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

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.

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

**RECEIVER'S FOURTH 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 Ponzi scheme that is the subject of the First Amended Complaint filed by the Securities and Exchange Commission ("Commission"). This report covers the Receiver's activities during the fourth quarter of 2014. During this time, the Receiver made substantial cash recoveries from real estate sales and claims against third parties, continued to address operational challenges at the two golf courses and better position them for sale, and made substantial progress in her forensic accounting.

This report should be read in conjunction with the Receiver's First, Second, and Third Interim Reports, as well as the Receiver's Forensic Accounting Report, all of which contain substantial background and detail on assets recovered and secured. Dkt. Nos. 28, 129, 258 and 302. Effort has been made not to repeat the content of these prior reports.

II. SUMMARY OF RECEIVER'S ACTIVITIES

A. Cash Recoveries

During the fourth quarter of 2014, the Receiver recovered approximately \$2,335,000 from the sale of the Walnut Property, \$301,000 from the sale of personal property assets (primarily the MaNa Fashion garments discussed in more detail below), and \$750,000 from the Daniel John Lazarus settlement. Prior to the Lazarus settlement there had been approximately \$2.92 million held in escrow, including funds held in escrow by Vincent Messina's counsel, and the Lazarus settlement funds, and funds relating to James Dantona and Governmental Impact, Inc. After the Lazarus settlement funds were released from escrow, approximately \$2.17 million remained in escrow.

B. Real Property

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

- 1 • 150 S. Los Robles Avenue, Suite 900, Pasadena, California (leased
2 office for various Receivership Entities) ("Pasadena Office"). This
3 lease was terminated and possession of the premises surrendered to the
4 landlord. The Receiver has been selling and continues to sell the
5 personal property that was located at this office.
- 6 • 3620 Cypress Avenue, El Monte, California, (property owned by
7 Receivership Entities and the location of the accounting and other
8 operations for certain Receivership Entities) ("El Monte Warehouse").
9 The Receiver continues to use this secured and monitored warehouse
10 space to store equipment, furniture, records, and other personal
11 property owned by the Receivership Entities. The Receiver anticipates
12 completing the sale of substantially all of the personal property by the
13 end of April 2015. The Receiver is currently interviewing brokers and
14 anticipates engaging a broker in April/May 2015.
- 15 • 24400 Trilogy Parkway, Corona, California ("Glen Ivy Golf Course").
16 The Receiver has continued operations of this golf course as discussed
17 further below and is making preparations for the sale thereof. The
18 Receiver intends to start interviewing brokers for this property in
19 April/May 2015.
- 20 • 29381 Village Parkway, Lake Elsinore, California (Golf Course known
21 as "Links at Summerly"). The Receiver has continued operations of
22 this golf course, although the water shortage made it necessary to close
23 the course on Mondays and Tuesdays. As discussed further below, the
24 Receiver has been working diligently to sell this property; escrow has
25 been opened with a \$50,000 earnest money deposit and as of the date
26 hereof, contingencies have been removed. The Receiver filed a motion
27 seeking approval of the sale on April 6, 2015. Dkt. No. 320.

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- 1 • 16114 Grand Avenue, Lake Elsinore, California (single family
2 residence) ("Lake Elsinore Property"). Court approval for the sale of
3 this property has been received; the buyers are currently working to
4 satisfy final (and what have proven to be onerous) lender requirements
5 and the Receiver anticipates this sale will close by the end of
6 April 2015. Additionally, if the currently approved buyer is unable to
7 complete the sale, the Receiver does have an all cash backup offer.
- 8 • 307 Elfwood Drive, Monrovia, California (single family residence)
9 ("Monrovia Property"). This property was sold with Court approval
10 and the net sale proceeds recovered were approximately \$957,000.
- 11 • 710 Arabian Lane, Walnut, California (single family residence)
12 ("Walnut Property"). This property was sold with Court approval and
13 the net sale proceeds recovered were in the amount of approximately
14 \$2,335,000.
- 15 • Wasioja Road, New Cuyama, Santa Barbara County, California (vacant
16 raw land) ("New Cuyama Property"). Upon completing interviews of
17 several prospective brokers in early March 2015, the Receiver engaged
18 a broker for the sale of this property, subject to Court approval. The
19 Receiver will seek Court approval once terms have been agreed upon
20 with a buyer; the Receiver expects the marketing process will take
21 some time, but has been advised one offer may be forthcoming.

22 Glen Ivy & Links at Summerly Golf Courses

23 KCM purchased the Glen Ivy Golf Course and the Links at Summerly Golf
24 Course on September 10, 2013 and October 1, 2013, for \$6,500,000 and \$1,650,000,
25 respectively.

26 1. Glen Ivy Golf Course

27 The Receiver, the management company ("CSC"), and the golf course
28 consultant have dealt with several significant matters associated with this property,

1 including working with the homeowner's association related to this property
2 ("Trilogy HOA") to attempt to address systemic issues stemming from the parties'
3 inherent divergent interests, water feature failures and subsequent repairs, other
4 deferred maintenance matters, changeover of the property's water service provider,
5 reestablishing access to a secondary water source, and various other items. The
6 Receiver has also been contacted by the original developer of the golf course
7 regarding issues related to certain habitat maintenance matters for sensitive species
8 at and around the golf course, as addressed in certain contracts and documents. The
9 Receiver also negotiated and finalized a new lease with the third-party food and
10 beverage/event operator, whose lease had been terminated prior to the appointment
11 of the Receiver. The Receiver also signed a new agreement for maintenance of the
12 golf course, in an attempt to improve expertise, resources, energy/utility
13 management, and agronomy of the course.

14 The Receiver has dealt with various accidents/safety incidents occurring at
15 the golf course prior to and during her time in control, including the following:

- 16 • On November 10, 2013, a patron was allegedly injured in a golf cart
17 accident. On or about October 15, 2014, the Receiver received a copy
18 of the Summons and Complaint related to this alleged incident, which
19 was filed against KCM on September 11, 2014, in Riverside Superior
20 Court. Through counsel, the Receiver served on counsel for the patron
21 a copy of the Preliminary Injunction and a demand for dismissal of the
22 case.
- 23 • In May 2014, a severe wind event caused a branch to fall on a patron's
24 car in the parking lot.
- 25 • In July 2014, a staff member of the food and beverage operator
26 borrowed a golf cart and crashed it into a boulder.
- 27 • On November 10, 2014, an employee of the third-party food and
28 beverage service tripped and fell in the parking lot.

1 In each instance, the Receiver has reported the event to insurance and
2 provided assistance as necessary or required to process the claims promptly.

3 2. Links at Summerly Golf Course

4 As discussed in prior reports, the availability and cost of water necessary to
5 irrigate and maintain this golf course are major concerns that affect the viability of
6 operations. Due to the water issues and resulting monthly losses from operations,
7 the Receiver has been working aggressively to market and sell the golf course. The
8 Receiver has agreed on sale terms with a buyer and has filed a motion seeking Court
9 approval of the sale, subject to overbid.

10 Likewise, the Receiver has dealt with various accidents/safety incidents
11 occurring at the golf course, including the following:

- 12 • In July 2014, a patron fell into a below grade fire pit. Although the fire
13 pit was not lit, the patron sustained significant injuries. The insurance
14 claim process will likely continue beyond the sale of the golf course.
- 15 • In January 2015, a patron broke the arm-rest off a golf cart and cut
16 himself with the plastic. The patron declined medical attention and
17 continued play.
- 18 • In February 2015, an errant ball broke a patron's car window in the
19 parking lot.

20 In each instance, the Receiver has reported the event to insurance and
21 provided assistance as necessary or required to process the claims promptly.

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

23 Through her investigation, interviews, forensic accounting and document
24 review, the Receiver identified a large number of investments, loans, and other
25 transfers to third parties. In the first quarter of 2014 alone, more than \$17 million
26 was transferred to at least 20 different third parties. The following is a summary of
27
28

1 updated information on transfers made to Relief Defendants and other third parties
2 the Receiver is actively investigating and pursuing.¹

3 PMX Jewels and PMX Holdings

4 The full background regarding the \$1.3 million transferred to PMX Jewels
5 from the Receivership Entities is provided in the Receiver's Third Interim Report.
6 As previously reported, the Receiver located the product of one of the diamond
7 acquisitions currently held by Diamex, Inc. ("Diamex") in its offices at 580 Fifth
8 Avenue, New York, New York ("Diamex Diamonds"). The Diamex Diamonds
9 consist of what was originally a 39.80-carat diamond that was cut into two pieces,
10 weighing approximately 17.25 carats and 10.54 carats respectively, and is currently
11 held in a secure vault and insured by Diamex pursuant to a joint stipulation pending
12 further orders of this Court. Docket Nos. 241, 242. Diamex contends it is owed for
13 the value of its services for sawing and polishing, including labor and materials, and
14 provided some invoices and receipts purporting to support its requested costs. The
15 Receiver has reviewed the documents and is currently working on a settlement
16 agreement with Diamex to gain possession of the Diamex Diamonds. The Receiver
17 is also working with a master gemologist appraiser to properly transport, secure,
18 insure and ultimately finish, market and sell the Diamex Diamonds. When
19 appropriate, the Receiver will seek further orders from this Court regarding the
20 disposition of the Diamex Diamonds.

21 The Receiver has not been able to confirm the existence of or whereabouts of
22 an alleged second batch of diamonds (purportedly exported from Sierra Leone to
23 PMX Jewels in Hong Kong) and notes that the Statement of Assets filed by
24 PMX Jewels on June 12, 2014, lists as its only asset cash in an HSBC account in
25 Hong Kong of \$5,106.29. Dkt. No. 89.

26
27 ¹ Note, the Receiver is actively investigating and pursuing various other transfers,
28 including transfers identified through her forensic accounting; however, due to
ongoing investigation and lack of material changes to information provided in
prior reports, those transfers are not specifically discussed herein.

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

13 On November 14, 2014, based on PMX Jewels' failure to file any of the
14 required pre-hearing documents or participate in the evidentiary hearing, the Court
15 determined that PMX Jewels has no legitimate claim to the \$1.3 million it received
16 from Defendants. Further, on February 4, 2015, the Court ordered PMX Jewels to
17 disgorge \$1.3 million to the Receiver by February 17, 2015. No funds have been
18 received to date.

19 WCM Resources and Aeon Operating

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

27 The Receiver and her counsel have been in communication with Aeon and its
28 counsel to gather information about the leases and operations. The information

1 Aeon has provided is particularly lacking on the Davis-Callahan investment status
2 and the revenue side of the Cameron Parish operations. As such, the Receiver
3 engaged a seasoned oil and gas professional to help investigate and evaluate
4 WCMR's interests. The Receiver is now close to completing her investigation on
5 the underlying oil and gas investments and, based upon her findings, anticipates a
6 significant loss. In the meantime, no further funding has been provided.

7 Vincent J. Messina, International Market Ventures

8 The full background regarding the \$5.2 million transferred to Vincent
9 Messina from the Receivership Entities is provided in the Receiver's Second Interim
10 Report. The Court held evidentiary hearings on September 5 and 17, 2014. The
11 Court concluded that Messina does not have a legitimate claim to the \$5 million he
12 received from ToPacific, Inc. and IMV does not have a legitimate claim to the
13 \$941,505 it received from Messina. On February 4, 2015, the Court ordered
14 Messina to disgorge the full \$5 million to the Receiver by February 17, 2015, with
15 Messina and IMV jointly liable for \$941,505 of that amount. To date,
16 \$2.133 million has been transferred to the Receiver from the trust account of
17 Messina and IMV's counsel. No other amounts have been received.

18 Robert Sensi

19 During the 60 days preceding the Receiver's appointment, Robert Sensi
20 received \$403,000 from the Receivership Entities for purported consulting services.
21 The Receiver had demanded Sensi return the funds and offered to settle the
22 receivership estate's claims (then believed to be \$385,000) for \$335,000, subject to
23 Court approval. Sensi rejected the offer. Accordingly, on October 31, 2014, the
24 Receiver filed a motion seeking authority to proceed with an action against Sensi to
25 recover the full \$385,000. The Court granted the motion on November 20, 2014.
26 The Receiver originally reported a total of \$385,000; however, while completing the
27 forensic accounting, she discovered an additional \$15,000 payment via check to
28 Mr. Sensi as well as a wire amount which had been understated by \$3,000. On

1 March 11, 2015, the Court issued the Order on Joint Stipulation for Leave to File
2 First Amended Complaint. The Receiver filed her First Amended Complaint on
3 March 12, 2015, increasing the amount demanded to \$403,000.

4 *Governmental Impact/James Dantona*

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

9 The Receiver filed her complaint on September 26, 2014. Case No. CV14-
10 07518 JFW (MRWx). GII and Dantona filed answers on October 20, 2014. On
11 November 4, 2014, the parties filed a Joint Rule 26(f) Report.²

12 On Friday, March 6, 2015, GII, Dantona and the Receiver participated in a
13 mediation. On March 10, 2014, the Receiver filed a Joint Report to provide this
14 Court with an update on the results of the mediation, indicating the parties agreed to
15 continue settlement discussions and will meet again if necessary. Settlement
16 discussions have continued; however, due to Court deadlines, the Receiver has filed
17 a motion for summary judgment. If the parties reach settlement, the Receiver will
18 seek Court approval thereof.

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

20 As previously reported, WCM loaned approximately \$203,500 to Jonathan
21 Pollon, his company BBPride, LLC ("BBPride"), and Stephen J. Huntsman for the
22 purpose of purchasing "Alluvial Gold Dore Nuggets" from sources in Kenya. On
23 December 15, 2014, the Receiver, Mr. Pollon and Mr. Huntsman entered into a
24 Forbearance and Loan Modification Agreement whereby Mr. Pollon, BBPride and
25 Mr. Huntsman agreed to repay \$125,000 over a period of twelve (12) months. In the

26 _____
27 ² Aberin and ZHB have failed to respond to the Receiver's complaint and failed to
28 appear to defend this action. Their defaults were entered by the clerk of this
Court on February 24, 2015, and the Receiver will be filing an application for
entry of judgment against Aberin and ZHB.

1 event of default, the Forbearance Agreement included a Confession of Judgment,
2 which the Receiver can file with the Superior Court. The first payment due date was
3 February 15, 2015, and no payment was received. Mr. Pollon and Mr. Huntsman
4 have failed to cure the default and the Receiver is moving forward with entry of the
5 Confession of Judgment.

6 *East of Byzantium II/Passing Lane Productions*

7 As previously reported, WCM entered into a Financing Agreement dated
8 December 16, 2013 ("Financing Agreement") pursuant to which WCM provided
9 \$155,000 for the production of a documentary film. In exchange, WCM received
10 rights to profits made from the documentary, following payment of production fees
11 and expenses, up to 120% of its initial investment, as well as a right to share in the
12 remaining profits after other investors are similarly repaid for their contributions.

13 As of November 2014, the Executive Producer reported strong interest from
14 several well-known networks and studios and planned to sell the project by years'
15 end. In February 2015, the Executive Producer reported that their distributor
16 continues to pursue sales of the mini-series worldwide. The Receiver will continue
17 to monitor the production and distribution of the film.

18 *MaNa Fashion/JJ Sparkles/Yuanhao*

19 As previously reported, ToPacific made a series of transfers totaling
20 approximately \$2,000,000 to MaNa Fashion, Inc. ("MaNa Fashion"), JJ Sparkles,
21 Inc. ("JJ Sparkles") and Yuanhao, Inc. ("Yuanhao"). The transfers each occurred on
22 or around February 28, 2014, with \$1,000,000 going to MaNa Fashion and
23 JJ Sparkles and Yuanhao each receiving \$500,000. The Receiver discovered these
24 entities are interrelated and tied to Ming Xu's sister, Sue Wang.

25 The \$1,000,000 transfer to MaNa Fashion was purportedly for the purchase of
26 certain jeans, shorts, pants, and leggings ("Garments"). In early October, the
27 Receiver's counsel was contacted by counsel for Sue Wang regarding the Garments.
28 The Receiver inspected the Garments, which filled two 10' by 20' storage sheds.

1 The Receiver quickly determined that a bulk sale of the Garments prior to the
2 holiday season would maximize the sale price. On November 5, 2014, the Receiver
3 sought authority to sell the Garments via ex parte application. Dkt. No. 245. The
4 application was granted on November 6, 2014. Dkt. No. 247. The Receiver reached
5 an agreement and sold the Garments for \$295,000.

6 The Receiver continued to trace transfers to and from MaNa Fashion,
7 JJ Sparkles and Yuanhao, including issuing subpoenas to more than 25 related bank
8 accounts. Through this work, the Receiver discovered sufficient evidence to pursue
9 an asset freeze for real property held under the name of Ming Xu and Sue Wang's
10 mother, Xiaomei Deng. Dkt. No. 259. The Receiver's ex parte application was
11 granted on December 15, 2014. Dkt. No. 260. The Receiver then sought permission
12 to pursue claims against Sue Wang, Xiaomei Deng, and the related entities. The
13 Court granted the motion on January 22, 2015, and gave the Receiver 60 days to file
14 her complaint. Dkt. No. 273.

15 The Receiver has continued to investigate and gather documents regarding
16 transfers made to and from Sue Wang and the entities and bank accounts she
17 controls. The Receiver has discovered additional transfers, some of which led to the
18 purchase of real property – real property sold by Sue Wang in late December 2014.
19 The Receiver has also discovered additional transfers, some of which were used to
20 pay down mortgage debt on other real property owned by Sue Wang. The Receiver
21 is completing her forensic accounting of these transfers, is in discussions with Sue
22 Wang's counsel, and filed her Complaint on March 23, 2015. The Receiver sought
23 and obtained a freeze of two additional real properties owned by Sue Wang.

24 *Manna Source International Product Purchases*

25 The Receiver identified nearly \$650,000 of payments made to five (5)
26 different vendors for various products purchased as a part of the nearly-launched
27 Manna Source International scheme. The Receiver located the manufacturers of the
28 products and is researching whether there are any prospective buyers for these

1 products in their various stages of completion. The Receiver will continue efforts to
2 sell these products to recover as much as possible for the receivership estate.

3 *MycoTechnology, Inc.*

4 As previously reported, KCM purchased three convertible promissory notes
5 from MycoTechnology, Inc. ("MycoTechnology") for a total of \$1,050,000. The
6 market value of the underlying shares of MycoTechnology remains unclear, but the
7 Receiver is in discussions with the company regarding a possible discounted payoff
8 of the notes based on additional capital raises. The Receiver monitors the
9 company's activities and has also assumed a seat on the MycoTechnology board of
10 directors.

11 *Frequency Networks*

12 On or about August 12, 2013, KCM entered into an agreement to purchase a
13 number of series A preferred shares ("Stock Purchase Agreement") of Frequency
14 Networks, Inc. ("Frequency Networks"), a company engaged in providing for the
15 sharing of video via social media. Pursuant to the terms of the purchase, KCM paid
16 \$3,000,000 for approximately 7,000,000 shares in Frequency Networks, which
17 originally represented approximately 10.2% of the outstanding shares. The Receiver
18 has met with the company's executives, has assumed a seat on the Frequency
19 Networks board of directors, and is monitoring the company's activities to determine
20 how best to maximize the recovery from KCM's shares.

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

22 Immediately upon her appointment, the Receiver went to each of the locations
23 from which the Receivership Entities operated and took steps to take control over
24 computers and electronic devices located there, as well as any off-site electronic
25 records. By imaging all computers and hard drives, the Receiver was able to
26 preserve all e-mails, documents, and accounting information maintained on the
27 devices. In addition, the Receiver found numerous "thumb drives" and other
28 electronic storage devices which were also imaged in order to preserve the data

1 contained thereon. The Receiver has converted the images to a user-friendly hard
2 drive to help identify documents which can assist the Receiver in performing her
3 duties.

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

5 Pursuant to the Court's approval, the Receiver is in the process of selling the
6 personal property, including the general medical and office furniture, fixtures and
7 equipment. With the exception of one piece of medical equipment, the Receiver
8 expects the personal property sales will be substantially complete by the end of
9 April 2015.

10 **F. Investor Communications**

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

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

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

22 Upon the Receiver's takeover and request for the Receivership Entities'
23 investor database/records, the Receiver was repeatedly told by Xu and other
24 personnel that the investor database was no longer in the possession of the
25 Receivership Entities because it was transferred in the purported sale of WCM777 to
26 a third party. A version of an investor database was ultimately provided by Xu;
27 however, this database (reflecting approximately 479,330 member accounts) is
28 missing a material amount of contact information, appears to be current only as of

1 January 6, 2014 (with no new data beyond that date), and does not reflect detailed
2 investment activity.

3 Additionally, through her investigation of web-based service providers, the
4 Receiver was able to gain control over an account hosted by Liquid Web, which
5 appears to contain various Structured Query Language (SQL) databases that
6 combine to make up investor data that may have been used to propel the online
7 enterprise. In an effort to further understand the data contained in these SQL
8 databases, the Receiver has had AMA review the databases and prepare queries,
9 which the Receiver is in the process of studying for purposes of proposing an
10 investor claims process.

11 Because of the large volume of investors, in order to efficiently conduct a
12 claims process with all investors of the enterprise, the Receiver intends to seek
13 approval to hire a third-party claims administrator with particular expertise in
14 efficient communications and ultimately electronic payment/web-based database
15 capabilities with large classes of investors located around the world. As it is
16 anticipated that these services will be significant, both in scope and expense, the
17 Receiver intends to devise notice and claims procedures with the assistance of
18 counsel. The Receiver will then ask the Court to approve the procedures, as well as
19 the Receiver's engagement of the proposed claims administrator. While the
20 Receiver anticipated filing this motion by the end of February 2015, the investor
21 claims analysis has taken longer than expected due to the lack of detailed records
22 regarding investor deposits into foreign bank accounts and the complexity of
23 analyzing and reorganizing the back office database obtained from the outside web
24 hosting company for use in determining investor claims. The Receiver now
25 anticipates filing a motion for approval of the claims process before the end of
26 April 2015.

27 Based on the accounting work performed to date, the Receiver believes it may
28 not be possible to account for all transfers in from and out to each investor. This is

1 due to several factors, including: (a) many investors did not invest directly with the
 2 Receivership Entities, (b) many investors did not ‘register’ with the Receivership
 3 Entities, (c) many investors paid cash, and (d) integrity and consistency issues with
 4 investor names and contact information.

5 **III. POST-RECEIVERSHIP RECEIPTS AND DISBURSEMENTS**

6 **A. Consolidated Cash Activity**

7 The following summary reflects the Receivership Entities' consolidated cash
 8 balance as of December 31, 2014:

9 Manna Holding	\$ 310,202
10 Manna Source International	\$ 33,313
11 WCM Resources	\$ 1,277,518
12 World Capital Market ³	\$ 16,556,856
13 Kingdom Capital Market (non-golf - closed)	\$ 0
14 Kingdom Capital Market (golf)	\$ 152,841
15 Grand Total	\$ 18,330,730

16 The following is a summary of the consolidated cash activity in the Receiver-
 17 controlled Receivership Entities' bank accounts for the period from March 27, 2014
 18 through December 31, 2014:

19 TRO Account Cash Balance at 3/27/14	\$ 2,242,756
20 Recovery – Horsman Law Firm	\$ 11,281,453
21 Recovery – First General Bank	\$ 1,502,355
22 Recovery – Defendant and Affiliate Accounts	\$ 419,862
23 Recovery – Baseballers Against Drugs	\$ 100,000
24 Recovery – Undisbursed Funds Held by 25 Global Payout	\$ 56,396

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28 ³ Includes \$40,466 of jointly held Governmental Impact funds.

1	Recovery – Funds Left in Escrow from Failed	\$ 40,000
2	Real Estate Purchase	
3	Recovery – Pasadena Office Security Deposit	\$ 10,455
4	Recovery – Monrovia Property Net Sale	\$ 957,333
5	Proceeds	
6	Recovery – Walnut Property Net Sale	\$ 2,334,617
7	Proceeds	
8	Recovery – Lazarus Third-Party Transfer	\$ 750,000
9	Recovery – Personal Property Sale Proceeds	\$ 301,036
10	(includes garments)	
11	Jointly Held Funds (Governmental Impact)	\$ 40,466
12	Other Misc. (Incl. Interest Income)	\$ 18,585
13	Golf Revenues	\$ 2,307,613
14	Golf Expenses	(\$ 3,267,202)
15	Non-Golf Real Property Expenses	(\$ 127,183)
16	WCM One-Time Payroll & Related	(\$ 46,809)
17	WCM Moving & Storage	(\$ 21,305)
18	Other Miscellaneous Expenses	(\$ 19,625)
19	Receiver Legal Fees & Expenses	(\$ 378,557)
20	Receiver Fees & Expenses	(\$ 203,510)
21	Cash Book Balance at 12/31/14	\$ 18,298,736

23 As of December 31, 2014, outstanding checks totaled \$31,994 (Kingdom
 24 Capital Market (golf courses)), resulting in a bank cash balance of **\$18,330,730**.

25 **B. Cash Management**

26 Pursuant to the Order on Motion for Order in Aid of Receivership, the
 27 Receiver opened new accounts at three different banks and closed the pre-

1 receivership accounts, transferring the balance of funds into the new Receiver-
2 controlled accounts. The Receiver has also effectively insured the majority of the
3 receivership estate cash on hand, while also earning nominal interest thereon.

4 **C. Property Taxes**

5 The Receiver has ensured all real property and personal property (golf
6 courses) tax payments have been made in a timely manner. Said payments include
7 various supplemental tax payments which were due and payable in conjunction with
8 the relatively recent purchases of the majority of the real properties. It should be
9 noted the Receiver has paid current (including the first half 2014/2015 installment
10 due December 10, 2014) all taxes, and had to pay both first and second half
11 2013/2014 taxes on the Links at Summerly Golf Course, as the first installment was
12 not paid when due on or before December 10, 2013. The Receiver also paid the
13 second half 2014/2015 installment due April 10, 2015, and is also pursuing tax
14 appeals on several of the receivership assets.

15 **D. Insurance**

16 Upon appointment, with the exception of the two golf course properties, the
17 Receiver obtained insurance coverage for the remainder of the real property assets,
18 including fire and general liability. The Receiver never found evidence of insurance
19 coverage for the real properties for which insurance was obtained, and Xu
20 confirmed there was no coverage in place for the Walnut and Monrovia Properties.
21 The Receiver verified the comprehensive golf course coverages are sufficient, thus
22 maintained and in October 2014, combined (to realize cost savings) and renewed
23 said policies. As assets sell, the Receiver is pursuing reimbursement of the unused
24 premiums.

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

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IV. TAX RETURNS

The Receiver has obtained an extension to file tax returns for the receivership estate as a qualified settlement fund. She is also working to secure quotes from third-party tax specialists to efficiently address the tax return matters for the receivership estate and pre-receivership time periods, as deemed necessary. The Receiver intends to seek Court approval for engagement of a tax professional with her next interim report.

V. PENDING LITIGATION

A. Lawsuit Against Zhi Liu

Prior to the Receiver's appointment, WCM777 filed a lawsuit against Zhi Liu aka Tiger Liu. The Complaint alleges that Mr. Liu, the CEO of WCM777 Ltd., breached his fiduciary duty to and defrauded WCM. Based on the Receiver's review of the alleged claims, the interim results of her ongoing investigation, including the results of her recent forensic accounting, and the recommendations of her counsel, the Receiver does not believe there is sufficient evidence to support the claims alleged. As such, the Receiver has filed a dismissal of this state-court action, without prejudice, which dismissal was entered on February 10, 2015. The Receiver's investigation is ongoing and if she determines an action against Mr. Liu is appropriate, she will seek Court authority to proceed with such an action.

VI. RECOMMENDATIONS

As a general matter, the Receiver recommends the receivership continue and she be authorized to continue to marshal, preserve and protect the assets of the Receivership Entities, investigate and pursue recovery of transfers to third parties, gather financial records and complete her accounting for purposes of asset identification/recovery and the investor claims process, and carry out her other duties under the Court's Appointment Orders.

1 **A. Document Recovery Efforts**

2 As necessary, the Receiver will continue to obtain records from all financial
3 institutions where the Receivership Entities maintained accounts as well as from
4 attorneys and accountants engaged by the Receivership Entities. The Receiver has
5 served subpoenas on certain institutions, individuals, and entities and proposes to
6 proceed with these efforts to obtain documents, assets, and information. It may also
7 be necessary to take the depositions of certain individuals to obtain additional
8 information.

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

10 The Receiver will seek to locate any presently unaccounted for receivership
11 assets that may exist and will continue efforts to efficiently maximize recovery of
12 assets located, to the extent reasonably possible. The Receiver also recommends
13 exploring whether there are third parties who aided Xu in connection with this
14 enterprise. As part of her investigation, the Receiver will evaluate whether such
15 third parties should be liable for damages caused to the Receivership Entities and
16 their investors. The Receiver will seek Court approval before pursuing any such
17 claims.

18 **C. Repatriation of Overseas Assets**

19 To date, HSBC Hong Kong has not recognized the Court's TRO or PI Order;
20 however, through manual research of the estate's records, the Receiver has been
21 piecing together a significant amount of the detail. The Receiver believes obtaining
22 the HSBC Hong Kong documents may lead to the identification of fraudulent
23 transfers to third parties and identification of investor deposits and disbursements
24 necessary to determine investor claims and distributions. However, the cost of
25 tracing these funds overseas will be very expensive. Preliminary estimates are the
26 costs would exceed \$100,000 in overseas and domestic attorney fees, translation
27 costs and bank charges. If the Receiver considers this expense justifiable, she will
28 seek authorization to engage counsel in Hong Kong for the purpose of having the

1 Orders recognized in Hong Kong as necessary to obtain bank records from HSBC
2 Hong Kong.

3 **D. Maximize Value of Commercial and Residential Properties**

4 The Receiver will continue her efforts to stabilize, efficiently manage, and
5 maximize the value and/or potential recovery of all commercial and residential
6 properties owned by the Receivership Entities and will seek Court approval of
7 proposed sales. The Receiver also has engaged a qualified licensed broker to sell
8 the New Cuyama Property in Santa Barbara County, is preparing to interview
9 brokers for the Glen Ivy Golf Course and is interviewing brokers for the El Monte
10 Warehouse.

11 **E. Quarterly Reports**

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

15 Dated: April 21, 2015


KRISTA L. FREITAG
Receiver

18 Dated: April 21, 2015

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

20 By: /s/ Ted Fates

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KRISTA L. FREITAG