

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

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

**RECEIVER’S THIRD 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. This is the third 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”)<sup>1</sup> 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, and entered an order appointing the Temporary Receiver (Dkt. 16). The Court later continued the Statutory Restraining Order. (Dkt. 26).

In July 2022, 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).

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<sup>1</sup> Defendants and Relief Defendants are collectively referred to as “Receivership Defendants.”

## **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.

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. Cooperation has been made more challenging by Defendant Ikkurty's move to India, however, his attorney continues to assist in obtaining information when requested.

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.

One financial institution, Patelco Credit Union (“Patelco”), unnecessarily prolonged the marshaling process. As the Court will recall, after initially agreeing to turn over frozen Receivership Assets, Patelco required the Receiver to obtain an Order specifically directing Patelco to transmit the assets to the Receiver. The Receiver sought and obtained such an Order on December 19, 2022, (Dkt. 99), and transmitted the Order to Patelco on the same day, but Patelco continued to delay compliance. Finally, on January 30, 2023, after significant follow up, the Receiver finally received the assets in question. With the receipt of assets from Patelco, the Receiver has marshaled virtually all Receivership Assets of which he is aware, and is in the process of liquidating the cryptocurrency and digital assets (as more fully explained below).

Since the Receiver’s last status report, the Receiver has turned certain assets back over to Defendant Avadhanam, and offset the value of those assets from the amount the Court ordered the Receiver to release to Avadhanam on a monthly basis for living expenses. Specifically, the Receiver turned over a Citibank account and an E\*TRADE account, and allowed Avadhanam to resume control of those accounts. Combined, the value of the two accounts was less than \$5,000.

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. To that end, the Receiver has contacted Mr. Ikkurty's attorney and requested an interview of Mr. Ikkurty for purposes of obtaining clarity on issues relevant to the Carbon Savings Notes and Carbon Offset Bonds, and establishing a claims procedure.

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.

The Receiver recently retained StoneTurn Group, LLP to further trace investor funds. The Court will recall that StoneTurn Group, LLP already performed work at Defendant Ikkurty's request, and the Receiver is utilizing StoneTurn Group to leverage its historical knowledge of the transactions in this case. The Receiver also continues to work with Project B with the goal of tracing the cryptocurrency transactions at issue in this case.

## **2. Liquidation of Cryptocurrency and Digital Assets**

The Receiver is in the process of interviewing trading firms, and considering their proposals to liquidate the cryptocurrency and digital assets. Thus far, the Receiver has solicited proposals from a number of firms through attorneys and contacts with trading firms. The Receiver also explored the possibility of auctioning the three wallets. The Receiver has spoken with six such firms, and thus far received two proposals for liquidation. The significant challenges associated with liquidating the cryptocurrency and digital assets in relatively small and illiquid markets necessitate a degree of confidentiality in connection with the liquidation process. The type of digital assets, and the percentage of the market in those assets Ikkurty obtained, make their liquidation for any true value challenging. Accordingly, the Receiver intends to retain a trading firm and carry out the liquidation pursuant to the powers the Court granted the Receiver in its May 11, 2022, and July 18, 2022,

Orders, without seeking specific approval in advance to avoid alerting the limited market for these assets that a liquidation may take place. To the extent the Court requires further information on this process, the Receiver requests that he be permitted to submit such information under seal or *in camera*.

### **3. Communications with Investors**

As the Court and the investors are aware, the Receiver established a website, [www.rosecityfundreceivership.com](http://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](mailto: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 turned the original Rose City Gmail account back over to Defendant Ikkurty with the promise that he close and deactivate the Rose City address.

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.

### **4. 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.

At the Receiver’s request, Miller Kaplan is preparing tax returns for the Funds for 2022, and Form K-1s for 2022 for each investor. Miller Kaplan also completed the previously-

mentioned Administrative Adjustment Forms for 2022. All of those documents have been transmitted to the investors. Miller Kaplan continues to work on investor Form K-1s for 2023. Miller Kaplan will also prepare a tax return for the QSF. As previously referenced, all of the assets of the Funds were transferred to the QSF. Accordingly, the Receiver does not anticipate the need to cause tax returns to be filed for each of three individual Funds in 2023. The Receiver will still have to cause a tax return for the QSF to be filed.

#### **5. Defendants' Petitions for Living Expenses and Legal Fees**

On October 25, 2022, this Court granted Defendant Avadhanam's Motion for Payment of Personal Expenses. (Dkt. 74). The Receiver has made payments in accordance with that Order, and will continue to make Defendant Avadhanam's monthly payment until the Court instructs otherwise. On December 7, 2022, the Court entered an Order (Dkt. 95) granting Defendant Avadhanam's Motion for legal fees, in part based on Mr. Avadhanam's execution of an undertaking. In accordance with that Order, the Receiver issued a check in the amount of \$155,239.50 to Defendant Avadhanam's counsel.

Similarly, the Court granted, in part, Defendant Ikkurty's Motion for Payment of Living Expenses and Attorneys' fees. As to living expenses, the Court awarded Mr. Ikkurty a one-time payment of \$20,620 to bring his rent current and one month's living expenses in the amount of \$8,458.46. In accordance with that Order, the Receiver paid that \$20,620 directly to Mainlander Property Management to bring that portion of Mr. Ikkurty's rent current. The Receiver also transmitted \$8,458.46 to Mr. Ikkurty's wife (at Mr. Ikkurty's counsel's request because Mr. Ikkurty's bank accounts were frozen).

As part of that Order, the Court required Mr. Ikkurty to file a status report by November 17, 2022, and allowed the Receiver and the CFTC until November 28, 2022, to assert any objections to any continued disbursements. *Id.* On November 11, 2022, Defendant Ikkurty filed

the status report with the Court. (Dkt. 84) On November 28, 2022, the Receiver filed a response and objection to Mr. Ikkurty's status report. (Dkt. 89) The Receiver filed a supplemental response and objection on January 18, 2023, based on Mr. Ikkurty's failure to transmit any portion of the \$8,458.46 to his landlord in satisfaction of his rent obligation (Dkt. 102). Mr. Ikkurty responded to that supplemental response on January 30, 2023. (Dkt. 106) The Court has not issued any further ruling as to Mr. Ikkurty's entitlement to continued disbursements for living expenses.

As to Mr. Ikkurty's request for legal fees, the Court's December 7, 2022, Order (Dkt. 95) awarded Mr. Ikkurty \$326,470 in legal fees, conditioned upon Ikkurty's submission of an undertaking. In addition, the Court awarded StoneTurn Group, LLP \$134,323.58 for forensic accounting services it performed at Mr. Ikkurty's request. The Receiver transmitted payments in accordance with the Court's order awarding fees to StoneTurn Group and Ikkurty's legal counsel (pursuant to Mr. Ikkurty's undertaking).

#### **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 in the Receiver's Second Status Report, as well as the possibility of in-kind distributions to investors. The Receiver will continue to work through these issues and an interview of Defendant Ikkurty will assist with the creation of an appropriate claims procedure. The Receiver seeks to conduct that interview in the coming weeks. Given that Mr. Ikkurty is physically in India and has not communicated any concrete date for his return, the interview will likely take place via videoconference.

In addition, the Receiver has had communications with counsel for Ikkurty's landlord and counsel for Ikkurty concerning Ikkurty's failure to pay rent. The Receiver made attempts to



negotiate a date by which Ikkurty would voluntarily vacate the premises he is currently renting. Those attempts were unsuccessful, and counsel for Ikkurty's landlord filed a motion for relief from the pending stay on January 31, 2023.

**V. Receivership Fees and Expenses**

In accordance with this Court's November 23, 2022, Order (Dkt. 87), the Receiver will file a request for compensation with the Court on or before February 13, 2023. 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 May 1, 2023.

Dated: 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 January 31, 2023, 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: January 31, 2023

/s/ Daryl M. Schumacher

## **EXHIBIT 1**

FUND ACCOUNTING:		Current Reporting Period 10-30-22 to 01-31-23		
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (as of 10/28/2022)			\$22,838,615.34
	Increases in Fund Balance:			
Line 2	Business Income			
Line 3	Cash and Securities			\$9,515,904.07
Line 4	Interest/Dividend Income	\$24,647.93		
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation			
Line 8	Miscellaneous — Other (Cryptocurrency)	\$ 11,941,197.58		\$ 11,941,197.58
	<b>Total Funds Available (Lines 1-8):</b>			<b>\$ 21,457,101.65</b>
	Decreases in Fund Balance:			
Line 9	Disbursements to Senior Secured Lenders/Investors			
Line 10	Disbursements for Receivership Operations	\$ 550.00		\$ 550.00
Line 10a	Disbursements to Receiver or Other Professionals	\$82,558.69		\$ 82,558.69
Line 10b	Business Asset Expenses	\$ 42.05		\$ 42.05
Line 10c	Personal Asset Expenses			
Line 10d	Hospital Settlements & Investment Expenses			
Line 10e	Third-Party Expenses			
	1. Court Ordered Defense Fees and Expenses			\$616,062.78
	2. Court Ordered Payments to Defendants			\$73,697.46
	<b>Total Third-party Litigation Expense</b>			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments			
	<b>Total Disbursements for Receivership Operations</b>			<b>\$ 772,910.98</b>
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			
	<b>Total Plan Development Expenses</b>			
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			
	<b>Total Plan Implementation Expenses</b>			
	<b>Total Disbursements for Distribution Expenses Paid by the Fund</b>			
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CR15) Fees			
Line 12b	Federal Tax Payments			
	<b>Total Disbursements to Court/Other:</b>			
	<b>Total Funds Distributed (Lines 9-12):</b>			<b>\$ 772,910.98</b>
Line 13	Ending Balance (As of 1/31/23):			
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			\$9,515,904.07
Line 14b	Investments			
Line 14c	Other Assets or Uncleared Funds-Cryptocurrency			\$ 11,941,197.58
	<b>Total Ending Balance of Fund - Net Assets</b>			<b>\$ 21,457,101.65</b>