

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
FORT MYERS DIVISION

CASE NO.: 2:09-CV-229-FTM-29SPC

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

FOUNDING PARTNERS CAPITAL MANAGEMENT
COMPANY, WILLIAM L. GUNLICKS, and
PAMELA L. GUNLICKS,

Defendants,

FOUNDING PARTNERS STABLE-VALUE FUND, LP,
FOUNDING PARTNERS STABLE-VALUE FUND II, LP,
FOUNDING PARTNERS GLOBAL FUND, LTD., and
FOUNDING PARTNERS HYBRID VALUE FUND, LP,

Relief Defendants.

RECEIVER'S THIRD REPORT

Daniel S. Newman, as Court-appointed Receiver (the "Receiver") for defendant Founding Partners Capital Management Company and relief defendants Founding Partners Stable-Value Fund, L.P.; Founding Partners Stable-Value Fund II, L.P.; Founding Partners Global Fund, Ltd.; and Founding Partners Hybrid Value Fund, L.P. (collectively, the "Receivership Entities"), respectfully files his Third Report.

I. INTRODUCTION

On April 20, 2009, the United States Securities and Exchange Commission filed its complaint ("SEC Action") against Founding Partners Capital Management Company ("Founding Partners") and William L. Gunlicks ("Gunlicks"), alleging that Founding Partners and Gunlicks

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had engaged, and were engaging, in a scheme to defraud investors and violate the federal securities laws. (D.E. 1). In the Complaint, the SEC sought, among other relief, entry of a temporary restraining order and a preliminary injunction. After reviewing the SEC's submission, on April 20, 2009, the Court entered an Order Freezing Assets of Founding Partners and Gunlicks (the "Asset Freeze Order"). The Asset Freeze Order also applies to Founding Partners Stable-Value Fund, L.P., ("Stable-Value"), Founding Partners Stable-Value Fund II, L.P. ("Stable-Value II"), Founding Partners Global Fund, Ltd., ("Global Fund") and Founding Partners Hybrid Value Fund, L.P. ("Hybrid Value") (collectively, "Founding Partners Funds").

On April 20, 2009, the Court also entered an order (the "Initial Receivership Order") appointing a receiver (the "Initial Receiver") for Founding Partners and the Founding Partners Funds (collectively, the "Receivership Entities"). (D.E. 9). The Initial Receiver was subsequently removed by Court Order on May 13, 2009. (D.E. 70). Daniel S. Newman, Esq. (the "Receiver"), was appointed Replacement Receiver by Court Order on May 20, 2009 (the "Receivership Order"), which Order supersedes the Initial Receivership Order. (D.E. 73). The Receivership Order provides that the Receiver shall, among other things:

- (a) Take immediate possession of all property, assets and estates of every kind of Founding Partners and each of the Founding Partners Relief Defendants, whatsoever and wheresoever located, including but not limited to all offices maintained by Founding Partners and the Founding Partners Relief Defendants, rights of action, books, papers, data processing records, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages; furniture, fixtures, office supplies and equipment, and all real property of Founding Partners and the Founding Partners Relief Defendants wherever situated, and to administer such assets as is required in order to comply with the directions contained in this Order... ; and
- (b) Investigate the manner in which the affairs of Founding Partners and the Founding Partners Relief Defendants were conducted and

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institute such actions and legal proceedings, for the benefit and on behalf of Founding Partners or the Founding Partners Relief Defendants and their investors and other creditors as the Receiver deems necessary against those individuals, corporations, partnerships, associations and/or unincorporated organizations which the Receiver may claim have wrongfully, illegally or otherwise improperly misappropriated or transferred money or other proceeds directly or indirectly traceable from investors in Founding Partners and the Founding Partners Relief Defendants...

In connection with his responsibilities under the Receivership Order, the Receiver filed a Motion for Entry of an Order Authorizing the Receiver to Retain Catalyst Financial, LLC, attaching a proposed retainer agreement. (D.E. 254). The Receiver requested permission to retain Catalyst Financial to serve as his financial advisor with respect to individual holdings within two specified portfolios, Hybrid Value Fund, LP ("Hybrid Value") and Stable-Value Fund, LP ("Stable-Value")¹. The Court issued an Order permitting the Receiver to engage Catalyst, but only if Catalyst agreed to certain modifications to the proposed retainer agreement. (D.E. 255). Catalyst agreed to the modifications, and the Receiver and Catalyst entered into the proposed retainer agreement as modified pursuant to the Order of the Court.

II. FOUNDING PARTNERS HYBRID VALUE FUND UPDATE

Catalyst has conducted a preliminary analysis of the Hybrid Value portfolio, a summary of which follows.

A. Advanced Diamond Technologies:

- a. Advanced Diamond Technologies ("ADT") was formed in December 2003 to commercialize Ultrananocrystalline Diamond ("UNCD") technology from

¹ With the exception of Stable-Value's ownership of 345 shares of common stock in National Advisors Holdings, Inc., this Report is limited to analysis of Hybrid Value's holdings.

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Argonne National Laboratory. ADT is the licensee to the Argonne portfolio of application and process patents for using and synthesizing UNCD films.

- b. Hybrid Value holds approximately 590,551 Series C preferred shares, which amounts to approximately 6.12% ownership of ADT.

B. Cronus Real Estate Fund LP:

- a. The Cronus Real Estate Fund (“Cronus Fund”) is invested in 46 properties throughout the United States with a combined total capitalization of approximately \$460 million.
- b. Hybrid Value owns less than 1% of the Cronus Fund.

C. Dodge Oil and Gas LP / Devonian Partners:

- a. Dodge Oil and Gas LP (“Dodge”) was a partnership formed for the purpose of owning and operating oil wells in West Texas. Hybrid Value initially invested in March 2005, then again in July 2005. In 2007, Dodge was merged into Devonian Partners (“Devonian”).
- b. After the merger, Hybrid Value’s interest in Devonian was approximately 746,015 units.

D. Equastone Value Fund II, LLC (“EVF II”):

- a. EVF II is closed-end real estate private equity fund. It was launched in October 2005, ultimately investing in approximately 46 commercial properties. In February 2007, Hybrid Value purchased ten (10) units. EVF II closed in April 2007, and currently holds an interest in five investments.
- b. Hybrid Value’s holding represents approximately .0579746% of the Fund.

E. Franklin Street Properties:

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- a. Franklin Street Properties Corp. (“FSP”) is an investment firm specializing in real estate assets. FSP manages three commercial office buildings: “Galleria North” in Dallas, Texas; “Phoenix Tower” in Houston, Texas; and “50 South Tenth Street” in Minneapolis, Minnesota. Each of the three properties is classified as a private real estate investment trust.
- b. Today, Hybrid Value owns approximately a .581% interest (5 preferred shares) in Galleria North, a .191% interest (2 preferred shares) in Phoenix Tower, and a .143% interest (1 preferred share) in 50 South Tenth Street.

F. National Advisors Holdings, Inc.:

- a. National Advisors Holdings, Inc. (“NAH”) is the parent of a privately held trust company formed in 2001. The company provides custodial and administrative services for registered investment advisors.
- b. Hybrid Value holds 405 shares of NAH’s privately held common stock.²

G. OurStage, Inc.:

- a. OurStage, Inc. (“OurStage”) was launched in 2006 to develop and manage the website www.ourstage.com. The site invites amateur musicians to post their songs and visitors to rank them using a patented ranking system.
- b. Hybrid Value holds approximately 722,888 Series A Preferred Shares.

H. Realty Capital Partners LLP:

- a. Realty Capital Partners LLP (“RCP”) manages 13 investment projects for Hybrid Value through Hartline Investment Corp. The 13 investments consist

² Founding Partners Stable Value Fund owns 345 shares of common stock in National Advisors Holdings, Inc.

of both residential and commercial developments located in 6 states. The first investment was made in September 2005 and the final one in January 2008.

b. Hybrid Value holds ownership interests in the 13 real estate projects.

I. SSR Capital Partners, LP:

a. SSR Capital Partners, LP (“SSR”) is a hedge fund comprised of two U.S. funds and one international fund.

b. Hybrid Value currently owns approximately 33 % of SSR.

J. Trade PMR Inc.:

a. TradePMR is a privately held brokerage firm developed to service Registered Investment Advisors (“RIA”) and their clients. Primarily, TradePMR offers RIA’s a web-based “advisor workstation” to streamline their practices.

b. In 2001, Hybrid Value purchased 40 shares of common stock. This represents an ownership position of approximately 2.41%.

K. VIRxSYS Corp.:

a. VIRxSYS Corp. (“VIRxSYS”) is a privately held biotechnology company focusing on RNA-based therapies, such as vaccines. Using technology licensed exclusively from Johns Hopkins University, VIRxSYS developed a gene delivery system to treat serious human diseases including HIV/AIDS.

b. In April 2005 and June 2006, Hybrid Value acquired approximately 400,000 shares of Series F Preferred stock and approximately 100,000 shares of Series G Preferred stock. In February 2008, Hybrid Value acquired approximately 200,000 more shares of Series H Preferred stock.

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CONCLUSION

The Receiver will be filing additional reports with the Court to advise the Court of the progress of the Receiver's work and to make recommendations. The Receiver continues to encourage investors and others who are in possession of information they believe may assist the Receiver to contact the Receiver or his counsel by calling toll-free (877) 373-9479.

Dated: June 16, 2011

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on June 16, 2011, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing is being served this day on all counsel of record identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel who are not authorized to receive electronically Notices of Electronic Filing.

s/Jonathan Etra
Jonathan Etra, Esq.

SERVICE LIST

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Management, Inc., et al
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United States District Court, Middle District of Florida**

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