

**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 FOURTH 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 OCTOBER 1, 2017 AND DECEMBER 31, 2017

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the fourth 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 deposited \$1,826,585.42 in monies received from settlements with the class of net winners during the fourth quarter of 2017.

As of December 31, 2017, the Receivership Estate held approximately \$25.6 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 alternatively to hold these entities in contempt for violating the Court’s Freeze Order (“Contempt Motion”).

The matter is currently on appeal with the Fourth Circuit (USCA Case Number 17-1770). The Receiver Team continued preparation for oral arguments during the fourth quarter. Oral arguments occurred on October 26, 2017, where the Receiver argued on behalf of the Receivership Estate. 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 fourth 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, settlements, and judgment enforcement efforts.

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 exclusively communicated with such claimants by email. The Receiver also published a status update on the Receivership Website regarding the Receivership Estate near the end of December. Finally, the Receiver continues to have settlement discussions with net winners regarding their liabilities to the Receivership.

4. Litigation in the SEC Enforcement Action¹

The Receiver Team engaged in 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 October 1, 2017 through December 31, 2017, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

¹ The Receiver's efforts related to the recovery of fraudulently transferred funds and other damages incurred by RVG are discussed later in this Report.

1. Received funds of \$1,826,585.42 from third-party litigation settlements;²
2. Received income from other sources, such as interest income, totaling \$9,358.23;
3. Disbursed funds from the Receiver's accounts of \$140,317.44 to affiliate-investors; and
4. Disbursed funds from the Receiver's accounts of \$730,992.05. These funds were disbursed for: bank fees related to management of the Receiver's accounts; RVG website and database hosting; legal services including fees of McGuireWoods, FTI, and counsel in various jurisdictions assisting the Receiver; utilities; personal asset expenses; forensic accounting services; property taxes and distribution plan implementation expenses.³

Between October 1, 2017 and December 31, 2017, the Receivership Estate deposited \$1,835,943.65 and disbursed \$871,309.49. The Receiver has marshaled total assets of approximately \$371.2 million during the period between August 17, 2012 and December 31, 2017, while disbursing approximately \$344.7 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 fourth quarter. This property was surrendered to the Receiver as part of a settlement with Defendant Dawn Wright-Oliveras,

² Since the inception of the Receivership and as of the end of the fourth quarter 2017, the Receiver has agreed to approximately \$17.5 million in settlements with net winner affiliates. The Receiver has collected a total of \$31.2 million in litigation-related settlements with affiliates, vendors and insiders.

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

but there remained a lien on the property's title by a general contractor who had worked on the home. The Receiver's counsel worked to negotiate and execute a settlement of the contractor's lien claim, and the Receiver prepared the property for sale during the fourth quarter of 2017 with plans to list the property during the first quarter of 2018.

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 Team worked to respond to multiple class members' motions seeking relief from judgment, an altering of the judgment, and decertification of the net winner class. The Court subsequently denied these multiple motions at the beginning of the first quarter of 2018.

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 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*

This is an action against RVG's tax attorney claiming legal malpractice. The parties have completed both expert and fact discovery. Summary Judgment motions were due on January 31, 2018, but the parties have been engaged in settlement discussions and agreed to conduct a second mediation on February 28, 2018. If that mediation is not successful, the case will continue on to dispositive motions and trial.

b. *Bell v. USHBB et al.*

This case is currently set for trial, but the Receiver is attempting to settle the case against the remaining *pro se* defendants in advance of trial.

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

As previously stated and as further set forth on the Receiver's update that was posted on the Receivership Website in December 2017, no additional interim distributions are planned before the Receivership Estate makes a final distribution to affiliate-investors holding allowed claims. The Receiver will continue with periodic check reissuances or wire transfers in accordance with its prior policies.

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: February 15, 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 FOURTH 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: February 15, 2018

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