

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

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**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

vs.

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

**Defendants.**

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**No. 3:12-CV-519**

**RECEIVER'S STATUS REPORT FOR THE THIRD 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 JULY 1, 2017 AND SEPTEMBER 30, 2017**

**A. Operations of the Receiver**

**1. Marshaling and Preserving Receivership Assets**

**a. Accounts for Holding Receivership Assets**

During the third 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 net deposits into these accounts during the third quarter of 2017:

- \$2,659,427.92 from funds received from settlements with Net Winner Class Members.
- \$10,000 from a financial institution for a lost cashier’s check;

As of September 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 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 third quarter, the Receiver continued preparation of his arguments for his appeal to the Fourth Circuit. The case on appeal is USCA Case Number 17-1770. Oral arguments occurred during the court’s October 24-27, 2017 session, and the Receiver is awaiting a ruling on this appeal.

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

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

During the third quarter, the Receiver’s investigation and analysis of RVG’s operations was limited to analyzing database transactions of RVG and payment processor transactions 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 has continued to respond to the various inquiries regarding the amount, payment method, or eligibility to receive distributions from the Receivership Estate. The Receiver Team also received queries regarding asserting and amending claims. Such communications are almost universally handled via email. 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 appellate 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 July 1, 2017 through September 30, 2017, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$2,669,427.92 from third-party litigation settlements;<sup>1</sup>
2. Received funds of \$10,000 from the deposit of affiliate-investor financial instruments;
3. Received funds of \$617,975.54 from personal asset liquidations;
4. Received income from other sources, such as interest income, totaling \$9,194.63;
5. Disbursed funds from the Receiver's accounts of \$3,125,281.79 to affiliate-investors; and
6. Disbursed funds from the Receiver's accounts of \$531,958.19. These funds were disbursed for: bank fees related to management of the Receiver's accounts; RVG website and database hosting; legal services; utilities; personal asset expenses; professional services; and distribution plan implementation expenses.<sup>2</sup>

Between July 1, 2017 and September 30, 2017, the Receivership Estate deposited \$3,306,598.09 and disbursed \$3,657,239.98. The Receiver has marshaled total assets of approximately \$369.3 million during the period between August 17, 2012 and September 30, 2017, while disbursing approximately \$343.8 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 third quarter. This property was

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<sup>1</sup> Since the inception of the Receivership and as of the end of the third quarter 2017, the Receiver has agreed to approximately \$14.1 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$29.6 million in litigation-related settlements with affiliates, vendors and insiders.

<sup>2</sup> See attached Exhibit B for further detail regarding disbursements and receipts.

surrendered to the Receiver as part of a settlement with Defendant Dawn Wright-Oliveras, but there remained a lien on the property's title by a general contractor who had worked on the home. The Receiver engaged local counsel in Arkansas, who worked to remove the lien so that the Receiver can sell the property. A settlement in-kind was reached with the lien holder during the third quarter, and the Receiver will prepare the property for sale during the fourth quarter of 2017.

**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 Court granted the Receiver's Motion to Enter Final Judgments Against Net Winner Class Members (Doc. Nos. 166, 178). Since the Court's Order, multiple class members have challenged the Court's Order on various grounds, which the Receiver Team has worked to analyze and address. Briefing of these various motions was ongoing at the end of the third quarter.

If a Net Winner Class Member desires to discuss a settlement of the Receiver's Judgment 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](mailto:NetWinningsResponse@zeeknetwinnerclass.com) or by phone at 1 (855) 474-3870.

**b. Claims Against Foreign Net Winners**

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 continued to engage in discovery with the Defendant. The defendant had noticed the deposition of the Receiver and of Rex Venture Group, LLC pursuant to Rule 30(b)(6) during the second quarter. The Receiver moved for a protective order to have the subpoenas quashed. During the third quarter, the Court granted the Receiver's motion and quashed the Defendant's subpoenas.

**b. *Bell v. USHBB et al.***

The Receiver Team is working to resolve the USHBB matter. 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 \$3,125,281.79 to affiliate-investors during the third 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: November 15, 2017

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

and

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Attorneys for the Receiver

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have electronically filed the foregoing **RECEIVER'S STATUS REPORT FOR THE THIRD 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: November 15, 2017

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