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KRISTA L. FREITAG

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

16 SECURITIES AND EXCHANGE
COMMISSION,

17 Plaintiff,

18 v.

19 WORLD CAPITAL MARKET INC.;
WCM777 INC.; WCM777 LTD. d/b/a
20 WCM777 ENTERPRISES, INC.; and
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.

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

**RECEIVER'S FOURTEENTH
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
3 of enterprises and assets associated with the Ponzi scheme that is the subject of the
4 First Amended Complaint filed by the Securities and Exchange Commission
5 ("Commission"). This report covers the Receiver's activities during the second
6 quarter of 2017, during which time, having obtained approvals and authorization
7 from the Court, the Receiver primarily focused on coordinating with Epiq to
8 complete the \$21 million first interim distribution, which primarily involved
9 communicating with investors regarding the interim distribution and working to log
10 and resolve investor distribution issues.

11 This report should be read in conjunction with the Receiver's 13 prior interim
12 reports, as well as the Receiver's Forensic Accounting Report, all of which contain
13 substantial background and detail on assets recovered and secured. Dkt. Nos. 28,
14 129, 258, 302, 324, 359, 376, 404, 443, 449, 463, 487, 530 and 539. Effort has been
15 made not to repeat the content of these prior reports.

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

17 **A. Cash Recoveries**

18 During the second quarter of 2017, the Receiver recovered \$26,643 in
19 proceeds from the sale of additional personal property assets recovered and \$3,000
20 in installment payments from the Court-approved settlement with Zayda Aberin/
21 ZHB International Corp.¹

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

26 _____
27 ¹ The sale and assignment of the Aberin settlement payments did not close until
28 the third quarter of 2017. Therefore, the sale proceeds are not included in second
quarter cash recoveries, but will be reflected in cash recoveries for the third
quarter.

1 transfers to third parties. The following is an updated summary of work performed
2 to pursue certain claims and maximize the value of assets recovered.

3 Governmental Impact/James Dantona

4 On June 17, 2016, the Court ordered mediation between the Receiver and
5 Zayda Aberin and ZHB International Corp. The parties reached a settlement during
6 the mediation, which occurred on July 14, 2016. On July 28, 2016, the Receiver
7 filed her Motion for Approval of Settlement Agreement with Zayda Aberin and
8 ZHB International Corp. (Dk. No. 459), which was approved by the Court on
9 August 17, 2016. Dkt. No. 462. Aberin began making payments as required by the
10 settlement agreement. Aberin is obligated to make payments to 2021.

11 In an effort to monetize Aberin's payment stream, the Receiver identified
12 prospective purchasers to buy the receivership estate's right to future payments
13 under the Aberin Settlement Agreement. One prospective purchaser emerged with
14 the highest offer. On June 22, 2017, the Receiver filed her Motion for Approval of
15 Sale of Payments Due Under Settlement Agreement With Zayda Aberin and
16 ZHB International Corp. (Dkt. No. 541.) The Court held the hearing, provided
17 instructions to the Receiver, and continued the hearing to August 21, 2017.
18 Consistent with the Court's instructions, the Receiver contacted counsel for
19 Ms. Aberin regarding a possible discounted payoff of the settlement, but Ms. Aberin
20 was unable to offer more than the prospective purchaser of the future payment
21 stream. Accordingly, the Receiver filed a report on the communications between
22 her counsel and Ms. Aberin's counsel and requested approval of the proposed
23 sale/assignment. (Dkt. No. 552.) The Court approved the sale. (Dkt. No. 553.)

24 Sue Wang/MaNa Fashion/JJ Sparkles/Yuanhao

25 As part of the action against Sue Wang and related parties (the majority of
26 which has been resolved by settlement), the Receiver obtained a judgment against
27 Huajian Wu and Yuanhao, Inc. and further located an interest in real property
28 previously undisclosed by Mr. Wu, which he transferred to a friend immediately

1 after the judgment was entered. As such, efforts to enforce the judgment are
2 ongoing, and on July 13, 2017, an Order was entered granting the Receiver's Motion
3 for Lien against the property. Such order was then recorded against the property
4 and the Receiver has commenced steps to force a sale thereof to collect on the
5 judgment. The Receiver was recently able to settle the lien claim against the
6 property with the transferee of the property, Dack King Lee, in exchange for
7 payments totaling \$80,000, which motion was approved by the Court on
8 September 6, 2017. Dkt. No. 557.

9 MycoTechnology

10 The Receiver was recently informed by MycoTechnology that it had raised
11 further capital such that the final \$250,000 payment was due and owing to the
12 receivership estate under the Court-approved amended promissory note. The
13 payment was received on August 28, 2017.

14 **C. Investor Communications**

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

22 **D. Investor Interim Distribution Process**

23 Upon entry of this Court's November 28, 2016 Amended Order:
24 (a) Sustaining Omnibus and Specific Objections to Claims, (b) Approving Proposed
25 Allowed Amounts of Claims, and (c) Approving Distribution Plan and Authorizing
26 Receiver to Make Interim Distributions, Dkt. No. 522, the Receiver commenced
27 working with Epiq to process the Court-approved interim distributions. In
28 February 2017, the initial \$21 million interim distribution was initiated via check

1 and PayPal, depending on the selection of each allowed claimant. A total of
2 3,912 checks and 462 PayPal payments were initiated. Claimants were provided
3 90 days to negotiate the payments; at the end of May 2017, Epiq voided all
4 unnegotiated payments. As of June 30, 2017, 1,252 checks totaling \$5,861,030 of
5 the manual check payments remained outstanding or unclaimed. And as of June 30,
6 2017, approximately 78 PayPal payments totaling \$239,921 were ultimately
7 rejected, unclaimed or denied.

8 Given the geographic diversity of claimants, payment negotiation challenges
9 surfaced – from inability to negotiate a check written on a United States bank
10 account, to claimants waiting until insufficient time existed for foreign banks to
11 clear a check written on a United States bank account, to misplaced checks, to
12 claimants unwillingness to provide updated address information (possibly due to
13 immigration concerns), to undeliverable addresses (*e.g.*, claimants did not provide
14 apartment numbers).

15 The Receiver has been working with Epiq and the investors to troubleshoot
16 these challenges to get as many payments as possible negotiated and claimed. To
17 that end, a translated email reminder was sent to all allowed claimants whose
18 payments remained outstanding in early April 2017. An additional email went out
19 in July 2017 requesting updated contact information from claimants whose
20 payments remained outstanding. In light of a significant number of responses, Epiq
21 and the Receiver have reissued the unnegotiated interim distributions, providing
22 60 days to negotiate same. It should be noted that a voluminous amount of
23 correspondence has been received by investors throughout the process.

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

25 The following summary reflects the Receivership Entities' consolidated cash
26 balance² as of June 30, 2017:

27
28 ² This summary does not reflect the Investor Distribution account, which is

1	Manna Holding (closed)	\$0
2	Manna Source International (closed)	0
3	WCM Resources	1,280,713
4	World Capital Market	4,569,994
5	Kingdom Capital Market (non-golf - closed)	0
6	Kingdom Capital Market (golf)	164,395
	Grand Total	\$6,015,102

7 As of June 30, 2017, a total of \$3,612 in checks were outstanding, resulting in
8 a June 30, 2017 reconciled cash balance of \$6,011,490.

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 June 30, 2017:

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)	340,498
24	Recovery – Vincent J. Messina Transfer	2,133,214
25	Recovery – Links at Summerly Golf Course Net Sale Proceeds	651,309
26	Recovery – Links at Summerly Golf Course Liquor License Sale Proceeds	24,500
27	Recovery – Lake Elsinore Property Net Sale Proceeds	425,042
28	Recovery – Wellman & Warren Retainer	71,063

accounted for separately below.

1	Recovery – James Dantona/Governmental Impact, Inc. Settlement Funds	94,534
2	Recovery – Formerly Jointly Held Funds (Governmental Impact, Inc.)	40,466
3	Recovery – MycoTechnology Settlement Funds	500,000
4	Recovery – Employee Dishonesty Insurance Claim Settlement	25,000
5	Recovery – Merkaz Oil and Gas	25,000
6	Recovery – Sue Wang, et al Settlement Proceeds	1,125,000
7	Recovery – Glen Ivy Golf Course Net Sale Proceeds	3,995,290
8	Recovery – El Monte Warehouse Net Sale Proceeds	1,490,155
9	Recovery – New Cuyama Net Sale Proceeds	492,275
10	Recovery – Frequency Stock Sale	1,000,002
11	Recovery – Zayda Aberin/ZHB International, Corp. Settlement Funds	12,500
12	Recovery – Glen Ivy Water Deposit	128,526
13	Recovery – Diamex Diamonds	2,000
14	Earnest Money for Prospective Sale of Aberin Settlement Stream	2,500
15	Other Misc. (Incl. Interest Income)	115,710
16	Golf Revenues	5,256,659
17	Golf Expenses	(6,822,727)
18	Real & Personal Property Expenses (Non-Golf)	(343,638)
19	WCM One-Time Payroll & Related	(46,809)
20	WCM Moving & Storage	(22,639)
21	Other Miscellaneous Expenses	(85,347)
22	Epiq - Claims Process (incl. Notice Publication)	(395,483)
23	Investor Claim Distribution (see below for more detail)	(21,000,000)
24	Receiver Legal Fees & Expenses	(1,463,311)
25	Receiver Fees & Expenses	(1,455,026)
26	Cash Book Balance at 6/30/17	\$6,011,490

27 The following is a summary of the cash activity in the receivership estate
28 distribution accounts as of June 30, 2017:

29	Investor Claim Distribution Transfer	\$21,000,000
30	Check Disbursements Paid	(\$13,944,597)
31	Checks Disbursements Outstanding *	(\$5,861,030)

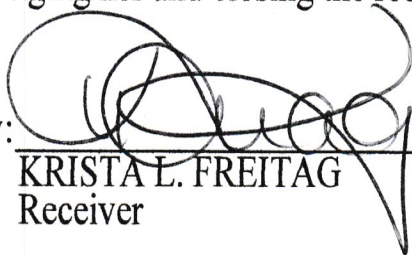
1	PayPal Payments Claimed	(\$926,251)
2	PayPal Payments Denied *	(\$239,921)
3	PayPal Fees Returned and Residual Funds	(\$28,201)
4	* Distribution Balance at 6/30/17 (total outstanding, denied)	\$6,100,950

5 **IV. RECOMMENDATIONS**

6 The Receiver recommends the receivership continue and she be authorized to
 7 continue to marshal, preserve and protect the assets of the Receivership Entities,
 8 distribute receivership estate assets to holders of allowed claims (pursuant to the
 9 approved Distribution Plan), and carry out her remaining duties under the Court's
 10 orders.

11 The Receiver anticipates the tasks remaining to wind up the receivership will
 12 be completed by the end of 2017, at which time she will seek authority to make final
 13 distributions to holders of allowed claims. Once final distributions have been
 14 issued, the Receiver will seek an order discharging her and closing the receivership.

15
 16 Dated: September 7, 2017

By: 
 KRISTA L. FREITAG
 Receiver

17
 18
 19 Dated: September 7, 2017

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