

**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 FIRST QUARTER OF 2020**

**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 JANUARY 1, 2020 AND MARCH 31, 2020**

**A. Operations of the Receiver**

**1. Marshaling and Preserving Receivership Assets**

**a. Accounts for Holding Receivership Assets**

During the first quarter of 2020, 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 first quarter of 2020:

- \$19,457.28 from third-party litigation income; and
- \$97,967.08 from unclaimed property fund claims.

As of March 31, 2020, the Receivership Estate held approximately \$37.5 million in the Affiliate Payments Account and approximately \$1.7 million in the Holdback Account.

**b. Pursuit of Unclaimed Property**

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, ZeekRewards (and various iterations of these names) 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 is pursuing claims seeking recovery of more than \$1.8 million in unclaimed funds.

During the first quarter of 2020, the Receiver deposited an additional \$97,967.08 in funds recovered through these unclaimed property claims. The Receiver had recovered a total of \$780,345.74 in previously unclaimed property as of the close of the first quarter. At least \$1.1 million remains to be collected. The Receivership team spent over 50 hours of unbilled administrative time in furtherance of these collection efforts during the first quarter.

**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, 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 in 2019 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 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 inquiries from claimants and net winners.<sup>1</sup> 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 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. In February 2020, the Receiver announced there would be an additional Court-approved partial interim distribution to claimants with allowed and payable claims. In March

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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. FTI billed \$22,970.50 during the first quarter. Time spent on claims work during the first quarter included analyzing, tracking, and coordinating with McGuireWoods on several requests such as misdirected checks, unclaimed property, and responding to ad hoc requests. Ad hoc requests in the first quarter included research and coordination associated with the list of outstanding judgments to be sold including identifying judgments to remove from the sale due to bankruptcy, research of various net winner disagreements including claims of identity theft, and preparing for the interim distribution in April. In addition to claims work, FTI continued to monitor the Receivership's banking activity and prepare quarterly reports of the activity. FTI also prepared weekly billing reports and ultimately the quarterly Fee Application.

2020, the Receiver provided a subsequent update that the Receivership Team was working diligently to complete the distribution as soon as possible.<sup>2</sup>

#### **4. Litigation in the SEC Enforcement Action**

The Receiver Team continued its litigation against 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, the Receiver engaged David Bagley, CPA, to prepare annual Receivership tax filings. In addition, the Receiver Team received correspondence from the Internal Revenue Service in January 2020 regarding the IRS's claims for unpaid taxes of Rex Venture Group. The Receiver Team analyzed these issues, and the Receiver determined that Class 2 Claims of a taxing authority existed totaling \$41,182.84 with respect to employment-related filings (IRS Forms 940 and 941). The Receiver paid these Claim 2 claims in February 2020. The Internal Revenue Service has asserted additional amounts owed totaling \$265,722.55, plus accrued amounts, for employment related filings (IRS Form 941), and civil penalties for information return filings. The Receiver has determined that the additional amounts claimed by the IRS are Class 4 Claims, and the Receiver is not authorized to make payments on these claims at this time under the Distribution Order dated March 26, 2014.

#### **B. The Receiver's Fund Accounting**

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

#### **C. The Receiver's Receipts and Disbursements**

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<sup>2</sup> The Receiver made the partial interim distribution after the close of the first quarter, on April 17, 2020, sending 122,608 checks to claimants with authorized and payable claims.

The Receiver's Schedule of Receipts and Disbursements ("Schedule") from January 1, 2020 through March 31, 2020, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$19,457.28 from third-party litigation settlements;<sup>3</sup>
2. Received funds of \$97,967.08 from state unclaimed property divisions;
3. Received income from other sources, such as interest income, totaling \$3,990.70;
4. Disbursed funds from the Receiver's accounts of \$300 to affiliate-investors; and,
5. Disbursed funds from the Receiver's accounts of \$60,071.91. These funds were disbursed for: bank fees related to management of the Receiver's accounts; legal services; federal taxes; and distribution plan implementation expenses.

Between January 1, 2020 and March 31, 2020, the Receivership Estate deposited \$121,515.06 and disbursed \$60,471.91. The Receiver has marshaled total assets of approximately \$386 million during the period between August 17, 2012 and March 31, 2020, while disbursing approximately \$347.7 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**

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<sup>3</sup> Since the inception of the Receivership and as of the end of the first quarter 2020, the Receiver has collected a total of \$35.4 million in litigation-related settlements with affiliates, vendors and insiders.

The Receiver entered into one new settlement with a Net Winner during the first quarter of 2020. Through the first quarter of 2020, the Receiver has settled with 2,516 Net Winners for a total amount of \$18,158,808.87, which amounts to 44.3% of their collective Net Winnings of \$40,979,259.09. As of the end of the first quarter, payments from these settlements totaled \$14,504,147.26, leaving \$3,654,661.61 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 \$168,328,810.99 in judgments against Net Winners who have not settled.

**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 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 first quarter of 2020, the Court entered Orders on January 9, January 10, and March 5, 2020 granting the Receiver's motion against all but two of these remaining Net Winners. Additionally, in the Fourth Quarter 2019, the Receiver sold judgments against Net-Winners for approximately \$10 million to an entity affiliated with Big Sky Research.

**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 work included limited discussions regarding the potential sale of judgments obtained against Net Winners residing in Israel.

**d. Remaining Litigation**

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**

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 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 worked during the first quarter to prepare all materials and logistics for making a distribution in the early second quarter. 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; (3) pursuing claims against Victoria Bank and Payment World worth approximately \$13.5 million; and (5) executing a final distribution to claimants with recognized claims.<sup>4</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 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 the 30th day of April, 2020.

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

and

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<sup>4</sup> 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 April, 2020.

*/s/ Matthew E. Orso*