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9 **UNITED STATES DISTRICT COURT**
 10 **CENTRAL DISTRICT OF CALIFORNIA**
 11 **WESTERN DIVISION**
 12

13 SECURITIES AND EXCHANGE
 14 COMMISSION,

15 Plaintiff,

16 v.

17 WORLD CAPITAL MARKET INC.;
 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.
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Case No. CV-14-2334-CAS-MRW

**RECEIVER'S THIRD 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 cash, five (5) commercial and residential properties, and two (2) operating golf courses.

Other than the golf courses and funds raised from investors, the Receivership Entities did not generate revenue. 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. As described in more detail below, the Receiver continues to actively work to ascertain the purpose of the transfers and efficiently recover funds for the benefit of the receivership estate.

The Receiver also continues to communicate with investors and to interpret the Receivership Entities' investor database information in anticipation of a claims process proposal. The information recovered to date shows there are a large number of investors (currently believed to be in excess of 100,000) located around the world. Complicating factors for the claims process include (a) the large volume of investors located all over the world, (b) many investors did not invest directly with the Receivership Entities, (c) many investors did not 'register' with the Receivership Entities, and (d) many investors paid cash. In the absence of a perfectly or even well run registration and original investment process, the Receiver will work with the Court and counsel to formulate a plan to most efficiently distribute available funds to as many investors as possible (both domestic and foreign). To this end, the Receiver anticipates filing a motion seeking authority to engage a claims

1 administrator who can efficiently disseminate claims process information to
2 investors, maintain the database of investor contact and payment information, and,
3 at the appropriate time, assist in the process of paying distributions. Once investor
4 claims have been analyzed and approved (or disapproved, as applicable), the
5 Receiver's goal is to commence an interim distribution process during the second or
6 third quarter of 2015. The Receiver anticipates that sales of the golf courses, the
7 New Cuyama Property, the Lake Elsinore Property and the El Monte Warehouse
8 will be completed by that time.

9 The Receivership Entities did not keep accurate, complete books and records
10 of all their financial activities. More specifically, the Receiver was able to locate
11 Quickbooks records for certain but not all entities and bank accounts located, and
12 within the existing Quickbooks records, material amounts of receipts appeared to be
13 missing. Therefore, the Court-ordered forensic accounting is necessary to provide
14 accurate, complete information about the sources and uses of funds of the
15 Receivership Entities. Due to the size and complexity of the alleged scheme, the
16 number of affiliated entities and bank accounts, the high volume of transfers to,
17 from, and between Receivership Entities, and the lack of a thorough and centralized
18 accounting system, the forensic accounting project will take time to complete.

19 Thus far, Receiver's testing of the existing Quickbooks records to original
20 bank records has found that, while the Quickbooks' cash accounts mostly reconcile
21 to bank records, significant amounts of detail is in fact missing (primarily receipts
22 detail). Furthermore, at this point in the Receiver's forensic accounting analysis, the
23 lack of any revenue or operations other than the golf courses provides evidence that
24 generally supports the allegations in the First Amended Complaint. Further, the
25 Receiver will file Part One of her Forensic Accounting Report shortly. The forensic
26 accounting is critical for both analyzing investor claims and ensuring that all
27 available assets have been identified for recovery.

28

1 This report is preliminary and its contents may be modified after further
2 investigation and developments. It should be read in conjunction with the
3 Receiver's First and Second Interim Reports, which contain substantial background
4 and detail on assets recovered and secured. Dkt. Nos. 28, 129. The Receiver and
5 her professionals have made significant progress, but a substantial amount of work
6 remains.

7 II. SUMMARY OF RECEIVER'S ACTIVITIES

8 A. Cash Recoveries

9 Through the second quarter of 2014, the Receiver had recovered
10 approximately \$15.67 million associated with the Receivership Entities, and an
11 additional \$2.92 million had been placed in escrow pending further order of the
12 Court.

13 During the third quarter, the Receiver recovered an additional \$957,000 from
14 the sale of the Monrovia Property; \$2.92 million remained in escrow pending further
15 order of the Court. The escrowed funds consisted of approximately \$2.133 million
16 held in the trust account of Vincent Messina's counsel, \$750,000 held in the trust
17 account of Daniel John Lazarus' counsel, and approximately \$40,000 held by the
18 Receiver relating to Governmental Impact, Inc. and James Dantona. During the first
19 few days of the fourth quarter, the \$750,000 settlement payment was received from
20 Daniel John Lazarus, leaving approximately \$2.17 million in escrow.

21 B. Real Property

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

- 24 • 150 S. Los Robles Avenue, Suite 900, Pasadena, California (leased
25 office for various Receivership Entities), ("Pasadena Office"). This
26 lease was terminated and possession of the premises surrendered to the
27 landlord. The Receiver is currently working to sell the personal
28 property that was located at this office (which has been in storage).

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- 3620 Cypress Avenue, El Monte, California, (property owned by Receivership Entities and the location of the accounting and other operations for certain Receivership Entities), ("El Monte Warehouse"). The Receiver continues to use this secured and monitored warehouse space to store equipment, furniture, records, and other personal property owned by the Receivership Entities. The Receiver anticipates completing the sale of all the personal property by the end of the first quarter of 2015 and then commencing the sale of the real property by the end of the first quarter of 2015.
- 24400 Trilogy Parkway, Corona, California ("Glen Ivy Golf Course"). The Receiver has continued operations of this golf course as discussed further below.
- 29381 Village Parkway, Lake Elsinore, California (Golf Course known as "Links at Summerly"). The Receiver has continued operations of this golf course, although the water shortage has made it necessary to close the course on Mondays and Tuesdays. These issues are discussed further below.
- 16114 Grand Avenue, Lake Elsinore, California (single family residence) ("Lake Elsinore Property"). The property is currently in escrow. Once the buyer has removed its contingencies, the Receiver will seek Court approval of the sale, subject to overbid.
- 307 Elfwood Drive, Monrovia, California (single family residence) ("Monrovia Property"). This property was sold with Court approval and the net sale proceeds recovered were approximately \$957,000.
- 710 Arabian Lane, Walnut, California (single family residence) ("Walnut Property"). This property was sold with Court approval and the net sale proceeds recovered were in the amount of approximately

1 \$2,335,000. This amount is not included in the figures above because
2 the sale did not close until the fourth quarter (October 24, 2014).

3 • Wasioja Road, New Cuyama, Santa Barbara County, California (vacant
4 raw land) ("New Cuyama Property"). The Receiver has contacted the
5 broker who sold this property to KCM to better understand the location
6 and appurtenances thereon, and is currently interviewing prospective
7 brokers to proceed with a sale, subject to Court approval. The Receiver
8 will seek Court approval once terms have been agreed upon with a
9 buyer; the Receiver expects this marketing process will take some time.

10 *Glen Ivy & Links at Summerly Golf Courses*

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

23 1. *Glen Ivy Golf Course*

24 The Receiver, CSC, and the consultant have continued to work with the
25 homeowner's association related to this property ("Trilogy HOA") to attempt to
26 address systemic issues stemming from the parties' inherent divergent interests. The
27 Receiver expects these efforts to come to fruition in the fourth quarter of 2014, and
28 anticipates starting the formal sale process of this asset in the early stages of 2015.

1 The Receiver has also been in contact with the developer of the golf course
2 regarding issues related to certain habitat maintenance matters for sensitive species
3 at and around the golf course, as addressed in certain contracts and documents. The
4 Receiver has also been working with the third-party food and beverage/event
5 operator, whose lease had been terminated prior to the appointment of the Receiver
6 and effective July 24, 2014. The parties expect to sign a new lease agreement in
7 November 2014. The Receiver has also signed a new agreement for maintenance of
8 the golf course, in an attempt to improve expertise, resources, energy/utility
9 management and agronomy of the course.

10 The Receiver has also dealt with various accidents/safety incidents occurring
11 at the Golf Course prior to and during her time in control. On November 10, 2013, a
12 patron was allegedly injured in a golf cart accident; on or about October 15, 2014,
13 the Receiver received a copy of the Summons and Complaint for Damages related to
14 this alleged incident, which were filed against KCM on September 11, 2014 in the
15 Superior Court of California, County of Riverside. Through counsel, the Receiver
16 served upon the Plaintiff's counsel a copy of the Preliminary Injunction and a
17 demand for dismissal of the case. The Receiver also forwarded the Summons and
18 Complaint for Damages on to insurance. In May 2014, a severe wind event caused
19 a branch to fall on a patron's car in the parking lot. Later, in July 2014, a staff
20 member of the food and beverage operator borrowed a golf cart and crashed it into a
21 boulder. In each instance the Receiver has reported the event to insurance and
22 provided assistance as necessary to process the claims promptly. Most recently on
23 November 10, 2014, an employee of the third party food and beverage service
24 tripped and fell in the parking lot. A claim has been submitted to the insurance
25 carrier for the minor injuries.

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1 2. Links at Summerly Golf Course

2 The Receiver, CSC, and the consultant have been working with the local
3 municipality, the developer/prior owner, and the water district¹ to address a critical
4 water affordability and shortage issue, forcing CSC to use potable water to irrigate
5 the golf course. Historically, the golf course has fulfilled approximately 90% of its
6 annual irrigation needs from a source that was free, but that source has been
7 materially unavailable due to the severe drought in Southern California. Given
8 notable turf loss resulting in part from the water shortage and the water district's
9 inability to deliver recycled water to the golf course, the Receiver negotiated and
10 obtained a verbal offer from the water district to deliver potable water at the
11 contracted recycled water rates for the duration of 2014. The water district,
12 however, has only honored the tiered recycled water rates rather than the contracted
13 rate. The availability and cost of water necessary to irrigate and maintain the golf
14 course are major concerns that affect the viability of operations moving forward.
15 Due to the water issues and resulting monthly losses from operations, the Receiver
16 has been working aggressively to market and sell the golf course. The Receiver
17 hopes to reach terms with a buyer soon and will seek Court approval of the sale,
18 subject to overbid. The Receiver has also closed the course on Mondays and
19 Tuesdays, the two slowest days of the week for play on the course.

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

21 Through her investigation, interviews, forensic accounting and document
22 review, the Receiver has identified a large number of investments, loans, and other
23 transfers to third parties. As noted above, in the first quarter of 2014 alone, more
24 than \$17 million was transferred to at least 20 different third parties. The following
25 is a summary of updated information on transfers made to Relief Defendants and

26 _____
27 ¹ 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 other third parties the Receiver is actively investigating and pursuing. Note that the
2 Receiver is actively investigating and pursuing various other transfers; however, due
3 to lack of material changes to the information provided in the prior report, those
4 transfers are not included hereinafter.

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.² 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 currently
16 held by Diamex, Inc. ("Diamex") in its offices at 580 Fifth Avenue, New York, New
17 York ("Diamex Diamonds"). The Diamex Diamonds consist of what was originally
18 a 39.80-carat diamond that was sawn into two pieces, weighing approximately 17.25
19 carats and 10.54 carats respectively, and is currently held in a secure vault and
20 insured by Diamex pursuant to a joint stipulation pending further orders of this
21 Court. Docket Nos. 241, 242. Diamex contends it is owed for the value of its
22 services for sawing and polishing, including labor and materials, and provided some
23 invoices and receipts purporting to support its requested costs. The Receiver is
24 reviewing the documents to evaluate the validity of Diamex's claimed costs and will
25

26 ² PMX Jewels was formerly represented in this Action by Riley H. Ross, Esq., of
27 the Ross Legal Practice, LLC, and Benjamin N. Gluck and Ariel A. Neuman of
28 Bird Marella. These counsel have since withdrawn their representation
purportedly at the behest of Du Toit, citing Du Toit's inability to fund further
litigation. Docket Nos. 186, 220, 222, 227.

1 seek further orders from this Court regarding the disposition of the Diamex
2 Diamonds.

3 The Receiver is also investigating the existence of the second batch of
4 diamonds which, based on documents previously produced by PMX Jewels' former
5 counsel, appear to have been physically exported from Sierra Leone directly to
6 PMX Jewels in Hong Kong. The Receiver has not been able to confirm the
7 whereabouts of these diamonds and notes that the Statement of Assets filed by
8 PMX Jewels on June 12, 2014, lists as its only asset cash in an HSBC account in
9 Hong Kong of \$5,106.29. Dkt. No. 89.

10 The third batch of diamonds acquired with Receivership Entity funds was
11 apparently the subject of a prior lawsuit initiated by PMX Jewels for breach of
12 contract against Ruvanni, Inc. and its principals ("Ruvanni"), who had purportedly
13 agreed to purchase the diamonds, took delivery and failed to make the agreed-upon
14 payment. Without any prior notification to the Receiver, other owners of PMX
15 Jewels or this Court, PMX Jewels' former counsel stipulated to a voluntary dismissal
16 of this lawsuit without prejudice on September 15, 2014. Following the dismissal,
17 the Receiver's counsel immediately contacted Ruvanni's counsel to demand a return
18 of the diamonds or payment of the purchase price. Ruvanni's counsel refused the
19 demand and further claimed that Ruvanni is the victim of purported fraud
20 perpetrated by PMX Jewels and Du Toit. The Receiver is reviewing these
21 allegations and will seek further orders of this Court to pursue claims against
22 Ruvanni, if appropriate.

23 On November 14, 2014, based on PMX Jewels' failure to file any of the
24 required pre-hearing documents or participate in the evidentiary hearing, the Court
25 determined that PMX Jewels has no legitimate claim to the \$1.3 million it received
26 from Defendants.

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1 WCM Resources and Aeon Operating

2 The Receivership Entities' records and Xu indicated that \$4.3 million was
3 transferred to Relief Defendant WCMR. WCMR then invested some of these funds
4 in oil and gas leases in Texas and Louisiana and contracted with Aeon
5 Operating Inc., located in Texas ("Aeon"), to operate the leases. The Receiver
6 secured the approximately \$1.2 million remaining in the WCMR account upon her
7 appointment. The remainder of the funds had apparently been used to acquire and
8 operate the oil and gas leases.

9 The Receiver and her counsel have been in communication with Aeon and its
10 counsel to gather information about the leases and operations. However, the
11 information Aeon has produced remains incomplete. In particular, upon the
12 Receiver notifying Aeon that receivership estate funds would not be provided for
13 operations pending investigation of prospective asset value, Aeon has provided
14 minimal additional information which has been requested by the Receiver;
15 particularly documentation is lacking on the revenue side of the operations and/or
16 investments. As such, the Receiver has engaged a seasoned oil and gas professional
17 to help investigate and evaluate WCMR's interests with the goal of maximizing the
18 recovery therefrom. In the meantime, no further funding has been provided.

19 Vincent J. Messina, International Market Ventures

20 The full background regarding the \$5.2 million transferred to Vincent
21 Messina from the Receivership Entities is provided in the Receiver's Second Interim
22 Report as well as numerous other filings in the case. The Court held evidentiary
23 hearings on September 5 and 17, 2014. On October 8, 2014, the Commission and
24 Messina filed their respective post-hearing proposed findings of fact and
25 conclusions of law. On October 15, 2014, the Commission and Messina each filed
26 marked up copies of the opposing side's post-hearing proposed findings of fact and
27 conclusions of law. On November 14, 2014, the Court issued its Post-Hearing
28 Findings of Fact and Conclusions of Law as to Vincent J. Messina and International

1 Market Ventures. Dkt. No. 252. The Court concluded that Messina does not have a
2 legitimate claim to the \$5 million he received from ToPacific, Inc. and IMV does
3 not have a legitimate claim to the \$941,505 it received from Messina.

4 Robert Sensi

5 During the 60 days preceding the Receiver's appointment, Robert Sensi
6 received \$385,000 from the Receivership Entities for purported consulting services.
7 Specifically, the Receivership Entities made the following transfers to Sensi:

Date	Payor	Amount
2/3/14	ToPacific, Inc.	\$35,000
2/12/14	ToPacific, Inc.	\$40,000
2/20/14	ToPacific, Inc.	\$100,000
2/27/14	ToPacific, Inc.	\$120,000
3/10/14	To Pacific, Inc.	\$25,000
3/25/2014	WCM	\$65,000
Total		\$385,000

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17 Through her counsel, the Receiver contacted Sensi about the transfers in
18 April 2014. Sensi promptly engaged counsel, a former Assistant United States
19 Attorney, to represent him. Sensi, through his counsel, claimed he was hired by the
20 Receivership Entities to help handle complaints about the Ponzi scheme from
21 authorities in Peru, Taiwan, and Dubai. Sensi claims he used to work for the Central
22 Intelligence Agency and therefore had contacts in these locations.

23 Through her counsel, the Receiver contacted counsel for Defendant Ming Xu.
24 Through counsel, Xu stated Sensi knew the Receivership Entities were operating a
25 Ponzi scheme and was asked to help handle complaints received from foreign
26 authorities. The e-mail correspondences between Xu and Sensi confirm Sensi was
27 well aware that the Receivership Entities were accused of running a Ponzi scheme.

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1 In mid-February, an e-mail from Sensi presents an "On-Going Business Plan" after
2 the Ponzi scheme allegations.

3 The Receiver issued a subpoena to Sensi, through his counsel, requiring Sensi
4 to produce documents. On May 20, 2014, Sensi produced some documents,
5 including some e-mail communications and bank statements. Sensi did not produce
6 any agreement showing he was hired to perform services or any invoices for
7 services actually performed. Sensi claimed his agreement with WCM was oral and
8 no invoices were sent. Sensi also claimed some of the funds he received were
9 reimbursements for travel expenses. Accordingly, the Receiver demanded that
10 Sensi produce receipts reflecting the expenses he incurred. Sensi's counsel then
11 reported Sensi was going through serious medical issues and was unable to produce
12 documents or defend himself in the event of a lawsuit. The Receiver waited several
13 weeks until Sensi's counsel reported Sensi had recovered from his medical issues.
14 Since that time, however, Sensi still has not produced evidence of the expenses he
15 claims he incurred, or additional bank documentation to support: (a) numerous
16 transfers made to other bank accounts and/or (b) checks written on the account into
17 which the ToPacific and WCM funds were wired.

18 The Receiver demanded Sensi return the funds and offered to settle the
19 receivership estate's claims for \$335,000, subject to Court approval. Sensi rejected
20 the offer. Accordingly, on October 31, 2014, the Receiver filed a motion seeking
21 authority to proceed with an action against Sensi to recover the full \$385,000. The
22 Court granted the motion on November 20, 2014.

23 *Governmental Impact/James Dantona*

24 On August 19, 2014, the Receiver filed her motion for authority to pursue
25 claims against Governmental Impact, Inc. ("GII"), James Dantona, Zayda Aberin,
26 and ZHB International Corp. Dkt. No. 131. The motion was granted on
27 September 22, 2014. Dkt. No. 204.

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1 The Receiver filed her complaint on September 26, 2014. Case No. CV14-
2 07518 JFW (MRWx). GII and Dantona filed answers on October 20, 2014. On
3 November 4, 2014, the parties filed a Joint Rule 26(f) Report.

4 *BBPride, LLC/Jonathan Pollon/Stephen J. Huntsman*

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

13 The Receiver issued subpoenas to both Mr. Pollon and Mr. Huntsman.
14 Records indicate the project failed because the purported gold sellers from Kenya
15 were operating a scam and absconded with the funds. Mr. Pollon and
16 Mr. Huntsman do not dispute the validity of the loans, nor do they contest the
17 Receiver's right to recover the funds, which are now past due. They claim, however,
18 that from the \$200,000 loan, only \$193,000 was disbursed to them. Thus,
19 Mr. Pollon and Mr. Huntsman contend they are only responsible for repayment of
20 \$196,500 in the aggregate. They have indicated a willingness to repay the loans, but
21 claim they are unable to make payment in full given their current financial situation.

22 Accordingly, the Receiver originally made a proposal for Mr. Pollon and
23 Mr. Huntsman to repay the reduced amount of \$196,500 over a period of thirty-six
24 (36) months provided they sign a confession of judgment which the Receiver would
25 agree not to file with the court as long as the payments are timely made. After
26 several discussions through respective counsel, Mr. Pollon has proposed to repay
27 \$125,000 (a \$71,500 discount from the amount Mr. Pollon purports was actually
28 funded) on or before February 15, 2015. The Receiver believes this is the best

1 opportunity for recovery of these funds, thus is in the best interest of the
2 receivership estate and is currently working to document this arrangement for Court
3 approval.

4 AsiaWallet/EuroWallet/Marcus Almeida

5 Xu claimed that WCM owns 50% of a payment processor called AsiaWallet
6 or EuroWallet or e-wallet ("AsiaWallet"). A Share Purchase Agreement located in
7 the Receivership Entities' records indicates that AsiaWallet owed WCM \$4 million
8 and that WCM agreed to forgive the debt and contribute another \$760,000 to
9 AsiaWallet in order to acquire 50% of AsiaWallet's stock.

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

23 The Receiver continues to gather and analyze documents relating to transfers
24 to and from AsiaWallet and the sale of Kingdom Points by AsiaWallet. The
25 Receiver recently obtained records from Bank of America and Blackstone Merchant
26 Services, a payment processor used by AsiaWallet, and will be reviewing same in
27 the near term.

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1 *East of Byzantium II/Passing Lane Productions*

2 The Receivership Entities' records contained an Investor Documentary
3 Financing Agreement dated December 16, 2013 ("Financing Agreement") pursuant
4 to which WCM entered into an agreement with Passing Lane Productions, LLC,
5 Journey Pictures, LLC and East of Byzantium II, LLC (together, "Production
6 Companies") to finance the production of a documentary film entitled "East of
7 Byzantium: War Gods and Warrior Saints." Pursuant to the Financing Agreement,
8 WCM provided \$155,000 for the production while the Production Companies would
9 handle the organization, production, marketing and ultimate distribution of the film.
10 In exchange, WCM received rights to profits made from the documentary, following
11 payment of production fees and expenses, up to 120% of its initial investment, as
12 well as a right to share in the remaining profits after other investors are similarly
13 repaid for their contributions.

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

19 Following a series of calls with the Production Companies' representative and
20 their counsel, the Receiver and her counsel negotiated an amendment to the
21 Financing Agreement which added the Receiver as an authorized signatory to the
22 production bank account. The Receiver also filed a UCC-1 financing statement with
23 the California Secretary of State in order to secure the Receivership Entities' rights
24 and interests in the documentary as collateral for the investment.

25 As of November 2014, the Executive Producer reports they have strong
26 interest from several well-known networks and studios and plan to sell the project
27 by years' end. The Receiver will continue to monitor the production and
28 distribution of the film.

1 MaNa Fashion/JJ Sparkles/Yuanhao

2 ToPacific made a series of transfers totaling approximately \$2,000,000 to
3 MaNa Fashion, Inc. ("MaNa Fashion"), JJ Sparkles, Inc. ("JJ Sparkles") and
4 Yuanhao, Inc. ("Yuanhao"). The transfers each occurred on or around February 28,
5 2014, with \$1,000,000 going to MaNa Fashion and JJ Sparkles and Yuanhao each
6 receiving \$500,000. The Receiver discovered these entities are interrelated as their
7 public registrations with the California Secretary of State lists Sue Wang (who is
8 also named as the salesperson from MaNa Fashion) as agent for service of process
9 for both MaNa Fashion and JJ Sparkles, and Yuanhao's registered business address
10 matches that of JJ Sparkles. The Receiver also learned that Sue Wang is Defendant
11 Ming Xu's sister, although Ming Xu did not disclose this when the Receiver initially
12 inquired about the transfers to these entities.

13 The \$1,000,000 transfer to MaNa Fashion was for the purchase of certain
14 jeans, shorts, pants, and leggings ("Garments"). In early October, the Receiver's
15 counsel was contacted by counsel for Sue Wang regarding the Garments. The
16 Receiver inspected the Garments, which fill two 10' by 20' storage sheds. The
17 Receiver quickly determined that a bulk sale of the Garments prior to the holiday
18 season would maximize the sale price. On November 5, 2014, the Receiver sought
19 authority to sell the Garments via ex parte application. Dkt. No. 245. The
20 application was granted on November 6, 2014. Dkt. No. 247. The Receiver has
21 reached an agreement to sell the Garments for \$295,000. Thus far, a partial
22 payment of approximately \$245,000 has been received. The Garments will be
23 delivered to the buyer when the remaining \$50,000 is received.

24 The Receiver continues to investigate and pursue recovery of the remaining
25 amounts transferred to MaNa Fashion, JJ Sparkles, and Yuanhao. Sue Wang has not
26 been responsive to the Receiver's requests for documentation as to these transfers.
27 Accordingly, the Receiver plans to seek Court authority to pursue claims against
28 Sue Wang and the entities.

1 Manna Source International Product Purchases

2 The Receiver has identified nearly \$650,000 of payments made to five (5)
3 different vendors for various products Defendant Xu was attempting to amass as a
4 part of the nearly-launched Manna Source International scheme. The Receiver has
5 located the manufacturers of the products and is researching whether there is any
6 prospective sale of these products in their various stages of completion.

7 The Receiver is currently working to sell one of the nearly-completed
8 products, which accounted for over half of the \$650,000 worth of transfers. It is not
9 clear whether this sale will be successful, but the Receiver will continue to follow
10 up with the prospective buyer contact in the near term.

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

12 Immediately upon her appointment, the Receiver went to each of the locations
13 from which the Receivership Entities operated and took steps to take control over
14 computers and electronic devices located there, as well as any off-site electronic
15 records. By imaging all computers and hard drives, the Receiver was able to
16 preserve all e-mails, documents, and accounting information maintained on the
17 devices. In addition, the Receiver found numerous "thumb drives" and other
18 electronic storage devices which were also imaged in order to preserve the data
19 contained thereon.

20 **E. Furniture, Fixtures and Equipment**

21 The Receiver engaged a fine arts appraiser as well as a fine arts auction house
22 to independently assess and provide an estimate of the Monrovia furniture and the
23 Pasadena Office artwork. Although Xu represented that these items are worth
24 material sums, both fine arts experts independently estimated their value to be under
25 \$10,000. Therefore, the Receiver submitted her Motion, and on October 14, 2014,
26 the Court authorized the Receiver to sell all the personal property via auction. Dkt.
27 No. 231. The Receiver is in the process of starting to sell the personal property,
28 including the general medical and office furniture, fixture and equipment.

1 **F. Investor Communications**

2 The Receiver has established a dedicated web page on her website, which
3 provides case information, updates, and answers to frequently asked questions to
4 investors and creditors. The Internet address for the webpage is
5 www.worldcapitalmarketreceivership.com. In addition, the Receiver is maintaining
6 a dedicated e-mail address and telephone line for investor inquiries and regularly
7 returns a significant volume of emails and phone calls from investors.

8 On October 1, 2014, the Receiver also sent out an email blast (in English,
9 Mandarin and Spanish) to all known investors with a project update; this notice is
10 also posted to the Receivership Estate's webpage, and has prompted thousands of
11 investor responses.

12 **G. Investor Database, Notices, and Claims Process**

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

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

1 investments. Thus far, the Receiver has identified approximately 100,000 unique e-
2 mail addresses associated with investors located throughout the United States and
3 abroad. Early indications, based upon investor correspondence, suggest this may
4 only be a partial list of investors.

5 While the Receiver's efforts have resulted in recovery of what is believed to
6 be the investor SQL database and some Quickbooks accounting data, in light of
7 (a) the apparent lack of *comprehensive* and accurate investor data, (b) investor
8 language barriers, and (c) investor confusion regarding amounts owed to them, an
9 accounting of investor receipts and disbursements is believed to be necessary to
10 complete the investor claims and distribution. Further, to efficiently conduct a
11 claims process with all investors of the enterprise, the Receiver intends to seek
12 approval to hire a third-party claims administrator with particular expertise in
13 efficient communications and electronic payment/web-based database capabilities
14 with large classes of investors located around the world. As it is anticipated that
15 these services will be significant, both in scope and expense, the Receiver intends to
16 devise notice and claims procedures with the assistance of counsel. The Receiver
17 will then ask the Court to approve the procedures, as well as the Receiver's
18 engagement of the proposed claims administrator. The Receiver intends to file this
19 motion in the next 90 days.

20 Based on the accounting work performed to date, the Receiver believes it may
21 not be possible to account for all transfers in from and transfers out to each investor.
22 This is due to several factors, including that some investors paid cash, some
23 investors gave their money to a "leader" or sales agent, and some investors did not
24 register in any way with the Receivership Entities. Accordingly, the Receiver is
25 considering various claims analysis and distribution methodologies to address these
26 limitations, while providing for as fair and equitable a distribution as is reasonably
27 practicable under the circumstances.

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III. POST-RECEIVERSHIP RECEIPTS AND DISBURSEMENTS

A. Consolidated Cash Activity

The following summary reflects the Receivership Entities' consolidated cash balance as of September 30, 2014:

Manna Holding	\$ 1,500,497
Manna Source International	\$ 33,313
WCM Resources	\$ 1,277,197
World Capital Market	\$ 13,034,990
Kingdom Capital Market (non-golf)	\$ 302
Kingdom Capital Market (golf)	\$ 275,172
Grand Total	\$ 16,121,471

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

TRO Account Cash Balance at 3/27/14³	\$ 2,242,756
Recovery – Horsman Law Firm	\$ 11,281,453
Recovery – First General Bank	\$ 1,502,355
Recovery – Defendant and Affiliate Accounts	\$ 419,862
Recovery – Baseballers Against Drugs	\$ 100,000
Recovery – Undisbursed Funds Held by Global Payout	\$ 56,396
Recovery – Funds Left in Escrow from Failed Real Estate Purchase	\$ 40,000

³ The beginning Receiver-controlled cash balance is \$17,340 less than the \$2,260,096 total TRO account balances at March 27, 2014, primarily due to Xu's 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	Recovery – Pasadena Office Security Deposit	\$ 10,455
2	Recovery – Monrovia Property Net Sale	\$ 957,333
3	Proceeds	
4	Jointly Held Funds (Governmental Impact)	\$ 40,466
5	Other Misc. (Incl. Interest Income)	\$ 11,260
6	Golf Revenues	\$ 1,603,345
7	Golf Expenses	(\$ 2,240,167)
8	Non-Golf Real Property Expenses	(\$ 98,471)
9	WCM One-Time Payroll & Related	(\$ 46,809)
10	WCM Moving & Storage	(\$ 15,875)
11	Other Miscellaneous Expenses	(\$ 7,536)
12	Cash Book Balance at 9/30/14	\$ 15,856,823

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 14 At September 30, 2014, outstanding checks totaled \$264,648 (primarily
 15 Kingdom Capital Market (golf courses)), resulting in a bank cash balance of
 16 **\$16,121,471.**

17 **B. Cash Management**

18 Pursuant to the Order on Motion for Order in Aid of Receivership, the
 19 Receiver opened new accounts at three different banks and closed the pre-
 20 receivership accounts, transferring the balance of funds into the new Receiver-
 21 controlled accounts. The Receiver has also effectively insured the majority of the
 22 receivership estate cash on hand, while also earning nominal interest thereon.

23 **C. Property Taxes**

24 The Receiver has ensured all real property and personal property (golf
 25 courses) tax payments have been made in a timely manner. Said payments include
 26 various supplemental tax payments due and payable in conjunction with the
 27 relatively recent purchases of the majority of the real properties. It should be noted
 28 the Receiver had to pay both first and second half taxes on the Links at Summerly

1 Golf Course, as the first installment was not paid when due on or before December
2 10, 2013. The Receiver is also pursuing tax appeals on several of the receivership
3 assets.

4 **D. Insurance**

5 Upon appointment, with the exception of the two golf course properties, the
6 Receiver obtained insurance coverage for the remainder of the real property assets,
7 including fire and general liability. The Receiver never found evidence of insurance
8 coverage for the real properties for which insurance was obtained, and Xu
9 confirmed there was no coverage in place for the Walnut and Monrovia Properties.
10 The Receiver verified the comprehensive golf course coverages are sufficient, thus
11 maintained and in October 2014, combined (to realize cost savings) and renewed
12 said policies.

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

17 **IV. PENDING LITIGATION**

18 **A. Lawsuit Against Tiger Liu**

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

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1 to implement his own fraudulent scheme involving the sale of \$20 million in
2 e-wallet points.

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 transfers to and from the Receivership Entities and
8 Tiger as part of the Receiver forensic accounting. The Receiver will make a
9 determination whether to dismiss the action or perhaps amend the Complaint upon
10 the conclusion of the forensic accounting.

11 **V. RECOMMENDATIONS**

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

17 **A. Document Recovery Efforts**

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

25 **B. Receivership Asset Recovery Efforts and Investigation**

26 The Receiver will seek to locate any presently unaccounted for receivership
27 assets that may exist and will continue efforts to efficiently maximize recovery of
28 assets located, to the extent reasonably possible. The Receiver also recommends

1 exploring whether there are third parties who aided Xu in connection with this
2 enterprise. As part of her investigation, the Receiver will evaluate whether such
3 third parties should be liable for damages caused to the Receivership Entities and
4 their investors. The Receiver will seek Court approval before pursuing any such
5 claims.

6 **C. Accounting**

7 The Receiver has obtained a significant volume of bank records and records
8 held by third parties. The Receiver will complete her accounting to establish,
9 among other things, where the funds obtained by the Receivership Entities came
10 from and where they went after they were received by the Receivership Entities. As
11 noted above, the Receiver will shortly file Part One of her Forensic Accounting
12 Report.

13 **D. Repatriation of Overseas Assets**

14 To date, HSBC Hong Kong has not recognized the Court's TRO or PI Order.
15 Because very large sums went into the HSBC Hong Kong accounts, the Receiver
16 plans to engage Hong Kong counsel to domesticate the PI Order and demand the
17 production of account records from HSBC Hong Kong. The Receiver will then
18 report to the Court and advise on potential assets located in Hong Kong (or
19 elsewhere) and proposed measures to repatriate these assets.

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

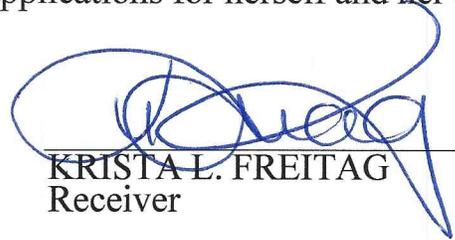
21 The Receiver will continue her efforts to stabilize, efficiently manage, and
22 maximize the value and/or potential recovery of all commercial and residential
23 properties owned by the Receivership Entities and will seek Court approval of
24 proposed sales. As noted above, the challenges presented at the Links at Summerly
25 golf course are significant, thus the Receiver has commenced the sale process and
26 will seek Court approval of the proposed sale. The Receiver also is working to
27 engage a qualified licensed broker to sell the New Cuyama Property in Santa
28 Barbara County.

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F. 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: November 26, 2014


KRISTA L. FREITAG
Receiver

Dated: November 26, 2014

ALLEN MATKINS LECK GAMBLE
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By: /s/ Ted Fates
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