

**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 FOURTH 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 OCTOBER 1, 2020 AND DECEMBER 31, 2020

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the fourth 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 the Receivership accounts during the fourth quarter of 2020:

- \$54,308.16 from unclaimed property fund claims; and
- \$7,203.31 from third-party litigation income.

As of December 30, 2020, the Receivership Estate held approximately \$16 million in the Affiliate Payments Account and approximately \$2.1 million in the Holdback Account.

b. Unclaimed Property Claims

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 or Zeek Rewards 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 the District of Columbia, and pursued claims seeking recovery of more than \$2 million in unclaimed funds.

During the fourth quarter of 2020, the Receiver deposited an additional \$54,308.16 in funds recovered through these unclaimed property claims. The Receiver is seeking recovery of an additional \$64,000 in unclaimed property from four states.¹

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

¹ The Receivership team spent over 15 hours of unbilled administrative time and 11.1 hours of billed attorney time totaling \$6,106.44 in furtherance of these collection efforts during the fourth quarter.

Circuit. During the Fourth Quarter of 2019, the District Court again dismissed the Receiver's Contempt Motion, and the Receiver again appealed to the Fourth Circuit. Oral argument on the Receiver's appeal took place on October 16, 2020. The Fourth Circuit has not yet issued an opinion.

2. Analyzing the Operations of the Receivership Entity

a. Investigating the Receivership Defendant's Operations

During the fourth 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.² 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. This distribution was made in April 2020. The Receiver sent 122,608 checks to claimants with

² FTI billed \$31,473.50 during the fourth quarter. Time spent on claims work during the fourth 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 fourth quarter included responding to an IRS request to provide the value of the remaining Class 3 claims and preparing for the reissuance of checks requested since the prior distribution. In addition to claims work, FTI continued to monitor the Receivership's banking activity and prepare quarterly reports of the activity.

authorized and payable claims totaling \$27,896,364.80. Since that time, the Receivership Team has responded to multiple reissuance requests associated with the distribution.

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 fourth quarter, the Receiver Team conducted an IRS Appeals hearing challenging the IRS's attempt to levy on certain trust assets. The Receiver has determined that in this instance, the IRS is asserting a Class 4 claim under the Distribution Order dated March 26, 2014. The IRS Independent Office of Appeals has not yet issued any decision.

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 October 1, 2020 through December 31, 2020, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$6,177.44 from third-party litigation settlements;³
 2. Received funds of \$54,308.16 from state unclaimed property divisions;
 3. Disbursed funds from the Receiver's accounts of \$515,616.38 to affiliate-investors;
- and,

³ Since the inception of the Receivership and as of the end of the fourth quarter 2020, the Receiver has agreed to approximately \$18.2 million in settlements with net winner affiliates. Additionally, the Receiver has collected a total of \$35.5 million in litigation-related settlements with affiliates, vendors and insiders.

4. Disbursed funds from the Receiver's accounts of \$345,478.26. These funds were disbursed for: bank fees related to management of the Receiver's accounts; legal services; forensic accounting services; and distribution plan implementation expenses.⁴

Between October 1, 2020 and December 31, 2020, the Receivership Estate deposited \$60,485.60 and disbursed \$861,094.64. The Receiver has marshaled total assets of approximately \$387.1 million during the period between August 17, 2012 and December 31, 2020, while disbursing approximately \$370 million during the same period.⁵

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 a Net Winners during the fourth of 2020. Through the fourth 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 fourth quarter, payments from these settlements totaled \$14,504,947.26, leaving \$3,653,861.61 to collect. The Receiver Team also continued to address issues and correspond with Net Winners regarding previously finalized settlements.

2. The Net Winner Class Action

⁴ Legal fees in the fourth quarter were \$149,903.13 in court-approved fees disbursed to McGuireWoods.

⁵ Out of the \$370 million in disbursements, \$337 million were disbursements to victims.

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 Fourth Quarter 2019, the Receiver sold judgments against Net-Winners for approximately \$10 million to an independent third party.⁶ The purchaser has begun collection efforts, which has resulted in misplaced inquiries to the Receiver from hundreds of Net-Winners. The Receivership Team has no involvement or input in these collection efforts, and Net Winners contacted by Nationwide Judgment Recovery, Inc. or its counsel regarding judgment collection efforts should not contact the Receiver or McGuireWoods about these judgments.

3. Claims Against Foreign Net Winners

No meaningful work was done related to claims against foreign net winners during the fourth quarter.

4. 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

⁶ Negotiations regarding the sale of the remaining judgments against Net-Winners remains ongoing.

written discovery, additional motions practice, one or more hearings, and further appeals before the action reaches resolution.

II. 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.

III. Status of Creditor Claims Proceedings, After Such Proceedings Have Been Commenced

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; (4) pursuing outstanding unclaimed property from multiple states; and (5) making a final distribution to claimants with recognized claims.⁷

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

⁷ The Receiver anticipates a total return of between 80% -85% of each recognized claim.

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 29th day of January 2021.

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

and

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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 29th day of January 2021.

/s/ Matthew E. Orso