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9 Monitor Michael A. Maily

10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 v.

16 JOHN B. BIVONA; SADDLE RIVER
17 ADVISERS, LLC; SRA
18 MANAGEMENT ASSOCIATES, LLC;
19 FRANK GREGORY MAZZOLA

20 Defendants.

Case No. 3:16-cv-1386

**NOTICE OF LODGING OF
INDEPENDENT MONITOR'S
THIRD INTERIM REPORT
TO THE COURT**

Date: N/A

Time: N/A

Judge: Edward M. Chen

21 The Independent Monitor in the above matter, Michael A. Maily (“the
22 Monitor”) pursuant to this Court’s TRO of March 25, 2016, has been charged
23 with the filing of interim reports advising the Court of the status of his
24 monitoring and any important events occurring during such monitoring.
25 Attached hereto as Exhibit A is the Independent Monitor’s Third Interim
26 Report to the Court regarding recent developments which occurred during the
27 continued course of his monitoring the defendants business activities since the
28 filing of his last report on May 10, 2016.

1 Dated: July 5, 2016

GARTENBERG GELFAND HAYTON
LLP

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3 By: /s/ John W. Cotton

4 John W. Cotton
5 Special Counsel to the Monitor
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Exhibit A



Michael A. Maily
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Hon. Edward M. Chen
United States District Court
Northern District of California
Courtroom 5
United States Courthouse
450 Golden Gate Ave.
San Francisco, California 94102

In re: Securities and Exchange Commission v. John V. Bivona, et al., Case No. 16-cv-01386-EMC

Hon. Edward M. Chen:

Attached please find the Third Interim Report (the "Report") of the Independent Monitor in the matter of the Securities and Exchange Commission v. John V. Bivona, et al., Case No. 16-cv-01386-EMC.

Please note that this Report is based upon financial and other information provided to the Independent Monitor by the Manager of Saddle River Advisors, LLC, SRA Management Associates, LLC, SRA I, LLC, SRA II, LLC, SRA III, LLC, Clear Sailing Group IV, LLC, Clear Sailing Group V, LLC, and Felix Investments, LLC. The Independent Monitor has not audited or reviewed the books and records of these entities and accordingly, expresses no opinion on the financial and other information referenced.

This Report has been prepared under the terms of Order Granting Temporary Restraining Order, Appointment of Independent Monitor, and Other Preliminary Relief dated March 25, 2016.

Sincerely,

Michael A. Maily
Independent Monitor
Chief Executive Officer
Sherwood Partners, Inc.
July 5, 2016

Securities and Exchange Commission v. John V. Bivona et al, Civil Action No. 3:16-cv-01386
Third Interim Report of Independent Monitor
July 1, 2016

Matter: *Securities and Exchange Commission v. John V. Bivona et al.*, Civil Action No. 3:16-01386 (N.D. Cal. Filed March 22, 2016).

Independent Monitor: On March 25, 2016 the Court ordered the appointment of an Independent Monitor for Saddle River Advisors, LLC (“Saddle River”), and SRA Management Associates, LLC (“SRA Management”); SRA I, LLC, SRA II, LLC, and SRA III, LLC (collectively, the “SRA Funds”); Clear Sailing Group IV, LLC and Clear Sailing Group V, LLC (together, “Clear Sailing”); and Felix Investments, LLC (“Felix Investments”). For this process, the Independent Monitor and his designated representatives (collectively, the “Monitor”) have interacted primarily with John V. Bivona, Esq., the manager of SRA Funds, Clear Sailing and Felix Investments and his staff (collectively, the “Manager”).

Additional Review of the Holdings and Positions of Palantir: In the Report of the Independent Monitor submitted to this court and dated May 10, 2016 (the “Final Report”), the Monitor reported inconsistencies, discrepancies, and concerns regarding the information provided by the Manager as it relates to the number of shares needed to cover the beneficial interests of investors in Clear Sailing and in Equity Acquisition Company, Ltd. (“EAC”) associated holdings in Palantir. At the time of the Final Report, the Monitor reviewed a Purchased Spreadsheet provided by the Manager indicating that there were no deficiencies. According to the Purchased Spreadsheet, Clear Sailing and EAC were the holders of a total of 6,734,297 shares of Palantir. The same Purchase Spreadsheet indicated that only 6,564,289 of the 6,734,297 shares have been allocated to the beneficial interests of the SRA Funds, Felix Investments, NYPA Funds (I and II), Silver Backs Funds (I and II), the Fortuna Fund I and Capital Truth Holdings, LLC generating an excess of 170,008 shares. Prior to the Final Report, the Manager had indicated that a deficit of 138,608 shares existed but retracted this position and indicated that there was no deficit. Subsequent to the submission of the Final Report, the Monitor continued the process of reviewing these discrepancies and confirming with the Manager the reason for the Manager’s determination of a shortfall. The Monitor became aware that an entity by the name of TeleSoft Capital, LLC (“TeleSoft”) applied to invest and to become a direct member of Clear Sailing. As such, TeleSoft became an interest holder and acquired a beneficial interest in the equivalent of 227,000 shares of Class A Common Stock (the “Shares”) of Palantir. The Manager successively allocated and identified TeleSoft’s beneficial interest as Series G. After further review, Monitor determined that TeleSoft is the sole member in Series G and its beneficial interest also constitutes the sole investment of Series G. TeleSoft’s position and beneficial interest was previously omitted in preceding documents provided by the Manager to the Monitor. As a result, the Monitor revised the Purchased Spreadsheet to include the allocation and beneficial interest of TeleSoft. The revised Purchased Spreadsheet shows no changes in

the total holdings of Clear Sailing and EAC, which is consistent to previous reports totaling 6,734,297 shares of Palantir; however, with the discovery of the beneficial interest of TeleSoft, the revised Purchased Spreadsheet indicates that a total of 6,791,289 shares of Palantir have been allocated to the SRA Funds, Felix Investments, NYPA Funds (I and II), Silver Backs Funds (I and II), the Fortuna Fund I, Capital Truth Holdings, LLC, and now TeleSoft. The result of this discovery and allocation of shares to TeleSoft has now resulted in a deficit and an over apportionment of 56,992 shares of Palantir. The Manager confirmed that the allocation and beneficial interest of TeleSoft in the revised Purchased Spreadsheet is accurate and appropriate. The discovery of the TeleSoft beneficial interest and over allocation of shares is another event that highlights the unreliability and irregularity of the books and records maintained by the Manager.

Progresso Ventures: After the filing of the Final Report, the Monitor learned that Progresso Ventures, LLC (“Progresso” or “Plaintiff”) filed a lawsuit against Frank Mazzola, Emilio Disanluciano, John Bivona, William Barkow, FB Management Associates, LLC, Pipio Management Associates, LLC, Professio Management Associates, LLC, Felix Venture Partners, Qwiki Management Associates, LLC, Facie Libre Management Associates, LLC, and Felix Investments, LLC (collectively known as the “Defendants”) seeking the satisfaction of a payment in the sum of \$4 million. After learning about this lawsuit, the Monitor had conversations with the Manager to further discuss the nature of the lawsuit and to request an update on the current status of the lawsuit. The Monitor has been told that Progresso’s sole investor is Eduardo Saverin (“Saverin”), Facebook co-founder. The managers of Felix Advisors, LLC (Frank Mazzola, Emilio Disanluciano, John Bivona and William Barkow) formed a new investment vehicle named FB Management Associates, LLC (“FB Management”). It is to be noted that Felix Advisors, LLC is the predecessor of Saddle River Advisors, LLC and was a registered investment adviser but now is an exempt reporting adviser. According to information provided to the Monitor, Progresso loaned FB Management approximately four million dollars. FB Management purchased approximately 196,000 shares of Facebook (pre-IPO) and later sold these shares in early 2011. In February 2011, FB Management executed a Collateral Assignment of a Back-End Interest Loan in multiple funds managed by Felix Advisors (Saddler River Advisors LLC’s prior name), LLC including Pipio Management Associates, LLC, Professio Management Associates, LLC, Felix Venture Partners Qwiki Management Associates, LLC, Facie Libre Management Associates, LLC, and Felix Investments, LLC (now inactive broker dealer). Communication and interactions with Saverin proved to be very difficult according to the Manager and FB Management was not receiving responses from Saverin on what to do with the proceeds that resulted after the sale of Facebook’s shares. The Monitor further learned that in November 2011, Frank Mazzola arranged a meeting with Saverin to discuss the disposition of the proceeds. According to the Manager, Saverin agreed with Frank Mazzola to allow FB Management to hold the proceeds and use such proceeds to fund the purchase of inventory of securities for the SRA Funds. FB Management then loaned \$4,450,000 to the Felix Multi-Opportunity Fund (“FMOF”) to purchase inventory of securities. According to the Manager, FB Management paid Progresso back \$2.9 million (presumably using proceeds from sales of beneficial interests to others). The Manager has told the Monitor that by 2014, FB Management owed Progresso \$1.5 million, which included approximately \$400,000 of interest (the

note had 15% interest). In late 2015, Progresso lawsuit was filed and the Plaintiff received an Attachment Order against the Defendants. The Manager indicated that the order is now being appealed.

While the SRA Funds, Felix Multi Opportunity Fund, and NYPA Funds (I and II) are currently not Defendants in the Progresso Ventures matter, the Monitor is concerned that i) these claims could impact the Manager's ability to manage the funds, ii) investor concern may be heightened and generate further litigation, and iii) Progresso Ventures may attempt to look to the assets of Saddle River Advisors, the Manager of SRA Funds, Felix Multi Opportunity Fund, and NYPA Funds (I and II) to recover proceeds. While those assets currently are nominal, their future funding source from liquidity events that could raise cash to pay creditors, including the Monitor and his counsel, could be negatively impacted. For this reason the Monitor and his counsel have established preliminary communications with Progresso Ventures counsel in the hope of avoiding conflict over this issue.