

**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 SECOND QUARTER OF 2017

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, 2017 AND JUNE 30, 2017

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the second quarter of 2017, 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 made the following deposits into these accounts during the second quarter of 2017:

- \$3,032,686.57 from funds received from settlements with Net Winner Class Members.

As of June 30, 2017, the Receivership Estate held approximately \$25 million in the Affiliate Payments Account and approximately \$1.6 million in the Holdback Account.

b. Foreign Accounts

The Receiver continues to engage in litigation and additional discovery 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”).

During the second quarter, the Court held a hearing on Victoriabank’s motion to dismiss on May 3, 2017. The Court granted the motion to dismiss on jurisdictional grounds and stayed the Order for 30 days to allow the Receiver an opportunity to appeal. The Court also stayed the dissolving of the February 12, 2016 Freeze Order pending the conclusion of any appeal. The Receiver filed a Notice of Appeal on May 23, 2017, and an Amended Notice of Appeal on June 18, 2017. Victoriabank filed a motion requesting that the Court vacate its Order staying dissolution of the Freeze Order, which the parties fully briefed, and the Court subsequently denied on July 12, 2017 (Doc. No. 621). The case on appeal is USCA Case Number 17-1770, and oral argument is set for the October 24-27, 2017 session.

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 correspondence and transactions between RVG and its third-party payment processors. This analysis was performed for: (1) the pursuit of Receivership Assets from financial institutions including Victoriabank, Payza, and Payment World; and (2) support for the Receiver's fraudulent transfer lawsuits and settlements.

3. Communicating with Affiliates and Creditors

The Receiver Team continued its communications with individual Affiliates via email and telephone in the second quarter of 2017. These communications mostly addressed inquiries regarding the amount, payment method, or eligibility to receive the second interim partial distribution to Affiliates, which was made in March of 2017. However, there were certain Affiliates that contacted the Receiver about asserting claims, amending claims, distributions on claims (including wire transfers), and the allowance of particular claims. Additionally, the Receiver had numerous discussions with net winners regarding their liabilities to the Receivership and settlement of such liabilities.

4. Litigation in the SEC Enforcement Action

The Receiver Team engaged in extensive litigation-related activity in the dispute with Payza, PaymentWorld, and Victoriabank, as discussed above. This litigation was filed 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.

B. The Receiver's Fund Accounting

The Receiver's Standardized Fund Accounting Report ("SFAR") is attached hereto as Exhibit A.

C. The Receiver's Receipts and Disbursements

The Receiver's Schedule of Receipts and Disbursements ("Schedule") from April 1, 2017 through June 30, 2017, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$3,032,686.57 from third-party litigation settlements;¹
2. Received income from other sources, such as interest income, totaling \$10,651.74;
3. Disbursed funds from the Receiver's accounts of \$18,690,577.94 to affiliate-investors, mainly comprised of wires to foreign claimants who could not cash checks drawn on U.S. banks; and,
4. Disbursed funds from the Receiver's accounts of \$1,184,741.07. These funds were disbursed for: bank fees related to management of the Receiver's accounts; RVG website and database hosting; legal services; utilities; forensic account services; property taxes; professional services;² and distribution plan implementation expenses.³

¹ Since the inception of the Receivership and as of the end of the second quarter 2017, the Receiver has agreed to approximately \$9.3 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$26.86 million in litigation-related settlements with affiliates, vendors and insiders.

² Professional services involve a payment of \$1,950 to David Bagley CPA for accounting services.

³ See attached Exhibit B for further detail regarding disbursements and receipts.

Between April 1, 2017 and June 30, 2017, the Receivership Estate deposited \$3,043,338.31 and disbursed \$19,875,319.01. The Receiver has marshaled total assets of approximately \$366 million during the period between August 17, 2012 and June 30, 2017, while disbursing approximately \$340 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 was surrendered to the Receiver as part of a settlement with Defendant Dawn Wright-Oliveras, but there remains a lien on the property's title by a general contractor who had worked on the home. The Receiver continues to engage local counsel in Arkansas in working to remove the lien so that the Receiver can sell the property.

E. Description of Claims Held by the Receivership Estate

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

a. U.S. Net Winner Lawsuit

In the U.S. net winner lawsuit, the Receiver filed a Motion to Enter Final Judgments against Net Winner Class Members (Doc. No. 166). That motion explained that the amount of net winnings and prejudgment interest calculated for each of the net winners has been calculated by the Receiver (through his expert witness) in the same manner as the Final Judgments entered against the named Net Winners in this action. Each of the members of the Net Winner Class listed in the motion either (1) have agreed with the amount of their net winnings through the Court ordered process for determining the amount of individual net winnings; (2) have obtained the Receiver's acceptance of their proposed alternate amount of

net winnings, or (3) have failed to timely respond to the Receiver's notice of the amount their net winnings. Therefore, as the Receiver explained, pursuant to the Process Order, the Receiver is entitled to Final Judgments against the members of the Net Winner Class.

The Court issued notice to the Net Winner Class on June 27, 2017, stating that it expects to rule on the Receiver's motion and enter Final Judgments as appropriate on or after July 31, 2017. The Receiver remains willing to consider voluntary settlements with Net Winner Class members. If a Net Winner Class Member desires to discuss a settlement of the Receiver's claims prior to a Judgment being entered against them, they should communicate with Garden City Group, LLC ("GCG"), a third party administrator working on behalf of the Receiver, at NetWinningsResponse@zeeknetwinnerclass.com or by phone at 1 (855) 474-3870.

b. Claims Against Foreign Net Winners

The Receiver continued litigation in the U.S. lawsuits against foreign-based net winners, obtaining summary judgment against many of the remaining foreign defendants. The Receiver Team also continued working with foreign counsel to pursue fraudulently transferred assets from foreign net winners against whom the Receiver has already obtained judgments.

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

a. *Bell v. Kaplan*

In the lawsuit against attorney Howard Kaplan, the Receiver engaged in discovery with the Defendant. The parties also engaged in a mediated settlement conference in which the parties reached an impasse. The parties subsequently filed a joint motion to amend the Scheduling Order, and the Court granted the motion. The discovery period will now close on

December 31, 2017, and a new trial date will be set by the Court on or after February 28, 2018, if necessary. In June, the defendant noticed the deposition of the Receiver and of Rex Venture Group, LLC pursuant to Rule 30(b)(6). The Receiver moved for a protective order to have the subpoenas quashed, and the motion was fully briefed for the Court's determination at the close of the second quarter.

b. *Bell v. USHBB et al.*

In the lawsuits against USHBB and its principals and Sam Adlerman and his entity S.T. Eagle, Inc., the Receiver Team is evaluating the next steps in these cases and will have further information to report in the next quarter. The case is currently at the close of discovery.

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 made distributions totaling \$18,690,577.94 to affiliate-investors during the second quarter. The vast majority of this sum is comprised of wire transfers to foreign claimants who could not cash checks drawn on U.S. banks. No additional partial interim distributions are planned until the close of the receivership. The next distribution will be the Receivership's final distribution. The Receiver will continue with periodic check reissuances to claimants who either request reissuance of a prior distribution check or had a prior check distribution returned to the Receivership with a forwarding address provided.

III. CONCLUSION

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: August 10, 2017

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 SECOND QUARTER OF 2017** 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: August 10, 2017

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