

Action”). The Case is No. 2019-0431. Thereafter, the case was removed to the United States District Court for the District of Delaware (Case No. 19-cv-01319), where a motion for remand is currently pending.

In addition, on October 4, 2019, Agera Energy LLC and certain of its affiliates, none of which are parties to the Agera Action, filed for chapter 11 bankruptcy relief in the United States Bankruptcy Court for the Southern District of New York, Case No. 19-23803.

4. **ALS Life Settlements (Lincoln/Rosenberg Litigation)** – refers to a portfolio of life settlement investments that were owned through an entity in which PPCO is the majority owner and managing member. All but one policy in the portfolio was previously sold by the Receiver. The one insurance policy that was not sold has a total death benefit of \$8.5 million (with ALS entitled to \$7.2 million of that total). The Receiver believes that the insurance company – Lincoln Life – improperly lapsed this policy prior to the Receiver’s appointment. The insured under the policy (Rosenberg) subsequently passed away, leaving the potential death benefit in dispute. The Receiver commenced an action in the United States District Court for the Eastern District of New York and retained contingency counsel. A back-end beneficiary under the policy (who the Receiver named as a nominal defendant because it was a necessary party to the litigation) filed counterclaims against the Receiver, seeking a ruling that it is entitled to 100% of the death benefit in the event that the Court determines that the Receivership somehow caused the alleged lapse. During the Reporting Period, the Receivership Team and contingency counsel continued to litigate the counterclaims asserted by the back-end beneficiary, which claims the Receiver believes are without merit and are legally deficient, and continued to pursue the primary claims against the insurer. Discovery has recently concluded.

5. **Arabella** – refers to three entities each containing Arabella in their names. In 2014, PPCO made a \$16 million loan to Arabella Exploration, Inc. (“AEI”) pursuant to a \$45 million facility (the “Loan”). The Loan was secured by all of AEI’s assets, and was guaranteed and secured by the assets of AEI’s subsidiaries, Arabella Exploration, LLC (“AEX”) and Arabella Operating, LLC (“AO” and, together with AEX and AEI, “Arabella”). Arabella had working interests in certain leased oil and gas properties in the Permian and Delaware Basins in Texas. AEX and AO are debtors in bankruptcy proceedings in the U.S. Bankruptcy Court for the Northern District of Texas (the “Texas Bankruptcy Court”) and a liquidation proceeding in the Cayman Islands (which has been recognized in a Chapter 15 case pending in the Texas Bankruptcy Court). Platinum filed claims in Arabella’s bankruptcy proceedings in an amount of \$20,061,589.

Arabella’s plan of reorganization was confirmed by the Texas Bankruptcy Court and the sale of assets closed at the end of 2018. From the sale proceeds, payments will be made by Arabella to certain third parties pursuant to settlement agreements entered into by Arabella with parties that had claimed an interest in Arabella’s assets. In addition, payments were made to the broker and the taxing authorities, and payments will also be made to certain lienholders with interests senior to those of Platinum, priority and administrative claimants and Arabella’s retained professionals, all entitled to be paid before Platinum will receive its share of the proceeds.

As of the beginning of the Reporting Period, the only remaining issue to be resolved to enable Arabella to make distributions and close the bankruptcy case, was the claim by the AEI liquidator and his professionals for approximately \$530,000 (the “Substantial Contribution Claim”). These professionals were retained by Prior Management to assist with the workout of

the Arabella loan and are also parties to a Guaranty Agreement with Prior Management. The Receiver objected to the Substantial Contribution Claim. The parties agreed to mediate the issue and the Receiver's counsel participated in a mediation in Texas on August 14, 2019. As a result of the all-day mediation, a resolution was reached by which the substantial contribution claim was allowed against the Arabella estate in the amount of \$100,000 and the AEI liquidator and his professionals will be entitled to an unsecured claim against the Platinum estate for the balance. This resolution avoided the additional cost and expense of litigation the Substantial Contribution Claim in the Arabella bankruptcy. Arabella's professionals are currently in the process of settling the amounts owed to all parties. Arabella intends to make final distributions before the end of the year. Any proceeds received by Platinum are subject to a claim by the counterparty to a Participation Agreement entered into with the Prior Receiver. The Receiver is currently in discussions to resolve the claim with the participant.

6. **Greehey** – refers to a \$3.23 million secured loan (the "Loan") made by a wholly owned subsidiary of PPCO, Bakken Development Opportunities, I, LLC ("Bakken"), to Greehey & Company, Ltd. ("Greehey") and Dynamic Resources LLC ("Dynamic," and together with Greehey, "Defendants"). The Loan was secured by certain real property located in Telluride, Colorado and certain oil and gas leases located in North Dakota. The Loan matured on August 31, 2017. Despite repeated requests by the Receiver, the Defendants failed to pay the amounts outstanding under the Loan and on August 1, 2019, the Receiver commenced a lawsuit against Greehey and Dynamic seeking entry of a judgment holding Defendants in default on an immediate payment obligation to Bakken of \$3.23 million, in addition to associated interest, costs and expenses, including reasonable attorneys' fees and costs. The Defendants have since answered the complaint and filed counterclaims against PPCO and Bakken.

7. **LC Energy** – refers to LC Energy Holdings, LLC, the owner of the Goldstar Coal Mine in Green County, Indiana, which is wholly owned by PPCO. PPCO acquired its ownership interest in the mine in March 2014 in the bankruptcy case of In re Lily Group, Inc., Case No. 13-81073 (Bankr. S.D. Ind.). The mine is currently idled.

Unlike the usual circumstance in which assets are sold from a bankruptcy estate free and clear of all liens, here, the bankruptcy court order did not provide for the sale of the assets to LC Energy free and clear of liens. As a result, there were multiple liens and a claim by the committee of unsecured creditors in the Lily Group bankruptcy case asserted against the LC Energy assets. The Receivership Court previously approved a Bid Procedures Motion on January 16, 2019 [Dkt. No. 444] and Houlihan Lokey immediately began to market the LC Energy assets.

The one offer received for LC Energy was predicated on the Receivership Estate *paying* the buyer for potential environmental liabilities (liabilities which, by contract, are not the responsibility of LC Energy), which the bidder believed may well exceed any short-term future production from the mine. When it became apparent that no additional bids were forthcoming, the Receiver met and conferred with Houlihan Lokey, her financial advisors, her local Indiana bankruptcy and environmental counsel, and certain other interested parties, to determine how best to dispose of LC Energy without the prospects of a ready, willing and able buyer for the Mine. The Receiver considered abandoning the Mine. However, while the Receiver believed that upon abandonment, ERC Mining Indiana Corp. (“Purchaser”), in its capacity as manager of the Mine, would be responsible to remediate the Mine, the Purchaser disagreed. Rather, the Purchaser asserted that LC Energy would remain liable for any such costs and expenses, expenses that the Purchaser asserted could well exceed \$1.5 million. To avoid a lengthy and costly dispute

over the ramifications of abandonment, the parties soon commenced negotiations about the future of the Mine and which party would have responsibility for satisfying associated liabilities. The Receiver ultimately agreed with Purchaser in an Asset Purchase Agreement dated August 16, 2019 (the “APA”), that LC Energy would sell the Mine to it while the Purchaser would assume any and all current and future clean-up and other remediation costs at the Mine in consideration for a payment by LC Energy to Purchaser of \$380,000 and an assignment to Purchaser of the \$250,000 in cash collateral currently securing a bond in favor of the State of Indiana. The APA was approved by the Receivership Court and closing of the sale occurred during the Reporting Period.

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

In addition to the asset specific lawsuits – namely, Lincoln National Insurance and Greehey (described above) – and PPCO’s interest in the lawsuit relating to Agera Energy, the Receiver’s investigation of pre-petition activities has to date resulted in the commencement of two litigations: (i) the Arbitration commenced on April 27, 2018, and (ii) the Beechwood Action commenced on December 19, 2018. The Receiver cannot predict the outcome of these litigations or the timing of collecting on any judgment or settlement that may ultimately be obtained. The primary focus of the Beechwood Action remains the release of the blanket liens on Platinum’s assets.

The Receivership Team continues to analyze other pre-Receivership activities, including transfers made by PPCO and PPLO to other entities and individuals, and the professional services provided by, among others, valuation agents, fund administrators, auditors and legal advisors, to determine if any additional causes of action exist that warrant the commencement of litigation. For any claims in which a statute of limitations may be approaching, the Receiver has

reached out, and will continue to reach out, to the potential targets to enter into tolling agreements to allow the Receivership Team the appropriate time to investigate potential claims and, if necessary, commence action(s) against those targets that have declined to toll the statute of limitations. The Receiver cannot at this time state whether any additional actions will be commenced and, if so, when they would be commenced.

VI. LIABILITIES OF THE RECEIVERSHIP ESTATE

Pursuant to Paragraph 47 of the Receiver Order, below, please find a description of the Receivership Estate's potential liabilities as of September 30, 2019. Certain liabilities described herein, particularly those pertaining to creditor claims, are uncertain, and will remain as such until the Receivership Team concludes its claims analysis and forensic investigative processes.

A. Creditors. The creditor-related information presented below is based on prior management's books and records, which are as of December 19, 2016, the date Platinum entered receivership. The Receivership Team will test the veracity of these numbers and the underlying liability as part of its ongoing forensic investigative and upcoming claims analysis processes. The validity and amount of claims may differ materially from the values reported by prior management.

- PPCO lenders: PPCO owed \$65.9 million to three (3) lenders.
- PPCO unpaid redemptions: PPCO owed \$28.2 million to 21 PPCO unpaid redeemers.
- PPLO unpaid redemptions: PPLO owed \$6.5 million to three (3) PPLO unpaid redeemers.
- PPCO and PPLO outstanding payables: PPCO and PPLO had \$2.7 million of outstanding payables attributable to 23 vendors.⁶

⁶ This amount reflects PPCO's books and records, but may be revised based upon the review of the filed pre- Receivership general claims.

B. Accrued Administrative Expenses. As of September 30, 2019, accrued and unpaid administrative expenses amount to approximately \$5.5 million. These administrative expenses primarily consist of accrued and unpaid professional fees. In addition to these unpaid administrative expenses, the Receivership Estate has budgeted approximately \$130,000 per month to pay the remaining in-house Platinum staff and to cover other operating expenses, such as office rent.

C. Disbursements to Preserve the Value of Certain Investments. The Receiver expended approximately \$47,000 during the Reporting Period to preserve the pre-sale value of the LC Energy asset. Additionally, in connection with the sale of the LC Energy asset, the Receiver paid \$380,000 to the purchaser to avoid any environmental liabilities related to LC Energy. No other significant expenses, other than payment to local counsel in certain circumstances, are being incurred by the Receivership to maintain any of the remaining portfolio investments.

D. Investors. The Receiver currently believes that there are 286 known investors in the Platinum Entities. The aggregate net cash invested by investors in the Platinum Entities is approximately \$310,000,000. After conferring with the SEC, at this time, to protect the privacy of such investors, the Receiver is not filing with this Status Report a list of the names of each investor and the amount of such investor's net cash investment. The actual amount and value of the investors' claims is ultimately dependent upon the net recovery obtained on Receivership Property. The amount of "net cash invested" by an investor may be materially different than the amount ultimately received by such investor.

VII. CLAIMS ANALYSIS

Resolution of the purported blanket secured liens asserted on the Platinum assets, which is addressed in the Beechwood Action, must occur before any distributions can be made to

unsecured and investor claimants. Nonetheless, the Receiver is proceeding on parallel paths by commencing the claims review process. Pursuant to the previously approved bar date procedures motion, the bar date to file a proof of claim asserting a claim arising before the Receivership was March 29, 2019 and the bar date for governmental units to file a proof of claim was April 12, 2019. Parties holding investor claims, claims for unpaid redemptions and administrative claims were not required to file proofs of claim. In addition, the Receiver has claims that may have been filed with the Prior Receiver. In total, 327 claims were filed prior to the bar date. Some of these claims may be duplicate claims and some may be asserted against non-Receivership Entities.

The Receivership Team has preliminarily reviewed the filed claims, but has not yet done an in-depth analysis of each claim, including which claims may be the subject to an objection and disallowance. The Receiver cannot at this time state what distributions will ultimately be, or even the total amount that will ultimately be available for distribution. Addressing the asserted secured blanket liens on the assets is also fundamental to formulating a distribution plan. Also, in addition to determining how to treat different claims (*e.g.*, unsecured creditor claims, unpaid redemption claims, insider claims, non-insider investor claims), the Receiver will need to determine if the various Platinum Entities will be fully or partially consolidated for claim and distribution purposes or if each will be treated separately. There may also be issues of Cayman law regarding the three Cayman funds that may be implicated.

VIII. RECOMMENDATIONS FOR CONTINUATION OR DISCONTINUATION OF RECEIVERSHIP

The Receiver believes that continuation of the receivership is in the best interests of the creditors of and investors in the Platinum Entities. While the Platinum Entities could be liquidated in a bankruptcy proceeding, for the reasons stated in the Receiver's previous Status

Reports, the Receiver continues to believe that continuing with the orderly liquidation of the Platinum Entities in this receivership case and pursuit of the legal actions commenced by the Receiver provides greater flexibility to achieve an equitable result for the investors who have been wronged here. To start over at this advanced point in the Receivership case would be extremely time consuming and expensive.

IX. CONCLUSION

The Receiver cannot at this time state when she expects the case to be concluded. The focus is on the resolution of asserted claims and the release of purported blanket secured liens. The claims reconciliation and distribution plan will then follow.

Dated: October 21, 2019

Otterbourg P.C.

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On Behalf of Melanie L. Cyganowski, as Receiver

EXHIBIT A

PLATINUM PARTNERS CREDIT OPPORTUNITIES MASTER FUND LP AND AFFILIATED ENTITIES**Schedule of Receipts and Disbursements**

	Period from 7/1/2019 to 9/30/2019			Cumulative Total from 7/7/2017 to 9/30/2019		
	PPCO	PPLO	Total	PPCO	PPLO	Total
Cash (Beginning of Period)	\$ 33,684,375	\$ 3,203,908	\$ 36,888,283	\$ 7,788,872	\$ 1,617,492	\$ 9,406,363
Receipts						
Business Income	-	-	-	-	-	-
Cash and Securities	-	-	-	-	-	-
Interest/Dividend Income	61,093	-	61,093	61,203	2,321	63,525
Business Asset Liquidation	1,800,000	-	1,800,000	64,011,912	1,594,800	65,606,711
Personal Asset Liquidation	-	-	-	-	-	-
Third-Party Litigation Income	-	-	-	-	-	-
Miscellaneous - Other	2,791	-	2,791	801,896	3,294	805,190
Total Receipts	\$ 1,863,885	\$ -	\$ 1,863,885	\$ 64,875,011	\$ 1,600,415	\$ 66,475,426
Disbursements						
Disbursements to Investors/Claimants	-	-	-	-	-	-
Disbursements for Receivership Operations	-	-	-	-	-	-
Disbursements to Receiver or Other Professionals	(4,037,597)	-	(4,037,597)	(17,586,638)	(2,575)	(17,589,213)
Business Asset Expenses	(517,613)	-	(517,613)	(4,706,577)	(396)	(4,706,973)
Personal Asset Expenses	-	-	-	-	-	-
Investment Expenses	(427,053)	-	(427,053)	(19,692,757)	-	(19,692,757)
Third-Party Litigation Expenses	-	-	-	-	-	-
Tax Administrator Fees and Bonds	-	-	-	(111,914)	(11,028)	(122,942)
Federal and State Tax Payments	-	-	-	-	-	-
Disbursements for Distribution Expenses Paid by the Fund	-	-	-	-	-	-
Disbursements to Court/Other	-	-	-	-	-	-
Total Disbursements	\$ (4,982,262)	\$ -	\$ (4,982,262)	\$ (42,097,886)	\$ (13,999)	\$ (42,111,885)
Cash (End of Period)	\$ 30,565,997	\$ 3,203,908	\$ 33,769,905	\$ 30,565,997	\$ 3,203,908	\$ 33,769,905

EXHIBIT B

Receivership Property List

PPCO Assets

Asset Name	Asset Type
1) Abdala Tailings Project	Royalty Stream
2) Acceleration Bay	Back-end proceeds from litigation
3) Activision TV, Inc.	Patent Portfolio
4) Agera Energy LLC	Preferred Stock
5) ALS Capital Ventures, LLC	Life Settlements Portfolio
6) Andrew McCarrell v. Hoffmann - La Roche Inc. and Roche Laboratories, Inc. (Accutane)	Litigation Finance Investment
7) Arabella Exploration Inc.	Loan Receivable
8) Bahamas Properties	Ownership Interest
9) Buffalo Lake Advanced Biofuels LLC	1) Loan Receivable 2) Common Stock
10) Carbon Credits	Participations in PPVA deals
11) Celsius Resources Ltd	Common Stock
12) China Horizon Investment Group Ltd.	Loan Receivable
13) Claus Shelling Family Trust	Life Settlements Portfolio
14) Cleveland Mining Company Ltd.	1) Loan Receivable 2) Common Stock
15) Credit Card Receivables Portfolio	Loan Receivable
16) Decision Diagnostics Corp.	Preferred Stock
17) Environmental Service Professionals, Inc.	Common Stock

Receivership Property List

PPCO Assets

Company Name	Asset Description
18) Golden Gate Oil LLC	Notes Receivable
19) Greehey & Company	Loan Receivable
20) Grey K Environmental Fund II, L.P.	Investment in Closed-End Fund
21) Khorrami Pollard & Abir, LLP	Loan Receivable
22) Millennium Healthcare, Inc.	Common Stock
23) MMP Resources Limited (f/k/a Sino Construction)	Common Stock
24) Montsant Partners LLC	Loan Receivable
25) Nisayon International Inc.	Loan Receivable
26) NJ Ethanol LLC	1) Class B Preferred Stock 2) Common Stock
27) Nordaq Energy Inc	1) Common Stock 2) Warrants
28) Over Everything LLC	1) Loan Receivable 2) Common Stock
29) Total Asset Recovery Services, LLC (TARS)	Litigation Finance Investment
30) Urogen Pharmaceuticals, Inc.	1) Note Receivable 2) Preferred Stock
31) Xcell Energy Inc.	Loan Receivable
32) Yellow River	Common Stock

Receivership Property List

PPLO Assets

Company Name	Asset Description
1) Alcyone Resources Limited	Common Stock Note Receivable
2) Bang Holdings Corp.	Warrants
3) Black Elk Energy LLC	Note Receivable
4) China Cablecom Holdings Ltd.	1) Common Stock 2) Preferred Stock
5) Echo Therapeutics, Inc.	1) Preferred Stock 2) Common Stock 3) Warrants
6) Misung Polytech	Loan Receivable
7) Navidea Biopharmaceuticals, Inc.	Common Stock
8) Ochre Group Holdings Limited	Common Stock
9) Range Resources Limited	Common Stock
10) Sun Resources NL	Options
11) Valley Forge	Common Stock
12) Wexford Petroleum Corporation	Common Stock
13) Woori Technology Inc.	Warrants

Receivership Property List

Jointly Held PPCO / PPLO Assets

Company Name	Asset Description
1) Cokal Limited	1) Loan Receivable
2) Copper Rider / Parot Tovot	1) Loan Receivable - Parot Tovot 2) Loan Receivable - Copper Rider
3) Infinity Augmented Realty, Inc.	1) Series A Preferred Stock 2) Series B Preferred Stock 3) Common Stock 4) Options
4) Northstar Offshore Group	1) Preferred Stock 2) Loan Receivable - Subordinated Debt 3) Loan Receivable - Line of Credit 4) Note
5) Platinum Partners Value Arbitrage Fund	Loan Receivable