

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION**

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
vs.)	
)	No. 3:12-CV-519
REX VENTURE GROUP, LLC)	
d/b/a ZEEKREWARDS.COM, and)	
PAUL BURKS,)	
)	
Defendants.)	
)	

RECEIVER’S STATUS REPORT FOR THE SECOND QUARTER OF 2018

I. INTRODUCTION

Kenneth D. Bell, Esq., the Court-appointed Temporary Receiver (the “Receiver”) for and over the estate of Rex Venture Group, LLC d/b/a ZeekRewards.com, submits this Quarterly Status Report in accordance with the Order of this Court entered on August 17, 2012, to provide a status report on the work and findings to date (the “Investigation”) of the Receiver, his counsel, agents, consultants, and advisors (the “Receiver Team”)

II. SUMMARY OF ACTIVITIES OF THE RECEIVER BETWEEN APRIL 1, 2018 AND JUNE 30, 2018

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the second quarter of 2018, the Receiver maintained two bank accounts on behalf

of the Receivership Estate for holding Receivership Assets: the “Affiliate Payments Account” and the “Holdback Account.”

Excluding earned interest and transfers between accounts, the Receiver deposited:

- \$55,608.37 from the proceeds of the sale of property formerly owned by Paul Burks at 222 2nd Avenue West in Lexington, North Carolina; and
- \$1,177,098.19 in net income from settlements with net winners during the second quarter of 2018;

As of June 30, 2018, the Receivership Estate held approximately \$28.5 million in the Affiliate Payments Account and approximately \$1.7 million in the Holdback Account.

b. Foreign Accounts

The Receiver continues to engage in litigation in connection with his February 11, 2016 Motion seeking to recover \$13,174,015.48 in outstanding Receivership Assets from Payza, PaymentWorld, and Victoriabank, and their affiliates, or alternatively to hold these entities in contempt for violating the Court’s Freeze Order (“Contempt Motion”). The Receiver’s counsel engaged in discussions with Payza’s counsel regarding the lawsuit in California State Court involving Payza/MH Pillars, Payment World, and Roman Balanko. The Receiver previously intervened in the state court action to protect the Receivership’s interests in the funds Payza is seeking from Payment World and Balanko. Payza won an award at arbitration, and is now seeking to have the arbitration award confirmed in state court. The Receiver remains an intervenor in the case, and a status conference is set for January 2019.¹

¹ The court recently stayed the action pending the resolution of a criminal case against the principals of Payza/MH Pillars.

2. Analyzing the Operations of the Receivership Entity

a. Investigating the Receivership Defendant's Operations

During the second quarter, the Receiver's investigation and analysis of RVG's operations was limited to analyzing RVG and payment processor database transactions in support of the Receiver's fraudulent transfer lawsuits, settlements, and judgment enforcement efforts.²

3. Communicating with Affiliates and Creditors

The Receiver Team has continued to respond to the various inquiries regarding the allowance of claims by and distributions from the Receivership Estate. The Receiver Team most often communicated with such claimants by email. The Receiver also continues to have settlement discussions with net winners regarding their liabilities to the Receivership.

4. Litigation in the SEC Enforcement Action³

The Receiver Team engaged in litigation-related appellate activity in the dispute with Payza, PaymentWorld, and Victoriabank. This litigation originated as a contempt motion in the SEC Action and is therefore referenced in this section. The Receiver's other main litigation activities, which are discussed later in this report, involved pursuing claims against net winners and RVG's third-party advisors.

² FTT's role in forensic analysis and consulting has diminished over time because of its completion of the reconstruction of RVG's books and records and the winding down of many of the Receiver's clawback lawsuits for which they provided support.

³ The Receiver's efforts related to the recovery of fraudulently transferred funds and other damages incurred by RVG are discussed later in this Report.

B. The Receiver's Fund Accounting

The Standardized Fund Accounting Report ("SFAR") is attached as Exhibit A.

C. The Receiver's Receipts and Disbursements

The Receiver's Schedule of Receipts and Disbursements ("Schedule") from April 1, 2018 through June 30, 2018, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$1,177,098.19 from third-party litigation settlements with net winners;⁴
2. Received income from other sources, such as interest income, totaling \$67,303.31;
3. Disbursed funds from the Receiver's accounts of \$407,179.19 to affiliate-investors; and,
4. Disbursed funds from the Receiver's accounts of \$137,355.36. These funds were disbursed for: bank fees related to management of the Receiver's accounts; legal services; utilities; personal asset expenses; professional services; and distribution plan implementation expenses.⁵

Between April 1, 2018 and June 30, 2018, the Receivership Estate deposited \$1,244,401.50 and disbursed \$544,534.55. The Receiver has marshaled total assets of

⁴ Since the inception of the Receivership and as of the end of the second quarter 2018, the Receiver has agreed to approximately \$18.1 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$34.5 million in litigation-related settlements with affiliates, vendors and insiders.

⁵ See attached Exhibit B for further detail regarding disbursements and receipts.

approximately \$374.8 million during the period between August 17, 2012 and June 30, 2018, while disbursing approximately \$344.9 million during the same period.

D. Description of All Known Non-Cash Receivership Property

The Receiver team continued to maintain a residential home in Clarksville, Arkansas through the engagement of local contractors during the second quarter. This property, valued at approximately \$375,000, was surrendered to the Receiver as part of a settlement with Defendant Dawn Wright-Oliveras, but there remained a \$68,000 lien on the property's title by a general contractor who had worked on the home. The Receiver's counsel worked to negotiate and execute a settlement of the contractor's lien claim by conveying the contractor a tract of the property valued at approximately \$50,000, which was finalized during the first quarter of 2018. The Receiver listed the property for sale during the second quarter and engaged a broker to market the property. The property is currently under contract for a purchase price of \$330,000.

E. Description of Claims Held by the Receivership Estate

1. Identifying and Pursuing Fraudulently Transferred Funds Held by Net-Winner Affiliate-Investors

a. Status of Net Winner Settlements

Through the second quarter of 2018, the Receiver has settled with 2,508 net winners for a total amount of \$18,076,436.34. Thus far, payments from these settlements have totaled \$13,874,851.24, with \$4,201,585.10 remaining to collect. The Receiver did not enter into any new settlements with net winners during the second quarter, however, the Receiver Team did address issues relating to previously finalized settlements during the quarter. The Receiver has obtained \$169,366,065.46 in judgments against net winners who have not settled. Further,

there is approximately \$13,858,239.14 in potential judgments involving claims to be brought against net winners who have disputed the amount owed and against whom we have not yet moved for summary judgment.

b. The Net Winner Class Action

The Receiver continued to litigate the net winners' appeal with the Fourth Circuit Court of Appeals. These net winners appeal class certification and the judgments against them. During the second quarter, the Receiver's counsel analyzed the Appellants' brief and worked to prepare the Receiver's brief. We do not anticipate this appeal will have a material impact on the Receivership Estate.

c. Claims Against Foreign Net Winners

The Receiver Team continued limited work with foreign counsel to pursue fraudulently transferred assets from foreign net winners against whom the Receiver has already obtained judgments. Foreign counsel in Germany engaged in correspondence and analysis regarding the enforcement of a \$160,000 judgment during the second quarter. The Receiver continued to assess the costs and benefits of pursuing certain foreign defendants and made calculated decisions to discontinue further efforts to enforce foreign judgments in countries other than Germany and Canada.

2. Investigating Claims against the Receivership Defendant's Third-Party Advisors and Others

a. *Bell v. USHBB et al.*

The Receiver settled with parties Oscar H. Brown and Robert Mecham during the second quarter. These individuals were two of the principals of USHBB, a company that created marketing materials and videos that promoted the ZeekRewards scheme. These settlements brought to a close

the lawsuit against USHBB and its principals and resulted in a recovery of an additional \$75,000 for the Receivership.⁶

F. Potential Creditors of the Receivership Estate

There are no non-Affiliate pre-Receivership creditors of the Receivership Estate with a reasonable likelihood of collecting on any claims they assert against the Estate.

G. Status of Creditor Claims Proceedings, After Such Proceedings Have Been Commenced

The Receiver has announced since December 2017 on the Receivership Website and in Quarterly Status Reports that no additional interim distributions are planned before the Receivership Estate makes a final distribution to affiliate-investors holding allowed claims. The expense associated with making an interim distribution counsels against making it. Instead, the Receiver expects to make a final distribution at the end of the Receivership. This final distribution will be greater if we forgo small interim distributions. The Receiver will continue with periodic check reissuances or wire transfers based on prior distributions consistent with the Receivership's policies.

III. CONCLUSION

There are limited substantial tasks of the Receivership that remain. These include (1) defending the net winner class action judgment at the Court of Appeals; (2) completing the receipt and processing of payments from net winner settlements; (3) the sale of unsettled judgments against net winners; (4) pursuing claims against Victoria Bank, Payza, and Payment

⁶ These settlements are in addition to the \$13,222,800.93 judgment previously obtained against the other defendants in the lawsuit.

World worth about \$13.5 million; and (5) a final distribution to claimants with recognized claims.⁷

At this time, the Receiver recommends the continuation of the Receivership for the following reasons:

1. To continue the Receiver's efforts to investigate and marshal assets of the Receivership Estate;
2. To continue the Receiver's efforts to implement the claims and distribution processes in order to distribute proceeds to injured claimants;
3. To continue the Receiver's efforts to liquidate various assets of the Receivership Estate; and
4. To carry out any other legal or appointed duties of the Receiver identified in the Receiver Orders or as the Court deems necessary.

Dated: September 14, 2018

By: /s/ Kenneth D. Bell
Kenneth D. Bell, Esq., Receiver

and

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⁷ The Receiver anticipates a total return of between 80%–85% of each recognized claim.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have electronically filed the foregoing RECEIVER'S STATUS REPORT FOR THE SECOND QUARTER OF 2018 with the Clerk of Court using the CM/ECF system, which will send electronic copies to counsel of record registered to receive electronic service.

Dated: September 14, 2018

/s/ Kenneth D. Bell
Kenneth D. Bell, Esq., Receiver