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9 **UNITED STATES DISTRICT COURT**  
 10 **CENTRAL DISTRICT OF CALIFORNIA**  
 11 **WESTERN DIVISION**

13 SECURITIES AND EXCHANGE  
 COMMISSION,

14 Plaintiff,

15 v.

16 WORLD CAPITAL MARKET INC.;  
 17 WCM777 INC.; WCM777 LTD. d/b/a  
 WCM777 ENTERPRISES, INC.; and  
 18 MING XU a/k/a PHIL MING XU,

19 Defendants,

20 KINGDOM CAPITAL MARKET, LLC;  
 MANNA HOLDING GROUP, LLC;  
 21 MANNA SOURCE INTERNATIONAL,  
 INC.; WCM RESOURCES, INC.;  
 22 TOPACIFIC, INC., TO PACIFIC, INC.  
 VINCENT J. MESSINA,  
 23 INTERNATIONAL MARKET  
 VENTURES, AEON OPERATING,  
 24 INC.; AND PMX JEWELS, LTD.,

25 Relief Defendants.

Case No. CV-14-2334-CAS-MRW

**RECEIVER'S SECOND INTERIM  
 REPORT**

Ctrm: 16  
 Judge: Hon. John F. Walter

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## I. EXECUTIVE SUMMARY

This equity receivership involves a large, complex, and wide ranging group of enterprises and assets associated with the alleged Ponzi scheme that is the subject of the First Amended Complaint filed by the Securities and Exchange Commission ("Commission"). Pursuant to the Court's orders, the Receiver has taken control of the Receivership Entities (as defined below), their assets, bank accounts, and books and records, including:

- Approximately \$15.67 million in cash (\$2.26 million in accounts listed in the TRO and \$13.41 million subsequently recovered),
- Five commercial and residential properties, and
- Two operating golf courses.

In addition, the Receiver has agreed with several third parties to escrow \$2.92 million in cash pending further order of the Court.

The two golf courses owned by the Receivership Entities, located in Corona and Lake Elsinore, California, were fully operating at the time of the Receiver's appointment. The Receiver continued their operations uninterrupted, conducted an evaluation, and took steps to improve marketability and operations with Court approval, which included engaging a new management company and consultant.

Other than the golf courses and funds raised from investors, the Receivership Entities did not generate any revenue. Therefore, the Receiver terminated all personnel other than those at the golf courses, to preserve receivership estate resources.

The Receivership Entities made a large number of transfers to non-investor third parties in the months leading up to the Receiver's appointment. In the first quarter of 2014 alone (prior to the Receiver's appointment on March 27, 2014), the Receivership Entities transferred approximately \$17 million to at least 20 different third parties. The transfers appear to consist of investments, loans, and other transfers made for purposes yet to be determined. The Receiver is attempting to

1 ascertain the purpose of the transfers and recover funds for the benefit of the  
2 receivership estate. The Receiver has issued approximately 71 subpoenas,  
3 interviewed approximately 15 witnesses, and gathered documents from  
4 approximately 74 third parties and financial institutions. To date, these efforts have  
5 generated \$113,000 in direct recoveries and \$2.92 million held in escrow pending  
6 further order of the Court (including a \$750,000 settlement, subject to Court  
7 approval). The Receiver's investigation and recovery efforts continue.

8 Another significant challenge has been obtaining the Receivership Entities'  
9 investor database, or alternatively *reliable, comprehensive* records which reflect the  
10 identities and contact information of investors, as well as the monies received from  
11 and disbursed to them. The information recovered to date shows there are a large  
12 number of investors (currently believed to be in excess of 100,000) located around  
13 the world. Some investors did not invest directly with the Receivership Entities,  
14 which is a complicating factor. It appears many investors many not speak English.  
15 The Receiver will work with the Court and counsel to formulate a plan to give  
16 notice to investors (both domestic and foreign) to ensure that as many investors as  
17 possible have an opportunity to submit claims. To this end, the Receiver will file a  
18 motion seeking authority to engage a claims administrator who can efficiently  
19 disseminate information to investors, maintain a current database of investor contact  
20 information, and, at the appropriate time, assist in the process of receiving and  
21 reviewing investor claims.

22 The Receivership Entities did not keep accurate or complete books and  
23 records of their financial activities. Therefore, the Court ordered a forensic  
24 accounting is necessary to provide accurate information about the sources and uses  
25 of funds of the Receivership Entities. Due to the size and complexity of the alleged  
26 scheme, the number of affiliated entities and bank accounts, the high volume of  
27 transfers to, from, and between Receivership Entities, and the lack of a thorough and  
28 centralized accounting system, the forensic accounting project will take time to

1 complete. Nonetheless, even at this early point, the lack of any revenue or  
2 operations other than the golf courses provides evidence that generally supports the  
3 allegations in the First Amended Complaint.

4 The Receiver therefore recommends the receivership continue, that she  
5 continue efforts to identify, preserve, protect, and maximize the value of  
6 receivership assets, recover sums and identify additional funds transferred to third  
7 parties, and formulate an efficient system of (a) disseminating information about the  
8 receivership to investors, and (b) receiving information from investors about their  
9 claims/losses. The forensic accounting will be useful to reviewing and determining  
10 the accuracy of investor claims and confirming that all available assets have been  
11 recovered.

12 This report is preliminary and its contents may be modified after further  
13 investigation and developments. The Receiver and her professionals have made  
14 significant progress in a short period of time, but a substantial amount of work  
15 remains.

## 16 II. BACKGROUND AND OVERVIEW

17 On March 27, 2014, the Court appointed Krista L. Freitag ("Receiver")  
18 temporary receiver for Defendants World Capital Market Inc. ("WCM"),  
19 WCM777 Inc. ("WCM777"), and WCM777 Ltd. d/b/a WCM777 Enterprises, Inc.  
20 ("WCM777 Enterprises"), and Relief Defendants Kingdom Capital Market, LLC  
21 ("KCM"), Manna Holding Group, LLC ("MHG"), Manna Source International, Inc.  
22 ("MSI"), WCM Resources, Inc. ("WCMR"); and their subsidiaries and affiliates  
23 (collectively, "Receivership Entities"), with full powers of an equity receiver,  
24 including, but not limited to, full power over all funds, assets, collateral, premises  
25 (whether owned, leased, occupied or otherwise controlled), choses in action, books,  
26 records, papers and other property belonging to, being managed by or in the  
27 possession of or control of the Receivership Entities, and was immediately

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1 authorized, empowered and directed to take certain actions as set forth in the  
2 Temporary Restraining Order ("TRO"). Dkt. No. 14.

3 On April 10, 2014, the Court entered a Preliminary Injunction Order, which  
4 included appointment of the Receiver on a permanent basis. Dkt. No. 33. On  
5 May 21, 2014, the Court entered a Preliminary Injunction Order against additional  
6 Relief Defendants Vincent Messina ("Messina"), International Market Ventures  
7 ("IMV"), ToPacific, Inc. and To Pacific, Inc, and expressly appointed the Receiver  
8 for WCM affiliates ToPacific, Inc. and To Pacific, Inc. ("ToPacific Order"). Dkt.  
9 No. 75. Hereinafter, the TRO, Preliminary Injunction Order, and ToPacific Order  
10 will be collectively referred to as the "Appointment Orders."

11 Pursuant to the Appointment Orders and law governing federal equity  
12 receivers, the Receiver has been charged with, among other things, (1) assuming  
13 control over the Receivership Entities and their assets ("Receivership Assets"),  
14 (2) performing an accounting of the assets and financial condition of the  
15 Receivership Entities, (3) investigating, locating, and recovering Receivership  
16 Assets, including investigating and pursuing claims against third parties, and  
17 (4) preparing reports for the Court.

18 On June 9, 2014, the Court entered an Order on Motion for Order in Aid of  
19 Receivership, which granted the Receiver, (a) authority to engage Allen Matkins  
20 Leck Gamble Mallory & Natsis LLP ("Allen Matkins") as her general counsel,  
21 (b) relief from Local Rule 66-5 and 66-7, (c) authorization to close frozen bank  
22 accounts and transfer funds to new receivership bank accounts and to add an  
23 additional authorized signatory for receivership accounts, (d) authority to list the  
24 Monrovia, Walnut, and Lake Elsinore Properties (discussed below) with licensed  
25 brokers for sale, and (e) to file interim reports and interim fee applications on a  
26 quarterly basis. Dkt. No. 86.

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1                   **III. ACTIONS TO IMPLEMENT APPOINTMENT ORDERS**

2                   **A. Cash Recoveries**

3                   The TRO includes a list of bank accounts known to the Commission at the  
4 time it commenced the case. With the exception of the Hong Kong based HSBC  
5 account, the Receiver has taken control of the bank accounts listed in the TRO, as  
6 well as additional accounts identified through her investigation. To date, the  
7 Receiver has taken possession of approximately \$15.67 million associated with the  
8 Receivership Entities, and an additional \$2.92 million that had been transferred to  
9 third parties has been placed in escrow pending further order of the Court.

10                   Funds in Accounts at Takeover

11                   With the exception of the Hong Kong based HSBC account,<sup>1</sup> as of March 27,  
12 2014, balances in the accounts listed in the TRO totaled \$2.26 million. The  
13 following chart reflects the accounts identified in the TRO which had not been  
14 closed prior to the Receiver's appointment and the balance in each open account as  
15 of that date:

<b>Account Holder Name</b>	<b>Bank</b>	<b>Status/Balance at 3/27/14</b>
Kingdom Capital Market LLC	Bank of America	\$588,728.00
Kingdom Capital Market LLC	Bank of America	\$10.00
Kingdom Capital Market LLC	Bank of America	\$59,253.00
To Pacific Inc.	Bank of America	\$700.00
To Pacific Inc.	Bank of America	\$ -
WCM Resources, Inc.	Bank of America	\$1,276,714.00
The Media For Christ Foundation	Citibank	\$3,084.00
Kingdom Capital Market LLC	Comerica	\$26,736.00
Manna Holding Group LLC	Comerica	\$30,301.00
Manna Source International	Comerica	\$31,714.00
The Media For Christ Foundation	Comerica	\$119.00

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26 <sup>1</sup> The Receiver is aware that as of January 31, 2014, the WCM777 Ltd. HSBC  
27 account had a Hong Kong dollar balance of \$10,707,331 (approximately  
28 \$1.38 million USD); however, the Hong Kong based HSBC has not, to date,  
been cooperative with the Receiver. Thus, the Receiver is unaware of the  
account's current balance at March 27, 2014.

<b>Account Holder Name</b>	<b>Bank</b>	<b>Status/Balance at 3/27/14</b>
To Pacific	Comerica	\$(33.00)
ToPacific Inc.	Comerica	\$2,205.00
World Capital Market	Comerica	\$50,596.00
Manna for All Foundation	Comerica	\$30,653.00
Ming Xu	Comerica	\$12,568.00
Ming Xu	Comerica	\$(4.00)
Manna Source International	East West Bank	\$146,021.00
Ming Xu	Etrade	\$695.00
World Capital Market	Merril Lynch	\$36.00
WCM777 Ltd	HSBC	unknown
<b>Total</b>		<b>\$2,260,096.00</b>

Funds Recovered Subsequent to Takeover

The Receiver has recovered and taken possession of a total of \$13.41 million of additional funds as follows:

- \$11.28 million from the Horsman Law Firm trust account;<sup>2</sup>
- \$1.5 million from First General Bank, the majority of which represented funds returned from an escrow associated with a failed attempt to purchase certain real estate;
- \$420,000 from additional Comerica bank accounts identified by the Receiver;
- \$100,000 recovered from a third party who received the funds from Receivership Entity ToPacific;
- \$56,000 of undisbursed funds on account with a former internet payment processor;
- \$40,000 from the escrow for the aforementioned failed real estate purchase; and

<sup>2</sup> Simon Horsman is a Los Angeles-based attorney who represented certain of the Receivership Entities in connection with certain investments and related transactions.

- 1           • \$10,000 from the security deposit for WCM's Pasadena Office (defined  
2           below).

3           *Funds Jointly Held by the Receiver*

4           The Receiver continues to investigate transfers from the Receivership Entities  
5 that occurred in the weeks and months prior to entry of the TRO. Through her  
6 investigation and recovery efforts to date, the Receiver has taken joint possession of  
7 \$2.92 million. These funds are being held pursuant to escrow agreements discussed  
8 below, pending order of the Court.

9           **B. Real Property**

10          Upon her appointment, the Receiver assumed control over all real properties  
11 known to be owned or leased by the Receivership Entities, consisting of:

- 12           • 150 S. Los Robles Avenue, Suite 900, Pasadena, California (leased  
13           offices for various Receivership Entities), ("Pasadena Office");  
14           • 3620 Cypress Avenue, El Monte, California, (property owned by  
15           Receivership Entities and the location of the accounting and other  
16           operations for certain Receivership Entities), ("El Monte Warehouse");  
17           • 1218 John Reed Court, City of Industry, California<sup>3</sup> (leased vacant  
18           office premises);  
19           • 24400 Trilogy Parkway, Corona, California ("Glen Ivy Golf Course");  
20           • 29381 Village Parkway, Lake Elsinore, California (Golf Course known  
21           as "Links at Summerly");  
22           • 16114 Grand Avenue, Lake Elsinore, California (single family  
23           residence) ("Lake Elsinore Property");  
24           • 307 Elfwood Drive, Monrovia, California (single family residence)  
25           ("Monrovia Property");

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27 <sup>3</sup> Although this location was one of the primary office locations for the  
28 Receivership Entities, upon appointment and takeover, the Receiver discovered  
this location to be vacant and completely void of any records or personal  
property.

- 1 • 710 Arabian Lane, Walnut, California (single family residence)
- 2 ("Walnut Property");
- 3 • Wasioja Road, New Cuyama, Santa Barbara County, California (vacant
- 4 raw land) (the "New Cuyama Property").

5 With regard to each property, the Receiver took physical control over,  
6 changed the locks, and otherwise secured the premises. The Receiver paid the  
7 applicable supplemental and property taxes which were due on or before April 10,  
8 2014, made sure each of the properties has the proper insurance in order to address  
9 both general liability as well as fire, took inventories of personal property, and  
10 ordered and reviewed preliminary title reports for each owned property.<sup>4</sup>

11 Pasadena Office

12 ToPacific entered into a lease dated May 26, 2011 for the period from June 3,  
13 2011 through August 31, 2014. When taking possession of this office, the Receiver  
14 discovered numerous documents relating to the Receivership Entities' investments,  
15 loans and other correspondence.

16 After determining not to retain any personnel operating out of this location,  
17 the Receiver coordinated two moves in order to vacate the premises and terminate  
18 the lease. One move relocated the potentially valuable personal property into a  
19 secure storage facility and one move relocated miscellaneous office furniture, files,  
20 and equipment to the El Monte Warehouse. After application of April 2014 rent and  
21 current and prior-year common area maintenance expenses, the Receiver was able to  
22 recover approximately \$10,500 of the nearly \$17,000 security deposit.

23 El Monte Warehouse

24 KCM purchased this property on January 28, 2014, for \$1,051,750. Upon  
25 seizing possession of this office/warehouse, the Receiver discovered numerous  
26 documents relating to Receivership Entities' accounting and human resource

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28 <sup>4</sup> The preliminary title reports confirm that none of the owned properties is  
encumbered with debt.

1 records. The Receiver engaged a landscaper to trim trees away from the building  
2 (as requested by the insurance carrier) and keep the property's landscape maintained,  
3 and fully secured this building with cameras and an alarm system.

4 *Glen Ivy & Links at Summerly Golf Courses*

5 KCM purchased the Glen Ivy Golf Course and the Links at Summerly Golf  
6 Course on September 10, 2013 and October 1, 2013, for \$6,500,000 and \$1,650,000,  
7 respectively. Upon takeover, the Receiver discovered an overall lack of  
8 organizational and management oversight, including, but not limited to, the lack of  
9 bank reconciliations, business plans, and operating budgets for the golf courses.  
10 The Receiver sought authority from the Court to engage an independent third-party  
11 management company to operate the golf courses. On April 24, 2014, the Court  
12 entered an Order Authorizing Engagement of Management Company and  
13 Consultant for Golf Courses ("Golf Management Order"). Effective May 1, 2014,  
14 the Receiver engaged CSC Golf Management ("CSC") and a golf consultant to help  
15 her improve the operations and performance of the golf courses and ultimately to  
16 increase their overall marketability and value.

17 1. *Glen Ivy Golf Course*

18 The Receiver, CSC, and the consultant have been working with the  
19 homeowner's association related to this property ("Trilogy HOA") to attempt to  
20 address systemic issues stemming from the parties' inherent divergent interests. The  
21 Receiver has also been in contact with the developer of the golf course regarding  
22 issues related to certain habitat maintenance matters for sensitive species at and  
23 around the golf course, as addressed in certain contracts and documents. The  
24 Receiver has also been working with the third-party food and beverage/event  
25 operator, whose lease had been terminated prior to the appointment of the Receiver  
26 and effective July 24, 2014. Currently, the parties are negotiating a new lease  
27 agreement.

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1 The Receiver has also dealt with various accidents/safety incidents occurring  
2 at the Golf Course prior to and during her time in control. In November 2013, a  
3 patron was injured in a golf cart accident. In May 2014, a severe wind event caused  
4 a branch to fall on a patron's car in the parking lot. Later, in July 2014, a staff  
5 member of the food and beverage operator borrowed a golf cart and crashed it into a  
6 boulder. In each instance the Receiver has reported the event to insurance and  
7 provided assistance as necessary to process the claims promptly.

8 2. Links at Summerly Golf Course

9 The Receiver, CSC, and the consultant have been working with the local  
10 municipality, the developer/prior owner, and the water district<sup>5</sup> to address a critical  
11 water affordability and shortage issue, forcing CSC to utilize potable water to  
12 irrigate the golf course. Historically, the golf course has utilized approximately 90%  
13 of its annual irrigation needs from a source that was free, but that source has dried  
14 up due to the severe drought in Southern California. Given notable turf loss  
15 resulting in part from the water shortage and the water district's inability to deliver  
16 recycled water to the golf course, the Receiver negotiated and obtained a verbal  
17 offer from the water district to deliver potable water at the contracted recycled water  
18 rates for the duration of 2014; however, the water district to date, has only honored  
19 the tiered recycled water rates rather than the contracted rate. The availability and  
20 cost of water necessary to irrigate and maintain the golf course are substantial  
21 concerns that may affect the viability of operations moving forward.

22 The Receiver has been working with CSC to resolve an issue relating to  
23 construction and receipt of a conditional use permit ("CUP") for a tent structure in  
24 which numerous summer events had been contracted. Although the CUP was  
25 obtained, KCM had not ordered or installed an HVAC system in the tent or the

26 \_\_\_\_\_  
27 <sup>5</sup> The prior owner of the Links at Summerly entered into an agreement with the  
28 water district that, among other things, contracted for delivery of recycled water  
to the golf course for irrigation at fixed rates and which provided for installation  
of a meter on a previously free water source primarily used for irrigation.

1 necessary infrastructure upgrades. CSC continues to assess all options; however,  
2 due to timing constraints, the Receiver was forced to return certain event deposits to  
3 the contracting parties.

4 An incident was reported on the property on July 4, 2014. An individual  
5 returning to his car after the fireworks show over Lake Elsinore tripped and fell into  
6 a decorative fire pit located near the clubhouse. While the fire pit had not been lit  
7 that night, the individual was injured and hospitalized. The Receiver filed  
8 appropriate paperwork with the insurance provider and has worked with CSC to  
9 review safety policies at both locations.

10 Lake Elsinore Property

11 KCM purchased this property on November 8, 2013 for \$550,000. Upon  
12 takeover, the Receiver discovered a non-paying occupant in the premises. The  
13 Receiver instructed the occupant to vacate the property on several occasions, then  
14 commenced an unlawful detainer action, after which the occupant finally agreed to  
15 vacate. The Receiver plans to engage a qualified licensed broker to list the property  
16 for sale pursuant to the Court's June 10, 2014 Order.

17 Monrovia Property

18 MHG purchased this property on October 15, 2013 for \$980,000. The house  
19 is approximately 2,263 square feet, has an attached two-car garage, a detached  
20 three-car garage, a detached guesthouse, a swimming pool, and an outdoor  
21 entertaining area. Upon securing this property, the Receiver discovered a non-  
22 paying occupant in the guesthouse. The Receiver also saw various art work and  
23 furniture in the main residence and approximately a dozen allegedly "antique"  
24 Chinese furniture pieces in the detached garage. Shortly after takeover, as the  
25 Receiver was in the process of securing the premises, the locksmith hired by the  
26 Receiver witnessed the removal of furniture and art work from the residence by a  
27 third party. The Receiver promptly contacted the Monrovia police department and  
28 filed a report. The Receiver investigated the removal of art and furniture and

1 ultimately recovered the items a few days later after demanding that Xu direct the  
2 persons involved to return the items.

3         Subsequent to the takeover, the Receiver returned to the property to relocate  
4 the furniture pieces in the detached garage to a secure storage facility. Upon arrival  
5 on April 16, 2014, the Receiver discovered the items had been stolen and again  
6 immediately filed a police report. It appeared the detached garage door had been  
7 opened to access the items. The Receiver again investigated the removal of the  
8 furniture and ultimately recovered the items, again after demanding that Xu direct  
9 the return thereof. Nonetheless, the furniture had been completely disassembled and  
10 damaged; the items were located in a U-Haul trailer in the parking lot of a motel.

11         The Receiver has ensured proper maintenance of this property. Per the  
12 June 10, 2014 Order, the Receiver engaged a licensed broker to list the property for  
13 sale. In order to maximize value, it was also deemed necessary to perform minimal  
14 repairs, clean-up and stage the property. Two open houses were conducted in the  
15 second week of July 2014, resulting in 10 offers. The Receiver reviewed and  
16 determined the best offers and instructed the potential purchasers to make their  
17 highest and best offers. After the offers were received, two potential purchasers  
18 materially increased their offers. The Receiver negotiated a purchase agreement  
19 with one of these two potential purchasers, subject to overbid and Court approval.  
20 The Receiver will file a motion for approval of the sale, including proposed overbid  
21 procedures, shortly. The Receiver's plan is for an auction to be held for qualified  
22 bidders at the hearing on the sale motion, after which the Receiver will ask the Court  
23 to approve the sale to the winning bidder. One potential purchaser has already  
24 expressed his intention to submit an overbid.

25         Walnut Property

26         MHG purchased this property on August 13, 2013 for \$2,400,000. The  
27 property, which is vacant but furnished, is approximately 7,177 square feet and  
28 includes a small pond containing a number of live Koi. The Receiver has taken

1 steps to maintain these fish in the event they have value to the receivership estate,  
2 installed an alarm, and ensured proper maintenance of this property.

3 Pursuant to the June 10, 2014 Order, the Receiver engaged a licensed broker  
4 to list the property for sale. As the property is near the high end of the market in  
5 both size and value, a broker with expertise in selling higher priced listings was  
6 selected. To maximize value, it was deemed necessary to perform minimal repairs  
7 and clean-up the property, which work has been done. While the existing  
8 furnishings have been used to stage the property, the Receiver intends to remove the  
9 personal property in order to independently sell and maximize the recovery from the  
10 furnishings. The Receiver recently accepted an offer for the property, subject to  
11 overbid and Court approval. The Receiver will file a motion for approval of the  
12 sale, including proposed overbid procedures, shortly.

13 *New Cuyama Property*

14 The Receiver has contacted the broker who sold this property to KCM to  
15 better understand the location and appurtenances thereon. The property was  
16 purchased on January 16, 2014, for \$700,000. The property is vacant land located in  
17 Santa Barbara County and is served by natural springs, well water, and a private  
18 road. Neighboring uses include ranching and hunting interests.

19 The broker, who acted as a dual agent representing both the buyer and seller,  
20 disclosed that the property was marketed as a quick "flip-investment" but that KCM  
21 intended to hold it and develop it as the "New Kingdom City," a story corroborated  
22 by the occupant of the Lake Elsinore home, who is purportedly an architect hired by  
23 Xu to oversee the "New Kingdom City" development. The Receiver has secured  
24 insurance, recommends the property be sold, and requests authority to list the  
25 property with a licensed qualified broker.

26 **C. Investments, Loans, and Other Transfers to Third Parties**

27 Through her investigation, interviews, and document review, the Receiver has  
28 identified a large number of investments, loans, and other transfers to third parties.

1 As noted above, in the first quarter of 2014 alone, more than \$17 million was  
2 transferred to at least 20 different third parties. The following is a brief summary of  
3 information obtained to date on transfers made to Relief Defendants and various  
4 third parties.

5 *PMX Jewels and PMX Holdings*

6 WCM transferred \$1,100,000 to PMX Jewels, Ltd. ("PMX Jewels") and  
7 another \$200,000 to the personal account of Sierra Leone of Phillip Du Toit, the  
8 CEO of PMX Jewels. PMX Jewels purportedly used these funds to make three  
9 separate acquisitions of diamonds and to invest in mining operations in Sierre  
10 Leone. PMX Jewels purportedly made such purchases and investments through  
11 PMX Holdings (HK) Ltd., which is owned in part by WCM and in part by  
12 International Market Ventures Asia Limited ("IMVAL"), a Hong Kong company,  
13 which in turn is majority owned by Relief Defendants Vincent Messina and  
14 International Market Ventures.

15 The Receiver located the product of one of the diamond acquisitions in  
16 Manhattan, New York and is investigating the existence of a second batch of  
17 diamonds, which is allegedly located in Hong Kong. The third batch of diamonds is  
18 apparently the subject of a pending lawsuit initiated by PMX Jewels for breach of  
19 contract. The Receiver notes that the Statement of Assets filed by PMX Jewels on  
20 June 12, 2014, lists as its only asset cash in an HSBC account in Hong Kong of  
21 \$5,106.29. Dkt. No. 89. The Receiver recently received a settlement offer from  
22 PMX Jewels and promptly communicated a counter-offer to PMX Jewels' counsel.

23 *WCM Resources and Aeon Operating*

24 The Receivership Entities' records and Xu indicated that \$4.3 million was  
25 transferred to Relief Defendant WCMR. WCMR then invested some of these funds  
26 in oil and gas leases in Texas and Louisiana and contracted with Aeon  
27 Operating Inc., located in Texas ("Aeon"), to operate the leases. The Receiver  
28 secured the approximately \$1.2 million remaining in the WCMR account upon her

1 appointment. The remainder of the funds had apparently been used to acquire and  
2 operate the oil and gas leases.

3 The Receiver and her counsel have been in communication with Aeon and its  
4 counsel to gather information about the leases and operations. Aeon has produced  
5 lease documents and other contracts and invoices relating to the operations. The  
6 Receiver continues to investigate WCMR's interests with the goal of maximizing the  
7 recovery therefrom. In the meantime, operations have been suspended and no  
8 further funding has been provided.

9 Vincent J. Messina, International Market Ventures

10 During her initial investigation, the Receiver learned that, approximately one  
11 month before this case was filed, \$5 million was transferred from ToPacific to the  
12 IOLTA trust account of attorney Vincent Messina. The Receiver sought to recover  
13 the funds from Messina, which Messina refused. The Receiver then asked Messina  
14 to agree to escrow the undisbursed funds pending further order of the Court and  
15 provide an accounting of the funds he received. On April 4, 2014, Messina, the  
16 Receiver, and the Commission agreed that the undisbursed amount, \$2,332,000,  
17 would be wired by Messina from various accounts he controls to the client trust  
18 account of Thompson Hine LLP, the law firm representing Messina, to be held in  
19 escrow pending further order of the Court. Messina refused, however, to provide  
20 any information about the remaining \$2,668,000, stating only that it was disbursed  
21 for "business purposes."

22 On April 8, 2014, Maranda Fritz of Thompson Hine confirmed that  
23 \$2,133,000 had been received by Thompson Hine and is being held pursuant to the  
24 escrow agreement.

25 The remaining \$200,000 to be held pursuant to the escrow agreement has not  
26 been received by Thompson Hine. Messina originally stated that he had obtained  
27 and lost a \$200,000 cashier's check from Bank of America, but stated that he filed a  
28 claim (a process which could take as long as 90 days) instructing Bank of America

1 to return the funds to his account. On May 19, 2014, Messina filed a declaration  
2 referencing the lost cashier's check and stating that "[a] total of \$2,133,214.62 was  
3 transferred to the Thompson Hine account and Bank of America was asked to credit  
4 an additional \$200,000 for transfer to Thompson Hine, bringing the total to more  
5 than \$2.3 million." Dkt. No. 74. On July 23, 2014, the Receiver contacted Bank of  
6 America, to whom she had previously issued a subpoena for Messina account  
7 records, about the status of the claim for the lost cashier's check. Bank of America  
8 reported that no claim for the check had ever been made and the check had been  
9 cashed on June 16, 2014. The information from Bank of America is inconsistent  
10 with the statements Messina made to the Court under penalty of perjury and  
11 Messina appears to have misappropriated or otherwise taken \$200,000 of the funds  
12 he had agreed to escrow. The Receiver further notes that the Court issued a freeze  
13 order at the April 24, 2014 hearing; accordingly, Messina's conduct with regard to  
14 this check on or about June 16, 2014, would appear to be contrary to the Court's  
15 order.

16 On April 8, 2014, the Receiver filed an *Ex Parte* Application seeking an order  
17 freezing Messina's accounts and requiring him to provide an accounting of funds he  
18 received from the Receivership Entities. At a hearing held on April 24, 2014, the  
19 Court froze all funds received from the Receivership Entities in Messina's  
20 possession, ordered him to use best efforts to repatriate funds disbursed to third  
21 parties located abroad, and ordered him to provide the requested accounting.

22 The accounting records provided by Messina, which are incomplete, disclosed  
23 that he had transferred \$1 million to International Market Ventures ("IMV"), a  
24 company owned by a close relative, Gary Messina. Of the \$1 million that went to  
25 IMV, \$900,000 was then transferred to CNC Consulting, a Hong Kong entity  
26 ("CNC"). Another \$1,069,000 (for a total of \$1,969,000) went to CNC either  
27 directly from Messina or through a person named Andrew Savor located in Toronto,  
28 Canada (the original payee on the \$200,000 cashier's check). The transfers to CNC

1 were purportedly for Messina, Gary Messina, Savor, and other individuals to  
2 purchase a 45% interest in CNC.

3 On May 7, 2014, the Commission filed a First Amended Complaint ("FAC")  
4 naming Messina, International Market Ventures ("IMV"), ToPacific, and To Pacific,  
5 Inc. (an affiliated entity with almost the exact same name) as relief defendants. As  
6 noted above, the Commission sought an order appointing the Receiver for ToPacific  
7 and To Pacific, which was granted on May 21, 2014. The Court once again ordered  
8 a freeze of Messina and IMV's assets and ordered them to make all reasonable  
9 efforts to repatriate assets transferred to entities outside the United States. On  
10 June 2, 2014, Messina and IMV filed a motion to dismiss the FAC. The motion was  
11 denied on July 10, 2014. The Court subsequently set an evidentiary hearing for  
12 September 5, 2014. Messina and IMV moved for reconsideration, which was  
13 denied by order entered on August 12, 2014.

14 Kingdom Healthcare, Supercare

15 In 2013, WCM hired Creg Parks as an independent contractor to expand its  
16 operations into the urgent care business. In California, urgent care facilities must be  
17 owned by a doctor, and WCM engaged with Dr. Samuel K. Chung, located in  
18 San Gabriel, California. WCM hired attorneys at Seyfarth Shaw LLP, who designed  
19 what they call a "friendly physician model." Through this model, they created  
20 Super Care Medical Group ("Supercare") to provide medical services and Kingdom  
21 Healthcare Inc. ("KHI") to provide management services for Supercare; various  
22 agreements memorialized this model. Supercare provided primary care to patients  
23 and the goal was to open an urgent care facility.

24 The Receiver and her counsel spoke with the attorney at Seyfarth Shaw, Creg  
25 Parks, an accountant for Supercare, and Dr. Chung. Although WCM was the  
26 ultimate source of all funding for Supercare's operations, funding sometimes came  
27 directly from WCM, sometimes came through KHI, and sometimes came through  
28 another Receivership Entity, Agape Technologies. The respective roles of the

1 Receivership Entities in Supercare's operations was not clear. However, the  
2 discussions and budgets provided by Mr. Parks showed that Supercare was  
3 operating at a loss and the business model was in its start-up phase. In light of the  
4 operating losses, the potential liability to patients and the infancy of the operation,  
5 the Receiver immediately ceased operations and funding to Supercare.

6 The Receiver was then notified that Dr. Wang, an acupuncturist who had  
7 offices down the hall from Supercare and who had apparently sold an X-ray  
8 machine to Agape Technologies, removed the X-ray machine from Supercare's  
9 offices. The Receiver promptly took action to recover and secure the X-ray  
10 machine, which was then moved, along with other medical equipment, to the  
11 El Monte Warehouse. The Receiver also took steps to ensure that patients and  
12 patient records were transferred to other healthcare facilities.

13 12 Zodiacs, Inc.

14 In January 2014, WCM entered into a Co-Production Agreement ("Production  
15 Agreement") with 12 Zodiacs, Inc. ("12 Zodiacs") to organize and promote a live  
16 concert to be held in Las Vegas sometime in 2014 in exchange for \$700,000 paid on  
17 or about January 24, 2014.

18 The Receiver issued a subpoena to 12 Zodiacs and its operator, Daniel Chang.  
19 Mr. Chang advised the project ended prematurely because they were unable to  
20 secure the artist for the concert, the funds paid to 12 Zodiacs were never used, and  
21 Xu had subsequently instructed the funds to be wired to a bank in China. Through  
22 the records provided by Mr. Chang, and independent banking records obtained via  
23 subpoena from Comerica Bank, the Receiver verified the \$700,000 deposit into  
24 12 Zodiacs' account and that \$695,000 was wired out on February 27, 2014 to an  
25 account at Shanghai Pudong Development Bank in China. The remaining \$5,000 in  
26 funds was then paid out by check on March 26, 2014 and the account was  
27 subsequently closed in early April 2014.

28

1           Daniel John Lazarus/Robert Sensi

2           In the 38 days preceding the Receiver's appointment on March 27, 2014,  
3 Daniel John Lazarus' Deutsche Bank accounts (in Germany) received three transfers  
4 from ToPacific and WCM totaling \$1,165,000 as follows:

- 5           • \$500,000.00 on February 18, 2014;
- 6           • \$500,000.00 on February 24, 2014; and
- 7           • \$165,000.00 on March 7, 2014.

8           The Receivership Entities' records contained no contemporaneous  
9 documentation to explain the purpose of the transfers or any evidence to show that  
10 any equivalent value was provided by Lazarus in exchange.

11           The Receiver issued subpoenas to Lazarus, Deutsche Bank's parent company  
12 in Germany, as well as its domestic subsidiary here in the United States. Deutsche  
13 Bank in Germany did not respond and its United States subsidiary responded that it  
14 had no control over Lazarus' German account. However, records produced by  
15 Lazarus, including bank statements for the German bank account, showed that of the  
16 total \$1,165,000 transferred to Lazarus, approximately \$917,000 remained in the  
17 account as of May 8, 2014.

18           In response to the Receiver's demand for return of the funds, Lazarus claimed  
19 the transfers were for legitimate humanitarian causes and/or business ventures, and  
20 that the funds already disbursed (approximately \$248,000) had been spent in  
21 connection with these causes and ventures. Considering (a) the amount remaining  
22 in Lazarus' German bank accounts (\$917,000), (b) the costs the Receiver would  
23 incur to litigate claims against Lazarus, obtain a judgment, domesticate the  
24 judgment in Germany, and obtain orders from a German court for turnover of the  
25 funds, and (c) the risk the funds would be moved or spent between now and the time  
26 the Receiver could enforce the German court order, the Receiver and her counsel  
27 proceeded to negotiate a settlement with Lazarus for an immediate return of funds to  
28 the Receivership Entities. The Receiver and Lazarus agreed, subject to Court

1 approval, that Lazarus will return \$750,000 to the Receiver and place such amount  
2 into escrow pending this Court's approval of the proposed settlement. The Receiver  
3 will shortly be filing a motion for approval of the proposed settlement.

4 In addition to the funds transferred to Lazarus, the Receivership Entities'  
5 records show that \$285,000 was paid to Robert Sensi between February 12, 2014  
6 and March 10, 2014 for unspecified consulting services. Mr. Sensi was described  
7 by Xu as a consultant hired to assist in addressing problems with authorities in Peru  
8 and Taiwan. The Receiver issued a subpoena to Sensi, who is represented by the  
9 same counsel as Lazarus and had apparently introduced Xu to Lazarus. The  
10 documents produced by Sensi to date do not show what specific services were  
11 provided by Sensi, if any, or what legitimate expenses he incurred in performing  
12 such services, if any. The Receiver has demanded further documents from Sensi  
13 and has been advised by Sensi's counsel that he is currently going through serious  
14 medical issues and that the requested documents will be produced as soon as  
15 possible. The Receiver will continue to follow up and assess potential claims to  
16 recover funds transferred to Sensi.

17 *Governmental Impact/Baseballers Against Drugs*

18 On or about January 30, 2014, Ming Xu entered into a Consulting Agreement  
19 ("Consulting Agreement") with Governmental Impact, Inc. ("GII"), a consulting  
20 company run by Jim Dantona. The Consulting Agreement provided that GII would  
21 provide advocacy services on Xu's behalf in exchange for \$750,000 in total  
22 payments, with \$500,000 payable upon the execution of the agreement and another  
23 \$250,000 due on April 30, 2014. These payments were made to GII through two  
24 payments from ToPacific's bank account. The first payment of \$500,000 was made  
25 on January 30, 2014, and the second payment of \$250,000 was made on March 1,  
26 2014.

27 The Receiver issued a subpoena to GII and Dantona and held a conference  
28 call with him and his counsel. From the call and other records subsequently

1 produced by Dantona, the Receiver was able to confirm that no services were  
2 performed under the Consulting Agreement; that after receiving the transfers GII  
3 paid Dantona, or made payments for his benefit, in the approximate amount of  
4 \$266,500; and that GII also paid a combined total of \$325,000 to Zayda Aberin and  
5 her company, ZHB International, Corp. ("ZHB"). In addition to the \$750,000 paid  
6 to GII, Xu paid an additional \$100,000 from the ToPacific account to Dantona's  
7 charitable organization, Baseballers Against Drugs ("BAD").

8 The Receiver issued a subpoena to Aberin and ZHB for additional documents  
9 regarding the \$325,000 in payments they received. The Receiver's counsel also met  
10 with Aberin on June 17, 2014. To date, there is no documentation to indicate that  
11 any equivalent value was provided by either Aberin or ZHB in exchange for the  
12 \$325,000. In addition, based on the bank records produced by Aberin, the \$325,000  
13 was commingled among Aberin and ZHB's bank accounts at Wells Fargo, and most,  
14 if not all, of the funds were used for Aberin's personal benefit, including a large  
15 payment made from ZHB's account for Aberin's personal home mortgage.

16 The Receiver demanded that GII and Dantona return the full \$750,000, that  
17 Aberin and ZHB return the \$325,000, and that BAD return the \$100,000. GII and  
18 BAD initially agreed to place into escrow with the Receiver a total of \$140,466.18 –  
19 which included the full \$100,000 from BAD and \$40,466.18, the amount GII  
20 claimed it still held out of the \$750,000 it received. BAD then agreed to return the  
21 full \$100,000, leaving the \$40,466.18 in escrow. Despite the Receiver's demands,  
22 however, Dantona claims that the \$750,000 is not subject to disgorgement because it  
23 was fully earned upon receipt and likewise, Aberin and ZHB have not agreed to  
24 return the \$325,000. Accordingly, the Receiver will shortly be filing a Motion for  
25 Authority to Pursue Claims against GII, Dantona, Aberin and ZHB ("Motion to  
26 Pursue Claims").

27  
28

1           BBPride, LLC/Jonathan Pollon/Stephen J. Huntsman

2           Approximately \$203,500 was transferred to Jonathan Pollon, his company  
3 BBPride, LLC ("BBPride"), and Stephen J. Huntsman for the purpose of purchasing  
4 "Alluvial Gold Dore Nuggets" from sources in Kenya. The funds were transferred  
5 pursuant to two loans made by WCM. The first promissory note, dated  
6 September 12, 2013, is for the amount of \$200,000 and was executed by Mr. Pollon,  
7 on behalf of himself and BBPride, and Mr. Huntsman. The second note, in the  
8 amount of \$3,500, is dated October 10, 2013, and was executed by Mr. Pollon in his  
9 personal capacity. Both notes matured by their terms on December 11, 2013.

10           The Receiver issued subpoenas to both Mr. Pollon and Mr. Huntsman.  
11 Records indicate the project failed because the purported gold sellers from Kenya  
12 were operating a scam and absconded with the funds. Mr. Pollon and  
13 Mr. Huntsman do not dispute the validity of the loans, nor do they contest the  
14 Receiver's right to recover the funds, which are now past due. They claim, however,  
15 that from the \$200,000 loan, only \$193,000 was disbursed to them. Thus,  
16 Mr. Pollon and Mr. Huntsman contend they are only responsible for repayment of  
17 \$196,500 in the aggregate. They have indicated a willingness to repay the loans, but  
18 claim they are unable to make payment in full given their current financial situation.

19           Accordingly, the Receiver recently made a proposal for Mr. Pollon and  
20 Mr. Huntsman to repay the reduced amount of \$196,500 over a period of thirty-six  
21 (36) months provided they sign a confession of judgment which the Receiver would  
22 agree not to file with the court as long as the payments are timely made. The  
23 Receiver is currently awaiting a response.

24           AsiaWallet/EuroWallet/Marcus Almeida

25           Xu claimed that WCM owns 50% of a payment processor called AsiaWallet  
26 or EuroWallet or e-wallet ("AsiaWallet"). A Share Purchase Agreement located in  
27 the Receivership Entities' records indicates that AsiaWallet owed WCM \$4 million  
28

1 and that WCM agreed to forgive the debt and contribute another \$760,000 to  
2 AsiaWallet in order to acquire 50% of AsiaWallet's stock.

3       The Receiver issued a subpoena to AsiaWallet and its principal, Marcus  
4 Almeida. Almeida, who resides in Miami and does not speak English, advised  
5 through his employees and his attorney that AsiaWallet created a customized  
6 payment platform for WCM called Kingdom Pay. AsiaWallet processed payments  
7 to WCM from investors via the Kingdom Pay platform. AsiaWallet also purchased  
8 "Kingdom Points" (points sold to investors in the WCM777 scheme) and resold  
9 them to investors. Almeida stated that the \$4 million owed to WCM reflected in the  
10 Share Purchase Agreement was only points, *i.e.*, AsiaWallet had received \$4 million  
11 worth of Kingdom Points, not \$4 million in cash. Almeida also claims AsiaWallet  
12 had "enormous logistical and technological difficulties" in dealing with WCM and  
13 also became aware WCM was not making promised distributions to investors, so  
14 Almeida unilaterally terminated the Share Purchase Agreement and transferred  
15 control of the Kingdom Pay platform to WCM.

16       The Receiver has requested additional documents and information from  
17 AsiaWallet and Almeida, is reviewing the data provided, and will continue to  
18 investigate the transfers to AsiaWallet and sales of Kingdom Points to investors by  
19 AsiaWallet. The forensic accounting will assist in determining the validity of any  
20 claim against AsiaWallet.

21       *East of Byzantium II/Passing Lane Productions*

22       The Receivership Entities' records contained an Investor Documentary  
23 Financing Agreement dated December 16, 2013 ("Financing Agreement") pursuant  
24 to which WCM entered into an agreement with Passing Lane Productions, LLC,  
25 Journey Pictures, LLC and East of Byzantium II, LLC (together, "Production  
26 Companies") to finance the production of a documentary film entitled "East of  
27 Byzantium: War Gods and Warrior Saints." Pursuant to the Financing Agreement,  
28 WCM provided \$155,000 for the production while the Production Companies would

1 handle the organization, production, marketing and ultimate distribution of the film.  
2 In exchange, WCM received rights to profits made from the documentary, following  
3 payment of production fees and expenses, up to 120% of its initial investment, as  
4 well as a right to share in the remaining profits after other investors are similarly  
5 repaid for their contributions.

6 The Receiver issued subpoenas to the Production Companies for records and  
7 information pertaining to the Financing Agreement and production. The records  
8 produced show that WCM transferred \$155,000 to the Production Companies on or  
9 about March 4, 2014, and that significant development expenses had already been  
10 paid, including a significant portion of the funds transferred by WCM.

11 Following a series of calls with the Production Companies' representative and  
12 their counsel, the Receiver and her counsel negotiated an amendment to the  
13 Financing Agreement which added the Receiver as an authorized signatory to the  
14 production bank account. The Receiver also filed a UCC-1 financing statement with  
15 the California Secretary of State in order to secure the Receivership Entities' rights  
16 and interests in the documentary as collateral for the investment. The Receiver will  
17 continue to monitor the production and distribution of the film by the Production  
18 Companies.

19 *Frequency Networks, Inc.*

20 On or about August 12, 2013, KCM entered into an agreement to purchase  
21 \$3,000,000 of stock ("Stock Purchase Agreement") of Frequency Networks, Inc.  
22 ("Frequency Networks"), a company engaged in providing for the sharing of video  
23 via social media. Pursuant to the terms of the purchase, KCM received  
24 approximately 7,000,000 shares, which originally represented approximately 10.2%  
25 of the outstanding shares of the company. The Receiver is in the process of  
26 assuming the seat on the Frequency Networks board of directors held by KCM and  
27 will continue to monitor the company with the goal of maximizing the recovery  
28 from KCM's shares.

1           MycoTechnology

2           In February 2014, KCM purchased three convertible promissory notes from  
3 MycoTechnology, Inc. ("MycoTechnology"). KCM had entered into a Note  
4 Purchase Agreement on or about February 10, 2014, whereby KCM would pay  
5 \$1,050,000 in exchange for the issuance of three convertible promissory notes with  
6 face values of \$750,000, \$250,000 and \$50,000.

7           The Horsman Law Firm turned over the three original promissory notes to the  
8 Receiver's counsel. These notes are each dated February 11, 2014, provide for 6%  
9 interest per annum, and mature on December 31, 2015. The notes contain a  
10 convertible feature whereby they may be converted at the noteholder's election to  
11 common stock of MycoTechnology. The market value of the underlying shares is  
12 unclear at this time. The Receiver is in the process of assuming the seat on the  
13 MycoTechnology board of directors held by KCM and will continue to monitor the  
14 company.

15           vImagine

16           WCM invested \$150,000 in vImagine Corp. ("vImagine"). The Horsman  
17 Law Firm represented WCM in connection with this investment, and vImagine is a  
18 startup company that intends to create a mobile-shopping application whereby its  
19 users would be able to search and shop for products by its image. The Receiver will  
20 continue to monitor the company with the goal of maximizing the recovery from the  
21 investment.

22           Zypsee

23           The Receivership Entities' records indicate KCM purchased approximately  
24 59,000 shares of preferred stock in the company Zypsee, Inc., a taxi-alternative  
25 company similar to Uber located in New York. The Receiver has not yet  
26 determined the amount KCM paid for the shares. The Receiver is continuing to  
27 investigate this stock purchase and the potential for a recovery from the investment.

28

1           Organic Farm Group f/k/a 2-Track Global

2           The Receivership Entities apparently invested at least \$100,000 in a Chinese  
3 company called Organic Farm Group, formerly known as 2-Track Global, Inc. This  
4 investment was partly facilitated by James Wu, Xu's associate, and the law firm of  
5 Barnett and Linn, which represented the Receivership Entities. Based on the  
6 information and documents the Receiver gathered, the investment was facilitated  
7 through a purchase of a convertible promissory note that matures on December 31,  
8 2014. The purchase was purportedly made in connection with an attempt to conduct  
9 a reverse merger with unspecified companies located in China.

10           Mana Fashion/JJ Sparkles/Yuanhao

11           ToPacific made a series of transfers totaling approximately \$2,000,000 to  
12 MaNa Fashion, Inc. ("MaNa Fashion"), JJ Sparkles, Inc. ("JJ Sparkles") and  
13 Yuanhao, Inc. ("Yuanhao"). The transfers each occurred on or around February 28,  
14 2014, with \$1,000,000 going to MaNa Fashion, and JJ Sparkles and Yuanhao each  
15 receiving \$500,000.

16           The transfer to MaNa Fashion appears to be for the purchase of various  
17 clothing products, although there are no documents indicating where these products  
18 were sent or if they were actually received. There is no documentation explaining  
19 the transfers to JJ Sparkles and Yuanhao.

20           The Receiver discovered that the recipients of these funds are interrelated as  
21 their public registrations with the California Secretary of State show that Sue Wang  
22 (who is also named as the salesperson from MaNa Fashion) is the named agent for  
23 service of process for both MaNa Fashion and JJ Sparkles, and Yuanhao's registered  
24 business address matches that of JJ Sparkles.

25           The Receiver and her counsel attempted to contact Ms. Wang and serve  
26 subpoenas upon her and her related companies, including leaving multiple messages  
27 with purported employees of the companies and attempting service of subpoenas  
28 over a number of days. No response to the Receiver's attempts to contact Ms. Wang

1 and her companies were received until the Receiver located information for  
2 Ms. Wang's accountant, Dong & Associates, CPA, and served the accountant with a  
3 subpoena. The accountant provided an e-mail address for Ms. Wang, and the  
4 Receiver's counsel e-mailed Ms. Wang a copy of the subpoena and a demand for  
5 information. Ms. Wang finally acknowledged the Receiver's attempts to contact her  
6 on May 23, 2014 and thereafter engaged counsel to respond to the subpoenas. After  
7 further delays and demands for additional time, Ms. Wang produced documents on  
8 July 18, 2014.

9 The Receiver is reviewing the documents produced and is in the process of  
10 arranging a meeting with Ms. Wang. The Receiver will continue to investigate  
11 these transfers and potential claims to recover the funds.

12 UR Bankcard

13 In response to a proposal for investment, KCM transferred \$300,000 to First  
14 Class Credit Card Processing, Inc., dba UR Bank Card Processing, Inc. ("UR Bank  
15 Card"), a credit card payment processing company. The investment was made  
16 pursuant to a Common Stock Purchase Agreement dated October 9, 2013  
17 ("UR Bank Card Purchase Agreement"), entered into by KCM and an individual  
18 named Jason Seo. Per the UR Bank Card Purchase Agreement, KCM was to  
19 receive, in exchange for its \$300,000 investment, a 30% share in UR Bank Card.  
20 The initial proposal for investment also indicated KCM was to receive monthly  
21 dividends, but no such dividends are documented in the UR Bank Card Purchase  
22 Agreement.

23 The Receiver initially sent a letter to Young Ho Won, the chairman and CEO  
24 of UR Bank Card, to notify him of the receivership and to request documents  
25 pertaining to the stock purchase. Won failed to respond, so the Receiver  
26 subsequently issued a subpoena. Won then responded and provided a series of  
27 documents. Won concedes that KCM owns 30% of UR Bank Card, but claims the  
28 company has never made money and that the invested funds have been depleted.

1 The Receiver is arranging a meeting with Won to clarify and confirm the nature of  
2 the company's expenditures and will continue to assess potential ways to recover the  
3 \$300,000 invested.

4 **D. Computer Hardware, Software, and Documents**

5 Immediately upon her appointment, the Receiver went to each of the locations  
6 from which the Receivership Entities operated and took steps to take control over  
7 computers and electronic devices located there, as well as any off-site electronic  
8 records. The Receiver retained the services of SETEC Investigations, a forensic  
9 computer specialist, to image all of the computers and hard drives located at the  
10 office and warehouse premises as well as to assist the Receiver in contacting the  
11 internet service providers that provided any cloud or other services to the  
12 Receivership Entities.

13 By imaging all computers and hard drives, the Receiver was able to preserve  
14 all e-mails, documents, and accounting information maintained on the devices. In  
15 addition, the Receiver found numerous "thumb drives" and other electronic storage  
16 devices which were also imaged in order to preserve the data contained thereon.

17 The computer imaging work has been completed and, as applicable, the  
18 Receiver will be able to use the electronic data to both identify and address the  
19 assets, the inter-relationship among Receivership Entities, and perform the forensic  
20 accounting.

21 As significant portions of the Defendants' enterprise were based on web  
22 services, the Receiver has spent significant time investigating various Defendant-  
23 controlled websites and services. Accordingly, the Receiver has noticed or  
24 subpoenaed various Internet service providers. Most often the service providers  
25 were domain name registrants that provided functionality to the Defendant's  
26 controlled websites (GoDaddy, OnlineNic, MediaTemple) or in the some cases  
27 provided email accounts (GoDaddy and Google). It should be noted that in pursuing  
28 outside service providers, the Receiver identified over 100 domain names registered

1 to the Defendants at website hosting company GoDaddy and over 160 e-mail  
2 accounts hosted by Google Business Apps. The Receiver engaged the services of  
3 AMA Networks ("AMA") to download and preserve all e-mail account records.

4 The Receiver also served attorneys, accountants, vendors, and other third  
5 parties with copies of the TRO and requested they preserve all electronic and other  
6 documents in their possession, custody or control as provided for in the TRO.

7 **E. Interviews with Employees, Assessing Business Operations**

8 While taking control of the Receivership Entities, the Receiver met with and  
9 interviewed employees, consultants, and others who were present at each location.  
10 In addition, CSC interviewed all golf course employees.

11 The Receiver also met with Xu and his counsel to review the company's  
12 operations as well as to identify and address the assets of the Receivership Entities.  
13 This interview lasted several hours, during which the Receiver primarily focused on  
14 identifying assets of the Receivership Entities that needed to be secured, as well as  
15 gaining understanding of past and present operations of the Receivership Entities.  
16 Among other things, these interviews confirmed information concerning funds  
17 transferred to Vincent Messina as well as a myriad of investments, loans, and  
18 transfers that had been identified by the Receiver.

19 Other than the two golf courses, the Receiver's initial investigation indicated  
20 that none of the Receivership Entities generated any revenue from business  
21 operations. Xu agreed during his interview that, other than with respect to the golf  
22 courses, letting the employees go would not negatively affect the value of the  
23 Receivership Assets. Accordingly, with the exception of the employees of the two  
24 golf courses, the Receiver decided not to retain any employees of the Receivership  
25 Entities.

26 **F. Furniture, Fixtures and Equipment**

27 The Receiver engaged a fine arts appraiser as well as a fine arts auction house  
28 to independently assess and provide an estimate of the Monrovia furniture and the

1 Pasadena Office artwork. Although Xu represented that these items are worth  
2 material sums, both fine arts experts independently estimated their value to be under  
3 \$10,000. Therefore, the Receiver plans to sell said items through the auction house  
4 as soon as reasonably practical. The Receiver also intends to proceed to maximize  
5 recovery of the general medical and office furniture, fixture and equipment  
6 recovered through sale/auction thereof.

7 **G. Affiliated Entities**

8 It appears that Xu was associated with a large number of companies in the  
9 United States and abroad, and the Receiver is continuing to investigate and locate  
10 companies affiliated with Xu and/or the Receivership Entities. Through her  
11 investigation and review of records and the Commission's filings, the Receiver has  
12 identified the following entities, which appear to be affiliated with Xu and/or the  
13 Receivership Entities:

- 14 • Agape Technology Ltd.
- 15 • Agape Technology, Inc.
- 16 • Alternate Light Technologies
- 17 • AXM Global, LLC
- 18 • Frequency Holdings, Inc. (possibly set up in connection with  
19 investment in Frequency Networks, Inc.)
- 20 • Fresh, Inc.
- 21 • Genergeia Inc.
- 22 • Global Holdings, Inc.
- 23 • Goldpointe Holdings, Inc.
- 24 • Harvard Global Institute, Inc.
- 25 • Joseph Global Institute, Inc.
- 26 • Kingdom Golf M&I, Inc.
- 27 • Kingdom Healthcare, Inc.
- 28 • Manna Technology Ltd.

- 1 • New World Marketing and Distribution
- 2 • Organic Farm Group Corp.
- 3 • Sam Xiao Hu Elite Global Consulting Co.
- 4 • Supercare Medical Group
- 5 • The Manna for All Foundation
- 6 • US Immigration Investment Assoc.
- 7 • Vantone International Holding, Inc.
- 8 • VIPStore USA Co.
- 9 • WCM Advisors Inc.
- 10 • WCM Art, Inc.
- 11 • World Cloud Media Inc.
- 12 • 12 Zodiacs, Inc. (possibly set up in connection with investment in 12
- 13 Zodiacs, Inc.), and
- 14 • 2-Track Global, Inc.

15 The Receiver continues to investigate the ties and relationships between these  
16 entities and the Defendants and secure their assets. If necessary, the Receiver will  
17 seek an order clarifying their status as subsidiaries or affiliates, and therefore  
18 Receivership Entities.

19 **H. Territorial Jurisdiction Over Receivership Assets**

20 By filing the Complaint and the TRO with other federal district courts in the  
21 United States, the territorial jurisdiction of this Court over receivership assets is  
22 extended to such districts. 28 U.S.C. § 754, *see also* Haile v. Henderson Nat'l Bank,  
23 657 Fed. 2d 816, 822 (6th Cir. 1981). Based on information obtained to date  
24 regarding property owned by Receivership Entities or in which they may have a  
25 security interest and in conformity with section 754 and federal law, the Receiver  
26 has filed the Complaint and the TRO in the United States District Courts for the  
27 Northern, Eastern, and Southern Districts of California, as well as the District of  
28 Nevada, the Western District of Louisiana, and all judicial districts in Texas. The

1 Receiver has also caused the Complaint and TRO to be recorded in the property  
2 records for each county in which the Receivership Entities are believed to own real  
3 property or have a security interest in real property. As additional information  
4 becomes available, the Receiver will file and record the Complaint and the  
5 appointment order in additional districts and counties.

6 **I. Investor Communications**

7 The Receiver has established a dedicated web page on her website, which  
8 provides case information, updates, and answers to frequently asked questions to  
9 investors and creditors. The Internet address for the webpage is  
10 [www.worldcapitalmarketreceivership.com](http://www.worldcapitalmarketreceivership.com). In addition, the Receiver is maintaining  
11 a dedicated e-mail address and telephone line for investor inquiries and regularly  
12 returns a significant volume of emails and phone calls from investors.

13 **J. Investor Database, Notices, and Claims Process**

14 Upon the Receiver's takeover and request for the Receivership Entities'  
15 investor database/records, the Receiver was repeatedly told by Xu and other  
16 personnel that the investor database was no longer in the possession of the  
17 Receivership Entities because it was transferred in the purported sale of WCM777 to  
18 a third party. A version of an investor database was ultimately provided by Xu;  
19 however, this database (reflecting approximately 479,330 member accounts) is  
20 missing a material amount of contact information, appears to be current only as of  
21 January 6, 2014 (with no new data beyond that date), and does not reflect detailed  
22 investment activity.

23 Additionally, through her investigation of web-based service providers, the  
24 Receiver was able to gain control over an account hosted by Liquid Web, which  
25 appears to contain various Structured Query Language (SQL) Databases that  
26 combine to make up investor data that may have been used to propel the online  
27 enterprise. In an effort to further understand the data contained in these SQL  
28 databases, the Receiver has had AMA review the databases and prepare queries.

1 The first step in these efforts has been to produce a schedule of investors. Thus far,  
2 the Receiver has identified more than 100,000 unique e-mail addresses associated  
3 with investors located throughout the United States and abroad. Early indications  
4 suggest this may only be a partial list of investors.

5 It should also be noted that on the day the Receiver served a notice on Liquid  
6 Web demanding control of the account, the staff at Liquid Web acknowledged that a  
7 person purporting to be Xu was also attempting to gain control of the account (the  
8 account had been temporarily suspended for non-payment, but a \$20,000 payment  
9 had just been made).

10 While the Receiver's efforts have resulted in recovery of what is believed to  
11 be an investor SQL database and some Quickbooks accounting data, in light of  
12 (a) the apparent lack of *comprehensive* investor data, (b) investor language barriers,  
13 and (c) investor confusion regarding amounts owed to them, an accounting of  
14 investor receipts and disbursements is necessary. Further, to efficiently contact all  
15 investors of the enterprise, the Receiver intends to hire a third party claims  
16 administrator with particular expertise in efficient communications with large  
17 classes of investors located around the world. As it is anticipated that these services  
18 will be significant, both in scope and expense, the Receiver intends to devise notice  
19 and claims procedures with the assistance of counsel. The Receiver will then ask  
20 the Court to approve the procedures, as well as the Receiver's engagement of the  
21 proposed claims administrator.

#### 22 **IV. POST-RECEIVERSHIP RECEIPTS AND DISBURSEMENTS**

##### 23 **A. Consolidated Cash Activity**

24 The following summary reflects the Receivership Entities' consolidated cash  
25 balance as of June 30, 2014:  
26  
27  
28

1	Manna Holding	\$ 1,545,700
2	Manna Source International	\$ 179,334
3	WCM Resources	\$ 1,276,875
4	To Pacific	\$ 207,950
5	World Capital Market	\$ 11,725,241
6	Kingdom Capital Market (non-golf)	\$ 3,783
7	Kingdom Capital Market (golf)	\$ 517,050
8	<b>Grand Total</b>	<b>\$ 15,455,933</b>

9 The following is a summary of the consolidated cash activity in the Receiver-  
 10 controlled Receivership Entities' bank accounts for the period from March 27, 2014  
 11 through June 30, 2014:

12	<b>TRO Account Cash Balance at 3/27/14<sup>6</sup></b>	<b>\$ 2,242,756</b>
13	Recovery – Horsman Law Firm	\$ 11,281,453
14	Recovery – First General Bank	\$ 1,502,355
15	Recovery – Defendant and Affiliate Accounts	\$ 419,862
16	Recovery – Third-Party	\$ 100,000
17	Recovery – Undisbursed Investor Funds	\$ 56,396
18	Recovery – Escrow Holdback	\$ 40,000
19	Recovery - Pasadena Office Security Deposit	\$ 10,455
20	Jointly Held Funds (Government Impact)	\$ 40,466
21	Other Misc. (Primarily Interest Income)	\$ 3,495
22	Golf Revenues	\$ 844,651
23	Golf Expenses	(\$ 1,037,214)

24  
 25  
 26 <sup>6</sup> The beginning Receiver-controlled cash balance is \$17,340 less than the  
 27 \$2,260.096 total TRO account balances at March 27, 2014, primarily due to Xu's  
 28 personal account balances (\$13,259), Citibank cashier's check not received until  
 July 2014 (\$3,084) and other items totaling less than \$1,000, the majority of  
 which is noted hereinafter.

1	Non-Golf Real Property Expenses	(\$ 56,624)
2	WCM One-Time Payroll & Related	(\$ 46,809)
3	WCM Moving & Storage	(\$ 11,928)
4	Other Miscellaneous Expenses	(\$ 1,668)
5	<b>Cash Book Balance at 6/30/14</b>	<b>\$ 15,387,646</b>

6 At June 30, 2014, outstanding checks totaled \$68,286 (\$5,684 for Manna  
7 Holding, \$981 for Kingdom Capital Market (non-golf) and \$61,621 Kingdom  
8 Capital Market (golf courses)), resulting in a bank cash balance of **\$15,455,933**.

9 **B. Cash Management**

10 Pursuant to the Order on Motion for Order in Aid of Receivership, the  
11 Receiver opened new accounts at three different banks, and closed the pre-  
12 receivership accounts, transferring the balance of funds into the new Receiver-  
13 controlled accounts. The Receiver also effectively insured approximately 85% of  
14 the receivership estate cash on hand, while also earning nominal interest thereon.

15 **C. Property Taxes**

16 The Receiver has ensured all real property and personal property (golf  
17 courses) tax payments have been made in a timely manner. Said payments include  
18 various supplemental tax payments due and payable in conjunction with the  
19 relatively recent purchases of the majority of the real properties. It should be noted  
20 that the Receiver had to pay both first and second half taxes on the Links at  
21 Summerly Golf Course, as the first installment was not paid when due on or before  
22 December 10, 2013.

23 **D. Insurance**

24 Upon appointment, with the exception of the two golf course properties, the  
25 Receiver obtained insurance coverage for the remainder of the real property assets,  
26 including fire and general liability. The Receiver never found evidence of insurance  
27 coverage for the real properties for which insurance was obtained, and Xu  
28

1 confirmed there was no coverage in place for the Walnut and Monrovia Properties.  
2 The Receiver verified the comprehensive golf course coverages are sufficient and  
3 has maintained said policies.

4 The Receiver has submitted an employee dishonesty claim to the pre-  
5 receivership To Pacific insurance policy relating to the misappropriation of funds by  
6 Vincent J. Messina. The Receiver has searched for E&O, D&O and other entity  
7 policies, but has not found any thus far.

## 8 V. PENDING LITIGATION

### 9 A. Lawsuit Against Tiger Liu

10 Prior to the Receiver's appointment, WCM777 filed a lawsuit against Zhi Liu  
11 aka Tiger Liu ("Tiger".) The Complaint alleges that Tiger, the CEO of WCM777  
12 Ltd., breached his fiduciary duty to and defrauded WCM. The Complaint describes  
13 WCM's business as internet cloud services with a membership referral model.  
14 Under that model, which was allegedly developed by Tiger, members activate the  
15 cloud product through the purchase of e-wallet points. Members can earn additional  
16 e-wallet points by referring other members. E-wallet points may be used for prize  
17 rewards and cash incentives. According to the Complaint, a secondary market  
18 developed where e-wallet points were sold for cash.

19 Tiger used this secondary market to implement his own fraudulent scheme.  
20 Tiger issued \$20 million in e-wallet points (1 e-wallet point is worth the equivalent  
21 of approximately \$1) and posted them to "strawman" accounts, then sold them on  
22 the secondary market. Tiger took the profits from these sales, without informing  
23 WCM or sharing the profits with them. The Complaint alleges that WCM is  
24 damaged by having to provide services, products, and compensation to members  
25 who purchased these points, even though WCM was never paid for the points. In  
26 addition, because the SEC is making WCM rescind the purchases by its members,  
27 but WCM never received money for the points sold by Tiger, WCM does not have  
28 the money to pay its members back. Finally, Tiger's scheme has cast a shadow on

1 the legitimacy of WCM. It is also alleged that Tiger started a competing company  
2 with the money he earned through his fraudulent scheme.

3 The Complaint alleges six causes of action: 1) Breach of Fiduciary Duty;  
4 2) Conversion; 3) Unjust Enrichment; 4) Fraud by Concealment; 5) Violations of  
5 Business & Professions Code section 17200; and 6) Constructive Trust. The case is  
6 presently at issue and a trial setting conference is set for November 19, 2014. The  
7 Receiver is investigating the allegations concerning Tiger's alleged sale of e-wallet  
8 points, the allegation that \$20 million was raised from investors, and the relationship  
9 of this group of investors to the present receivership and anticipates making a  
10 recommendation to this Court with regard to the merits of this lawsuit in the next  
11 3-4 months.

12 **B. Byun v. Dae Yang USA, Inc., et al.**

13 On or about April 5, 2013, an action was filed in the Los Angeles County  
14 Superior Court entitled *Byun v. Dae Yang USA, Inc., et al.*, Case No. BC505067.  
15 The complaint was filed by Tai Young Byun, a former employee of defendant Dae  
16 Yang USA, Inc. ("Dae Yang"), and raised a number of employment related claims  
17 including failure to pay wages and wrongful termination. On or about January 6,  
18 2014, plaintiff Byun amended the complaint to add WCM and KCM as Doe  
19 defendants.

20 Immediately upon her appointment, the Receiver sent a letter to Mr. Byun's  
21 counsel informing him of the receivership and providing a copy of this Court's  
22 March 27, 2014 Order enjoining the continued prosecution of any pending actions  
23 against the Receivership Entities. In response, Mr. Byun's counsel indicated that a  
24 notice of stay would be filed regarding WCM and KCM in the state action, and  
25 thereafter, a Notice of Stay of Proceedings was filed on April 10, 2014, staying the  
26 action as against WCM and KCM pursuant to this Court's Order. Around the same  
27 time, the Receiver sent a separate notice letter to counsel for the defendants in the  
28

1 proceeding, informing them of the receivership and this Court's March 27, 2014  
2 Order.

3 The Receiver's counsel has continued to monitor this proceeding, with the  
4 intention of negotiating a dismissal with prejudice as against WCM and KCM.  
5 Currently, trial in this action is scheduled to begin on November 3, 2014, and a final  
6 status conference has been set for October 24, 2014.

## 7 VI. RECOMMENDATIONS

8 As a general matter, the Receiver recommends the receivership continue and  
9 she be authorized to continue to marshal, preserve and protect the assets of the  
10 Receivership Entities, investigate and pursue recovery of transfers to third parties,  
11 gather financial records and conduct a forensic accounting, and carry out her other  
12 duties under the Court's Appointment Orders.

### 13 A. Document Recovery Efforts

14 As necessary, the Receiver will continue to obtain records from all financial  
15 institutions where the Receivership Entities maintained accounts as well as from  
16 attorneys and accountants engaged by the Receivership Entities. The Receiver has  
17 served subpoenas on certain institutions, individuals, and entities and proposes to  
18 proceed with these efforts to obtain documents, assets, and information. It may also  
19 be necessary to take the depositions of certain individuals to obtain a complete  
20 picture of the enterprise.

### 21 B. Receivership Asset Recovery Efforts and Investigation

22 The Receiver will seek to locate any presently unaccounted for receivership  
23 assets that may exist. As noted above, it is believed that certain assets may be  
24 located as the Receiver completes the forensic accounting for the enterprise. The  
25 Receiver also recommends exploring whether there are third parties who aided Xu  
26 in connection with this enterprise. As part of her investigation, the Receiver will  
27 evaluate whether such third parties should be liable for damages caused to the  
28

1 Receivership Entities and their investors. The Receiver will seek Court approval  
2 before pursuing any such claims.

3 **C. Accounting**

4 The Receiver has obtained a significant volume of bank records and records  
5 held by third parties; the Receiver will complete her accounting to establish, among  
6 other things, where the funds obtained by the Receivership Entities came from and  
7 where they went after they were received by the Receivership Entities.

8 **D. Repatriation of Overseas Assets**

9 In addition to the Receiver's counsel serving the TRO on HSBC Hong Kong,  
10 the Receiver will investigate what, if any, assets are located in overseas banks and  
11 institutions. The Receiver will then report to the Court and advise on proposed  
12 measures that may be taken in order to repatriate these assets.

13 **E. Maximize Value of Commercial and Residential Properties**

14 The Receiver will continue her efforts stabilize and to efficiently manage and  
15 maximize the value of all commercial and residential properties owned by the  
16 Receivership Entities and will seek Court approval of any and all proposed sales. It  
17 is becoming clear the challenges presented at the Lake Elsinore Golf Course are  
18 significant, thus the Receiver intends to continue to attempt to improve the quality  
19 of the course and operations while preparing for the sale process. The Receiver also  
20 recommends the New Cuyama Property in Santa Barbara County be listed with a  
21 qualified licensed broker, subject to Court approval of any sale via noticed motion.

22 **F. Propose Methods to Disseminate Information to Investors**

23 As discussed above, based upon the Receiver's recovery of what is believed to  
24 be the underlying enterprises' investor and transaction database, the Receiver will  
25 propose a process for providing notices to and communicating with investors, and  
26 ultimately administering the investor claim process. Approval of such process will  
27 be sought by noticed motion.

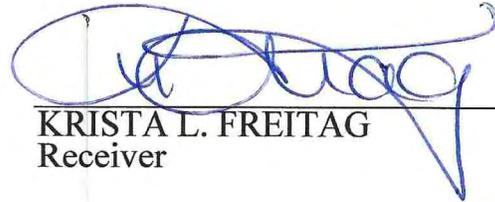
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**G. Quarterly Reports**

Pursuant to the June 10, 2014 Order, the Receiver will file, on a quarterly basis, interim reports and interim fee applications for herself and her counsel.

Dated: August 14, 2014

  
\_\_\_\_\_  
KRISTA L. FREITAG  
Receiver

Dated: August 14, 2014

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

By: /s/ Ted Fates

\_\_\_\_\_  
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KRISTA L. FREITAG