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10 Attorneys for Receiver  
KRISTA L. FREITAG

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

**RECEIVER'S TWELFTH 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 2016, during which time, having obtained approvals and authorization from the Court, the Receiver primarily focused on (a) finalizing Phase II of the investor claims process, (b) finalizing the report on the results of Phase II of the investor claims process, (c) finalizing efforts to sell the Diamex Diamonds, (d) collecting the Glen Ivy Golf Course water deposit, and (e) closing the sale on the one remaining real property asset – the New Cuyama Property.

This report should be read in conjunction with the Receiver's 11 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, 324, 359, 376, 404, 443, 449, 463, and 487. 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 2016, the Receiver recovered \$492,275 of net proceeds from the sale of the New Cuyama Property, \$128,526 from the Glen Ivy Golf Course water deposit, \$2,000 from the sale of the Diamex Diamonds, and \$2,250 in installment payments from the Court-approved settlement with Zayda Aberin/ZHB International Corp.

**B. Real Property**

During the fourth quarter of 2016, the Receiver closed on the sale of the Wasioja Road, New Cuyama, Santa Barbara County, California (vacant raw land ("New Cuyama Property")), resulting in net sale proceeds of \$492,275. This completes the sales of real properties of the receivership estate.

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

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

6           *PMX Jewels and PMX Holdings*

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

18           *Governmental Impact/James Dantona*

19           On June 17, 2016, the Court ordered mediation between the Receiver and  
20 Zayda Aberin and ZHB International Corp. In such mediation, conducted on  
21 July 14, 2016, the parties reached a settlement. On July 28, 2016, the Receiver filed  
22 her Motion for Approval of Settlement Agreement with Zayda Aberin and  
23 ZHB International Corp. (Dk. No. 459), which was approved by the Court on  
24 August 17, 2016. Dkt. No. 462. Thus far, Aberin is making payments as provided  
25 for in the settlement agreement.

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1 Sue Wang/MaNa Fashion/JJ Sparkles/Yuanhao

2 As part of the action against Sue Wang and related parties (the majority of  
3 which has been resolved by settlement), the Receiver obtained a judgment against  
4 Huajian Wu and Yuanhao, Inc. Efforts to enforce the judgment are ongoing.

5 **D. Investor Communications**

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

13 **E. Investor Claims Process**

14 Subsequent to this Court's July 13, 2015 order granting the Receiver's motion  
15 for approval of the claim process setting the deadline to submit claims to the  
16 Receiver as November 9, 2015, as later extended to December 24, 2015, and during  
17 the fourth quarter 2015, the Receiver worked diligently with the Court-approved  
18 claims administrator, Epiq, to implement Phase I of the approved claim process. The  
19 Receiver and Epiq's efforts resulted in receipt of over 35,000 claims representing  
20 over 72,000 claimed investments. Late in the fourth quarter and primarily during the  
21 first quarter of 2016, the Receiver worked with Epiq to assess and analyze the  
22 voluminous claims data and prepared her report on Phase I of the claims process and  
23 recommendation regarding Phase II, which was filed and approved by the Court on  
24 March 11, 2016 (Dkt. Nos. 427, 430). The Receiver and Epiq thus commenced the  
25 claims review and on July 22, 2016, the Receiver filed an Ex Parte Application to  
26 Extend Deadline to File Motion to Allow and Disallow Claims, which was approved  
27 by the Court on July 25, 2016. Dkt. Nos. 455, 458.

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1 On October 14, 2016, the Receiver filed her motion to allow and disallow  
 2 claims (Dkt. No. 477), which was heard on November 28, 2016 ("Claims Motion").  
 3 On November 28, 2016, the Court entered the Amended Order: (a) Sustaining  
 4 Omnibus and Specific Objections to Claims, (b) Approving Proposed Allowed  
 5 Amounts of Claims, and (c) Approving Distribution Plan and Authorizing Receiver  
 6 to Make Interim Distributions. Dkt. No. 522. Upon entry of the order, the Receiver  
 7 commenced working with Epiq to process the Court-approved interim distributions.  
 8 The Receiver expects such distributions to be sent to investors with allowed or  
 9 partially allowed claims within the next week or so.

### 10 III. POST-RECEIVERSHIP RECEIPTS AND DISBURSEMENTS

11 The following summary reflects the Receivership Entities' consolidated cash  
 12 balance as of December 31, 2016:

13 Manna Holding (closed)	\$0
14 Manna Source International (closed)	0
15 WCM Resources	1,280,078
16 World Capital Market	26,118,319
17 Kingdom Capital Market (non-golf - closed)	0
18 Kingdom Capital Market (golf)	165,502
<b>Grand Total</b>	<b>\$27,563,899</b>

19 The following is a summary of the consolidated cash activity in the Receiver-  
 20 controlled Receivership Entities' bank accounts for the period from March 27, 2014  
 21 through December 31, 2016:

22 <b>TRO Account Cash Balance at 3/27/14</b>	<b>\$2,242,756</b>
23 Recovery – Horsman Law Firm	11,281,453
24 Recovery – First General Bank	1,502,355
25 Recovery – Defendant and Affiliate Accounts	419,862
26 Recovery – Baseballers Against Drugs	100,000
27 Recovery – Undisbursed Funds Held by Global Payout	56,396
28 Recovery – Funds Left in Escrow from Failed Real Estate Purchase	40,000

1	Recovery – Pasadena Office Security Deposit	10,455
2	Recovery – Monrovia Property Net Sale Proceeds	957,333
3	Recovery – Walnut Property Net Sale Proceeds	2,334,617
4	Recovery – Lazarus Third-Party Transfer	750,000
5	Recovery – Personal Property Sale Proceeds (includes garments)	313,855
6	Recovery – Vincent J. Messina Transfer	2,133,214
7	Recovery – Links at Summerly Golf Course Net Sale Proceeds	651,309
8	Recovery – Links at Summerly Golf Course Liquor License Sale Proceeds	24,500
9	Recovery – Lake Elsinore Property Net Sale Proceeds	425,042
10	Recovery – Wellman & Warren Retainer	71,063
11	Recovery – James Dantona/Governmental Impact, Inc. Settlement Funds	94,534
12	Recovery – Formerly Jointly Held Funds (Governmental Impact, Inc.)	40,466
13	Recovery – MycoTechnology Settlement Funds	500,000
14	Recovery – Employee Dishonesty Insurance Claim Settlement	25,000
15	Recovery – Merkaz Oil and Gas	25,000
16	Recovery – Sue Wang, et al Settlement Proceeds	1,125,000
17	Recovery – Glen Ivy Golf Course Net Sale Proceeds	3,995,290
18	Recovery – El Monte Warehouse Net Sale Proceeds	1,490,155
19	Recovery – New Cuyama Net Sale Proceeds	492,275
20	Recovery – Frequency Stock Sale	1,000,002
21	Recovery – Zayda Aberin/ZHB International, Corp. Settlement Funds	7,250
22	Recovery – Glen Ivy Water Deposit	128,526
23	Recovery – Diamex Diamonds	2,000
24	Other Misc. (Incl. Interest Income)	111,385
25	Golf Revenues	5,256,659
26	Golf Expenses	(6,809,769)
27	Real & Personal Property Expenses (Non-Golf)	(336,366)
28	WCM One-Time Payroll & Related	(46,809)
	WCM Moving & Storage	(22,639)
	Other Miscellaneous Expenses	(79,086)
	Epiq - Claims Process (incl. Notice Publication)	(286,226)

Receiver Legal Fees & Expenses	(1,377,796)
Receiver Fees & Expenses	(1,085,162)
<b>Cash Book Balance at 12/31/16</b>	<b>\$27,563,899</b>

**IV. RECOMMENDATIONS**

1 The Receiver recommends the receivership continue and she be authorized to  
 2 continue to marshal, preserve and protect the assets of the Receivership Entities,  
 3 complete the claims process and distribute receivership estate assets to holders of  
 4 allowed claims (pursuant to the approved Distribution Plan), and carry out her  
 5 remaining duties under the Court's orders. The Receiver will provide an estimated  
 6 timeline for winding up the receivership in connection with her next report filed in  
 7 April 2017.  
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12 Dated: January 30, 2017

By:   
 KRISTA L. FREITAG  
 Receiver

13 Dated: January 30, 2017

ALLEN MATKINS LECK GAMBLE  
 MALLORY & NATSIS LLP  
 By:           /s/ Edward Fates            
 EDWARD G. FATES  
 Attorneys for Receiver  
 KRISTA L. FREITAG

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