

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 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 OCTOBER 1, 2018 AND DECEMBER 31, 2018**

**A. Operations of the Receiver**

**1. Marshaling and Preserving Receivership Assets**

**a. Accounts for Holding Receivership Assets**

During the fourth 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, refunds, and transfers between accounts, the Receiver deposited into these accounts during the fourth quarter:

- \$303,810.55 from the sale of Dawn Olivares’ Arkansas property; and
- \$109,305.58 in income from settlements with net winners.

As of December 31, 2018, the Receivership Estate held approximately \$28.7 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”). During the fourth quarter, the Receiver’s counsel prepared and filed briefing in response to Victoriabank’s motion to dismiss the Amended Motion and analyzed additional responsive filings by Payza and Payment World.

The Receiver remains an intervenor in the lawsuit in California State Court involving Payza/MH Pillars, Payment World, and Roman Balanko.<sup>1</sup>

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

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

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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.

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 the Receiver's litigation efforts, as well as providing support for inquiries from 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.

### **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**

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<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.

<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.

The Receiver's Schedule of Receipts and Disbursements ("Schedule") from October 1, 2018 through December 31, 2018, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$103,983.23 from third-party litigation settlements;<sup>4</sup>
2. Received funds of \$303,810.55 from the sale of personal property;
3. Received income from other sources, such as interest income and bank fee refunds, totaling \$28,927.68;
4. Disbursed funds from the Receiver's accounts of \$7,171.09 to affiliate-investors; and
5. Disbursed funds from the Receiver's accounts of \$572,988.49. These funds were disbursed for: legal services; forensic accounting services; utilities; and distribution plan implementation expenses.<sup>5</sup>

Between October 1, 2018 and December 31, 2018, the Receivership Estate deposited \$436,721.46 and disbursed \$580,159.58. The Receiver has marshaled total assets of approximately \$375.6 million during the period between August 17, 2012 and December 31, 2018, while disbursing approximately \$346.1 million during the same period.

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<sup>4</sup> Third-party litigation settlement payments during the Fourth Quarter came from nearly 40 separate installment payments from various net winners with whom the Receiver has settled.

<sup>5</sup> These expenses include Court-approved fees of \$414,315.05 for legal services to McGuireWoods and \$138,400.04 for forensic accounting services to FTI. They also include distribution plan implementation expenses of \$20,120.98 to Garden City Group and utilities expenses of \$152.42.

**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. The Receiver obtained this property, valued at approximately \$375,000, for the Receivership as part of a settlement with Defendant Dawn Wright-Oliveras. In previous quarters, the Receiver listed the property for sale, engaged a broker to market the property, and entered a contract to sell the property for a purchase price of \$330,000. During the fourth quarter, the Receiver finalized the sale, resulting in a net gain of \$303,810.55 to the Receivership Estate.

**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 entered into two new settlements with net winners during the fourth quarter worth a total of \$2,404.53. Through the fourth quarter of 2018, the Receiver has settled with 2,510 net winners for a total amount of \$18,078,840.87, which amounts to 44.2% of their collective net winnings of 40,932,232.84. As of the end of the fourth quarter, payments from these settlements totaled \$14,379,250.70, with \$3,699,590.17 remaining to collect. The Receiver Team also continued to address issues and correspond with net winners relating to previously finalized settlements. The Receiver has obtained a total of \$169,360,047.35 in judgments against net winners who have not settled. If the Fourth Circuit affirms the Court's certification of the Defendant Net Winner Class, then the Receiver intends to sell the unsettled

judgments at a significant discount. Further, there is an additional 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 fourth quarter, the Receiver's counsel worked to prepare for oral arguments, which were scheduled for the first quarter of 2019. 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 previously 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 as to class certification, notice procedures, and other issues. If the Fourth Circuit affirms the Court's judgments, then the Receiver will need to litigate judgment amounts with

approximately 100 remaining net winners who have disputed the amounts they owe to the Receivership. These net winners will be pursued through a motion for summary judgment with the U.S. District Court, and in some cases through a hearing process with the Special Master.

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. While the expense associated with making an interim distribution counsels against taking this action, the Receiver continually 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) 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) completing 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>6</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; 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.

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<sup>6</sup> The Receiver anticipates a total return of between 80%–85% of each recognized claim.

Dated: March 15, 2019

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

and

McGuireWoods LLP  
201 North Tryon Street  
Suite 3000  
Charlotte, NC 28202  
Telephone: 704-343-2000  
Facsimile: 704-343-2300  
Attorneys for the Receiver

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have electronically filed the foregoing RECEIVER'S STATUS REPORT FOR THE FOURTH 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: March 15, 2019

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