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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-JFW-MRW

**RECEIVER'S FIFTH 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 first quarter of 2015. During this time, the Receiver made substantial cash recoveries from claims against third parties, executed a purchase and sale agreement for The Links at Summerly golf course (which, pursuant to the Court-approval thereof, sold in May 2015), continued to address operational challenges at the Glen Ivy Golf Course and better position it for sale, and filed her forensic accounting report.

This report should be read in conjunction with the Receiver's four prior 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, 302, and 324. Effort has been made not to repeat the content of these prior reports.

II. SUMMARY OF RECEIVER'S ACTIVITIES

A. Cash Recoveries

During the first quarter of 2015, the Receiver recovered \$2.133 million from the escrow account of Vincent Messina's counsel and approximately \$10,000 from the sale of personal property. Prior to recovery of the funds in the Messina escrow, there had been approximately \$2.17 million held in escrow, including the Messina-related funds and funds relating to James Dantona and Governmental Impact, Inc. After the Messina-related funds were released from escrow, approximately \$40,000 remained in escrow (which was then recovered in May 2015 pursuant to the Court-approved settlement with Dantona and Governmental Impact as described below).

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:

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- 150 S. Los Robles Avenue, Suite 900, Pasadena, California (leased office for various Receivership Entities) ("Pasadena Office"). This lease was terminated and possession of the premises surrendered to the landlord. The Receiver has been selling the personal property located at this office, the vast majority of which has now been sold.
- 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 has continued to use this secured and monitored warehouse space to primarily store records, as she has completed the sale of substantially all of the personal property. The Receiver has interviewed (several), selected and engaged a broker for disposition of the warehouse and is now preparing it for sale.
- 24400 Trilogy Parkway, Corona, California ("Glen Ivy Golf Course"). The Receiver has continued operations of this golf course as discussed further below and is making preparations for the sale thereof. The Receiver has researched, requested proposals from four (4) qualified golf course brokers, and is in the process of reviewing the proposals submitted to her.
- 29381 Village Parkway, Lake Elsinore, California (Golf Course known as "Links at Summerly"). The Receiver continued operations of this golf course, although the water shortage made it necessary to close the course on Mondays and Tuesdays. On April 6, 2015, after extensive marketing efforts, the Receiver filed a motion seeking approval of a sale of the property for \$750,000 and the associated liquor license for \$25,000. Dkt. No. 320. The Court approved the sale on May 8, 2015. Dkt. No. 335. The sale of the real property closed on May 28, 2015.

- 1 The sale of the liquor license will close once the Alcoholic Beverage
2 Commission has approved the transfer.
- 3 • 16114 Grand Avenue, Lake Elsinore, California (single family
4 residence) ("Lake Elsinore Property"). The Court approved the sale of
5 this property and, after considerable delays by the buyers' lender, the
6 buyers finally closed the sale on May 7, 2015. The net sale proceeds
7 were approximately \$425,000.
 - 8 • 307 Elfwood Drive, Monrovia, California (single family residence)
9 ("Monrovia Property"). This property was sold with Court approval and
10 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. No offers have been received thus far and the Receiver
21 expects the marketing process will take some time.

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 at
8 and around the golf course, as addressed in certain contracts and documents. The
9 Receiver 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 the
15 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 a
21 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 provided
2 assistance as necessary or required to process the claims promptly.

3 2. Links at Summerly Golf Course

4 As discussed in prior reports, the Receiver worked aggressively to market and
5 sell the golf course. As noted above, during the second quarter of 2015, the sale was
6 approved by the Court and the sale transaction closed. The Receiver has dealt with
7 various accidents/safety incidents occurring at the Links at Summerly, including the
8 following:

- 9 • In July 2014, a patron fell into a below grade fire pit. Although the fire
10 pit was not lit, the patron sustained significant injuries. The insurance
11 claim process will likely continue beyond the sale of the golf course.

12 The Receiver has reported the event to insurance and provided assistance as
13 necessary or required to process the claims promptly.

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

15 Through her investigation, interviews, forensic accounting, and document
16 review, the Receiver identified a large number of investments, loans, and other
17 transfers to third parties. In the first quarter of 2014 alone, more than \$17 million
18 was transferred to at least 20 different third parties. The following is a summary of
19 updated information on transfers made to Relief Defendants and other third parties
20 the Receiver is actively investigating and pursuing.¹

21 PMX Jewels and PMX Holdings

22 The full background regarding the \$1.3 million transferred to PMX Jewels
23 from the Receivership Entities is provided in the Receiver's Third Interim Report.
24 As previously reported, the Receiver located the product of one of the diamond
25

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

1 acquisitions currently held by Diamex, Inc. ("Diamex") in its offices at 580 Fifth
2 Avenue, New York, New York ("Diamex Diamonds"). The Diamex Diamonds
3 consist of what was originally a 39.80-carat diamond that was cut into two pieces,
4 weighing approximately 17.25 carats and 10.54 carats respectively, and were held in
5 a secure vault and insured by Diamex pursuant to a joint stipulation pending further
6 orders of this Court. Docket Nos. 241, 242. Diamex contended it was owed for the
7 value of its services for sawing and polishing, including labor and materials, and
8 provided some invoices and receipts purporting to support its requested costs. The
9 Receiver reviewed the invoices and receipts provided by Diamex and negotiated a
10 reduced payment to Diamex in settlement of the claimed costs. The diamonds have
11 now been delivered to a master gemologist appraiser in Los Angeles to properly
12 transport, secure, insure and ultimately finish, market and sell the Diamex Diamonds.
13 In consultation with the master gemologist, the Receiver has contracted with a
14 diamond cutter in Los Angeles to polish and cut the diamonds. When appropriate,
15 the Receiver will seek further orders from this Court regarding the disposition of the
16 Diamex Diamonds.

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

22 The third batch of diamonds acquired with Receivership Entity funds was
23 apparently the subject of a prior lawsuit initiated by PMX Jewels for breach of
24 contract against Ruvanni, Inc. and its principals ("Ruvanni"), who had purportedly
25 agreed to purchase the diamonds, took delivery and failed to make the agreed-upon
26 payment. Without any prior notification to the Receiver, PMX Jewels' former
27 counsel stipulated to a voluntary dismissal of this lawsuit without prejudice on
28 September 15, 2014. Following the dismissal, the Receiver's counsel immediately

1 contacted Ruvanni's counsel to demand a return of the diamonds or payment of the
2 purchase price. Ruvanni's counsel refused the demand and further claimed that
3 Ruvanni is the victim of purported fraud perpetrated by PMX Jewels and Du Toit.
4 The Receiver is reviewing these allegations and will seek further orders of this Court
5 to pursue claims against Ruvanni, if appropriate.

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

12 *WCM Resources and Aeon Operating*

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

20 The Receiver and her counsel have been in communication with Aeon and its
21 counsel to gather information about the leases and operations. The Receiver is
22 working to complete her investigation on the underlying oil and gas investments.

23 *Vincent J. Messina, International Market Ventures*

24 The full background regarding the \$5.2 million transferred to Vincent Messina
25 from the Receivership Entities is provided in the Receiver's Second Interim Report.
26 After evidentiary hearings on September 5 and 17, 2014, the Court concluded
27 Messina does not have a legitimate claim to the \$5 million he received from
28 ToPacific, Inc. and IMV does not have a legitimate claim to the \$941,505 it received

1 from Messina. On February 4, 2015, the Court ordered Messina to disgorge the full
2 \$5 million to the Receiver by February 17, 2015, with Messina and IMV jointly
3 liable for \$941,505 of that amount. To date, \$2.133 million has been transferred to
4 the Receiver from the trust account of Messina and IMV's counsel. No other
5 amounts have been received.

6 Robert Sensi

7 During the 60 days preceding the Receiver's appointment, Robert Sensi
8 received \$403,000 from the Receivership Entities for purported consulting services.
9 The Receiver had demanded Sensi return the funds and offered to settle the
10 receivership estate's claims (then believed to be \$385,000) for \$335,000, subject to
11 Court approval. Sensi rejected the offer. Accordingly, on October 31, 2014, the
12 Receiver filed a motion seeking authority to proceed with an action against Sensi to
13 recover the full \$385,000. The Court granted the motion on November 20, 2014.
14 The Receiver originally reported a total of \$385,000; however, while completing the
15 forensic accounting, she discovered an additional \$15,000 payment via check to
16 Mr. Sensi as well as a wire amount which had been understated by \$3,000. On
17 March 11, 2015, the Court issued the Order on Joint Stipulation for Leave to File
18 First Amended Complaint. The Receiver filed her First Amended Complaint on
19 March 12, 2015, increasing the amount demanded to \$403,000. The disgorgement
20 action against Sensi is ongoing and the Receiver has propounded discovery requests,
21 completed Sensi's deposition, and has scheduled mediation. If mediation fails, the
22 Receiver anticipates filing a motion for summary judgment.

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 Through mediation and subsequent discussions regarding settlement, GII and
5 Dantona represented to the Receiver that their net worth is severely limited. Based
6 on these representations and the Receiver's review of GII and Dantona's financial
7 records provided to support their representations, the Receiver agreed, subject to
8 Court approval, to accept a total of \$135,000 in satisfaction of GII and Dantona's
9 obligations to the receivership estate. Pursuant to the agreement, \$135,000 would be
10 paid through one initial payment of \$75,000 (consisting of a release of the
11 approximately \$40,000 in funds previously deposited into escrow with the Receiver
12 and a cash payment of approximately \$35,000), and 60 consecutive monthly
13 payments of \$1,000 each. To secure the monthly payments, Dantona agreed to a lien
14 against his real property as part of the settlement and a deed of trust securing the
15 payments has since been recorded.

16 On April 23, 2015, the Receiver filed a motion for approval of settlement with
17 GII and Dantona. Dkt. No. 325. The Receiver's motion was granted by this Court on
18 April 30, 2015. Dkt. No. 332. GII and Dantona have since made payment to the
19 Receiver pursuant to the terms of the settlement and were dismissed from the action
20 on May 1, 2015.

21 Aberin and ZHB failed to respond to the Receiver's complaint and failed to
22 appear to defend this action. Their defaults were entered by the clerk of this Court
23 on February 24, 2015, and, upon the Receiver's motion, a default judgment was
24 entered against Aberin and ZHB on May 13, 2015 for \$325,000. Since the default
25 judgment was entered, the Receiver's counsel was contacted by counsel purporting to
26 represent Aberin and ZHB to discuss the judgment and possible settlement. While
27 these discussions are ongoing, the Receiver is continuing to evaluate the enforcement
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1 of judgment and will file a motion with this Court if settlement of the judgment is
2 appropriate.

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

4 As previously reported, WCM loaned approximately \$203,500 to Jonathan
5 Pollon, his company BBPride, LLC ("BBPride"), and Stephen J. Huntsman for the
6 purpose of purchasing "Alluvial Gold Dore Nuggets" from sources in Kenya. On
7 December 15, 2014, the Receiver, Mr. Pollon and Mr. Huntsman entered into a
8 Forbearance and Loan Modification Agreement whereby Mr. Pollon, BBPride and
9 Mr. Huntsman agreed to repay \$125,000 over a period of twelve (12) months. In the
10 event of default, the Forbearance Agreement included a Confession of Judgment,
11 which the Receiver can file with the Superior Court. The first payment due date was
12 February 15, 2015, and no payment was received. Mr. Pollon and Mr. Huntsman
13 failed to cure the default and the Receiver has obtained entry of the confessed
14 judgment against them by the Los Angeles Superior Court. The Receiver is now
15 taking steps to enforce the judgment.

16 *East of Byzantium II/Passing Lane Productions*

17 As previously reported, WCM entered into a Financing Agreement dated
18 December 16, 2013 ("Financing Agreement") pursuant to which WCM provided
19 \$155,000 for the production of a documentary film. In exchange, WCM received
20 rights to profits made from the documentary, following payment of production fees
21 and expenses, up to 120% of its initial investment, as well as a right to share in the
22 remaining profits after other investors are similarly repaid for their contributions.

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

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1 MaNa Fashion/JJ Sparkles/Yuanhao

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

8 The \$1,000,000 transfer to MaNa Fashion was purportedly for the purchase of
9 certain jeans, shorts, pants, and leggings ("Garments"). In early October, the
10 Receiver's counsel was contacted by counsel for Sue Wang regarding the Garments.
11 The Receiver inspected the Garments, which filled two 10' by 20' storage sheds. The
12 Receiver quickly determined that a bulk sale of the Garments prior to the holiday
13 season would maximize the sale price. On November 5, 2014, the Receiver sought
14 authority to sell the Garments via ex parte application. Dkt. No. 245. The
15 application was granted on November 6, 2014. Dkt. No. 247. The Receiver reached
16 an agreement and sold the Garments for \$295,000.

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

26 The Receiver continued to investigate and gather documents regarding
27 transfers made to and from Sue Wang and the entities and bank accounts she
28 controls. The Receiver has discovered additional transfers, some of which led to the

1 purchase of real property – real property sold by Sue Wang in late December 2014 –
2 and some of which were used to pay down mortgage debt on other real property
3 owned by Sue Wang. The Receiver also learned Sue Wang was involved in post-
4 receivership transfers to Ming Xu's father (Guojun Xu) and Ming Xu's former
5 counsel, The Volkov Group. The Receiver filed her Complaint on March 23, 2015.
6 The Receiver also sought and obtained a freeze of two additional real properties
7 owned by Sue Wang.

8 Sue Wang recently engaged new counsel. The Receiver is proceeding with
9 discovery while also attempting to reach a settlement. If a settlement can be reached,
10 the Receiver will seek Court approval thereof.

11 *MycoTechnology, Inc.*

12 As previously reported, KCM purchased three convertible promissory notes
13 from MycoTechnology, Inc. ("Myco") for a total of \$1,050,000. During the second
14 quarter of 2015, the Receiver was able to reach an agreement with Myco regarding a
15 restructure and payoff of the notes based on additional capital raises. The Receiver
16 moved for approval of the agreement on May 15, 2015. Dkt. No. 337. On June 2,
17 2015, the Court approved the Receiver's Motion.

18 *Frequency Networks*

19 On or about August 12, 2013, KCM entered into an agreement to purchase a
20 number of series A preferred shares ("Stock Purchase Agreement") of Frequency
21 Networks, Inc. ("Frequency Networks"), a company engaged in providing for the
22 sharing of video via social media. Pursuant to the terms of the purchase, KCM paid
23 \$3,000,000 for approximately 7,000,000 shares in Frequency Networks, which
24 originally represented approximately 10.2% of the outstanding shares. The Receiver
25 has met with the company's executives, has assumed a seat on the Frequency
26 Networks board of directors, has requested numerous documents, and is monitoring
27 the company's activities to determine how best to maximize the recovery from
28 KCM's shares.

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

2 Immediately upon her appointment, the Receiver went to each of the locations
3 from which the Receivership Entities operated and took steps to take control over
4 computers and electronic devices located there, as well as any off-site electronic
5 records. By imaging all computers and hard drives, the Receiver was able to
6 preserve all e-mails, documents, and accounting information maintained on the
7 devices. In addition, the Receiver found numerous "thumb drives" and other
8 electronic storage devices which were also imaged in order to preserve the data
9 contained thereon. The Receiver has converted the images to a user-friendly hard
10 drive to help identify documents which can assist the Receiver in performing her
11 duties.

12 **E. Investor Communications**

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

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

23 **F. Investor Database, Notices, and Claims Process**

24 On June 3, 2014, the Receiver filed a motion requesting that the Court
25 (1) approve the proof of claim process and proposed claim form, (2) set a claims bar
26 date by which all investor and creditor proofs of claim must be submitted to the
27 Receiver, and (3) authorize the Receiver to retain epiq Systems – Class Action &
28 Mass Tort Solutions, Inc. ("EPIQ") as claims administrator. Dkt. No. 341. On

1 July 13, 2015, the Court granted the Receiver's motion, including approval of EPIQ
 2 as claims administrator, and set the deadline to submit claims to the Receiver as
 3 November 9, 2015. Dkt. No. 354. The Receiver is currently working with EPIQ to
 4 implement phase one of the process and preparing to send notices and instructions
 5 for submitting claims to investors and other creditors.

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

7 **A. Consolidated Cash Activity**

8 The following summary reflects the Receivership Entities' consolidated cash
 9 balance as of March 31, 2015:

| | |
|---|---------------------|
| 10 Manna Holding | \$134,778 |
| 11 Manna Source International | 33,313 |
| 12 WCM Resources | 1,277,833 |
| 13 World Capital Market ² | 18,671,116 |
| 14 Kingdom Capital Market (non-golf - closed) | 0 |
| 15 Kingdom Capital Market (golf) | 136,237 |
| 16 Grand Total | \$20,253,277 |

17 The following is a summary of the consolidated cash activity in the Receiver-
 18 controlled Receivership Entities' bank accounts for the period from March 27, 2014
 19 through March 31, 2015:

| | |
|--|--------------------|
| 20 TRO Account Cash Balance at 3/27/14 | \$2,242,756 |
| 21 Recovery – Horsman Law Firm | 11,281,453 |
| 22 Recovery – First General Bank | 1,502,355 |
| 23 Recovery – Defendant and Affiliate Accounts | 419,862 |
| 24 Recovery – Baseballers Against Drugs | 100,000 |

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 26
 27 ² Includes \$40,466 of jointly held Governmental Impact funds which were later
 28 recovered pursuant to the Court-approved settlement.

| | | |
|----|--|---------------------|
| 1 | Recovery – Undisbursed Funds Held by Global Payout | 56,396 |
| 2 | Recovery – Funds Left in Escrow from Failed Real Estate Purchase | 40,000 |
| 3 | Recovery – Pasadena Office Security Deposit | 10,455 |
| 4 | Recovery – Monrovia Property Net Sale Proceeds | 957,333 |
| 5 | Recovery – Walnut Property Net Sale Proceeds | 2,334,617 |
| 6 | Recovery – Lazarus Third-Party Transfer | 750,000 |
| 7 | Recovery – Personal Property Sale Proceeds (includes garments) | 310,712 |
| 8 | Recovery – Vincent J. Messina Transfer | 2,133,214 |
| 9 | Jointly Held Funds (Governmental Impact) | 40,466 |
| 10 | Other Misc. (Incl. Interest Income) | 40,468 |
| 11 | Golf Revenues | 3,013,250 |
| 12 | Golf Expenses | (4,024,920) |
| 13 | Non-Golf Real Property Expenses | (146,318) |
| 14 | WCM One-Time Payroll & Related | (46,809) |
| 15 | WCM Moving & Storage | (21,335) |
| 16 | Other Miscellaneous Expenses | (22,172) |
| 17 | Receiver Legal Fees & Expenses | (378,557) |
| 18 | Receiver Fees & Expenses | (380,503) |
| 19 | Cash Book Balance at 03/31/15 | \$20,212,723 |

22 As of March 31, 2015, outstanding checks totaled \$40,554 (Kingdom Capital
 23 Market (golf courses)), resulting in a bank cash balance of **\$20,253,277**.

24 **B. Cash Management**

25 Pursuant to the Order on Motion for Order in Aid of Receivership, the
 26 Receiver opened new accounts at three different banks and closed the pre-
 27 receivership accounts, transferring the balance of funds into the new Receiver-
 28

1 controlled accounts. The Receiver has also effectively insured the majority of the
2 receivership estate cash on hand, while also earning nominal interest thereon.

3 **C. Property Taxes**

4 The Receiver has ensured all real property and personal property (golf courses)
5 tax payments have been made in a timely manner. Said payments include various
6 supplemental tax payments which were due and payable in conjunction with the
7 relatively recent purchases of the majority of the real properties. The Receiver has
8 paid current all taxes and is also pursuing tax appeals on several of the receivership
9 assets.

10 **D. Insurance**

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

20 The Receiver has submitted an employee dishonesty claim to the pre-
21 receivership To Pacific insurance policy relating to the misappropriation of funds by
22 Vincent J. Messina and Defendant Xu, and on May 27, 2015, Receiver's counsel
23 made demand for payment thereon. The Receiver has searched for E&O, D&O and
24 other entity policies, but thus far has not found any.

25 **IV. TAX RETURNS**

26 The Receiver has obtained an extension to file tax returns for the receivership
27 estate as a qualified settlement fund. She has also obtained quotes from qualified
28 third-party tax specialists to efficiently address the tax return matters for the

1 receivership estate and pre-receivership time periods, as deemed necessary. The
2 Receiver has a quote, which does not exceed \$15,000, for all third-party tax return
3 work for the period through December 31, 2014, and expects each year's return
4 thereafter for the qualified settlement fund will not exceed \$5,000. Considering the
5 relatively modest amount of fees involved, the Receiver recommends and requests
6 authority to pay the tax specialist's fees, provided they are within the above
7 parameters, without further Court approval.

8 **V. RECOMMENDATIONS**

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

15 **A. Document Recovery Efforts**

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

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

24 The Receiver will seek to locate any presently unaccounted for receivership
25 assets that may exist and will continue efforts to efficiently maximize recovery of
26 assets located, to the extent reasonably possible. The Receiver also recommends
27 continuing to explore whether there are third parties who aided Xu in connection
28 with this enterprise. The Receiver will continue to evaluate whether such third

1 parties should be liable for damages caused to the Receivership Entities and their
2 investors. The Receiver will seek Court approval before pursuing any such claims.

3 **C. Repatriation of Overseas Assets**

4 To date, HSBC Hong Kong has not recognized the Court's TRO or PI Order;
5 however, through manual research of the estate's records, the Receiver has pieced
6 together a significant amount of detail. The Receiver believes obtaining the HSBC
7 Hong Kong account records may lead to the identification of fraudulent transfers to
8 third parties and identification of investor deposits and disbursements necessary to
9 determine investor claims and distributions. However, the cost of obtaining these
10 documents and tracing these funds overseas will be very expensive. Preliminary
11 estimates are the costs would exceed \$100,000 in overseas and domestic attorney
12 fees, translation costs, and bank charges. If the Receiver considers this expense
13 justifiable, she will seek authorization to engage counsel in Hong Kong for the
14 purpose of having the Orders recognized in Hong Kong as necessary to obtain
15 records from HSBC Hong Kong.

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

17 The Receiver will continue her efforts to stabilize, efficiently manage, and
18 maximize the value and/or potential recovery of all properties owned by the
19 Receivership Entities and will seek Court approval of proposed sales. The Receiver
20 will also proceed with efforts to market and sell the New Cuyama Property in Santa
21 Barbara County, the Glen Ivy Golf Course and the El Monte Warehouse.

22 **E. Quarterly Reports**

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

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Dated: July 20, 2015



KRISTA L. FREITAG
Receiver

Dated: July 20, 2015

ALLEN MATKINS LECK GAMBLE
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By: /s/ Ted Fates

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KRISTA L. FREITAG