

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

COMMODITY FUTURES TRADING COMMISSION,)	
)	
Plaintiff,)	Civil Action No. 22-cv-02465
)	
v.)	Honorable Mary M. Rowland
)	
SAM IKKURTY A/K/A SREENIVAS I RAO, RAVISHANKAR AVADHANAM, AND JAFIA, LLC,)	Magistrate Judge Jeffrey Cummings
)	
Defendants,)	
)	
IKKURTY CAPITAL, LLC D/BA/ ROSE CITY INCOME FUND I, LP, ROSE CITY INCOME FUND II LP, AND SENECA VENTURES, LLC,)	
)	
Relief Defendants.)	
)	

RECEIVER’S SECOND STATUS REPORT

James L. Kopecky, not individually, but solely as the Court-appointed Receiver (the “Receiver”) for the Receivership Estate, as defined by the Order Appointing Receiver dated May 11, 2022 (Dkt. 18) (“Receivership Order”), and pursuant to the Minute Order entered July 18, 2022 (Dkt. 38), makes the following report summarizing efforts to marshal and collect assets, administer the Receivership Estate, and otherwise perform the duties mandated by the Receivership Order.

The Receivership Order requires the Receiver to, periodically, as directed by the Court, file with the Court and serve on the parties a report summarizing efforts to marshal and collect assets, administer the Receivership Estate, and otherwise perform the duties mandated by the

Receivership Order. The Receiver filed and served the first report on July 11, 2022. Dkt. 36. This is the second such report.

I. Relevant Litigation Background

On May 10, 2022, the Commodity Futures Trading Commission (“CFTC”) filed a Complaint (Dkt. 1) against Sam Ikkurty a/k/a Sreenivas I Rao, Ravishankar Avadhanam, and Jafia, LLC (“Defendants”) and Ikkurty Capital, LLC d/b/a Rose City Income Fund, I LP, Rose City Income Fund II, LP, and Seneca Ventures, LLC (“Relief Defendants”)¹ alleging that Defendants fraudulently solicited and accepted over forty million dollars from at least 170 investors. At the same time, the CFTC filed a Motion for an *ex parte* Statutory Restraining Order (Dkt. 6), a Motion for a Preliminary Injunction (Dkt. 8) and a Motion to Appoint Receiver (Dkt. 7), seeking to, among other things, freeze the assets of the Defendants and Relief Defendants and to appoint a Temporary Receiver and create a Receivership Estate to preserve and protect the assets and to help maximize restitution to investors. This Court granted the *ex parte* Motion for a Statutory Restraining Order and on May 11, 2022, entered an order appointing the Temporary Receiver (Dkt. 16). The Court later continued the Statutory Restraining Order. (Dkt. 26).

In July, the Defendants consented to entry of an Order of Preliminary Injunction and, as part of the order, the Court continued the asset freeze and appointed James Kopecky Receiver with full powers of an equity receiver for Defendants Ikkurty, Avadhanam, Jafia and the entities owned or controlled by them, the Receivership Defendants, as defined by the order. (Dkt. 37).

¹ Defendants and Relief Defendants are collectively referred to as “Receivership Defendants.”

Additionally, on October 25, 2022, this Court granted Defendant Avadhanam's Motion for Payment of Personal Expenses and granted, in part, Defendant Ikkurty's Motion for Payment of Living Expenses and Attorneys' fees. (Dkt. 74). The Receiver has made one payment pursuant to the orders and will work with counsel for the defendants on the logistics and timing of further payments. In the meantime, the defendants' motions for payment of attorneys' fees and costs (Dkt.54, Dkt. 57) are pending and the outcome will likely impact the funds in the Receivership Estate. The Receiver is planning accordingly.

II. Efforts to Marshal and Secure Assets

As previously reported, the CFTC and the Receiver traveled to the home of Defendant Ikkurty in Portland, Oregon, on May 16, 2022, and took possession of papers, computers, mobile phones, and digital wallets. In addition, Ikkurty identified a safe deposit box that he represents holds no assets, however, the Receiver has not yet confirmed that information.

The CFTC and an attorney for the Receiver also went to the home of Defendant Avadhanam and secured a computer and a cell phone. The Receiver, through his attorney, also changed passwords for bank accounts and took possession of the Rose City Income Fund email account to further secure assets. The CFTC simultaneously served the Statutory Restraining Order on financial entities known to be holding, or potentially holding, assets of the Receivership Estate. The CFTC and vendors retained by the Receiver also imaged the electronic devices.

Defendants' attorneys have been cooperating with the Receiver and assisting in providing documents and information relating to assets and to potential creditors. The information and documents identify assets such as vehicles and property. Since then, Ikkurty has provided to the Receiver jewelry that the Receiver will have appraised. The Receiver has also received and

reviewed title and purchase documents for Ikkurty's vehicle. The Receiver will further investigate the purchase dates of these assets as well as the source of funds used to purchase the assets to determine whether those assets should be part of the Receivership Estate.

The banks and financial institutions have also been cooperative and provided the Receiver with the identity of assets held at their institutions in the name of, or for the benefit of, the Defendants and Relief Defendants. Finally, Coinbase (a platform Defendants used to access the cryptocurrency markets) froze certain digital assets and the Receiver holds the digital wallets for cryptocurrency assets that can be traced, followed, and identified on publicly available blockchains.

Due to the constantly fluctuating value of the cryptocurrencies and digital assets, it is impossible to provide an exact value of the assets recovered and frozen to date.

Attached as Exhibit 1 is a standardized fund accounting of the Receivership Estate's Qualified Settlement Fund.

III. Administration of Receivership Estate

1. Marshaling of Assets and Establishment of a Qualified Settlement Account

The Receiver took certain administrative steps as part of the process of marshaling and safeguarding Receivership Assets. Specifically, the Receiver: (i) established a Qualified Settlement Fund ("QSF"); (ii) obtained a taxpayer identification number for the QSF; and (iii) opened a bank account for the pooling of Receivership Assets. Most of the US-based cash assets (previously held in bank accounts in the Receivership Defendants' names) have been transferred to the QSF. However, the Receiver is still working with two banks to transfer funds from the banks to the QSF.

The Receiver has not liquidated the cryptocurrencies held in the individual wallets. The reasons that the Receiver has not liquidated the cryptocurrencies held in the individual wallets are twofold. First, the liquidation of the cryptocurrency wallets will trigger complicated tax consequences. The tax and cryptocurrency advisors have been analyzing the various types of income generated through the cryptocurrency investments (i.e., mining, staking and rebase). That analysis is ongoing, and it would be imprudent to proceed with liquidation until the tax and accounting professionals are satisfied that they have all necessary information to develop a liquidation strategy. In addition, the possibility of making in kind distributions to investors (which may alleviate the need to liquidate) is being considered, and the Receiver awaits further input from the tax and cryptocurrency advisors on that issue. The Receiver is continuing to explore all options with the goal of maximizing investor returns, net of tax consequences.

In addition to the cryptocurrencies held in the individual wallets, the Receiver has not transferred the assets held in India to the QSF. Given the smaller amounts of the assets in India, and the added difficulty in liquidating those assets, the Receiver has prioritized the US-based assets. Finally, the Receiver has not yet liquidated the securities held in an E*Trade account and is working with Defendant Avadhanam's attorneys to determine the best use of those assets.

The Receiver is also investigating the Defendants' purchases and assignments of interests in the funds in exchange for promissory notes titled Carbon Savings Notes and Carbon Offset Bonds. Additionally, the Receiver is evaluating, with the assistance of counsel, whether to wind down and dissolve certain of the entities in the Receivership Estate, and whether to return certain other entities to the control of one or more of the Defendants. The Receiver will also investigate whether any investors improperly received profits from the investments, and whether it would be appropriate for the Receiver to seek to recover those profits. The Receiver, with the assistance of

counsel, will also investigate the possibility of claims of against other salespersons and third parties.

2. Communications with Investors

As the Court and the investors are aware, the Receiver established a website, www.rosecityfundreceivership.com to provide information to investors and creditors. The Receiver regularly posts the pleadings in this action to the website, and maintains a list of frequently asked questions and answers relating to the Receivership. In October, the Receiver posted tax-related questions and answers to help efficiently disseminate information to investors. The Receiver also established an email address, rosecityfundreceivership@ksrlaw.com, (the “Receivership Email Address”) to communicate with investors, attorneys for investors, vendors, potential creditors and others. The Receiver continues to monitor that email account, and regularly addresses investor questions and concerns via that email account. At the same time, the Receiver continues to monitor the original Rose City Gmail account. However, little correspondence comes through the Rose City Gmail account, and the Receiver intends on shutting down that Gmail account in the near future.

Finally, the Receiver has been creating a distribution list from the information he has received through the Receivership Email Address, and will begin using that list to communicate with investors and apprise them of any new information posted to the website.

3. Tax Returns and Accounting

As previously noted, the Receiver retained Miller Kaplan, a tax and advisory firm, to prepare tax returns for the funds and for the Receivership Estate QSF. The complexities of the tax implications of cryptocurrency investments, combined with the lack of complete documentation for the many investors presented challenges for Miller Kaplan and delayed the

completion of tax returns and investor Form K-1s. Moreover, the categorization of cryptocurrency income is complicated and nuanced; because Miller Kaplan lacked a historical knowledge of the basis and manner in which income had been categorized, the process was cumbersome and took much longer than anticipated.

Miller Kaplan researched the tax treatment of each type of potential income, considered the possible options, and ultimately recommended to the Receiver that mining and staking proceeds be treated as income when earned, and rebase awards be treated as income when realized. That recommendation necessitated a breakdown between mining, staking and rebase. The Receiver's cryptocurrency consultant also assisted in identifying transactions. Unfortunately, at the time the Fund had to file its tax returns and prepare investor Form K-1s on September 16, 2022, neither the Receiver nor Miller Kaplan had adequate information necessary to break down the income between mining, staking and rebase sufficient for final conclusions. Similarly, Miller Kaplan lacked complete information as to the dates specific investors invested in, and exited the three Receivership funds. Notwithstanding these obstacles, the Receiver, with Miller Kaplan's advice, timely filed the Funds' tax returns and indicated to the IRS that the Funds would likely later request an administrative adjustment on Form 8986. Based on the above-described obstacles, the process of analyzing and filing the Funds' tax returns and investor Form K-1s did not go as smoothly as the Receiver and investors had hoped.

Investors received K-1s that differed from what they anticipated, which caused them concern. The Receiver and Miller Kaplan addressed these concerns, obtained additional information from many of the investors, and provided revised information for Rose City Income Fund II and Seneca Ventures in time to meet the investors' October 17, 2022, tax deadline. The final numbers for Ikkurty Capital, LLC (Rose City Income Fund I) are still being calculated and

verified. Consequently, Miller Kaplan will prepare and issue Administrative Adjustment Forms before the end of the year.

For the 2022 tax year, it is anticipated that all the assets of the Receivership Estate will be in the QSF before December 31, 2022. Accordingly, in 2023 (for the 2022 tax year), the Receiver will likely not file tax returns for the Funds, and instead will file a tax return for the QSF. The investors, therefore, will not receive Form K-1s for tax year 2023 from the Funds. For the cryptocurrency assets, the Receiver and Miller Kaplan are working to determine the appropriate tax basis, particularly in light of the rebase awards, and minting and burning of one of the digital assets, to determine the potential tax liability. That determination should be made within the next 45 days and will help inform the liquidation strategy.

IV. Other Duties of the Receivership

The Receiver initially intended to establish a claims bar date, and complete a claims procedure by the end of 2022. The claims procedure will allow investors to assert claims for losses resulting from investments through and/or in the Receivership Defendants. That process, however, has been delayed by the complicated tax issues described above, as well as the possibility of in-kind distributions to investors. The Receiver will continue to work through these issues, and anticipates establishing a claims bar date and claim procedure prior to the end of the first quarter of 2023.

V. Receivership Fees and Expenses

In accordance with this Court's August 25, 2022, Order (Dkt. 54), the Receiver will file a request for compensation with the Court on or before November 11, 2022. The Receiver will also post the compensation request to the Receivership Website, which will allow all interested parties an opportunity to be heard and object.

VI. Conclusion

In conclusion, the Receiver will continue to preserve assets while investigating the existence of other assets. The Receiver will also work to propose an equitable and efficient claims and distribution process. The Receiver respectfully requests that this Court set a date for the next report to the Court on or before January 31, 2023.

Respectfully submitted,

<p>Daryl M. Schumacher (6244815) Kopecky Schumacher Rosenberg LLC 120 N. LaSalle St., Suite 2000 Chicago, IL 60602 Telephone: (312) 380-6556 dschumacher@ksrlaw.com</p>	<p><u>/s/ Daryl M. Schumacher</u> Attorney for James L. Kopecky <i>Receiver for Defendants Jafia, LLC, Sam Ikkurty a/k/a Sreenivas I Rao, Ikkurty Capital LLC d/b/a/ Rose City Income Fund I, Rose City Income Fund II, LP and Seneca Ventures, LLC</i></p>
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CERTIFICATE OF SERVICE

I hereby certify that on October 31, 2022, I electronically filed the foregoing Receiver's Second Status Report with the Clerk of the Court by using the CM/ECF system, which will provide electronic notice and an electronic link to this document to all counsel of record.

DATED: October 31, 2022

/s/ Daryl M. Schumacher

FUND ACCOUNTING:		Current Reporting Period 08-05-22 to 10/28/22			
		Detail	Subtotal	Grand Total	Case to Date
Line 1	Beginning Balance (as of 8/5/2022)			\$ -	
Increases in Fund Balance:					
Line 2	Business Income				
Line 3	Cash and Securities	\$ 10,015,471.59		\$ 10,015,471.59	\$ 10,015,471.59
Line 4	Interest/Dividend Income	\$ 8,851.38		\$ 8,851.38	\$ 8,851.38
Line 5	Business Asset Liquidation				
Line 6	Personal Asset Liquidation				
Line 7	Third-Party Litigation				
Line 8	Miscellaneous — Other (Cryptocurrency)	\$ 12,884,619.52		\$ 12,884,619.52	\$ 12,884,619.52
Total Funds Available (Lines 1-8):				\$ 22,908,942.49	\$ 22,908,942.49
Decreases in Fund Balance:					
Line 9	Disbursements to Senior Secured Lenders/Investors				
Line 10	Disbursements for Receivership Operations				
Line 10a	Disbursements to Receiver or Other Professionals	\$ 70,177.45		\$ 70,177.45	\$ 70,177.45
Line 10b	Business Asset Expenses	\$ 149.70		\$ 149.70	\$ 149.70
Line 10c	Personal Asset Expenses				
Line 10d	Hospital Settlements & Investment Expenses				
Line 10e	Third-Party Litigation Expenses				
	1. Attorney Fees				
	2. Litigation Expenses				
	Total Third-party Litigation Expense				
Line 10f	Tax Administrator Fees and Bonds				
Line 10g	Federal and State Tax Payments				
	Total Disbursements for Receivership Operations				
Line 11	Disbursements for Distribution Expenses Paid by the Fund:				
Line 11a	Distribution Plan Development Expenses:				
	1. Fees:				
	Fund Administrator				
	Independent Distribution Consultant (IDC)				
	Distribution Agent				
	Consultants				
	Legal Advisers				
	Tax Advisers				
	2. Administrative Expenses				
	3. Miscellaneous				
	Total Plan Development Expenses				
Line 11b	Distribution Plan Implementation Expenses:				
	1. Fees:				
	Fund Administrator				
	IDC				
	Distribution Agent				
	Consultants				
	Legal Advisers				
	Tax Advisers				
	2. Administrative Expenses				
	3. Investor Identification:				
	Notice/Publishing Approved Plan				
	Claimant Identification				
	Claims Processing				
	Web Site Maintenance/Call Center				
	4. Fund Administrator Bond				
	5. Miscellaneous				
	6. Federal Account for Investor Restitution (FAIR)				
	Reporting Expenses				
	Total Plan Implementation Expenses				
	Total Disbursements for Distribution Expenses Paid by the Fund				
Line 12	Disbursements to Court/Other:				
Line 12a	Investment Expenses/Court Registry Investment System (CR15) Fees				
Line 12b	Federal Tax Payments				
	Total Disbursements to Court/Other:				
Total Funds Distributed (Lines 9-12):				\$ 70,327.15	\$ 70,327.15
Line 13	Ending Balance (As of 10/28/22):			\$ 22,838,615.34	\$ 22,838,615.34

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	<i>Cash & Cash Equivalents</i>		\$ 9,953,995.82	\$ 9,953,995.82
Line 14b	<i>Investments</i>			
Line 14c	<i>Dther Assets or Uncleared Funds-Cryptocurrency</i>		\$ 12,884,619.52	\$ 12,884,619.52
	Total Ending Balance of Fund - Net Assets		\$ 22,838,615.34	\$ 22,838,615.34