

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

SECURITIES AND EXCHANGE )  
COMMISSION, )  
 )  
                  Plaintiff, )  
 )  
                  vs. )  
 )  
REX VENTURE GROUP, LLC )  
d/b/a ZEEKREWARDS.COM, and )  
PAUL BURKS, )  
 )  
                  Defendants. )  
\_\_\_\_\_ )

No. 3:12-CV-519

RECEIVER’S STATUS REPORT FOR THE FIRST QUARTER OF 2019

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 JANUARY 1, 2019 AND MARCH 31, 2019

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the first 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 \$30,637.76 in income from settlements with net winners into these accounts during the first quarter.

As of March 31, 2019, the Receivership Estate held approximately \$28.7 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 and/or to hold these entities in contempt for violating the Court’s Freeze Order (“Contempt Motion”). During the first quarter, the Receiver’s counsel engaged in fact-investigation work related to the transfer of Receivership funds from Payment World’s Victoriabank account in advance of the Court’s ruling on Victoriabank’s motion to dismiss. The Receiver settled its claim against Payza/MH Pillars, receiving Payza’s interest in funds it is able to obtain in its lawsuit against Payment World and Roman Balanko in California State Court.

**2. Analyzing the Operations of the Receivership Entity**

**a. Investigating the Receivership Defendant’s Operations**

During the first 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.<sup>1</sup> Both FTI and Epiq (formerly Garden City Group) assisted with inquiries from claimants regarding distributions, check reissuances, and individuals seeking to file additional claims.

### **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. The Receiver also continues to have settlement discussions with net winners regarding their liabilities to the Receivership.

### **4. Litigation in the SEC Enforcement Action<sup>2</sup>**

The Receiver Team engaged in litigation with 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**

During the first quarter, in connection with the fourth-quarter 2018 sale of the residential home in Clarksville, Arkansas, the Receiver Team assisted its tax return preparer in reporting the sale of the property on the Receivership's 2018 tax return.

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<sup>1</sup> 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.

<sup>2</sup> The Receiver's efforts related to the recovery of fraudulently transferred funds and other damages incurred by RVG are discussed later in this Report.

The Receiver Team identified and collected relevant historical tax and transactional information to be reported on the Receivership's tax return.

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

1. Received funds of \$30,637.76 from third-party litigation settlements;<sup>3</sup>
2. Received income from other sources, such as interest income and bank fee refunds, totaling \$17,270.99;
3. Disbursed funds from the Receiver's accounts of \$9,150.59 to affiliate-investors; and
4. Disbursed funds from the Receiver's accounts of \$26,203.43. These funds were disbursed for: bank fees related to management of the Receiver's accounts; legal services; professional services; utilities; and distribution plan implementation expenses. Specific dollar amounts pertaining to each disbursement are set forth in Exhibit B.

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<sup>3</sup> Since the inception of the Receivership and as of the end of the first quarter 2019, the Receiver has agreed to approximately \$18.1 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$35.3 million in litigation-related settlements with affiliates, vendors and insiders.

Between January 1, 2019 and March 31, 2019, the Receivership Estate deposited \$47,908.75 and disbursed \$35,354.02. The Receiver has marshaled total assets of approximately \$375.6 million during the period between August 17, 2012 and March 31, 2019, while disbursing approximately \$346.1 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 first quarter. Through the first 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 of \$40,979,259.09. As of the end of the first quarter, payments from these settlements totaled \$14,427,959.01, with \$3,671,349.86 remaining to collect. The Receiver Team also continued to address issues and correspond with net winners relating to previously finalized settlements. The Receiver has obtained a total of \$169,360,047.35 in judgments against net winners who have not settled. If the Fourth Circuit affirms the Court's certification of the Defendant Net Winner Class, then the Receiver intends to sell the unsettled judgments at a significant discount. Further, there is an additional approximately

\$13,858,239.14 in potential judgments involving claims to be asserted against net winners who have disputed the amount owed and against whom we have not yet moved for summary judgment.<sup>4</sup>

**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 first quarter, the Receiver's counsel prepared for and participated in oral arguments. The Receiver Team remains confident in the merits of the Receiver's position on the appeal.

**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.

**d. Remaining Litigation**

The Receiver's primary areas of continued litigation are in the Net Winner Class Action and the action against Victoriabank, Payza, and Payment World.

In the Net Winner Class Action, there was an ongoing appeal as to class certification, notice procedures, and other issues. The Fourth Circuit recently affirmed the Court's judgments in that action, and the Receiver will next proceed to litigate judgment amounts with approximately 100 remaining net winners who have disputed the amounts they owe to the Receivership. These net winners will be

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<sup>4</sup> During the Second Quarter of 2019, the Fourth Circuit affirmed the District Court's prior rulings, leading to the dismissal of the

pursued through a motion for summary judgment with the U.S. District Court, and in some cases through a hearing process with the Special Master, should issues of fact survive the summary judgment motion.

In the action against Victoriabank and Payment World, the extent of ongoing litigation will depend on the Court's rulings, but it could involve written discovery, additional motions practice, one or more hearings, and potentially another appeal before the action reaches resolution.

**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. While the expense associated with making an interim distribution counsels against taking this action, the Receiver continually evaluates the benefit of an additional interim distribution against the cost of doing so. 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) 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) completing the sale or collection of unsettled judgments against net winners; (4) pursuing claims against Victoria Bank and Payment World worth approximately \$13.5 million; and (5) a final distribution to claimants with recognized claims.<sup>5</sup>

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.

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<sup>5</sup> The Receiver anticipates a total return of between 80%–85% of each recognized claim.

Dated: May 15, 2019

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

and

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have electronically filed the foregoing RECEIVER'S STATUS REPORT FOR THE FIRST QUARTER OF 2019 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: May 15, 2019

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