

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 THIRD QUARTER OF 2018**

**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, 2018 AND SEPTEMBER 30, 2018**

**A. Operations of the Receiver**

**1. Marshaling and Preserving Receivership Assets**

**a. Accounts for Holding Receivership Assets**

During the third quarter of 2018, 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 during the third quarter \$405,187.69 in net income from settlements with net winners into these accounts.

As of September 30, 2018, the Receivership Estate held approximately \$28.8 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”). The Receiver’s counsel prepared and filed an Amended Motion for an Order Directing Payza, Payment World, and Victoriabank to Turn Over Receivership Assets and/or Find Them in Contempt of the Court’s Order Freezing and Preserving Receivership Assets (Docket No. 671) (“Amended Motion”). This updated filing captured information the Receiver had obtained since the original motion’s filing in 2016. It includes detailed allegations consistent with the facts revealed during the limited discovery taken so far in this matter. The Receiver’s counsel also prepared briefing in response to Victoriabank’s motion to dismiss the Amended Motion and analyzed additional responsive filings by Payza and Payment World.

In addition, the Receiver and his counsel prepared for and attended a status conference with the Court regarding the framework for its determination of the

Amended Motion. After the status conference, counsel prepared and filed the Receiver's Statement On The Appropriate Course Of The Proceedings And Statement Of Numbered Factual Allegations (Docket No. 672).

The Receiver remains an intervenor in the lawsuit in California State Court involving Payza/MH Pillars, Payment World, and Roman Balanko. A status conference in that matter is set for January 2019.<sup>1</sup>

## **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 analysis of RVG and payment-processor database transactions in support of the Receiver's litigation efforts, as well as providing support for inquiries from the SEC, claimants, and net winners.<sup>2</sup>

## **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 most often communicated with such claimants by email. The Receiver also continues to have settlement discussions with net winners regarding their liabilities to the Receivership.

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<sup>1</sup> The California court previously stayed the action pending the resolution of a criminal case against the principals of Payza/MH Pillars.

<sup>2</sup> FTT'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.

#### 4. **Litigation in the SEC Enforcement Action<sup>3</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.

##### **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 July 1, 2018 through September 30, 2018, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$405,187.69 from third-party litigation settlements;<sup>4</sup>
2. Received income from other sources, such as interest income, totaling \$17,876.45;
3. Disbursed funds from the Receiver's accounts of \$86,817.32 to affiliate-investors; and
4. Disbursed funds from the Receiver's accounts of \$19,943.06. These funds were disbursed for: bank fees related to management of the Receiver's

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<sup>3</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.

<sup>4</sup> Since the inception of the Receivership and as of the end of the third quarter 2018, the Receiver has agreed to approximately \$18.1 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$34.9 million in litigation-related settlements with affiliates, vendors and insiders.

accounts; legal services; utilities; and distribution plan implementation expenses.<sup>5</sup>

Between July 1, 2018 and September 30, 2018, the Receivership Estate deposited \$423,064.14 and disbursed \$106,760.38. The Receiver has marshaled total assets of approximately \$375.2 million during the period between August 17, 2012 and September 30, 2018, while disbursing approximately \$345.5 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. The Receiver obtained this property, valued at approximately \$375,000, for the Receivership as part of a settlement with Defendant Dawn Wright-Oliveras.<sup>6</sup> The Receiver listed the property for sale during the second quarter and engaged a broker to market the property. As of the third quarter, the property is under contract for a purchase price of \$330,000.

**E. Description of Claims Held by the Receivership Estate**

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

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<sup>5</sup> See attached Exhibit B for further detail regarding receipts and disbursements.

<sup>6</sup> There had been a \$68,000 lien on the property's title by a general contractor who had worked on the home until earlier this year. The Receiver's counsel worked to negotiate and execute a settlement of the contractor's lien claim by conveying the contractor a tract of the property valued at approximately \$50,000, which was finalized during the first quarter of 2018.

**a. Status of Net Winner Settlements**

Through the third quarter of 2018, the Receiver has settled with 2,508 net winners for a total amount of \$18,076,436.34. Thus far, payments from these settlements have totaled \$14,269,945.17, with \$3,806,491.17 remaining to collect. The Receiver did not enter into any new settlements with net winners during the third quarter, but the Receiver Team did address issues and correspond with net winners relating to previously finalized settlements during the quarter. The Receiver has obtained \$169,366,065.46 in judgments against net winners who have not settled. Further, there is 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.

**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 third quarter, the Receiver's counsel worked to prepare and filed the Receiver's Appellee Brief. 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. The Receiver continued to assess the costs and benefits of pursuing certain foreign defendants and made calculated decisions to

discontinue further efforts to enforce foreign judgments in countries other than Canada.

**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 is an ongoing appeal, and the Receiver will need to litigate judgment amounts with many of these net winners if the Fourth Circuit affirms the Court's judgments. In the action against Victoriabank, Payza, and Payment World, the extent of ongoing litigation will depend on the Court's rulings, but it could involve written discovery, additional motions practice, and one or more hearings 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. The expense associated with making an interim distribution counsels against making it. Instead, the Receiver expects to make a final distribution at the end of the Receivership. This final distribution will be greater if we forgo small

interim distributions. The Receiver will continue with periodic check reissuances or wire transfers based on 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) the sale of unsettled judgments against net winners; (4) pursuing claims against Victoria Bank, Payza, and Payment World worth approximately \$13.5 million; and (5) a final distribution to claimants with recognized claims.<sup>7</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;
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.

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<sup>7</sup> The Receiver anticipates a total return of between 80%–85% of each recognized claim.

Dated: November 30, 2018

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 THIRD QUARTER OF 2018 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 30, 2018

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