

**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 THIRD QUARTER OF 2019**

**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 JULY 1, 2019 AND SEPTEMBER 30, 2019**

**A. Operations of the Receiver**

**1. Marshaling and Preserving Receivership Assets**

**a. Accounts for Holding Receivership Assets**

During the third 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 \$339,482.39 in income from third-party litigation settlements and unclaimed former affiliate-investor financial instruments.

As of September 30, 2019, the Receivership Estate held approximately \$29,566,474.60 in the two Accounts. The Affiliate Payments Account had a balance of approximately \$27,822,157.81, and the Holdback Account had a balance of approximately \$1,744,316.79.

**b. 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, and Victoriabank, and their affiliates, and to hold these entities in contempt for violating the Court's Freeze Order ("Contempt Motion"). During the third quarter, the Receiver continued to pursue litigation against Victoriabank following a favorable outcome on appeal to the Fourth Circuit.

**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 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.

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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.

### 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 and also by phone. The Receiver also posted an update to the Receivership Website regarding his permanent appointment as Receiver.

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

The Receiver Team continued its litigation against 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 third quarter, the Receiver Team did not engage in meaningful tax-related work.

#### **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, 2019 through September 30, 2019, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$63,478.78 from third-party litigation settlements;<sup>2</sup>
2. Received funds of \$258,885.00 in Receivership Assets obtained from state unclaimed property divisions;

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<sup>2</sup> Since the inception of the Receivership and as of the end of the third 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.

3. Received income from other sources, such as interest income, totaling \$17,118.61;
4. Disbursed funds from the Receiver's accounts of \$34,105.15 to affiliate-investors; and,
5. Disbursed funds from the Receiver's accounts of \$649,519.12 for: bank fees related to management of the Receiver's accounts; legal services; forensic accounting services; and distribution plan implementation expenses.<sup>3</sup>

Between July 1, 2019 and September 30, 2019, the Receivership Estate deposited \$339,482.39 and disbursed \$683,624.67. The Receiver has marshaled total assets of approximately \$376 million during the period between August 17, 2012 and September 30, 2019, while disbursing approximately \$347.4 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 third quarter of 2019. Through the third 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 at \$40,979,259.09. As of the end of the third quarter, payments from these settlements

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<sup>3</sup> These payments include \$136,248.40 to FTI and \$474,259.27 to McGuireWoods LLP approved by the Court for work conducted in prior quarters.

totaled \$14,435,072.70, leaving \$3,664,236.17 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 \$169,360,047.25 in judgments against Net Winners who have not settled.

Following the Fourth Circuit's decision in April of 2019 affirming the Court's certification of the Defendant Net Winner Class, the Receiver has filed a motion to approve the sale of judgments, allowing third parties an opportunity to make additional offers before the sale is finalized.

**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 has allowed the Receiver to file for summary judgment against all remaining Net Winners who have either disputed or not responded to the calculations of their Net Winnings created by the Receiver Team. The outcome of the Receiver's motion for summary judgment is still pending. Should the Receiver prevail on this motion, certain disputing Net Winners would still have the right to dispute individual calculations leveled against them with the Special Master.

**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**

In addition to the litigation against remaining Net Winners, the Receiver's primary area of remaining litigation concerns Victoriabank.

The Fourth Circuit's recent decision allowed the Receiver to file a renewed motion to hold Victoriabank in contempt for violating the District Court's 2012 Freeze Order. As of September 30, 2019, the outcome of this motion was still pending.<sup>4</sup> The resolution of this remaining litigation will depend on the Court's rulings, 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 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 periodically 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) completing the receipt and processing of payment from Net Winner settlements; (2) completing

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<sup>4</sup> Since that time, the Court held a hearing on the matter, and the Court's determination on the Receiver's renewed motion is now on appeal with the Fourth Circuit Court of Appeals.

the sale or collection of unsettled judgments against Net Winners; (3) pursuing claims against Victoria Bank and Payment World worth approximately \$13.5 million; (4) pursuit of final judgments against Net Winner class members who have disputed the amount they owe; 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 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 is the 15th day of November, 2019.

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

and

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*MATTHEW E. ORSO, ESQ.*

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<sup>5</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 15th day of November, 2019.

*/s/ Matthew E. Orso*