

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-v- :

No. 1:23-cv-05326-LAK

LEGEND VENTURE PARTNERS, LLC, :

Defendant. :

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SUMMARY OF RECEIVER’S PLAN OF DISTRIBUTION

Dated: May 28, 2025

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Attorneys for Melanie L. Cyganowski, as Receiver

In accordance with the Receivership Order,¹ Melanie L. Cyganowski, the Receiver of the Receivership Entities² (collectively, “**Legend**”), has filed a proposed plan for the distribution of the Receivership Property to Legend’s investors and creditors (the “**Receiver’s Plan**”). The Receiver’s Plan has not yet been approved by the Court and investors and creditors have the right to be heard regarding it.

For the convenience of all parties-in-interest, the Receiver is providing this summary of certain aspects of the Receiver’s Plan (the “**Summary**”). Please note that this Summary does *not* discuss all provisions of the Receiver’s Plan -- it is provided solely to facilitate a general understanding of the Receiver’s Plan. Nothing in this Summary is intended to modify any of the terms of the Receiver’s Plan. *The Receiver strongly recommends that Investors and Claimants read the Receiver’s Plan in its entirety.*

I. PRELIMINARY STATEMENT

The Receiver’s Plan is based primarily on distributions to “**Silo Investors**” (as defined below) of the cash proceeds from the sale of shares of a Pre-IPO Company that has “gone public” or has had another type of Liquidity Event. However, before distributing any amounts to Silo Investors, the Receiver will first deduct certain reserves (for the payment of potential taxes and other costs) and an amount for distributions to Legend’s “**Pre-Receivership Claimants**” (as defined below).³ The balance will then be distributed to the “Silo Investors”.

¹ Capitalized terms used but not otherwise defined in this summary shall have the definitions set forth in Section 1.2 of the Receiver’s Plan. Nothing herein is intended or should be deemed to change, modify, amend or limit the Receiver’s Plan.

² The Receivership Entities include Legend Venture Partners LLC, Legend Ventures Fund 1 LLC, Legend Ventures Fund 2 LLC, Legend Ventures Fund 3 LLC, Legend Ventures Fund 4 LLC and Legend Ventures Fund 5 LLC.

³ Of course, only investors and creditors holding **Allowed Interests** and **Allowed Claims**, respectively, are eligible to receive any distribution under the Receiver’s Plan.

Set forth below are answers to questions regarding the Receiver's Plan:

(1) What is the difference between Investors and Pre-Receivership Claimants?

Although Investors and Pre-Receivership Claimants assert legal rights against the Receivership Entities arising prior to the Court's creation of the Receivership, they are entirely distinct under the Receiver's Plan.

Under the Receiver's Plan, an "**Investor**" is a person or entity⁴ (other than an "Insider") that holds an equity interest in any of the Legend companies (an "**Interest**"). A "**Pre-Receivership Claimant**" is a person or entity (other than an "Insider") that asserts a right to payment from Legend arising from a pre-Receivership agreement, event or occurrence (a "**Pre-Receivership Claim**"). A Pre-Receivership Claim is not an Interest. A Pre-Receivership Claim is a right to payment that is unrelated to an investment in Legend.⁵

(2) Who are Silo Investors?

To invest in Legend, each Investor was required to sign an agreement (a "**Subscription Agreement**") that sets forth, among other things, the Pre-IPO Company and the number of Pre-IPO Shares in that Pre-IPO Company to which the Investor's Legend investment had been "applied" by Legend.⁶ Thereafter, Legend sent Investors "**Welcome Letters**" purporting to confirm that information. Under the Receiver's Plan, all Investors that were advised in their Subscription Agreements and their Welcome Letters (collectively, the "**Confirmation**

⁴ An entity includes, without limitation, partnerships, corporations, limited liability companies, estates, trusts, and Governmental Units.

⁵ Administrative Claimants also might exist, i.e., creditors that assert claims arising from agreements, events or occurrences that occurred during the Receivership.

⁶ Although this Summary generally refers to "Pre-IPO Shares" in Pre-IPO Companies, Legend's interests in Pre-IPO Companies are not necessarily actual shares of stock. As the Receiver has previously described in reports filed with the Court, Legend purchased Pre-IPO interests using several methods, including but not limited to: (i) interests in special purpose vehicles, which are non-Legend entities controlled by third-parties that invested in Pre-IPO Companies; and (ii) forward contracts. The reference to "Pre-IPO Shares" is intended to include all such interests acquired by Legend.

Documents”) that their investments had been “applied” to a particular Pre-IPO Company are “**Silo Investors**” of that particular Pre-IPO Company, and the number of Pre-IPO Shares of that Pre-IPO Company to which they were advised their investments had been “applied” are their “**Pro Rata Shares**”.⁷

For example, the SEC filed a typical Welcome Letter sent by Legend that advised the Investor that:

Your total capital contribution of \$75,200.00 received on 3/8/2022 constitutes a 11.84% membership interest in Series PL-9140(LVFI) of the Company. Series PL-9140(LVFI) currently holds a beneficial interest in 397 shares of common stock of Plaid through an affiliate of the Company. After deduction of fees from your capital contribution, \$75,200.00 has been applied to an investment in approximately 47 underlying shares of common stock of Plaid at a purchase price equivalent to \$1,600 per share [sic].⁸

Under the Receiver’s Plan, the Investor to whom this Welcome Letter was sent and who signed a corresponding Subscription Agreement is a Plaid Silo Investor with 47 Plaid “Pro Rata Shares”. All other Investors whose Confirmation Documents stated that their Legend investments had been applied to Plaid Pre-IPO Shares are also Plaid Silo Investors and their Plaid “Pro Rata Shares” are the number of Plaid Pre-IPO Shares identified in their respective Confirmation Documents.⁹ As explained in detail below, the pro rata distributions to the Silo Investors will be based on their Pro Rata Shares.

(3) Will the distributions be in cash or in shares?

All distributions will be in cash. Upon receiving shares of a Pre-IPO Company that goes public, the Receiver will sell the shares received in accordance with the procedures set forth in the

⁷ The discussion of the Confirmation Documents, including their purpose, is subject to further review and analysis by the Receiver. In determining Pro Rata Shares, the Receiver reserves the right to correct any errors found in the Confirmation Documents.

⁸ All personal identification information about the Investor had been redacted by the SEC prior to filing.

⁹ If an Investor had more than one investment in Legend, the Investor could be a Silo Investor for more than one Pre-IPO Company.

Receiver's Plan. The amount recovered from the sale (less brokerage fees the Receiver must pay to a broker-dealer) is called "**Realized Cash**", and it is the source of all distributions.¹⁰

- (4) Do Silo Investors for a particular Pre-IPO Company receive all the recovery if that Pre-IPO Company has a Liquidity Event?

Silo Investors are the only Investors that will receive any distribution on account of a Pre-IPO Company's Liquidity Event. However, they will not receive all of the Realized Cash. First, there are costs attendant to the Receivership that the Receiver must pay, including potential tax liability and administrative claims and costs. Accordingly, before making distributions to the Silo Investors, the Receiver will deduct an amount for these claims and costs and hold the funds in reserve until payments are required. This is called the **Reserve Amount**. Second, the Receiver's Plan also provides for distributions to Legend's Pre-Receivership Claimants. Accordingly, after deducting the Reserve Amount, the Receiver's Plan requires that the Receiver then deduct up to 10% of the remaining Realized Cash for distributions to Pre-Receivership Claimants. This is called the **Pre-Receivership Claimant Pool Amount**.

- (5) How is the Reserve Amount calculated?

Recoveries by the Receivership Estate may be subject to potential tax liability that under law (and the Receiver's Plan) must be paid on an actual or estimated basis. Additionally, amounts must be reserved for Disputed Claims and Disputed Interests until such time as they are allowed or disallowed. Similarly, administrative claims and costs must be paid as may be permitted by Court order. In order for the Receivership Estate to have sufficient funds available to pay these amounts, the Receiver's Plan deducts the funds required for these purposes from the proceeds of each Liquidity Event. These funds constitute the Reserve Amount.

¹⁰ At the conclusion of the Receivership, the Receiver may seek Court authority to make one or more distributions in manner or form different than that otherwise described in the Plan.

Specifically, the Reserve Amount is comprised of the following two (2) components:

(a) “Tax Reserve Amount.” The Tax Reserve Amount is the amount from any Realized Cash that will be set aside, in the Receiver’s discretion, to satisfy the maximum potential tax liability arising from the Receivership’s recovery from a Liquidity Event. The Receivership Estate is treated for federal tax purposes as a “Qualified Settlement Fund” (a “**QSF**”). Potential tax liability for a QSF can be substantial. Together, federal and state tax liability for the Receivership Estate can be as much as approximately 45% of any tax gain realized (“**Gain**”).¹¹

For example, assume that there is a sale of shares after a Pre-IPO Company “goes public”. A Gain is realized if the Receiver sells the shares at a price per share that is greater than the estimated value of the Pre-IPO Company’s shares on July 7, 2023 (the date the Receivership was created by Court order). If on July 7, 2023, the estimated value of Company A’s Pre-IPO Shares was \$25.00 per share and after Company A “goes public” the Receiver sells the shares at \$50.00 per share, there would be a Gain of \$25.00 per share. If the Receiver sold 100,000 Company A shares totaling \$5,000,000, the Receivership would recognize a Gain of \$2,500,000 (100,000 x \$25). The maximum potential tax liability arising from the Gain would be \$1,125,000 (\$2,500,000 x 45%) and the Tax Reserve Amount would be an amount up to \$1,125,000. Assume for purposes of this hypothetical that the full 45% is deemed necessary. Under the Receiver’s Plan, the Receiver would deduct the Tax Reserve Amount of \$1,125,000 from Realized Cash before distribution.

(b) “Non-Tax Reserve Amount.” The Non-Tax Reserve Amount is an amount up to 25% of the Realized Cash remaining after the Tax Reserve Amount has been deducted. The Non-Tax Reserve Amount will be set aside for eventual distribution to Disputed Claims and Disputed Interests that became allowed, and for administrative claims and costs, including costs associated

¹¹ A Gain is also recognized, and taxes potentially due, if the Receiver distributes the shares rather than sells them.

with carrying out the terms of the Receiver's Plan.

Continuing with the example discussed above, as noted, the Tax Reserve Amount is \$1,125,000. When it is deducted from Realized Cash, the balance of Realized Cash is reduced to \$3,875,000 (\$5,000,000 minus \$1,125,000). The Non-Tax Reserve Amount is up to 25% of that balance, or less if the Receiver determines that a deduction of 25% of that balance is not required. Assume for purposes of this hypothetical that the full 25% is deemed necessary. In that case, the Non-Tax Reserve Amount is \$968,750 ($\$3,875,000 \times 25\%$) and that amount is deducted from Realized Cash, so that the remaining balance of Realized Cash is \$2,906,250 ($\$3,875,000$ minus $\$968,750$). For purposes of this Summary, the balance of Realized Cash after deduction of the Reserve Amount is called the **Post Reserve Amount Balance**. In this hypothetical, that amount is \$2,906,250.

(6) The Pre-Receivership Claimant Pool Amount.

After deduction of the Reserve Amount from Realized Cash, the Receiver's Plan then requires that the Receiver deduct the Pre-Receivership Claimant Pool Amount. The Pre-Receivership Claimant Pool Amount is deducted so that the Receiver has funds available to make distributions to Pre-Receivership Claimants on a pro rata basis. The Pre-Receivership Claimant Pool Amount is up to 10% of the Post Reserve Amount Balance (i.e., up to 10% of the Realized Cash after the Reserve Amount has been deducted).

For example, assume that the facts are the same as in the previous hypotheticals. As noted, the Post Reserve Amount Balance is \$2,906,250. However, before distributions to the Company A Silo Investors can occur, the Receiver must deduct the Pre-Receivership Claimant Pool Amount. Assume that the Receiver determines that the full 10% should be deducted, so that the Pre-Receivership Claimant Pool Amount is \$290,625 ($\$2,906,250 \times 10\%$). The Receiver would then

deduct the Pre-Receivership Claimant Pool Amount of \$290,625 from the Post Reserve Amount Balance of \$2,906,250, leaving a balance of \$2,615,625. For purposes of this Summary, the balance after the Pre-Receivership Claimant Pool Amount is deducted is the “**Silo Investor Distribution Balance**”. In this hypothetical, the Silo Investor Distribution Balance is \$2,615,625. That amount would then be distributed to the Company A Silo Investors on a pro rata basis.

- (7) How does the Receiver determine the amount to distribute to each Silo Investor?

Silo Investors of a Pre-IPO Company that had a Liquidity Event receive distributions on a pro rata basis. This is determined through an arithmetic calculation based on the percentage that the Pro Rata Shares of a Silo Investor are to the total of all Silo Investors’ Pro Rata Shares. The Silo Investor Distribution Balance is multiplied by that percentage once it is determined. The result is the Silo Investor’s pro rata distribution from the Pre-IPO Company’s Liquidity Event.

For example, assume that Company X “goes public” and that after deduction of the Reserve Amount and the Pre-Receivership Claimant Pool Amount, the Silo Investor Distribution Balance is \$10,000,000. Assume that according to the Confirmation Documents, Silo Investor A’s Legend investment was “applied” to 500 Company X Pro Rata Shares and that total Company X Pro Rata Shares of all Silo Investors is 20,000. To determine Silo Investor A’s pro rata share of the Silo Investor Distribution Balance, the Receiver would first determine the percentage that Investor A’s 500 shares are of all Company X Pro Rata Shares (i.e., 500 divided by 20,000), which is 2.5%. The Receiver would then multiply the Silo Investor Distribution Balance of \$10,000,000 by 2.5%, resulting in a distribution to Silo Investor A of \$250,000.

- (8) How does the Receiver determine the amount of cash to distribute to each Pre-Receivership Claimant?

Distributions to Pre-Receivership Claimants are determined using the same pro rata

calculation method used to determine a Silo Investor's pro rata share except that the Pre-Receivership Claimant's pro rata share is based on the dollar amount of the Pre-Receivership Claimant's Claim as a percentage of total Pre-Receivership Claims.

For example, assume that the Pre-Receivership Claimant Pool Amount is \$2,000,000, that Pre-Receivership Claimant A has a Pre-Receivership Claim of \$250,000 and that all Pre-Receivership Claims equal \$5,000,000. To determine Pre-Receivership Claimant A's distribution from the Pre-Receivership Claimant Pool, the Receiver divides Pre-Receivership Claimant A's Claim of \$250,000 by \$5,000,000 (i.e., by the total of all Pre-Receivership Claims). That equals 5.0%. The Receiver then multiplies the Pre-Receivership Claimant Pool Amount of \$2,000,000 by 5.0%, which equals \$100,000. That is the amount of Pre-Receivership Claimant A's distribution from the Pre-Receivership Claimant Pool Amount.

(9) Why is the Receiver's Legend Plan different from the Receiver's Plan in StraightPath?

Many Legend Investors are also Investors in StraightPath for which Ms. Cyganowski also is Receiver. In the StraightPath Plan, the Receiver distributes a portion of the Realized Cash through the "Silo Component" to the Silo Investors and under certain circumstances, a portion of the Realized Cash is also distributed through the "Pot Component" to all StraightPath Investors and Claimants (subject to the terms and conditions of the StraightPath Plan). However, in the Receiver's Plan in Legend, after deducting the Reserve Amount and the Pre-Receivership Claimant Pool Amount, only the Silo Investors receive the balance of Realized Cash.

There are several reasons for this difference, including, in particular, that in StraightPath there was extensive commingling of Investor capital, making it appropriate for all Investors and Claimants to share the Pot Component. By contrast, there was no commingling by Legend. As a

result, it is appropriate in Legend for only the Silo Investors of a particular Pre-IPO Company to receive the net balance of Realized Cash (i.e., the Silo Distribution Balance) from that Pre-IPO Company's Liquidity Event.¹²

Similarly, in the StraightPath Plan, the Silo Investors' pro rata distributions are based on the net dollar amount of their invested capital in StraightPath (i.e., based on the net dollar amount of their respective Interests). However, as noted, in the Receiver's Plan in Legend, the Silo Investors' distributions are based on the Silo Investors' Pro Rata Shares. This difference is also attributable to the absence of commingling in Legend, making it appropriate to recognize that Silo Investors' investments in Legend were "applied" to Pre-IPO Shares of the same Pre-IPO Company at different prices. For example, assume that Silo Investor A's Confirmation Documents stated that Silo Investor A's \$50,000 investment in Legend was "applied" to 500 Pre-IPO Shares of Pre-IPO Company X (i.e., \$100/share) while Silo Investor B's Confirmation Documents stated that Investor B's \$50,000 investment in Legend was "applied" to 400 Pre-IPO Shares of Pre-IPO Company X (i.e., \$125/share). The Receiver's Plan in Legend recognizes this difference in determining the Silo Investors' pro rata distributions.¹³

II. MULTI-STEP HYPOTHETICAL

The following hypothetical helps explain the distribution mechanism under the Receiver's Plan. As with all hypotheticals in this Summary, this hypothetical is not based on any existing state of facts and is provided for illustrative purposes only.

¹² There is a "Pot Component" in the Legend Plan but it is different from the Pot Component in StraightPath. In Legend, the Pot Component only concerns distributions from "Other Recoveries", that is amounts recovered by the Receiver from sources other than shares of Pre-IPO Companies that "go public" or have another type of Liquidity Event. Such Other Recoveries include litigation recoveries, if any. Under the Legend Plan, all Other Recoveries will be distributed to all Investors and all Claimants on a pro rata basis.

¹³ However, under the Legend Plan, following an Other Recovery, distributions to Silo Investors' Interests will be based on the dollar value of their Interests. In such instances, the difference in pricing is not relevant.

In this hypothetical, assume that Legend invested in Pre-IPO Company Y which then “goes public”. Assume further that the Realized Cash, i.e., total sale proceeds net of brokerage fees, recovered by the Receiver from the sale of Company Y public shares is \$20,000,000.

(1) Deduction for the Reserve Amount

As noted, there are two components to the Reserve Amount, the Tax Reserve Amount and the Non-Tax Reserve Amount.

(a) The Tax Reserve Amount is an amount up to the maximum potential tax liability arising from the Receiver’s sale of Company Y shares, which as noted is up to 45% of any Gain. The Gain in this hypothetical is the amount by which the sale proceeds for Legend’s Company Y stock is greater than the estimated value of those shares on July 7, 2023, the date the Receivership was created by Court order. Assume that the Gain is \$10,000,000 and that the Receiver determines to deduct the full 45%. The maximum Tax Reserve is 45% of \$10,000,000 ($\$10,000,000 \times 45\%$), which equals \$4,500,000. That amount is deducted from the \$20,000,000 in Realized Cash leaving a balance of \$15,500,000 ($\$20,000,000$ minus \$4,500,000).

(b) The Non-Tax Reserve Amount is up to 25% of the balance of Realized Cash remaining after deducting the Tax Reserve Amount. Assume that the Receiver determines to deduct the full 25%. Accordingly, in this hypothetical, the Non-Tax Reserve Amount is equal to 25% of \$15,500,000 or \$3,875,000 ($\$15,500,000 \times 25\%$). The Non-Tax Reserve Amount is then deducted from \$15,500,000, resulting in a Post Reserve Balance of \$11,625,000.

(2) Deduction for Pre-Receivership Claimant Pool Amount

The Pre-Receivership Claimant Pool Amount is an amount up to 10% of the Post Reserve Balance. Assume for this hypothetical that the Receiver determines to deduct the full 10%. As a

result, the Pre-Receivership Claimant Pool Amount is \$1,162,500 ($\$11,625,000 \times 10\%$), which when deducted from the Post Reserve Balance of \$11,625,000 results in a Silo Investor Distribution Balance of \$10,462,500.

(3) Pro Rata Distribution.

(a) Silo Investors. Assume that Silo Investor A's Confirmation Documents identified 50 Company Y Pro Rata Shares and that the total of all Company Y Pro Rata Shares is 50,000. Silo Investor A's share of the total is equal to 0.1% of the total (50 divided by 50,000). As noted above, the Silo Investor Distribution Balance (i.e., the total available for distribution to Silo Investors) is \$10,462,500. Silo Investor A's pro rata share of that amount is determined by multiplying \$10,462,500 by 0.1%, which equals \$10,462. That is the amount of Silo Investor A's distribution from Company Y's Liquidity Event.

(b) Pre-Receivership Claimants. Assume that total Allowed Claims equal \$10,000,000 and that Pre-Receivership Claimant A holds an Allowed Claim in the amount of \$250,000. Pre-Receivership Claimant A's pro rata share of that amount is 2.5% ($\$250,000$ divided by $\$10,000,000$), and therefore, Investor A is entitled to a distribution of 2.5% of the Pre-Receivership Claimant Pool Amount. As noted, the Pre-Receivership Claimant Pool Amount is \$1,162,500. Pre-Receivership Claimant A's distribution from the Pre-Receivership Claimant Pool Amount is \$29,062.50 ($2.5\% \times \$1,162,500$).

III. TIMING OF DISTRIBUTIONS

Distributions to Silo Investors and Pre-Receivership Claimants will be made as soon as reasonably practicable following any Liquidity Event, subject to the Receiver's discretion, including consideration of the amounts available and costs associated with making a distribution.

IV. SALES OF PRE-IPO SHARES

Under the Receiver's Plan, during the first two years following the Effective Date of the Receiver's Plan the Receiver may, when certain conditions are met, attempt to liquidate Pre-IPO Shares in her possession. Then, on the second anniversary of the Effective Date, the Receiver will be authorized, but not required, to sell any remaining Pre-IPO Shares in her possession, in accordance with the liquidation procedures described in this Receiver's Plan. Once all Pre-IPO Companies have had Liquidity Events, or the Receiver has otherwise sold or otherwise disposed of all remaining Pre-IPO Shares, the Receiver will seek to make a Final Distribution to holders of Allowed Interests and Allowed Claims.

Dated: New York, New York

May 28, 2025

OTTERBOURG P.C.

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