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10 Attorneys for Receiver
11 KRISTA L. FREITAG

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

21 Defendants,

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

27 Relief Defendants.

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

**RECEIVER'S THIRTEENTH
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 first quarter
6 of 2017, during which time, having obtained approvals and authorization from the
7 Court, the Receiver primarily focused on coordinating with Epiq to implement the
8 \$21 million first interim distribution and communicating with investors.

9 This report should be read in conjunction with the Receiver's 12 prior interim
10 reports, as well as the Receiver's Forensic Accounting Report, all of which contain
11 substantial background and detail on assets recovered and secured. Dkt. Nos. 28,
12 129, 258, 302, 324, 359, 376, 404, 443, 449, 463, 487 and 530. Effort has been made
13 not to repeat the content of these prior reports.

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

15 **A. Cash Recoveries**

16 During the first quarter of 2017, the Receiver recovered \$2,250 in installment
17 payments from the Court-approved settlement with Zayda Aberin/ZHB International
18 Corp. In addition, the Receiver recovered additional personal property, which is
19 being sold pursuant to the Court's prior order authorizing the sale of personal
20 property. Dkt. No. 231. The sale proceeds are expected to be received during the
21 second quarter of 2017.

22 **B. 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. The following is an updated summary of work performed
26 to pursue certain claims and maximize the value of assets recovered.

27
28

1 Governmental Impact/James Dantona

2 On June 17, 2016, the Court ordered mediation between the Receiver and
3 Zayda Aberin and ZHB International Corp. In such mediation, conducted on
4 July 14, 2016, the parties reached a settlement. On July 28, 2016, the Receiver filed
5 her Motion for Approval of Settlement Agreement with Zayda Aberin and ZHB
6 International Corp. (Dk. No. 459), which was approved by the Court on August 17,
7 2016. Dkt. No. 462. Thus far, Aberin is making payments as provided for in the
8 settlement agreement. Assuming Aberin continues to make the required payments,
9 the payment plan will be completed in 2021. The Receiver is currently exploring
10 options to sell the receivership estate's right to future payments under the Aberin
11 Settlement Agreement.

12 Sue Wang/MaNa Fashion/JJ Sparkles/Yuanhao

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

16 **C. Investor Communications**

17 The Receiver established a dedicated webpage on her website, which provides
18 case information, updates, and answers to frequently asked questions to investors and
19 creditors. The Internet address for the webpage is
20 www.worldcapitalmarketreceivership.com. In addition, the Receiver continues to
21 maintain a dedicated e-mail address and telephone line for investor inquiries and
22 regularly returns a significant volume of emails and phone calls from investors in
23 both English and Spanish.

24 **D. Investor Interim Distribution Process**

25 Upon entry of this Court's November 28, 2016 Amended Order: (a) Sustaining
26 Omnibus and Specific Objections to Claims, (b) Approving Proposed Allowed
27 Amounts of Claims, and (c) Approving Distribution Plan and Authorizing Receiver
28 to Make Interim Distributions, Dkt. No. 522, the Receiver commenced working with

1 Epiq to process the Court-approved interim distributions. In February 2017, the
 2 initial \$21 million interim distribution was initiated via check and Paypal, depending
 3 on the selection of each allowed claimant. A total of 3,912 checks and 462 Paypal
 4 payments were initiated. As of March 31, 2017, 1,576 checks totaling \$8,162,295 of
 5 the manual check payments remained outstanding or unclaimed. And as of
 6 March 31, 2017, approximately 57 Paypal payments totaling \$187,438 remained
 7 unclaimed or denied.

8 Given the geographic diversity of claimants, payment negotiation challenges
 9 have surfaced – from inability to negotiate a check written on a United States bank
 10 account to misplaced checks to undeliverable addresses. That said, the Receiver has
 11 been working with Epiq and the investors to troubleshoot such challenges to get as
 12 many payments as possible negotiated and claimed. To that end, a translated email
 13 reminder was sent to all allowed claimants whose payments remained outstanding in
 14 early April 2017. It should be noted that a voluminous amount of correspondence
 15 has been received by investors throughout the process.

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

17 The following summary reflects the Receivership Entities' consolidated cash
 18 balance¹ as of March 31, 2017:

Manna Holding (closed)	\$0
Manna Source International (closed)	0
WCM Resources	1,280,394
World Capital Market	4,805,470
Kingdom Capital Market (non-golf - closed)	0
Kingdom Capital Market (golf)	164,395
Grand Total	\$6,250,259

27 ¹ This summary does not reflect the Investor Distribution account, which is
 28 accounted for separately below.

1 As of March 31, 2017, a total of \$3,611 of the outstanding checks result in a
2 March 31, 2017, reconciled cash balance of \$6,246,648.

3 The following is a summary of the consolidated cash activity in the Receiver-
4 controlled Receivership Entities' bank accounts for the period from March 27, 2014,
5 through March 31, 2017:

TRO Account Cash Balance at 3/27/14	\$2,242,756
Recovery – Horsman Law Firm	11,281,453
Recovery – First General Bank	1,502,355
Recovery – Defendant and Affiliate Accounts	419,862
Recovery – Baseballers Against Drugs	100,000
Recovery – Undisbursed Funds Held by Global Payout	56,396
Recovery – Funds Left in Escrow from Failed Real Estate Purchase	40,000
Recovery – Pasadena Office Security Deposit	10,455
Recovery – Monrovia Property Net Sale Proceeds	957,333
Recovery – Walnut Property Net Sale Proceeds	2,334,617
Recovery – Lazarus Third-Party Transfer	750,000
Recovery – Personal Property Sale Proceeds (includes garments)	313,855
Recovery – Vincent J. Messina Transfer	2,133,214
Recovery – Links at Summerly Golf Course Net Sale Proceeds	651,309
Recovery – Links at Summerly Golf Course Liquor License Sale Proceeds	24,500
Recovery – Lake Elsinore Property Net Sale Proceeds	425,042
Recovery – Wellman & Warren Retainer	71,063
Recovery – James Dantona/Governmental Impact, Inc. Settlement Funds	94,534
Recovery – Formerly Jointly Held Funds (Governmental Impact, Inc.)	40,466
Recovery – MycoTechnology Settlement Funds	500,000
Recovery – Employee Dishonesty Insurance Claim Settlement	25,000
Recovery – Merkaz Oil and Gas	25,000
Recovery – Sue Wang, et al Settlement Proceeds	1,125,000
Recovery – Glen Ivy Golf Course Net Sale Proceeds	3,995,290
Recovery – El Monte Warehouse Net Sale Proceeds	1,490,155

1	Recovery – New Cuyama Net Sale Proceeds	492,275
2	Recovery – Frequency Stock Sale	1,000,002
3	Recovery – Zayda Aberin/ZHB International, Corp. Settlement Funds	9,500
4	Recovery – Glen Ivy Water Deposit	128,526
5	Recovery – Diamex Diamonds	2,000
6	Other Misc. (Incl. Interest Income)	114,692
7	Golf Revenues	5,256,659
8	Golf Expenses	(6,810,876)
9	Real & Personal Property Expenses (Non-Golf)	(339,578)
10	WCM One-Time Payroll & Related	(46,809)
11	WCM Moving & Storage	(22,639)
12	Other Miscellaneous Expenses	(89,405)
13	Epiq - Claims Process (incl. Notice Publication)	(337,936)
14	Investor Claim Distribution (see below for more detail)	(21,000,000)
15	Receiver Legal Fees & Expenses	(1,409,098)
16	Receiver Fees & Expenses	(1,310,320)
17	Cash Book Balance at 3/31/17	\$6,246,648

18 The following is a summary of the cash activity in the receivership estate
19 distribution accounts as of March 31, 2017:

20	Investor Claim Distribution Transfer	\$21,000,000
21	Check Disbursements Paid	(11,683,235)
22	Checks Disbursements Outstanding *	(8,162,295)
23	Paypal Payments Claimed	(958,551)
24	Paypal Payments Denied *	(173,052)
25	Payments & Fees Returned *	(16,878)
26	Paypal Fees	(5,989)
27	Cross-Check	0
28	* Distribution Balance at 3/31/17 (total outstanding, denied and returned payments)	\$ 8,352,225

29 IV. RECOMMENDATIONS

30 The Receiver recommends the receivership continue and she be authorized to
31 continue to marshal, preserve and protect the assets of the Receivership Entities,
32 distribute receivership estate assets to holders of allowed claims (pursuant to the

1 approved Distribution Plan), and carry out her remaining duties under the Court's
2 orders.

3 The Receiver anticipates the tasks remaining to wind up the receivership will
4 be completed in the next three to six months, at which time she will seek authority to
5 make final distributions to holders of allowed claims. After the final distributions
6 process has been completed, the Receiver will seek an order discharging her and
7 closing the receivership.

8
9 Dated: May 15, 2017

By: 

KRISTA L. FREITAG
Receiver

10
11 Dated: May 15, 2017

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

12
13 By: */s/ Edward Fates*

EDWARD G. FATES
Attorneys for Receiver
KRISTA L. FREITAG

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