

**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 FOURTH QUARTER OF 2019

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 OCTOBER 1, 2019 AND DECEMBER 31, 2019

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the fourth quarter of 2019, 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 the following funds into its accounts during the fourth quarter of 2019:

- \$9.4 million from the sale of judgments against net winners; and
- \$423,493.66 from unclaimed property fund claims.

As of December 31, 2019, the Receivership Estate held \$37,437,442.10 in the Affiliate Payments Account and \$1,744,149.51 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 35 states, and pursued claims seeking recovery of more than \$1.2 million in unclaimed funds.

During the fourth quarter of 2019, the Receiver deposited an additional \$423,493.66 in funds recovered through these unclaimed property claims.

c. Foreign Accounts

The Receiver continues to engage in litigation in connection with the February 11, 2016 Motion seeking to recover \$13,174,015.48 in outstanding Receivership Assets from PaymentWorld, and Victoriabank, and their affiliates, and to hold these entities in contempt for violating the Court’s Freeze Order (“Contempt Motion”). The Receiver continued to pursue

litigation against Victoriabank following a favorable outcome on appeal to the Fourth Circuit. During the Fourth Quarter, the District Court again dismissed the Receiver's Contempt Motion and the Receiver again appealed to the Fourth Circuit.

2. Analyzing the Operations of the Receivership Entity

a. Investigating the Receivership Defendant's Operations

During the fourth 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 the Receiver's litigation efforts, as well as providing support for inquiries from claimants and net winners.¹ Both FTI and Epiq (formerly Garden City Group) 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.

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 continued to communicate with such claimants most often by email and also by phone.

4. Litigation in the SEC Enforcement Action

The Receiver Team continued its litigation against Payza, PaymentWorld, and Victoriabank, as discussed above. This litigation originated as a contempt motion by the Receiver in the civil lawsuit that was filed in the SEC Enforcement Action.

5. Tax-Related Work

¹ FTI'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 it provided support.

During the fourth quarter, the Receiver Team did not engage in meaningful tax-related work.

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 October 1, 2019 through December 31, 2019, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$9,441,283.37 from third-party litigation settlements;^{2,3}
2. Received funds of \$423,493.66 from state unclaimed property divisions;
3. Received income from other sources, such as interest income, totaling \$7,095.97;
4. Disbursed funds from the Receiver's accounts of \$5,159.18 to affiliate-investors; and,
5. Disbursed funds from the Receiver's accounts of \$251,596.81. These funds were disbursed for: bank fees related to management of the Receiver's accounts; legal services; a court-ordered reimbursement payable to Kroll for data hosting services; and distribution plan implementation expenses.

Between October 1, 2019 and December 31, 2019, the Receivership Estate deposited \$9,871,873.00 and disbursed \$256,755.99. The Receiver has marshaled total assets of

² Since the inception of the Receivership and as of the end of the fourth quarter 2019, the Receiver has agreed to approximately \$18.2 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$35.4 million in litigation-related settlements with affiliates, vendors and insiders.

³ This amount includes \$9,423,330.94 received from Big Sky debt collectors for the sale of judgments related to former affiliate-investors who did not enter into settlement agreements.

approximately \$386 million during the period between August 17, 2012 and December 31, 2019, while disbursing approximately \$347.6 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 fourth quarter of 2019. Through the fourth quarter of 2019, the Receiver has settled with 2,514 Net Winners for a total amount of \$18,099,308.87, which amounts to 44.2% of their collective Net Winnings at \$40,979,259.09. As of the end of the fourth quarter, payments from these settlements totaled \$14,435,072.70, leaving \$3,664,236.17 to collect. The Receiver Team also continued to address issues and correspond with Net Winners regarding previously finalized settlements. The Receiver has obtained a total of \$169,360,047.25 in judgments against Net Winners who have not settled.

Following the Fourth Circuit's decision in April of 2019 affirming the Court's certification of the Defendant Net Winner Class, the Receiver filed a motion to approve the sale of judgments, allowing third parties an opportunity to make additional offers before the sale is finalized.

b. 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 has allowed the

Receiver to file for summary judgment against all remaining Net Winners who have either disputed or not responded to the calculations of their Net Winnings created by the Receiver Team. The Court entered an Order on December 3, 2019 granting the Receiver's motion against ninety-seven Net Winners that did not respond to the Receiver's motion. As of the end of the fourth quarter of 2019, the Court had not issued an order relating to the remaining twenty-two disputing Net Winners that were the subject of the Receiver's motion.⁴

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. This has included recent attempts to sell judgments obtained against Net Winners located in Israel.

d. Remaining Litigation

In addition to the litigation against remaining Net Winners, the Receiver's primary area of remaining litigation concerns 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 resolution of this remaining litigation will depend on the Fourth Circuit's ruling and further rulings made by the District Court, but it could involve further written discovery, additional motions practice, one or more hearings, and further appeals before the action reaches resolution.

F. Potential Creditors of the Receivership Estate

⁴ As of January 13, 2020, the Court entered orders granting summary judgment against twenty of the remaining twenty-two Net Winners that were the subject of the Receiver's motion.

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 had announced since December 2017 on the Receivership Website and in Quarterly Status Reports that no additional interim distributions were planned before the Receivership Estate makes a final distribution to affiliate-investors holding allowed claims. After the close of the Fourth Quarter, the Receiver re-examined this issue in light of protracted litigation with Victoriabank and decided to make one additional partial, interim distribution. The Court authorized this additional distribution, and the Receiver Team has been working diligently to execute it over the past several weeks and expects to begin sending out checks in the next thirty days. The Receiver expects to make a 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.

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; (3) pursuing claims against Victoria Bank and Payment World worth approximately \$13.5 million; (4) pursuit of final judgments against Net Winner class members who have disputed the amount they owe; and (5) a final distribution to claimants with recognized claims.⁵

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

⁵ The Receiver anticipates a total return of between 80% -85% of each recognized claim.

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 to 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 is the 19th day of March, 2020.

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

and

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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 19th day of March, 2020.

/s/ Matthew E. Orso