

**EXHIBIT A**

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,	)	
	)	
Plaintiff,	)	
v.	)	
	)	
BURTON DOUGLAS MORRISS,	)	
ACARTHA GROUP, LLC,	)	
MIC VII, LLC,	)	Case No. 4:12-CV-00080-SNLJ
ACARTHA TECHNOLOGY PARTNERS, LP, and	)	
GRYPHON INVESTMENTS III, LLC,	)	
	)	
Defendants, and	)	
	)	
MORRISS HOLDINGS, LLC,	)	
	)	
Relief Defendant.	)	
	)	

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**TWENTY-FOURTH INTERIM STATUS REPORT OF RECEIVER**

Claire M. Schenk (the “Receiver”), the receiver for defendants Acartha Group, LLC (“Acartha Group”); Acartha Technology Partners, LP (“ATP”); MIC VII, LLC (“MIC VII”); and Gryphon Investments III, LLC (“Gryphon Investments”) (collectively, the “Receivership Entities”), submits this **Twenty-Fourth Interim Status Report** to update the Court on the activities of the Receiver occurring since August 3, 2017.

**A. Distributions and Wind-Up**

The Receiver’s *Twenty-Third Interim Status Report* (Dkt. No. 540-1) provided a high-level summary and history of the Receivership up to and including the date of the filing of the report in light of the recent reassignment of this proceeding. That information will not be repeated here except to confirm that distributions were completed pursuant to the Court’s order allowing the Receiver’s *Motion to Approve the Amended Plan of Distribution, Authorize Distributions of Receivership Assets, and Approve Partial Payment of Holdback Amount*

*Pertaining to the Receivership Professionals* (“the Order”) (Dkt. No. 537). As reported in the *Twenty-Third Interim Status Report*, East West Bank provided the Receiver with confirmation of outgoing wire transfers for each of the Distributees (as defined in the report). In that report, the Receiver stated that, following receipt of the bank statements for the month of July, the Receiver would confirm that the outgoing wires did not “bounce back” due to errors in the wire transfer instructions relied upon by the Receiver. The bank statements have now been reviewed and do not reflect an indication of any returned funds. Thus, the chart below is accurate, based upon the Receiver’s review of the available bank records.

<b>Receivership Entity</b>	<b>Amount Distributed</b>	<b>No. of Distributees Receiving Funds</b>
Acartha Group	\$126,951	12
ATP	\$3,871,951	21
MIC VII	\$647,441	21
Gryphon Investments	\$93,187	4

Having successfully completed the cash distributions approved by the Court, the Receiver is moving forward on other activity directed by the Order, including the assignment of the unliquidated assets of the Receivership Entities. The Receiver has also been working to develop a plan to assign the unliquidated assets of three special purpose vehicles, *i.e.*, Tervela Acquisition, LLC, Tervela Acquisition II, LLC and Tervela Acquisition III, LLC (“the Tervela SPVs”). The Receiver anticipates the filing of a motion to gain authority to allocate and assign the interests held by the Tervela SPVs and to provide notice to all parties regarding the specifics of the plan of allocation (“the Plan”).

Although the unliquidated assets of the Tervela SPVs were not addressed by the Order, the Order did set forth a framework for the disposition of the Receivership Entities’ assets to the Receivership Entities’ Allowed Claimants. Pursuant to the Order and subject to the Court’s approval of the Plan, the interests held by the Tervela SPVs, will be assigned to those investors

who have not abandoned their interests,<sup>1</sup> and the Receivership Entities' stock interests will be assigned to the Allowed Claimants in proportion to the respective interests held by such Allowed Claimants in the Receivership Entities.

In recent months, assignment of these unliquidated assets has been the central focus of the Receiver. An event of liquidity, sale or other means of disposition does not appear to be likely in the short term. Thus, the assignment of the unliquidated interests will avoid the further time and expense of administering and overseeing these assets and allow the Receiver to prepare for a final wind up of this proceeding.

To prepare for the Plan, the Receiver gathered and summarized the relevant information regarding the remaining unliquidated assets. This information included, but was not limited to, investor lists, the most recent tables of capitalization and current communications pertaining to the interests. This information was provided to Michelle Murray, CPA, Founder and Managing Director of Segue Capital ("Segue"). The unliquidated interests to be allocated under the Plan are held by MIC VII, ATP, Gryphon III and the Tervela SPVs. The interests are held in Tervela, Inc. ("Tervela"); Cirqit.com, Inc. ("Cirqit"); Exegy, Ltd. ("Exegy"); and Velocidata. The Plan will provide the specific details as to the interests held by the various Receivership Entities and the Tervela SPVs.

The Receiver requested that Ms. Murray prepare the Plan based upon her familiarity with the Receivership, including the unliquidated investment interests. As background, Ms. Murray has assisted the Receiver with fund management and investor communications since on or

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<sup>1</sup> Investors in the Receivership Entities were required by the Court to participate in the Court-approved claims process. The Order listed allowed claimants. This process did not apply to the direct investors in the Tervela SPVs. Thus, the Receiver will file a motion to gain approval of the allocation of the non-Receivership Entities' interests in the Tervela SPVs.

around February 9, 2012, shortly after the Receiver's appointment. At the outset of the Receivership, Ms. Murray was provided with investment and investor schedules, tax returns, the general ledger, QuickBooks data and other relevant information compiled and/or maintained by former management. Since receipt of this information, Ms. Murray has received periodic updates pertinent to follow-on financings, events of liquidity, valuations and other information relating to the status and value of the various investment interests.

Since the inception of the Receivership, Ms. Murray has assisted the Receiver with "back office" functions, such as managing the books and records in preparation for the annual tax returns of the entities. Ms. Murray assisted with capital calls, participated in numerous board and shareholder calls, and frequently communicated with investors, attorneys and managers of the various entities. She assisted the Receiver with the review and analysis of various financial transactions, financial statements and complex tables of capitalization involving multiple rounds of financing and various liquidation preferences.

Beyond her familiarity with the Receivership, Ms. Murray possesses the expertise required to perform the calculations necessary to the formulation of the Plan. Ms. Murray specializes in providing financial consulting and accounting solutions to private equity funds. She has more than 20 years of accounting and public finance experience. Prior to founding Segue, she served as the Chief Financial Officer of Prolog Ventures where she oversaw and administered three private funds with over 30 investments.

In furtherance of the Plan, Ms. Murray reviewed the information made available to her and reconciled her records with both the Receiver and the Receiver's tax preparer, Tim O'Shaughnessy of CliftonLarsonAllen LLP ("CLA"). The Receiver and Ms. Murray have had numerous planning sessions to reconcile any discrepancies in their records and to construct a

Plan. As a result, Ms. Murray prepared proposed schedules for assignment of the remaining interests. These schedules detail the number of shares owned by each of the Receivership Entities and the Tervela SPVs and the pro rata percentages currently owned by each investor. The distribution schedules are based upon the information described above, in particular, the investor lists as modified by the Court or through abandonment; capitalization tables for Cirqit, Tervela, Velocidata, and Exegy, and information regarding the total number of outstanding shares and the various classes of stock and other interests held by the Receivership Entities and the Tervela SPVs. The Receiver is working to prepare a motion, memorandum, declaration, and proposed order seeking approval of the Plan.

## **B. Business Operations**

As directed by the Court, the Receiver continues to oversee the remaining unliquidated holdings of the Receivership Entities in several investments, including Tervela, Cirqit, Exegy, and Velocidata. The next Tervela board call is scheduled to be held on Friday, November 10, 2017. The call will likely include a discussion of Tervela's quarterly report, operations, financials, and the timing and future needs for funding. A summary of this information will be posted to the secure investor extranet site.

As previously reported, the Receiver and her counsel, Chris Reid, participated in a call on Monday, July 31, 2017, which provided information by Cirqit regarding the outlook for Logic Source, its primary asset. During that call, Cirqit introduced the concept of a conversion of Cirqit from a C Corp to an LLC. Cirqit explained that the primary motivation for the proposed conversion was an expected growth in valuation, which suggested that an LLC conversion be completed prior to the expiration of available tax savings. Since the time of this call, Cirqit has provided updates showing the capitalization of the proposed LLC and allocation of LLC

preferred interests to the Cirqit Series C and D preferred shareholders. Consent, subscription and joinder agreements were circulated by Cirqit to the shareholders, including the Receiver. September 30, 2017 was proposed as the effective date of the transaction, however, the Receiver has not been provided any information indicating that the conversion occurred.

As part of the Plan described earlier in this Report, the Receiver and/or Ms. Murray have been in frequent communication with the concerns described herein to gain current information regarding tables of capitalization, liquidation preferences, shares outstanding, and other relevant matters. The Receiver will keep the interested investors updated through the extranet site and direct contact, as appropriate.<sup>2</sup>

### **C. Tax Matters and Corporate Compliance**

As previously reported, the required Federal and state tax filings have been made and K-1s prepared for the investors in Acartha Group, MIC VII, ATP, Gryphon Investments, Acartha Merchant Partners, Morriss Administration, Tervela Acquisition LLC, Tervela Acquisition II, Tervela Acquisition III, Integrien Acquisition, Evergrid MIC VII, and Librato Acquisition II. Final filings were made for the inactive entities, Evergrid Acquisition and Clearbrook Acquisition. Prior to or shortly after the submission of the last Receiver's Report, K-1s were provided to the investors in each of these entities. As part of the review and reconciliation process undertaken in furtherance of the Plan, appropriate adjustments (including an amended K-1) were made to the records maintained by Segue, CLA, and the Receiver. The Receiver has continued to monitor periodic inquiries and notices from tax authorities, following up and resolving issues to the extent necessary.

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<sup>2</sup> As explained *infra*, information is available to the investors on secure sites and subject to execution of a non-disclosure agreement. The specifics pertaining to the information discussed therein is considered confidential by the Receivership portfolio concerns.

## **D. Administrative Matters**

### *1. SFAR*

An updated copy of the Standardized Fund Accounting Report (“SFAR”) will be submitted along with the *Receiver’s Twenty-Third Interim Fee Application* for the third quarter of 2017, covering July through September. The SFAR reflects known and current bank balances for the Receivership Entities and the accounts of the SPVs, which are managed by the Receiver. It also reflects expenses and payments during the third quarter of 2017. A final and fully detailed SFAR will be submitted to the Court at the conclusion of the Receivership.

### *2. Interim Applications for Fees and Expenses*

Payment of fees and expenses to the service professionals providing assistance to the Receiver are current in keeping with the Court’s approval of the last Fee Application. As of the date of the filing of this report, there were no pending Fee Applications, and payments were made to the Receiver and her professionals through June 30, 2017 (with the exception of funds subject to the holdback).

### *3. Receivership and Secure Investor Websites*

The Receiver continues to update the general website hosted by Thompson Coburn (which is linked to the website for the District Court for the Eastern District of Missouri). Additionally, the Receiver continues to post documents on the extranet sites created for the investors. Each site is periodically updated with information pertinent to business operations, *e.g.*, slide decks or presentations, and transactional documents involving additional financings or other significant events.

The Receiver encourages claimants, investors, and other interested parties to visit the websites that are available to them so that they will have a current understanding of Receivership

operations and to avoid unnecessary expense through repeated individualized communications with the Receiver and her advisors.

**Conclusion**

The Receiver will continue to update this report on a periodic basis to summarize relevant Receivership activities.

Dated: October 27, 2017

Respectfully submitted,

/s/ Claire M. Schenk  
Claire M. Schenk, Receiver