

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

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

REX VENTURE GROUP, LLC d/b/a
ZEEKREWARDS.COM, and PAUL
BURKS,

Defendants.

Case No. 3:12-cv-00519

RECEIVER'S STATUS REPORT FOR THE SECOND QUARTER OF 2021

I. INTRODUCTION

Matthew E. Orso, Esq., the Court-appointed 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, 2021 AND JUNE 30, 2021

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the second quarter of 2021, 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 \$6,137.70 from third-party litigation income into the Receivership accounts during the second quarter of 2021. As of June 30, 2021, the Receivership Estate held approximately \$15.6 million in the Affiliate Payments Account and approximately \$2.1 million in the Holdback Account.

b. Unclaimed Property Claims

In July 2019, the Receiver discovered that unclaimed property divisions in various states and territories of the United States were holding unclaimed funds from cashier's checks and money orders made payable to Rex Venture Group or Zeek Rewards that were lost and never claimed. The Receiver reached out to unclaimed property divisions in all states and U.S. territories, found property in 47 states and the District of Columbia, and collected more than \$2 million in unclaimed funds.

During the second quarter of 2021, the Receiver did not deposit any additional funds received through unclaimed property claims. At this time, the Receiver does not anticipate any additional significant recovery from unclaimed property claims, and we do not anticipate including this section on any future quarterly reports.

c. Foreign Accounts

The Receiver did not engage in work related to foreign accounts in the second quarter.

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 analysis of RVG and payment-processor database transactions in support of inquiries from claimants and net winners.¹ Both FTI and Epiq (formerly Garden City Group)

¹ FTI billed \$25,494.50 during the second quarter. Time spent on claims work during the second quarter included analyzing, tracking, and coordinating with McGuireWoods on several requests such as misdirected checks,

assisted with inquiries from claimants regarding distributions and check reissuances, and they fielded additional requests from the Receiver Team regarding updated judgment collection data and information needed for assessment of the sale of Net Winner judgments.²

3. Communicating with Affiliates and Creditors

The Receiver Team has continued to respond to the many inquiries regarding the allowance of claims by and distributions from the Receivership Estate. The Receiver Team continued to communicate with such claimants by email, phone, and updates to the Receivership website.

4. Litigation in the SEC Enforcement Action

The Receiver did not engage in litigation in the SEC Enforcement Action in the second quarter.

5. Tax-Related Work

During the second quarter, the IRS Office of Appeals issued a determination in the IRS Appeals hearing conducted in 2020 regarding the IRS's attempt to levy on certain trust assets. The IRS granted the Receiver's request to have RVG's accounts placed into a defunct, uncollectible status because there are not sufficient assets to pay the Class 4 claims at this time. The unpaid taxes and penalties remain owed, but the IRS will not attempt to collect absent a significant change in income that would permit Class 4 claims to be paid.

B. The Receiver's Fund Accounting

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

reissuance of checks, and responding to ad hoc requests. Ad hoc requests in the second quarter included investigating potential identity theft cases for net winners, responding to questions regarding when a claimant will be paid, and tracking bankruptcy documents received. In addition to claims work, FTI continued to monitor the Receivership's banking activity and prepare quarterly reports of the activity.

² In the second quarter, Epiq spent 22.1 hours responding to 600-650 claimants.

C. The Receiver's Receipts and Disbursements

The Receiver's Schedule of Receipts and Disbursements ("Schedule") from April 1, 2021 through June 30, 2021, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$6,137.70 from third-party litigation settlements;
2. Disbursed funds from the Receiver's accounts of \$92,162.00 to affiliate-investors; and,
3. Disbursed funds from the Receiver's accounts of \$466,176.30. These funds were disbursed for: bank fees related to management of the Receiver's accounts; judgement buybacks from Big Sky Research Bureau; and distribution plan implementation expenses.

Between April 1, 2021 and June 30, 2021, the Receivership Estate deposited \$6,137.70 and disbursed \$558,338.30. The Receiver has marshaled total assets of approximately \$387.2 million during the period between August 17, 2012 and June 30, 2021, while disbursing approximately \$370 million during the same period.

D. Description of All Known Non-Cash Receivership Property

The Receiver is not currently in possession of any non-cash Receivership property that holds any meaningful resale value.

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

The Receiver did not enter into any new settlements with Net Winners during the second quarter of 2021. Through the second quarter of 2021, the Receiver has settled with 2,521 Net

Winners for a total amount of \$18,143,968.87, which amounts to 44.3% of their collective Net Winnings of \$40,979,259.09. As of the end of the second quarter, payments from these settlements totaled \$14,524,707.26, leaving \$3,619,261.61 to collect. The Receiver Team also continued to address issues and correspond with Net Winners regarding previously finalized settlements.

2. The Net Winner Class Action

The Fourth Circuit issued a decision on April 25, 2019 affirming this Court's certification of the Defendant Net Winner class along with other related orders. This allowed the Receiver to file for summary judgment against all remaining Net Winners who either disputed or failed to respond to the calculations of their Net Winnings. In the Fourth Quarter 2019, the Receiver sold judgments against Net-Winners for approximately \$10 million to an independent third party.³ The purchaser has begun collection efforts, which has resulted in misplaced inquiries to the Receiver from hundreds of Net-Winners. The Receivership Team has no involvement or input in these collection efforts, and Net Winners contacted by Nationwide Judgment Recovery, Inc. or its counsel regarding judgment collection efforts should not contact the Receiver or McGuireWoods about these judgments.

3. Claims Against Foreign Net Winners

No meaningful work was done related to claims against foreign net winners during the second quarter.

4. Remaining Litigation

In the second quarter, the Receiver was forced to appear in a lawsuit in Florida state court filed by a former Net-Winner defendant. The lawsuit challenges the judgment obtained in the

³ Negotiations regarding the sale of the remaining judgments against Net-Winners remain ongoing.

federal Net-Winner class action and names the previous Receiver as the defendant. The Receiver filed a motion to substitute himself for the previous Receiver as defendant so that he may defend the action and seek dismissal.

The Receiver's other area remaining litigation concerned Victoriabank. The Fourth Circuit's decision in April of 2019 allowed the Receiver to file a renewed motion to hold Victoriabank in contempt for violating the District Court's 2012 Freeze Order. On October 1, 2019, the District Court again dismissed the Receiver's motion, causing the Receiver to again appeal to the Fourth Circuit. The Fourth Circuit issued an opinion on January 29, 2021 affirming the District Court's ruling. The Receiver does not anticipate further litigation with Victoriabank at this time.

F. Potential Creditors of the Receivership Estate

There are no additional 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 expects to make one final distribution at the end of the Receivership. The Receiver will continue with periodic check reissuances or wire transfers related to prior distributions consistent with the Receivership's policies and the Court's oversight.

III. CONCLUSION

There are limited substantial tasks of the Receivership that remain. These include (1) completing the receipt and processing of payment from Net Winner settlements; (2) completing the sale or collection of unsettled judgments against Net Winners; and (3) making a final

distribution to claimants with recognized claims.⁴ The Receiver expects to begin the process of winding down the Receivership in the third quarter of 2021

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; and
3. To carry out any other legal or appointed duties of the Receiver identified in the Receiver Orders or as the Court deems necessary.

This the 30th day of July 2021.

/s/ Matthew E. Orso
Matthew E. Orso, Esq., Receiver

and

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⁴ The Receiver anticipates a total return of between 80% -85% of each recognized claim.

CERTIFICATE OF SERVICE

I hereby certify that I filed the foregoing electronically, which will serve the attorneys for parties authorized to receive service through the Court's electronic docketing system.

This is the 30th day of July 2021.

/s/ Matthew E. Orso