

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
JACKSONVILLE DIVISION**

Case No. 17-cv-774-J-32MCR

Commodity Futures Trading Commission,

Plaintiff,

v.

Jason B. Scharf (d/b/a Citrades.com and  
AutoTradingBinary.com); CIT Investments  
LLC; Brevspand EOOD; CIT Investments  
Ltd; A&J Media Partners, Inc.; Michael  
Shah; and Zilmil, Inc.,

Defendants.

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**RECEIVER'S NINTH STATUS REPORT**

Kenneth Dante Murena, the court-appointed Permanent Receiver (the "Receiver") in the above-captioned enforcement action, submits his Ninth Status Report setting forth his activities and efforts to fulfill his duties under the orders pursuant to which he was appointed for the five-month time period of February 1, 2020 through June 30, 2020 (the "Reporting Period").

**I. INTRODUCTION**

During this Reporting Period, the Receiver and his professionals focused on:

- A. Marshalling and preserving the assets of the Defendants, including (i) seeking imposition of a constructive trust over assets of Zilmil, Inc. which Defendant Shah claims are exempt, and (ii) completing the liquidation and/or transfer to the Estate of all known assets and funds of the Zilmil Defendants<sup>1</sup>, bringing in

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<sup>1</sup> Consistent with the Receiver's prior Status Reports, Defendants, Michael Shah and Zilmil, Inc., collectively, shall be referred to herein as the "Zilmil Defendants." Defendant Jason B. Scharf, who was doing business as [Citrades.com](http://Citrades.com) and [AutoTradingBinary.com](http://AutoTradingBinary.com), and Defendants CIT Investments LLC, Brevspand EOOD, CIT Investments Ltd., A & J Media Partners, Inc.,

\$1,327,882.38 to the Estate's fiduciary account during the Reporting Period, to maximize the funds from which distributions will be made pursuant to the Court-approved claims process;

- B. Pursuing recovery claims against relatives, insiders and/or affiliates who received transfers from the Zilmil Defendants without providing reasonably equivalent value;
- C. Submitting to the Court a revised schedule, and identifying a larger list of potential claimants, for the Court-approved claims process, and preparing the online portal and claim form to which potential claimants would be directed to participate in the claims process and submit their claims; and
- D. Performing various administrative tasks, including without limitation preparing and filing the eighth status report and eighth fee application.

## **II. THE RECEIVER'S ACTIVITIES AND EFFORTS DURING THE REPORTING PERIOD**

### **A. The Receiver's Quarterly Fees and Expenses Budget**

The following recovery efforts undertaken by the Receiver and his professionals are being carried out pursuant to the Court's *Consent Order for Permanent Injunction, Civil Monetary Penalty, and Other Equitable Relief Against Defendants Michael Shah and Zilmil, Inc.* [ECF No. 223] (the "Permanent Injunction"), which, among other things, granted the Receiver the power and authority to marshal the assets of the Zilmil Defendants, to collect the restitution obligations of the Zilmil Defendants, and to pursue recovery claims against third parties and insiders who

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collectively, shall be referred to herein as the "Citrades Defendants." The Zilmil Defendants and the Citrades Defendants, collectively, shall be referred to herein as the "Defendants."

Further, the Court's August 9, 2017 Consent Order for Preliminary Injunction, appointing Mr. Murena as a Permanent Receiver over Jason Scharf, A & J Media Partners, Inc., Michael Shah, and Zilmil, Inc. [ECF No. 32] shall be referred to herein as the "Consent Injunction," and the Court's August 10, 2017 Order for Preliminary Injunction against Defendants CIT Investments LLC, Brevspand EOOD, and CIT Investments Ltd. [ECF No. 35] shall be referred to herein as the "Preliminary Injunction," and, together with the Consent Injunction, as the "Preliminary Injunctions."

received funds from those Defendants. After the entry of the Permanent Injunction in April 2019, however, the Receiver and his professionals increased their activity in order to comply with his duties under that Permanent Injunction. Accordingly, the Receiver requested, and this Court approved, an increase in the budget for the Receiver's quarterly fees and costs. *See* Motion seeking to increase quarterly budget at ECF No. 244 and Order approving same at ECF No. 253.

The Receiver must now employ even greater efforts, devote additional resources and incur significant expenses to complete the asset recovery and claims administration phases of this receivership case by: (i) litigating the fraudulent transfer case against Defendant Shah's family; (ii) recovering those assets purchased with Zilmil Inc.'s business proceeds from Defendant Shah and Intervenor Eric Shah; (iii) collecting Zilmil, Inc.'s restitution obligation; and (iv) carrying out the Court- approved claims process and distribution plan. Thus, the Receiver has filed a motion seeking to increase the quarterly cap for the Receiver and his attorneys' fees and costs to \$100,000 for the second quarter of 2020 and \$125,000 for the third quarter of 2020. ECF No. 294. That motion remains pending before the Court, it is believed that no party to this action will object to the relief requested therein, and the Receiver will be prepared to present the motion to, and address any questions or concerns of, the Court at the hearing scheduled for July 24, 2020.

## **B. Marshalling and Preserving Defendants' Assets**

### *i. Zilmil Defendants' Accounts and Assets*

Prior to this Reporting Period, the Receiver had identified, frozen, monitored, and/or recovered funds of the Zilmil Defendants in excess of \$9.2 million, of which more than \$7.7 million was transferred to the Receiver's fiduciary accounts, and approximately \$1.5 million remained frozen in foreign, investment, joint, and/or potentially exempt accounts at various financial institutions.

During the Reporting Period, the Receiver worked to transfer to the Estate the funds in certain foreign and domestic investment accounts. As of the close of the Reporting Period, of the \$9.2 million the Receiver had identified and/or frozen during prior reporting periods, the Receiver has recovered and deposited into his fiduciary account a total of \$8,959,619.77.

**a. Liquidation of Domestic and Foreign Investment Accounts**

At the beginning of the Reporting Period, with Defendant Shah's consent, the Receiver liquidated the illiquid assets in various domestic accounts, including accounts Defendant Shah had previously claimed were exempt from the Receivership, and transferred the proceeds to the Estate. Further, Defendant Shah effected the transfer of much of the funds in his accounts in India and worked with the Receiver to transfer the funds and assets in his accounts in Canada to the Estate.<sup>2</sup> With respect to Defendant Shah's accounts in Canada, the Receiver and Defendant Shah sent a joint letter to TD Canada Trust requesting the liquidation and transfer to the Estate of all assets held in accounts at that institution. Near the end of the Reporting Period, TD Canada Trust agreed to transfer a large portion of the funds to the Receiver, and the Receiver expects to receive those funds from TD Canada Trust in the next few weeks. The Receiver will continue to work with TD Canada Trust to obtain all funds in those accounts.

Thus, during the Reporting Period, the Receiver recovered and deposited in his fiduciary account for the Estate a total of \$1,327,882.38.

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<sup>2</sup> The Receiver received a total of \$1,210,872.87 from Defendant Shah's Indian accounts, including \$202,000 from HDFC Bank, \$424,872.87 from IDBI Bank, and \$584,000 from Axis Bank. Defendant Shah is unwilling to transfer any additional funds from the accounts in India because he has taken the position in his motion for partial relief from the Permanent Injunction that he has satisfied his restitution obligation. That motion remains pending and the Receiver is prepared to present his position thereon at the hearing scheduled for July 24, 2020.

### **b. The Forensic Tracing**

During the Reporting Period, the Receiver also worked with his forensic accountants to complete the tracing of Zilmil, Inc.'s funds to assets and accounts Defendant Shah had claimed were exempt from the Receivership, including jointly-held, retirement and education savings accounts and real property. In particular, the Receiver's forensic accountant performed a tracing of: (i) \$616,618.83 held in Defendant Shah and his father Manoj Shah's joint bank accounts (collectively, the "Joint Accounts"); (ii) \$573,201.84 held in Infinity Web's bank accounts (the "Infinity Web Accounts"); (iii) the investments held in Defendant Shah's Roth IRA account worth approximately \$11,000, annuities held in accounts at CUNA Mutual worth approximately \$55,000, and investments in the Zilmil, Inc. 401(k) Plan worth approximately \$140,000 (collectively, the "Retirement Accounts");<sup>3</sup> (iv) the investments held in Defendant Shah's 529 education savings plan with an approximate value of \$250,000 (the "529 Plan"); (v) Defendant Shah's life insurance policy with a cash surrender value of approximately \$18,000 (the "Policy"); and (vi) a residence<sup>4</sup> jointly-owned by Defendant Shah and his brother Eric Shah located at 7820 Collins Grove Road, Jacksonville, Florida 32256, with an approximate value of \$1,250,000 (the "Residence").

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<sup>3</sup> The values of investments in these Retirement Accounts are subject to market fluctuations.

<sup>4</sup> The Receiver discovered that Defendant Shah had purchased the Residence for nearly \$1.2 million as tenants in common with his brother, Eric Shah, who is one of the defendants to a fraudulent transfer action the Receiver brought to recover the funds he and other Shah family members received from Zilmil Defendants. The Receiver's forensic tracing shows that nearly all of the funds used to purchase the Residence came directly from Zilmil, Inc. or indirectly from Zilmil, Inc. through Defendant Shah. The Receiver believes that all of the funds used to purchase the Residence, including those that came from Eric Shah, were derived from Zilmil, Inc., as it was Defendant Shah's and Eric Shah's only source of income at the time of purchase. Nevertheless, they refuse to turn over the Residence to the Estate. The issue is pending before the Court in the Constructive Trust Motion.

Upon completion of the tracing, the Receiver negotiated with Defendant Shah's counsel and obtained the transfer to the Estate of the Joint Accounts and the Infinity Web Accounts, adding in excess of \$1,300,000 to the Receiver's fiduciary account for the Estate.

**c. The Constructive Trust Motion**

As of the end of this Reporting Period, the only frozen assets of Defendant Shah that had not been transferred to the Estate were CUNA Mutual account (worth approximately \$55,000), the 529 Plan (worth approximately \$250,000), the Policy<sup>5</sup> (with a cash surrender value of approximately \$18,000), and the Residence (worth approximately \$1,250,000), all of which Defendant Shah continues to claim are exempt from the Receivership. Thus, the Receiver filed the Receiver's Motion for Imposition of Constructive Trust on Funds, Assets, and Real Property Traceable to Zilmil, Inc. (the "Constructive Trust Motion") seeking to impose a trust over the CUNA Mutual Account, the 529 Plan, the Policy and the Residence. ECF No. 268. The Constructive Trust Motion is supported by a Declaration from the Receiver's forensic accountant. ECF No. 268-1. Defendant Shah filed a response in opposition to that Constructive Trust Motion. ECF No. 279. Intervenor Eric Shah filed a motion to intervene in this action in order to protect his purported rights to the Residence. ECF No. 282. The Court granted that motion to intervene. ECF No. 287. Eric Shah then filed a response in opposition to the Constructive Trust Motion. ECF No. 289. The Receiver filed a reply in support of the Constructive Trust Motion refuting all arguments made in both Defendant Shah's and Eric Shah's responses. ECF No. 293. The

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<sup>5</sup> The Receiver has shown Defendant Shah proof that Zilmil, Inc. paid the premiums for the Policy for purposes of determining the amount Defendant Shah would need to pay to the Estate to keep the Policy and avoid its cancellation and transfer of at least the cash surrender value to the Estate. So far, Defendant Shah has refused to make payment for the Policy or to surrender it to the Estate. The issue is pending before the Court in the Constructive Trust Motion.

Constructive Trust Motion is now fully briefed and pending before this Court and the Receiver is prepared to present it to the Court at a hearing scheduled for July 24, 2020.

**d. Defendant Shah's Request for Relief from Permanent Injunction**

On April 7, 2020, Defendant Shah filed a motion for partial relief from the Permanent Injunction. ECF No. 265. On April 21, 2020, the Receiver filed a limited objection to Shah's motion to the extent that termination of the Receivership as to Shah's assets could preclude the Receiver from recovering assets of Zilmil, Inc. in the hands of Shah, or assets of Zilmil, Inc. transferred to Shah (or which Shah received from Zilmil, Inc. and subsequently transferred to other persons or entities). ECF No. 266. The Receiver took no position on Shah's assertion that there was an agreement between Shah and the CFTC regarding whether amounts recovered from Zilmil, Inc. can be credited toward Shah's restitution obligation. *See id.* Rather, the Receiver is following the plain language of the Permanent Injunction, which does not authorize the Receiver to allocate funds collected from Zilmil, Inc. towards Shah's restitution obligation, nor does any language in the Permanent Injunction preclude the Receiver from recovering Zilmil, Inc. funds that may remain in the hands of Shah after his satisfaction of his separate restitution obligation.

In response to the Receiver's limited objection to Shah's motion, Shah filed a reply quoting only two words of an email from the Receiver purporting to be an agreement to credit Zilmil, Inc. assets towards Shah's restitution obligation. Accordingly, the Receiver sought and obtained leave to file a short sur-reply addressing Shah's mischaracterization of the Receiver's statements made prior to the Court's entry of the Permanent Injunction, and to explain that if the Court discharges the Receiver as to Shah's assets, such discharge should have no effect on the Receiver's seeking to recover assets belonging or traceable to Zilmil, Inc. of which Shah or any other person or entity may have possession. ECF No. 292.

*ii. Citrades Defendants' Accounts*

During prior reporting periods, the Receiver investigated and obtained records for the accounts of the Citrades Defendants and the accounts to which the funds of the Citrades Defendants were transferred. The Receiver's forensic accountant analyzed the account records and created a consolidated account reconstruction that the Receiver would have used to support recovery claims against third parties that facilitated the fraud and/or received significant fraudulent transfers from the Citrades Defendants.<sup>6</sup>

During a prior reporting period, the Receiver recovered a minimal amount of funds in the last of Defendant Scharf's frozen accounts that still contained funds. The Receiver is not aware of any other accounts of Defendant Scharf that may contain assets of the Receivership Estate.

*iii. Total Amounts Frozen and/or Recovered from All Defendants*

The following table summarizes the approximate amounts of funds the Receiver has identified, frozen, and/or transferred to his fiduciary accounts (not including the 529 Plan, the Policy or the Residence) since the Court entered the Statutory Restraining Order:

<b>DEFENDANTS</b>	<b>AMOUNTS TRANSFERRED TO THE ESTATE</b>
Michael Shah and Zilmil, Inc.	\$8,959,619.77
Jason Scharf	\$123,648.02
<b><i>TOTAL</i></b>	<b><i>\$9,083,267.79</i></b>

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<sup>6</sup> As explained below, because there were no funds in the Estate to pay the fees and costs necessary to pursue such recovery claims and pursuing such claims would require the Receiver and his professional to advance significant costs and bear significant risks of non-recovery given the applicable statute of limitations among other factors, the Receiver will not be pursuing such claims.

**C. Recovery Claims Against Relatives, Insiders, Affiliates and Third Parties**

*i. Zilmil Defendants*

In addition to continuing to marshal assets from the Zilmil Defendants, the Receiver and his counsel, pursuant to the Permanent Injunction against those Defendants, also engaged in the investigation, negotiation and/or litigation in connection with the recovery of fraudulent transfers of Zilmil, Inc. business proceeds to Defendant Shah's family members, insiders and/or affiliates for which reasonably equivalent value was not provided to Zilmil, Inc. All of the Receiver's efforts during the Reporting Period aimed at obtaining sufficient recoveries to satisfy Zilmil, Inc.'s restitution obligation and making significant distributions to the Zilmil Defendants' customers in the Court-approved claims process and distribution plan.

**a. Shah Family Fraudulent Transfer Action**

In particular, during the Reporting Period, the Receiver pursued fraudulent transfer actions against certain relatives and insiders or affiliates of the Zilmil Defendants who received significant transfers without providing any or reasonably equivalent value to Zilmil, Inc., including one action (the "Shah Family Action") against Defendant Shah's family members (the "Shah Family") seeking recovery of the approximately \$8 million they had received from Zilmil, Inc. – plus Eric Shah's interest in the Jacksonville Residence.<sup>7</sup> During the previous reporting period, one Shah family member, Sujata Shah, filed a motion to dismiss based on, among other things, the statute of limitations. The Receiver's response explained that the Receiver did not have the authority to bring the fraudulent transfer actions until the entry of the Permanent Injunction, and the Receiver filed his fraudulent transfer claims within one year of such entry. The Court converted that motion

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<sup>7</sup> Based upon Eric Shah's intervention in this action, his interest in the Residence can now be determined in the context of the Receiver's Motion for Constructive Trust [ECF 268].

to dismiss into a motion for summary judgment. *See* Shah Family Action, ECF No. 11 (Motion to Dismiss); ECF No. 15 (Response); ECF No. 23 (Reply); and ECF No. 34 (Court Order).

During the Reporting Period, the Shah Family filed two motions for partial summary judgment – one based on statute of limitations and the other based on the identification of individual victims of the underlying fraud. Shah Family Action, ECF Nos. 31 and 47. The Receiver filed his response to the Shah Family’s consolidated motions for partial summary judgment on statute of limitations grounds, and the Receiver filed his own cross-motion for partial summary judgment for fraudulent transfers that are clearly not barred by the statute of limitations (*i.e.*, made within the four years immediately preceding the Shah Family Action). *See id.*, ECF No. 44. And, the Receiver filed his Response to the Shah Family’s separate motion for summary judgment as to the Receiver’s standing as a creditor under the Florida Uniform Fraudulent Transfer Act. *See* Shah Family Action, ECF No. 58.

The Receiver also filed his Motion to strike the Shah Family’s rebuttal expert’s report based on the *Daubert* standard. *See* Shah Family Action, ECF No. 46. The Receiver’s counsel also drafted a response to the Shah Family’s motion to strike the Receiver’s supplemental Rule 26 disclosures. ECF No. 45 (Motion) and ECF No. 50 (Response). The foregoing motions for partial summary judgment, the Receiver’s motion to strike the Shah’s Family’s expert, and the Shah Family’s motion to strike supplemental disclosures are pending before this Court.

Moreover, the Receiver’s counsel prepared and served written discovery requests on the Shah Family and, together with the Receiver, prepared for and attended a mediation in that action. The parties were unable to settle so the Receiver and his counsel engaged in discovery and began to prepare for trial in that case. The Receiver also responded to the Shah Family’s discovery requests, including document production, and propounded written discovery on the Shah Family.

The Receiver's counsel engaged in discovery conferral efforts and then took the depositions of each Shah Family defendant. The Receiver was also deposed. The Receiver's counsel also deposed the Shah Family's expert witness and defended the Receiver's expert at her deposition. The Receiver's counsel also issued subpoenas to the Shah Family's accountant and Michael Shah's counsel and worked with the subpoenaed parties on objections and production of documents. Finally, the Receiver and his counsel continued trial preparations.

**b. Manoj Kumar Fraudulent Transfer Action**

In addition to the Shah Family fraudulent transfer action, the Receiver filed in this Court an action against Mr. Manoj Kumar and an affiliated company, Tejolaya Builders, Inc. ("Tejolaya Builders"), which did business with Zilmil, Inc. and collectively received more than \$400,000 from Zilmil, Inc. (the "Kumar Fraudulent Transfer Action"). The Receiver experienced difficulties serving Mr. Kumar and Tejolaya Builders, but eventually the Receiver served Mr. Kumar via The Hague Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (the "Hague Convention") in the United Kingdom and served Tejolaya Builders via The Hague Convention in India. Despite proper service in November 2019, neither Mr. Kumar nor Tejolaya Builders responded to the Complaint, so, upon motion by the Receiver, the Clerk of Court issued defaults against them. The Receiver is seeking the entry of a default final judgment against both Defendants and, in support thereof, the Receiver filed the following in the Kumar Fraudulent Transfer Action:

- Amended Proof of Service on Defendant Kumar in London, UK [ECF 11];
- Notice of Service Pursuant to Hague Convention [ECF 12];
- Affidavit of Foss Baker in Support of Plaintiff's Motion for Default Judgment on Defendant Kumar in India [ECF 12-1];
- Request for Clerk's Entry of Default Against Defendant Kumar [ECF 13];

- Request for Clerk’s Entry of Default Against Defendant Tejolaya Builders [ECF 14];
- Affidavit of Foss Baker in Support of Motion for Default [ECF 14-1];
- Verified Motion for Default Final Judgment Against Defendant Kumar [ECF 18]; and
- Verified Motion for Default Final Judgment Against Defendant Tejolaya Builders [ECF 19].

Accordingly, the Receiver’s Motions for Default Judgement against Defendants Kumar and Tejolaya Builders are pending before this Court, and the Receiver is prepared to present them at the hearing scheduled for July 24, 2020.

*ii. Citrades Defendants*

With respect to the Receiver’s recovery claims against the persons and entities that received significant transfers from the Citrades Defendants without providing reasonably equivalent value to those Defendants, given the lack of funds in the Citrades Estate to pay the fees and costs of pursuing such claims, during the prior reporting period, the Receiver proposed to the Court to investigate and pursue them on a contingency fee basis for the benefit of the defrauded customers.<sup>8</sup> *See* ECF No. 255. The Court directed Defendants Scharf and A&J Media Partners to notify the Court of their position on the Receiver’s proposal by February 21, 2020. ECF No. 259. Those Defendants did not comply with the Court-ordered deadline.

During the Reporting Period, the Court entered an Order denying the Receiver’s proposed contingency fee structure and proposing a different contingency fee structure and asking the

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<sup>8</sup> Since his appointment, the Receiver has recovered approximately \$124,000 of the Citrades Defendants’ funds. All of those funds were used to pay the Court-approved administrative fees and costs of the receivership Estate, including for the Receiver’s investigation of those Defendants, the Receiver’s forensic accountants’ analysis of those Defendants many accounts, and otherwise fulfilling the Receiver’s fiduciary duties pursuant to the Court’s Orders.

Receiver to notify the Court if he was willing to pursue the fraudulent transfer actions under the Court's proposed structure. ECF No. 263. The Receiver informed the Court that he was concerned with pursuing the fraudulent transfer claims due to the potential expiration of the statute of limitations on those claims and the difficulty in locating the third-party transferees after the passage of so much time since the transfers were made, and the significant costs and risks the Receiver and his professionals would need to bear in connection with pursuing those claims. ECF No. 274. The Receiver is now seeking a discharge in that receivership as it appears that there are no other assets to marshal and insufficient funds in the Citrades Estate to make a distribution to the Citrades Defendants' creditors. *See id.*

**D. Noticing and Claims Process and Distribution Plan and Communications with Potential Claimants**

Pursuant to the Court's Order [ECF No. 253] granting the Receiver's Motion to approve the noticing and claims process and distribution plan, the Receiver worked on refining the list of potential claimants to which the Receiver will provide notice of the claims process, formulating the online portal and claim form to which potential claimants will be sent to submit claims and supporting documentation, and identifying information that will assist potential claimants to determine if they are eligible to participate in the claims process, as necessary to fulfill the Receiver's fiduciary duties and comply with the directives of the Court's Orders.

In particular, during the Reporting Period, the Receiver continued working with the noticing and claims agent (Stretto) to refine the list of potential customers and creditors of Zilmil, Inc. to which notice of the claims process and distribution plan and a link to the online claims portal will be sent in an effort to ensure that all eligible claims will be invited to participate in the process and to minimize claims administration costs. Also, during the Reporting Period, the Receiver and Stretto completed the development of the notice and claim form in electronic format.

The notice will be sent out to potential customers and creditors with a link to the portal containing the electronic claim form through which they may submit their claims and supporting documentation on or before a particular date (the claims bar date). When claimants visit the online portal and fill out the claim form, they will be asked to provide information that will determine their eligibility before they can submit claims and upload supporting documents, thereby limiting the number of claims and documentation the Receiver and the claims agent need to process.

In accordance with the Court's instructions, the Receiver filed a notice and motion regarding the completion of the online claims portal and claim form and the proposed list of potential claims to which notice of the claims process would be sent and seeking approval of a revised schedule for the claims process. ECF No. 273. The Receiver explained the discovery of additional potential claimants found on Zilmil, Inc.'s servers and the significant efforts expended by the Receiver, the CFTC and Stretto to cull and verify the email lists for those potential claimants. *See id.* In its own notice filed with the Court, the CFTC noted its support for the more inclusive and comprehensive noticing and claims process proposed by the Receiver, explaining that, given the millions of emails that Zilmil, Inc. had sent out to potential customers, a process that invited more of them to participate, even if more costly, would not be a bad thing. ECF No. 271. And, no other party to this action or other interested party filed any objection or otherwise indicated any opposition to the Receiver's proposal to notice a larger list of potential customers or to modify the claims process schedule. Approval of those proposals is pending before the Court, and the Receiver is prepared to present them at the hearing scheduled for July 24, 2020.

After the proposed claims bar date, the Receiver will notify the Court of the number of eligible claims received and the estimated cost to process those claims and will seek Court approval before beginning to process the claims. Upon receiving Court approval, the Receiver's claims

agent will process the claims and make determinations regarding the allowance or disallowance of the claims. Thereafter, after resolving any and all objections to the Receiver's determinations, perhaps through appeals to this Court, the Receiver will report the final determinations to the Court and request authority to make an *initial* distribution of approximately seventy-five percent (75%) of the total cash on hand in the Estate to holders of allowed claims. And, when the asset recovery phase of the Receivership is completed and all administrative expenses of the Estate are paid, the Receiver will file a motion seeking Court approval of a final distribution of the remaining cash on hand to the allowed claimants.

Also, during the Reporting Period, the Receiver continued to update the receivership website ([www.BinaryOptionsReceivership.com](http://www.BinaryOptionsReceivership.com)) created for purposes of keeping all interested parties, including without limitation the Defendants' customers and creditors with knowledge of the Receivership and CFTC enforcement action, apprised of the status of same, posting Court filings, notices, orders and important dates and deadlines, and answering frequently asked questions.

Finally, during the Reporting Period, the Receiver was contacted by customers of certain of the Defendants inquiring about the status of the Receivership and, in particular, the claims process and distribution plan. The Receiver informed them of the status and directed them to the above-referenced website for further information. The Receiver also updated his customer lists to include those customers and their current contact information.

#### **E. Receiver's Status Report and Fee Application**

During this Reporting Period, the Receiver prepared and filed a Status Report and a Fee Application for the eighth reporting/application period, covering the six-month period from August 1, 2019 through January 31, 2020. *See* ECF No. 260 (Report) and No. 261 (Application).

No party to this action objected to the Fee Application. Thus, the Fee Application, which remains pending before this Court, is unopposed. The Receiver is prepared to present the Fee Application at the hearing scheduled for July 24, 2020. In addition, soon after the filing of this Ninth Status Report, the Receiver will file a fee application seeking approval of the fees and expenses incurred during this Reporting Period.

### **III. CASH ON HAND, INTEREST EARNED, RECEIPTS AND DISBURSEMENT**

After payment of the Court-approved administrative expenses of the Estate for the first through the eighth reporting periods, the total amount of funds in the Receiver's fiduciary account for the Zilmil Defendants maintained at Metropolitan Commercial Bank, including interest earned, is \$8,623,177.12 as of the end of the Reporting Period (June 30, 2020). *See* Reconciliation of Receipts and Disbursements of Receivership Accounts, attached hereto as **Exhibit A**. During the Reporting Period, the Receiver recovered and deposited into this fiduciary account \$1,327,882.38 in Zilmil, Inc.'s business proceeds from the Zilmil Defendants and their affiliates and earned \$12,597.95 in interest on all funds held in that account. And the only disbursement by the Estate was the payment to Stretto of the Court-approved initial setup fee for the noticing and claims process. *See id.*

### **IV. CONCLUSION**

The Receiver appreciates the opportunity to assist the Court in this matter. The Receiver and his professionals will continue their efforts, as discussed herein, to fulfill the Receiver's duties under the Court's Orders and will do so in the most cost-effective manner possible.

Respectfully submitted this 7<sup>th</sup> day of July, 2020.

/s/ Kenneth Dante Murena  
Kenneth Dante Murena, Esq.  
*Court-Appointed Receiver*  
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that, on this 7<sup>th</sup> day of July, 2020, I electronically filed the foregoing Report with the Court using the CM/ECF system, which provides notice of the filing upon all counsel of record and parties who have appeared in this case and are registered to receive electronic notice of all court filings.

/s/ Kenneth Dante Murena  
*Kenneth Dante Murena,*  
*Court-Appointed Receiver*