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11
12 **UNITED STATES DISTRICT COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**
14 **WESTERN DIVISION**

15 SECURITIES AND EXCHANGE
COMMISSION,

16 Plaintiff,

17 v.

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

21 Defendants,

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

27 Relief Defendants.
28

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

**RECEIVER'S ELEVENTH INTERIM
REPORT**

Ctrm: 16
Judge: Hon. John F. Walter

1 **I. EXECUTIVE SUMMARY**

2 This equity receivership involves a large, complex, and wide ranging group of
3 enterprises and assets associated with the Ponzi scheme that is the subject of the First
4 Amended Complaint filed by the Securities and Exchange Commission
5 ("Commission"). This report covers the Receiver's activities during the third quarter
6 of 2016, during which time, having obtained approvals and authorization from the
7 Court, the Receiver primarily focused on (a) executing Phase II of the investor
8 claims process, (b) preparing to report on results of Phase II of the investor claims
9 process, (c) finalizing efforts to resolve two receivership assets/claims - collection on
10 the Sue Wang, *et al.* and Zayda Aberin/ZHB International Corp. matters (related to
11 the James Dantona/Governmental Impact matter), (d) efforts to sell the Diamex
12 Diamonds, and (e) efforts to close the sale on the one remaining real property asset –
13 the New Cuyama Property.

14 This report should be read in conjunction with the Receiver's 10 prior interim
15 reports, as well as the Receiver's Forensic Accounting Report, all of which contain
16 substantial background and detail on assets recovered and secured. Dkt. Nos. 28,
17 129, 258, 302, 324, 359, 376, 404, 443, 449, and 463. Effort has been made not to
18 repeat the content of these prior reports.

19 **II. SUMMARY OF RECEIVER'S ACTIVITIES**

20 **A. Cash Recoveries**

21 During the third quarter of 2016, the Receiver recovered the \$1,075,000
22 balance due from the Court-approved settlement with Sue Wang, *et al.*, and the
23 initial \$5,000 due from the Court-approved settlement with Zayda Aberin/ZHB
24 International Corp. The Receiver also made progress toward the sale of the Santa
25 Barbara Property and collection of the Glen Ivy water deposit.

26 **B. Real Property**

27 During the third quarter of 2016, the Receiver continued to manage the
28 Wasioja Road, New Cuyama, Santa Barbara County, California (vacant raw land)

1 property. As previously discussed, in the first quarter 2015, the Receiver engaged a
2 broker for the sale of this property, subject to Court approval. To help improve the
3 marketability of the property, the Receiver engaged a water management company to
4 investigate the site wells in order to offer an opinion as to the suitability of the wells
5 to provide water for agricultural and various other purposes. During the third quarter
6 of 2016, the Receiver filed her motion for approval of the sale (Dkt. No. 468), which
7 was approved by the Court on September 28, 2016 (Dkt. No. 473). The sale closed
8 in October 2016.

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

10 Through her investigation, interviews, forensic accounting, and document
11 review, the Receiver identified a large number of investments, loans, and other
12 transfers to third parties. The following is an updated summary of work performed
13 to pursue certain claims and maximize the value of assets recovered.

14 *PMX Jewels and PMX Holdings*

15 The full background regarding the \$1.3 million transferred to PMX Jewels
16 from the Receivership Entities is provided in the Receiver's Third Interim Report.
17 As discussed in the Receiver's Ninth Interim Report, a master gemologist appraiser
18 researched several disposition options, to no avail, for the flawed Diamex Diamonds.
19 Ultimately, the Receiver received a small offer from one individual for the stones in
20 their as-is state. Although the offer is small, significant effort was made to generate
21 a recovery from the diamonds and it became clear additional time and expense would
22 not produce a greater recovery. Therefore, in the third quarter of 2016, the Receiver
23 filed a motion for approval of the sale of this asset (Dkt. No. 468), which was
24 approved by the Court (Dkt. No. 473) on September 28, 2016. The transaction is
25 now complete.

26 *James Dantona/Governmental Impact/Zayda Aberin*

27 As previously reported, Aberin and ZHB failed to respond to the Receiver's
28 complaint and failed to appear to defend this action. Their defaults were entered,

1 and, on the Receiver's motion, a default judgment was entered against them for
2 \$325,000. After the default judgment was entered, the Receiver's counsel was
3 contacted by counsel purporting to represent Aberin and ZHB to discuss the
4 judgment and possible settlement based on claims that Aberin and ZHB have limited
5 net worth and no significant assets or equity in their home. While Aberin and ZHB
6 produced some documents, said production was deficient in making a determination.
7 Aberin and ZHB subsequently filed a number of motions with the Court seeking to
8 set aside their defaults, but these motions were each stricken by the Court for
9 procedural deficiencies. On May 11, 2016, Aberin and ZHB refiled their motion to
10 set aside their defaults. The Receiver opposed and on June 17, 2016, the Court
11 ordered the parties to mediation. In such mediation, conducted on July 14, 2016, the
12 parties reached a settlement. On July 28, 2016, the Receiver filed her Motion for
13 Approval of Settlement Agreement with Zayda Aberin and ZHB International Corp.
14 (Dk. No. 459), which was approved by the Court on August 17, 2016. Dkt. No. 462.
15 Thus far, Aberin is making payments as provided for in the settlement agreement.

16 *Sue Wang/MaNa Fashion/JJ Sparkles/Yuanhao*

17 As previously reported, after many months of settlement discussions, the
18 Receiver successfully negotiated the terms of a cash settlement with Sue Wang,
19 Xiaomei Deng, MaNa Fashion, and Saza Investment ("Wang Defendants"), and on
20 February 18, 2016, filed her Motion for Approval of Settlement with Wang
21 Defendants (Dkt. No. 414). The settlement contemplated the payment of \$1,125,000
22 to the receivership, which payment was secured by three real properties owned by
23 the Wang Defendants. The Motion was approved by the Court and the Wang
24 Defendants made the initial \$50,000 payment in the first quarter of 2016 and the final
25 \$1,075,000 payment in the third quarter of 2016.

26 The Receiver also obtained a judgment against Huajian Wu and Yuanhao, Inc.
27 Efforts to enforce the judgment are ongoing.

28

1 **D. Investor Communications**

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

9 **E. Investor Claims Process**

10 Subsequent to this Court's July 13, 2015 order granting the Receiver's motion
11 for approval of the claim process setting the deadline to submit claims to the
12 Receiver as November 9, 2015, as later extended to December 24, 2015, and during
13 the fourth quarter 2015, the Receiver worked diligently with the Court-approved
14 claims administrator, Epiq, to implement Phase I of the approved claim process. The
15 Receiver and Epiq's efforts resulted in receipt of over 35,000 claims representing
16 over 72,000 claimed investments. Late in the fourth quarter and primarily during the
17 first quarter of 2016, the Receiver worked with Epiq to assess and analyze the
18 voluminous claims data and prepared her report on Phase I of the claims process and
19 recommendation regarding Phase II, which was filed and approved by the Court on
20 March 11, 2016 (Dkt. Nos. 427, 430). The Receiver and Epiq thus commenced the
21 claims review and on July 22, 2016, the Receiver filed an *Ex Parte* Application to
22 Extend Deadline to File Motion to Allow and Disallow Claims, which was approved
23 by the Court on July 25, 2015. Dkt. Nos. 455, 458. On October 14, 2016, the
24 Receiver filed her motion to allow and disallow claims (Dkt. No. 477), which is set
25 for hearing on November 28, 2016 ("Claims Motion").

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

27 The following summary reflects the Receivership Entities' consolidated cash
28 balance as of September 30, 2016:

1	Manna Holding (closed)	\$0
2	Manna Source International (closed)	0
3	WCM Resources	1,279,756
4	World Capital Market	25,736,808
5	Kingdom Capital Market (non-golf - closed)	0
6	Kingdom Capital Market (golf)	34,865
7	Grand Total	\$27,051,429

8
9 The following is a summary of the consolidated cash activity in the Receiver-
10 controlled Receivership Entities' bank accounts for the period from March 27, 2014
11 through September 30, 2016:

12	TRO Account Cash Balance at 3/27/14	\$2,242,756
13	Recovery – Horsman Law Firm	11,281,453
14	Recovery – First General Bank	1,502,355
15	Recovery – Defendant and Affiliate Accounts	419,862
16	Recovery – Baseballers Against Drugs	100,000
17	Recovery – Undisbursed Funds Held by Global Payout	56,396
18	Recovery – Funds Left in Escrow from Failed Real Estate Purchase	40,000
19	Recovery – Pasadena Office Security Deposit	10,455
20	Recovery – Monrovia Property Net Sale Proceeds	957,333
21	Recovery – Walnut Property Net Sale Proceeds	2,334,617
22	Recovery – Lazarus Third-Party Transfer	750,000
23	Recovery – Personal Property Sale Proceeds (includes garments)	313,855
24	Recovery – Vincent J. Messina Transfer	2,133,214
25	Recovery – Links at Summerly Golf Course Net Sale Proceeds	651,309
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27		
28		

1	Recovery – Links at Summerly Golf Course Liquor License Sale Proceeds	24,500
2	Recovery – Lake Elsinore Property Net Sale Proceeds	425,042
3	Recovery – Wellman & Warren Retainer	71,063
4	Recovery – James Dantona/Governmental Impact, Inc. Settlement Funds	94,534
5	Recovery – Formerly Jointly Held Funds (Governmental Impact, Inc.)	40,466
6	Recovery – MycoTechnology Settlement Funds	500,000
7	Recovery – Employee Dishonesty Insurance Claim Settlement	25,000
8	Recovery – Merkaz Oil and Gas	25,000
9	Recovery – Sue Wang, et al Settlement Proceeds	1,125,000
10	Recovery – Glen Ivy Golf Course Net Sale Proceeds	3,995,290
11	Recovery – El Monte Warehouse Net Sale Proceeds	1,490,155
12	Recovery – Frequency Stock Sale	1,000,002
13	Recovery – Zayda Aberin/ZHB International, Corp. Settlement Funds	5,000
14	Other Misc. (Incl. Interest Income)	100,981
15	Golf Revenues	5,256,659
16	Golf Expenses	(6,809,769)
17	Real & Personal Property Expenses (Non-Golf)	(335,601)
18	WCM One-Time Payroll & Related	(46,809)
19	WCM Moving & Storage	(22,639)
20	Other Miscellaneous Expenses	(74,690)
21	Epiq - Claims Process (incl. Notice Publication)	(286,226)
22	Receiver Legal Fees & Expenses	(1,283,234)
23	Receiver Fees & Expenses	(1,085,162)
24	Cash Book Balance at 9/30/16	\$27,028,167
25		
26		
27		
28		

1 As of September 30, 2016, outstanding checks relating to the receivership
2 were \$23,262, resulting in a bank cash balance of **\$27,051,429**.

3 **IV. RECOMMENDATIONS**

4 The Receiver recommends the receivership continue and she be authorized to
5 continue to marshal, preserve and protect the assets of the Receivership Entities,
6 complete the claims process and distribute receivership estate assets to holders of
7 allowed claims (pursuant to the pending Claims Motion and proposed Distribution
8 Plan), and carry out her remaining duties under the Court's orders.

9
10 Dated: November 10, 2016

By: 
KRISTA L. FREITAG
Receiver

11
12
13 Dated: November 10, 2016

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: */s/ Edward Fates*
EDWARD G. FATES
Attorneys for Receiver
KRISTA L. FREITAG

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