

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 TENTH 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 Tenth Status Report, covering the period from October 1, 2019 through and including December 31, 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 in the United States District Court for the Southern District of New York against a group of defendants seeking the avoidance of certain liens that 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 at this time does not anticipate significant recoveries from the remaining non-litigation assets and will seek to liquidate the small volume of assets, measured by value, that have not yet been liquidated during the first half of this year.

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, and determine whether one or more of the Receivership Entities should undertake bankruptcy filings.

B. Analysis and Disposition of Receivership Assets

The Receiver and her professionals have vetted all of the remaining assets in the portfolio and believe that they have monetized all of the significant assets. At this time, assets in the PPCO portfolio that have not yet been liquidated generally fall into one of three categories: (i) assets the dispositions of which are subject to pending litigation, (ii) assets that are in the process of being, but have not yet been completely, monetized, and (iii) assets that are deemed to have relatively insignificant value and will be either disposed of in a remnant sale or abandoned. In PPLO, there are a handful of securities, believed to total in the range of approximately \$20,000 in value, that require additional documentation and/or an uptick in market activity to dispose of them. These remaining assets do not require any expense to preserve.

During the current Reporting Period, the Platinum Receivership received approximately \$261,000 on account of Platinum's investment in Arabella (\$200,000), a dividend received on account of a bond payment from Black Elk (approximately \$40,000) and other miscellaneous

income (approximately \$21,000). This amount is in addition to the approximately \$66 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 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 Beechwood Action and Arbitration.

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 Conesco Life Insurance Company, (vi) Washington National Insurance Company and (vii) 40|86 Advisors, Inc. The case is captioned “*Melanie L. Cyganowski, as 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 the managers of Platinum. Specifically, in the complaint, the Receiver alleges, among other things, that through the creation of a purported 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 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 the 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. On October

7, 2019, Judge Rakoff issued an Opinion and Order, 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, as well as the Receiver's causes of action for aiding and abetting breach of fiduciary duty, and unjust enrichment against certain of the defendants. During the Reporting Period, the parties completed discovery, including the exchange of documents, and fact and expert depositions. The deadline for summary judgment motions is next month, and argument on summary judgment and a final pre-trial conference are scheduled for March 26, 2020.

Parallel to the litigation track, the Receiver and the Receiver's counsel have also been engaged in ongoing settlement discussions with certain of the defendants. A settlement in principle resolving disputed liens with one of the three groups of defendants has been reached and is in the process of being finalized.

The Receiver will continue to 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. In the arbitration, the Receiver claims 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. On June 25, 2019, the Accounting Firms submitted a motion for summary judgment dismissing all of the Receiver's claims. The motion has been fully briefed and oral argument was held on the motion on November 21, 2019. The arbitration hearing is currently scheduled to begin on May 11, 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 includes transfers from Platinum, the value of the assets transferred, and the consideration given in return for the transferred assets. The Receiver has entered into tolling agreements with certain third parties. No decisions have been made at this time whether to commence any additional actions.

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"),³ the SEC, and Platinum investors. The Receiver 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 were subject to their own bankruptcy proceedings or are involved in other court proceedings

³ 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.

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 to answer questions. The last Town Hall took place on December 11, 2019 and the next Town Hall will be scheduled in the next couple of months. The videos of the Town Halls are available through the website (www.PlatinumReceivership.com).

2. **Criminal Trial.** Following the criminal trial of Mark Nordlicht, David Levy and Joseph SanFilippo, the jury returned a verdict convicting Nordlicht and Levy of defrauding bondholders in portfolio company Black Elk Offshore Operations LLC, but acquitting the pair on the remaining charges. SanFilippo was acquitted on all counts with which he was charged. The Court thereafter overturned the jury verdict with respect to Levy and ordered a new trial with

respect to Nordlicht. The Department of Justice is in the process of appealing those decisions, and in the interim, two additional criminal trials have been delayed. The Receiver and the Receivership Team were not involved in either the prosecution of the criminal case by the Department of Justice (which almost entirely focused on PPVA rather than PPCO) or the advancement of the civil litigation by the SEC.

3. Advancement of Fees. During the last Reporting Period, and following the conclusion of the criminal trial, certain of the Defendants renewed their requests for the advancement and/or indemnification of attorneys' fees. Toward the conclusion of the Reporting Period, by minute order entered December 12, 2019, the Court requested additional briefing and argument on the "sole issue [of] whether it would be appropriate for this Court to dismiss the case without prejudice to the right of the Receiver or creditors to file a bankruptcy petition against the company in light of the fact that this Court has been called upon to apply Bankruptcy Code concepts to substantial claims and procedures in this matter." In response to the minute order, on January 17, 2020, the Receiver filed the Declaration of Melanie L. Cyganowski, as Receiver, in Response to the Minute Order Entered December 12, 2019 and the Memorandum of Law of Melanie L. Cyganowski, as Receiver, in Response to the Minute Order Entered December 12, 2019 (collectively, the "Receiver's Response to Minute Order") [Dkt. No. 516]. Argument on the sole issue raised by the Court in the minute order is scheduled for January 27, 2020. The "sole issue" raised by the Court in the minute order, and the Receiver's response thereto, are further discussed below in section VIII.

4. Schafer & Weiner. On September 25, 2018, the Court issued its Memorandum Decision and Order denying the fee application of Schafer & Weiner ("S&W") 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 directly lead to a resolution of issues with S&W, and has come to a conclusion. At the end of the Reporting Period, the parties reached a settlement in principle and were documenting that agreement. Shortly after the end of the Reporting Period, the parties executed a written Settlement Agreement that will be presented to the Court for approval.

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.

7. **Taxes.** During the Reporting Period, members of the Receivership Team and Platinum's Chief Financial Officer worked with Deloitte Tax LLP to monitor its efforts to prepare local, state and federal tax returns. Preparation of PPCO's and PPLO's 2019 tax returns is currently in process. The Receiver anticipates mailing K-1s to investors by the end of June 2020 and filing the returns with the appropriate government authorities shortly thereafter. Now

that the Receiver has divested most of the investment assets of the Funds (measured by value), the K-1s will reflect a financial position with liabilities that far exceed the assets of PPCO Master Fund LP and PPLO Master Fund LP. The continued decline in the assets of the Funds reflect that the monetization of certain significant receivership assets have achieved less in proceeds than the value recorded on Platinum's books. The significant decreases in values of investors' interests compared to the realized amounts are reflective of the fact that assets were significantly overvalued by prior management. The amounts listed on the K-1s are not necessarily indicative of the amount of distributions investors may ultimately receive in this case. As the Receiver has explained on previous occasions, a distribution to investors is solely contingent on the outcome of litigation against purported senior secured creditors, as well as other factors. The Receiver cannot provide any tax advice. Investors are encouraged to consult their own tax advisor on the impact of the K-1 statements on individual tax returns.

8. 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 regularly 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 December 31, 2019, the Receivership Entities had approximately \$30.5 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 secured claims are being challenged, as discussed in Section II hereof.

Cash disbursements during the Reporting Period totaled approximately \$3.5 million. This amount consisted primarily of (i) \$3,132,312 in disbursements to professionals; and (ii) \$379,048 in business asset expenses (payroll and related expenses paid to Platinum employees, as well as office rent).

It is estimated that, as of December 31, 2019, accrued and unpaid administrative expenses amount to approximately \$4.52 million. This amount includes the estimate of fees and expenses that have been incurred by the Receiver, Otterbourg and Goldin during the fourth quarter of 2019 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 \$243,596. This amount primarily consists of net proceeds derived from the distribution received from the Arabella bankruptcy case on account of Platinum's secured loan and a small distribution on Black Elk bonds.

IV. RECEIVERSHIP PROPERTY

As of December 31, 2019, the primary assets of the Receivership Estate ("Receivership Property") consisted of the following:

- (i) Cash and cash equivalents of approximately \$30.5 million;
- (ii) Remaining stock and royalty interests, litigation financing, loan receivables and other miscellaneous investments; and
- (iii) Potential litigation claims.

A list of Receivership Property – namely, each asset of the PPCO and PPLO entities – is attached hereto as Exhibit B.⁴

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. Many of the investments made by Platinum were investments in enterprises that were in the developmental stage, had no established market value (with any future value being highly speculative) and, in some instances, required significant additional capital investment to even have the possibility of realizing a return on such investment. As such, the prior valuations were often seemingly 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. Even with such assumptions made by prior management regarding additional investment, the prior valuations generally were not supportable

⁴ The Receivership Property List has been updated to reflect realizations in the current quarter, as well as, corporate actions or events that resulted in a divestment or cancellation of the Funds' interest in an investment.

The Receiver's goal is to monetize during the first half of this year all assets that have not yet been liquidated. The Receiver's attorneys are prosecuting the Lincoln and Greehey Actions (discussed below), which need to be resolved to monetize one of the ALS policies and the Greehey loan. Negotiations are in progress to dispose of certain other assets that also remain in the PPCO portfolio, such as debt and equity in Cleveland Mining Ltd. and Cleveland Mining Holdings, Australian entities owning gold mining and pig iron exploration ventures in Brazil. Further, diligence is underway for a remnant sale of the remaining assets in the PPCO portfolio determined to have relatively insignificant value. Progress also is being made on the disposition of the illiquid PPLO securities that remain to be liquidated.

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 and underlying debt.

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

1. **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 remains 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.

2. 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 or her predecessor. 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 (the "Rosenberg Litigation") 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. On November 8, 2019, the Court in the Rosenberg Litigation dismissed the back-end beneficiary's counterclaims, but granted the back-end beneficiary leave to replead its counterclaims. The back-end beneficiary then filed amended counterclaims. The Receiver believes that the amended counterclaims, like the original counterclaims, are without merit and are legally deficient. As such, the Receiver intends to file a motion to dismiss the amended counterclaims.

3. **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. As of the start of the Reporting Period, all remaining issues that were impeding Arabella's ability to make final distributions and exit from bankruptcy were resolved. All that remained was for Arabella's Chief Restructuring Officer to make a final reconciliation of amounts owed between the Arabella estate and the estate of a related Arabella entity that was in its own bankruptcy proceeding, and then make final payments to professionals and Platinum on account of its secured claim.

Simultaneously, during the Reporting Period, the Receiver turned her efforts to discussions with the counterparty to a Participation Agreement entered into with the Prior Receiver. Pursuant to the Participation Agreement, the participant asserted a claim on any distribution received by Platinum from Arabella in an amount equal to the original \$500,000 payment to Platinum, plus interest accrued, plus a split of the proceeds, plus additional fees and expenses. The Receiver and the participant settled on an amount to be paid from the Arabella distribution that is significantly less than the full amount claimed by the participant. As a result of this agreement, and following Arabella's distribution, Platinum received \$200,000 from the Arabella estate and all matters related to Arabella are now concluded.

4. 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 (the “Greehey Litigation”) 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 Receiver has amended her complaint and responded to the Defendants revised counter-claims. During the Reporting Period, the parties began written discovery with the exchange of document requests and written responses. Document productions and depositions are expected to occur during the coming Reporting Period.

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

In addition to the asset specific lawsuits – namely, the Rosenberg and Greehey Litigations (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 targeted 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 invalidation of the purported blanket liens and extinguishment of the correlating debt 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, on a cost-benefit basis, 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 December 31, 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 approximately \$69.1 million (plus interest) to four (4) lenders. In the Beechwood Action, the Receiver is seeking to avoid that debt and the liens allegedly securing it.
- 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.⁵

⁵ 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 December 31, 2019, accrued and unpaid administrative expenses amounted to approximately \$4.52 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. No 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. Platinum's books and records reflect that unaffiliated investor claims total at least \$337 million, including claims for unpaid redemptions by unaffiliated investors totaling at least \$34.5 million, and that affiliated investor claims total at least \$50.7 million. 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 dependent upon the net recovery obtained on Receivership Property. The amount of "net cash invested" by an investor may be materially less 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 [Dkt. No. 453], 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 applicable 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 disallowance based on an objection. 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 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 also may be implicated.

VIII. RECOMMENDATIONS FOR CONTINUATION OR DISCONTINUATION OF RECEIVERSHIP

As during prior Reporting Periods, 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 continue to be liquidated in a bankruptcy proceeding, for the reasons stated in the Receiver's previous Status Reports and most recently the Receiver's Response to Minute Order, the Receiver continues to believe that, at this time, 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 and would provide greater efficiencies and preservation of estate assets.

A more detailed explanation and reasoning for why the Receiver believes that, at this time, the interests of all stakeholders would be best served by continuing to administer the Receivership outside of bankruptcy is set forth in the Receiver's Response to Minute Order. [Dkt. Nos. 516].

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: January 21, 2020

Otterbourg P.C.

By: /s/ Adam C. Silverstein

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On Behalf of Melanie L. Cyganowski, as Receiver

EXHIBIT A

PLATINUM PARTNERS CREDIT OPPORTUNITIES MASTER FUND LP AND AFFILIATED ENTITIES

STANDARDIZED FUND ACCOUNTING REPORT

Reporting Period from 10/1/2019 to 12/31/2019

FUND ACCOUNTING (See Instructions)		Period from 10/1/2019 to 12/31/2019		
		PPCO	PLO (2)	Total
Line 1	Beginning Balance (As of 10/1/2019)	\$ 30,565,997	\$ 3,320,019	\$ 33,769,905
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income	-	-	-
Line 3	Cash and Securities	-	-	-
Line 4	Interest/Dividend Income	27,576	33,698	61,274
Line 5	Business Asset Liquidation ¹	200,000	-	200,000
Line 6	Personal Asset Liquidation	-	-	-
Line 7	Third-Party Litigation Income	-	-	-
Line 8	Miscellaneous - Other	-	-	-
	Total Funds Available (Lines 1-8)	\$ 30,793,573	\$ 3,353,717	\$ 34,031,179
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors/Claimants	-	-	-
Line 10	Disbursements for Receivership Operations	-	-	-
Line 10a	Disbursements to Receiver or Other Professionals	(3,132,312)	-	(3,132,312)
Line 10b	Business Asset Expenses	(379,048)	-	(379,048)
Line 10c	Personal Asset Expenses	-	-	-
Line 10d	Investment Expenses	-	-	-
Line 10e	Third-Party Litigation Expenses	-	-	-
	1. Attorney Fees	-	-	-
	2. Litigation Expenses	-	-	-
	Total Third-Party Litigation Expenses	-	-	-
Line 10f	Tax Administrator Fees and Bonds	-	-	-
Line 10g	Federal and State Tax Payments	-	-	-
	Total Disbursements for Receivership Operations	\$ (3,511,361)	\$ -	\$ (3,511,361)
Line 11	Disbursements for Distribution Expenses Paid by the Fund	-	-	-
Line 12	Disbursements to Court/Other	-	-	-
	Total Funds Disbursed	\$ (3,511,361)	\$ -	\$ (3,511,361)
Line 13	Ending Balance (As of 12/31/2019)	\$ 27,282,213	\$ 3,353,717	\$ 30,519,818

(1) This amount consists of proceeds received in connection with the Arabella Exploration Inc. loan receivable.

(2) The beginning balance has been adjusted by \$116,111 for proceeds received in the prior quarter from the sale of stock in Blink Charging, Inc.

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) Carbon Credits	Participations in PPVA deals
8) Celsius Resources Ltd	Common Stock
9) Claus Shelling Family Trust	Life Settlements Portfolio
10) Cleveland Mining Company Ltd.	1) Loan Receivable 2) Common Stock
11) Credit Card Receivables Portfolio	Loan Receivable
12) Decision Diagnostics Corp.	Preferred Stock
13) Environmental Service Professionals, Inc.	Common Stock

Receivership Property List

PPCO Assets

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

Receivership Property List

Jointly Held PPCO / PPLO Assets

Company Name	Asset Description
1) Cokal Limited	1) Loan Receivable 2) Royalty
2) Copper Rider / Parot Tovot	1) Loan Receivable - Parot Tovot 2) Loan Receivable - Copper Rider
3) Platinum Partners Value Arbitrage Fund	Loan Receivable