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14 KRISTA L. FREITAG

15 UNITED STATES DISTRICT COURT
16 CENTRAL DISTRICT OF CALIFORNIA
17 WESTERN DIVISION

18 SECURITIES AND EXCHANGE
19 COMMISSION,

20 Plaintiff,

21 v.

22 WORLD CAPITAL MARKET INC.;
23 WCM777 INC.; WCM777 LTD. d/b/a
24 WCM777 ENTERPRISES, INC.; and
25 MING XU a/k/a PHIL MING XU,

26 Defendants,

27 KINGDOM CAPITAL MARKET, LLC;
28 MANNA HOLDING GROUP, LLC;
MANNA SOURCE INTERNATIONAL,
INC.; WCM RESOURCES, INC.;
AEON OPERATING, INC.; PMX
JEWELS, LTD.; TOPACIFIC INC.;
TO PACIFIC INC.; VINCENT J.
MESSINA; and INTERNATIONAL
MARKET VENTURES,

Relief Defendants.

Case No. 2:14-cv-02334-JFW-MRW

DECLARATION OF KRISTA L.
FREITAG IN SUPPORT OF MOTION
FOR APPROVAL OF SETTLEMENT
WITH DANIEL JOHN LAZARUS

Date: September 22, 2014
Time: 1:30 p.m.
Ctrm: 16
Judge: Hon. John F. Walters

1 I, Krista L. Freitag, declare:

2 1. I am the permanent receiver for Defendants World Capital Market Inc.,
3 WCM777 Inc., and WCM777 Ltd. d/b/a WCM777 Enterprises, Inc., Relief
4 Defendants Kingdom Capital Market, LLC; Manna Holding Group, LLC; Manna
5 Source International, Inc.; WCM Resources, Inc.; ToPacific Inc.; To_Pacific Inc.;
6 and their subsidiaries and affiliates (collectively, "Receivership Entities").

7 2. This declaration is made in support of my Motion for Approval of
8 Settlement with Daniel John Lazarus (the "Motion"). I have personal knowledge of
9 the facts set forth herein and, if called as a witness, could and would testify to such
10 facts under oath.

11 3. Pursuant to the terms of this Court's Temporary Restraining Order and
12 the laws governing federal equity receiverships, immediately upon my appointment
13 on March 27, 2013, I moved to investigate and secure the assets of the Receivership
14 Entities.

15 4. Based on my investigation, I discovered that a total of \$1,165,000 was
16 transferred from the Receivership Entities to Daniel John Lazarus ("Lazarus"),
17 during the 38 days preceding my appointment. The transfers were from accounts
18 held by ToPacific Inc. and World Capital Market Inc. by way of three wire transfers
19 to Lazarus' Deutsche Bank account in Germany as follows:

- 20 • \$500,000.00 on February 18, 2014;
- 21 • \$500,000.00 on February 24, 2014; and
- 22 • \$165,000.00 on March 7, 2014.

23 5. There are no contemporaneous documents in the Receivership Entities'
24 records to explain the purpose of these transfers, or any evidence to show that these
25 transfers were for a legitimate purpose or that any value was provided by Lazarus in
26 exchange.

27 6. As part of my investigation, I issued subpoenas, through my counsel, to
28 Lazarus for records pertaining to the above-transfers. Through my counsel, I also

1 sent subpoenas and letters to Deutsche Bank's parent company in Germany and its
2 domestic subsidiary here in the United States for records pertaining to the above-
3 transfers, and to request that the transferred funds be frozen pending my
4 investigation. Deutsche Bank in Germany did not respond and its United States
5 subsidiary responded that it has no control over the German account. However, the
6 records produced by Lazarus showed that of the amounts transferred, approximately
7 \$917,000 remained in his Deutsche Bank accounts as of May 8, 2014. Specifically,
8 the funds transferred to Lazarus were held in two accounts at Deutsche Bank, one in
9 U.S. dollars and the other in Euros. As of May 8, 2014, these accounts held
10 approximately \$845,000 USD and \$52,000 EUR. Given the USD to EUR exchange
11 rate on May 8, 2014 of \$1 to €0.7188, the total funds held in USD equivalent was
12 approximately \$917,000 on May 8, 2014.

13 7. Notwithstanding the lack of documentation, Lazarus contends the funds
14 were transferred to him for legitimate humanitarian causes and/or business ventures,
15 and that the balance of the funds transferred (approximately \$248,000) had already
16 been spent in connection therewith.

17 8. Through counsel, I then negotiated an agreement with Lazarus, subject
18 to Court approval, that Lazarus would return \$750,000 of the remaining funds and
19 would place such funds into escrow pending this Court's approval of the proposed
20 settlement. A true and correct copy of the settlement agreement memorializing the
21 terms of the settlement, which has been reviewed and approved by the parties and
22 their respective counsel, is attached hereto as Exhibit A.

23 9. After consulting with counsel and considering (a) the amount
24 remaining in Lazarus' German bank account when the agreement was reached
25 (\$917,000), (b) the costs the receivership estate would incur to litigate claims
26 against Lazarus, obtain a judgment, domesticate the judgment in Germany, and
27 obtain orders from a German court for turnover of the funds therein, and (c) the risk
28 the funds would be moved or spent between now and the time I could enforce the

1 German court order, I believe approval of the proposed settlement, which will
2 produce an immediate cash recovery of \$750,000, is in the best interests of the
3 receivership estate. Thus, I recommend and request the Court approve this proposed
4 settlement.

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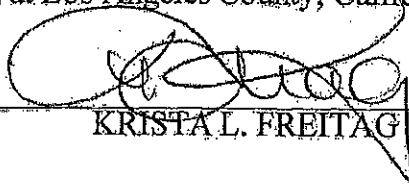
6 I declare under penalty of perjury under the laws of the State of California
7 that the foregoing is true and correct.

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Executed this 18th day of August, 2014, at Los Angeles County, California.

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KRISTA L. FREITAG

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EXHIBIT A

SETTLEMENT & RELEASE AGREEMENT

This SETTLEMENT & RELEASE AGREEMENT ("Agreement"), dated as of July 10th 2014, is made by and between KRISTA L. FREITAG ("Receiver"), in her capacity as Court-appointed permanent receiver for WORLD CAPITAL MARKET, INC., TOPACIFIC, INC., and their subsidiaries and affiliates, and DANIEL JOHN LAZARUS ("Lazarus").

RECITALS

A. On March 27, 2014, the Securities and Exchange Commission ("Commission") filed a Complaint in the United States District Court for the Central District of California ("District Court") against Defendants World Capital Market, Inc. ("WCM"), WCM777 Inc., WCM777 Ltd. d/b/a WCM777 Enterprises, Inc., Ming Xu a/k/a Phil Ming Xu, and Relief Defendants Kingdom Capital Market, LLC, Manna Holding Group, LLC, Manna Source International, Inc., WCM Resources, Inc., Aeon Operating, Inc., and PMX Jewels, Ltd. Concurrently with filing the Complaint, the Commission filed an Ex Parte Application for a Temporary Restraining Order, including the appointment of a temporary receiver for the entity defendants and relief defendants, with the exception of Aeon Operating, Inc. and PMX Jewels, Ltd.

B. The District Court granted the Ex Parte Application and entered the TRO on March 27, 2014, including appointment of the Receiver on a temporary basis. On April 10, 2014, the Court entered a Preliminary Injunction Order, including appointment of the Receiver on a permanent basis.

C. On May 7, 2014, the Commission filed a First Amended Complaint naming additional Relief Defendants Vincent Messina ("Messina"), International Market Ventures ("IMV"), ToPacific, Inc. ("ToPacific") and To Pacific, Inc. The Commission also sought an order freezing the assets of Messina and IMV and appointing the Receiver for ToPacific, Inc. and To Pacific, Inc. On May 21, 2014, the District Court entered the requested order.

D. In the 38 days preceding the Receiver's appointment on March 27, 2014, Lazarus received one transfer from WCM and two transfers from ToPacific totaling \$1,165,000 (the "Transfers") into a foreign bank account.

E. The Receiver has asserted claims against Lazarus for return of the Transfers. Lazarus has disputed the Receiver's claims and asserted he has a legitimate claim to the Transfers.

F. Subject to District Court approval of this Agreement, the Receiver and Lazarus have agreed to settle and resolve all disputes, and release all claims arising from the Transfers, under the terms and conditions provided herein.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged the undersigned agree as follows:

1. **Payment.** Upon entry of an order of the District Court approving this Agreement ("Approval Order"), Lazarus shall cause \$750,000 to be wired to a receivership account designated by the Receiver. The Receiver shall provide instructions for the wire transfer.

2. **Escrow.** Lazarus has deposited \$750,000 into an account maintained by his counsel, Spertus, Landes & Umhofer LLP ("SLU"). Such funds shall be held by SLU pursuant to the Escrow Agreement attached hereto as Exhibit A, pending entry of the Approval Order or other order of the District Court authorizing disbursement of the funds.

3. **Mutual Release.** The Receiver, on the one hand, and Lazarus on the other hand, and each of them, for themselves, their agents, employees, partners, directors, officers, successors and assigns, forever, irrevocably and unconditionally release and discharge one another, and their respective officers, directors, representatives, heirs, executors, administrators, receivers, successors, assigns, predecessors, agents, attorneys and employees, of and from any and all claims, demands, debts, obligations, liabilities, costs, expenses, rights of action, causes of action, awards and judgments arising from the Transfers, all of which are hereinafter called, "Released Claims."

Each of the Receiver and Lazarus acknowledges and agrees that the Released Claims may include claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected and further acknowledge that they may be presently unknown or unsuspected, and may be based upon hereafter discovered facts different from, or in addition to, those which they now know, or believe to be true. Nevertheless, the parties agree that the foregoing release shall be and remain effective in all respects, notwithstanding such different or additional facts, or the discovery thereof, and further hereby expressly waive and relinquish any and all rights provided in California Civil Code Section 1542 which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The Receiver and Lazarus expressly waive and release any rights and benefits that they have or may have under any similar law or rule of any other jurisdiction pertaining to the matters released herein. It is the intention of the parties through this Agreement and with the advice of counsel to fully, finally and forever settle and release the claims and disputes existing between them as provided herein, known or unknown. The releases herein given shall be and remain in effect as full and complete releases of all such matters notwithstanding the discovery of any additional claims or facts relating thereto.



4. Voluntary Signing. Each of the parties to this Agreement has executed this Agreement without any duress or undue influence.

5. Independent Counsel. Each of the parties acknowledge and agree that it has been represented by independent counsel of its own choice throughout all negotiations which preceded the execution of this Agreement, that it has executed and approved of this Agreement after consultation with said counsel, and that it shall not deny the validity of this Agreement on the ground that such party did not have the advice of legal counsel.

6. Governing Law and Venue. This Agreement shall in all respects be interpreted, enforced, and governed by and under the laws of California, and Federal Equity Receivership law, and subject to the exclusive jurisdiction of the United States District Court for the Central District of California.

7. Waiver/Amendment. No breach of any provision of this Agreement can be waived unless in writing. Waiver of any one breach of any provision of this Agreement is not a waiver of any other breach of the same or of any other provision of this Agreement. Amendment of this Agreement may be made only by written agreement signed by the parties.

8. Fax and Counterparts. This Agreement may be executed by fax and/or in counterparts and, if so executed, each fax and/or counterpart shall have the full force and effect of an original.

9. Attorneys' Fees and Costs. The parties hereto shall each bear their own costs and attorneys' fees incurred in connection with the negotiation and documentation of this Agreement, and the parties' efforts to obtain District Court approval thereof. If any proceeding, action, suit or claim is undertaken to interpret or enforce this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in connection with such dispute.



DANIEL JOHN LAZARUS

By: 
DANIEL JOHN LAZARUS

KRISTA L. FREITAG, COURT-APPOINTED
PERMANENT RECEIVER FOR WORLD
CAPITAL MARKET, INC., TOPACIFIC, INC.,
AND THEIR SUBSIDIARIES AND AFFILIATES

By: _____
KRISTA L. FREITAG, Receiver

EXHIBIT A

ESCROW AGREEMENT

THIS AGREEMENT is made as of the 10th day of July 2014, by and among Krista Freitag, Permanent Receiver for World Capital Market Inc.; WCM777 Inc.; WCM777 Ltd. d/b/a WCM777 Enterprises, Inc.; Kingdom Capital Market, LLC; Manna Holding Group, LLC; Manna Source International, Inc.; WCM Resources, Inc.; ToPacific, Inc.; To Pacific, Inc., and their subsidiaries and affiliates (the "Receiver"), Daniel John Lazarus (the "Escrower"), and Spertus, Landes & Umhofer LLP ("Escrow Agent").

WITNESSETH:

WHEREAS, the Receiver and Escrower have entered into a Settlement & Release Agreement, subject to District Court approval, pursuant to which Escrower has agreed to pay to the Receiver a total of \$750,000;

WHEREAS, the Receiver and Escrower desire to place the \$750,000 to be paid to the Receiver pending District Court approval of the Settlement & Release Agreement (the "Escrowed Funds") into escrow with the Escrow Agent, and

WHEREAS, Escrow Agent, which is counsel to Escrower, has agreed to act as the Escrow Agent for the Escrowed Funds all in accordance with and subject to the terms and conditions contained herein.

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

ARTICLE I

ESCROW; DISBURSEMENT OF FUNDS

1.1 Escrow. Escrower shall deliver a total of \$750,000, the Escrowed Funds, to the bank account of Escrow Agent to be held in escrow pursuant to the terms of this Agreement (upon receipt by the Escrow Agent, such funds shall be considered the "Escrowed Funds"). Escrow Agent shall hold the Escrowed Funds in trust and disburse the Escrowed Funds as set forth below.

1.2 Disbursements. The Escrowed Funds shall be held until an Order of the District Court is issued in the pending matter of *Securities and Exchange Commission v. World Capital Market Inc., et al.*, 2:14-cv-02334-JFW-MRW, approving the Settlement & Release Agreement or otherwise directing distribution of the Escrowed Funds.

1.3 Exclusive Function as Escrow Agent. Notwithstanding that Escrow Agent is counsel to the Escrower, the Escrow Agent is not acting under this Agreement as the attorney or agent of the Escrower. Rather, Escrow Agent is acting in an independent capacity. The Escrower expressly consents and agrees that the Escrow Agent's legal representation of the Escrower shall be limited to the extent that the Escrow Agent is not obligated to take any action that is inconsistent with the duties of the Escrow Agent hereunder. That means that (a) Escrow Agent will not comply with any instruction or demand that the Escrow Fund be disbursed in any

manner other than strictly as provided in this Agreement; and (b) Escrow Agent will not handle the Escrow Fund in any manner other than strictly as provided in this Agreement. Other than as expressly stated in this paragraph, Escrow Agent's duties and obligations as counsel to Escrower are unaffected by this Agreement.

ARTICLE II

MISCELLANEOUS

2.1 Termination. The Escrow Agent's obligations under this Agreement shall terminate immediately upon Escrow Agent's disbursement of the Escrowed Funds as described in Section 1.2. of this Agreement.

2.2 Entire Agreement. This Escrow Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, with respect to the subject matter hereof.

2.3 Governing Law. This Agreement is to be construed in accordance with and governed by the internal substantive law of the State of California regardless of the laws that might otherwise govern under principles of conflict of laws applicable thereto.

2.4 Indemnification of Escrow Agent. Escrow Agent acts hereunder as a depository for funds only, and in case of any suit or proceeding regarding this Agreement, the Escrower agrees to indemnify and hold harmless Escrow Agent from all loss, costs or damages incurred by it by reason of this Agreement or any action, claim or proceeding brought against the Escrow Agent arising out of or relating in any way to this Agreement or any transaction to which this Agreement relates, and to pay Escrow Agent upon demand all such costs, damages, fees and expenses so incurred.

2.5 Counterparts; Effectiveness. This Escrow Agreement may be executed in counterparts each of which shall be deemed an original and which counterparts together shall constitute one and the same instrument.

WHEREFORE, the parties have executed triplicate counterparts hereof, each of which shall constitute an original on or as of the date first set forth above.

Sperius, Landes & Umhofer LLP
Escrow Agent


Matthew Umhofer, Partner

Daniel John Lazarus
Escrower



Krista Freitag, Receiver