

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
vs.)	
)	No. 3:12-CV-519
REX VENTURE GROUP, LLC)	
d/b/a ZEEKREWARDS.COM, and)	
PAUL BURKS,)	
)	
Defendants.)	
)	

RECEIVER’S STATUS REPORT FOR THE FIRST 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 JANUARY 1, 2018 AND MARCH 31, 2018

A. Operations of the Receiver

1. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

During the first 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 into these accounts:

- \$2,003,132.43 in net income from settlements with net winners during the first quarter of 2018; and
- \$392,500.00 from settlement of the Receiver’s malpractice lawsuit against the former tax attorneys of Rex Venture Group.

As of March 31, 2018, the Receivership Estate held approximately \$27.8 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 alternatively to hold these entities in contempt for violating the Court’s Freeze Order (“Contempt Motion”). On March 26, 2018, the Fourth Circuit Court of Appeals ruled on the Receiver’s appeal and remanded the matter for further proceedings.

2. Analyzing the Operations of the Receivership Entity

a. Investigating the Receivership Defendant’s Operations

During the first quarter, the Receiver's investigation and analysis of RVG's operations was limited to analyzing RVG and payment processor database transactions in support of the Receiver's fraudulent transfer lawsuits, settlements, and judgment enforcement efforts.¹

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 continues to have settlement discussions with net winners regarding their liabilities to the Receivership.

4. Litigation in the SEC Enforcement Action²

The Receiver Team engaged in litigation-related appellate activity in the dispute with Payza, PaymentWorld, and Victoriabank. This litigation originated 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

¹ 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 they provided support.

² 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 January 1, 2018 through March 31, 2018, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. Received funds of \$2,395,632.43 from third-party litigation settlements;³
2. Received income from other sources, such as interest income, totaling \$9,909.89; and,
3. Disbursed funds from the Receiver's accounts of \$15,444.36 to affiliate-investors; and
4. Disbursed funds from the Receiver's accounts of \$196,722.08 for the following purposes: bank fees related to management of the Receiver's accounts; RVG website and database hosting; legal services; utilities; personal asset expenses; property taxes and distribution plan implementation expenses.⁴

Between January 1, 2018 and March 31, 2018, the Receivership Estate deposited \$2,405,542.32 and disbursed \$196,722.08. The Receiver has marshaled total assets of approximately \$373.6 million during the period between August 17, 2012 and March 31, 2018, while disbursing approximately \$344.9 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 first quarter. This property was surrendered to the Receiver as part of a settlement with Defendant Dawn Wright-Oliveras,

³ From the inception of the Receivership through the end of the first quarter 2018, the Receiver has agreed to approximately \$18.1 million in settlements with net winner affiliates. The Receiver has collected a total of \$33.3 million in litigation-related settlements from net winners, insiders, and vendors.

⁴ See attached Exhibit B for further detail regarding receipts and disbursements.

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, which was finalized during the first quarter of 2018. The Receiver has been in contact with a listing agent and is working to list the property in the coming weeks.

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 analyzed and prepared filings in the early stages of multiple net winners' appeal seeking the denial of their motions to decertify the Net Winner Class and to amend, alter, or vacate the judgments against them.

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. The Receiver continued to assess the costs and benefits of pursuing certain foreign defendants and made calculated decisions whether to continue such pursuit depending on the facts of each case.

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. During the first quarter, the parties engaged in continued settlement discussions and finalized a settlement agreement after successful mediation. This settlement resulted in a \$392,500 payment to the Receivership Estate.

a. *Bell v. USHBB et al.*

This case is currently set for trial, but the Receiver is still working 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

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. We hold funds sufficient to make another small interim, partial distribution. However, the expense associated with making such a distribution counsels against making it. Instead, the Receiver expects to make only one 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 consistent with the Receivership's policies.

III. CONCLUSION

There are limited substantial tasks of the Receivership that remain. These include (1) defending at the Court of Appeals the net winner class action; (2) completing the receipt and processing of payments from net winner settlements; (3) the sale of unsettled judgements against net winners; (4) pursuing \$13.5 million from Victoria Bank, Payza, and Payment World; and (5) final distribution to claimants with recognized claims, which will result in the return of between 80%–85% of each recognized claim.

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: May 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 FIRST 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: May 15, 2018

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