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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 FIFTEENTH INTERIM  
REPORT**

28 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 third quarter  
6 of 2017, during which time, having obtained approvals and authorization from the  
7 Court, the Receiver primarily focused on final asset recoveries and coordinating  
8 with Epiq to complete the \$21 million first interim distribution, which primarily  
9 involved communicating with investors regarding the interim distribution and  
10 working to log, resolve issues and reissue investor distributions.

11 This report should be read in conjunction with the Receiver's 14 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, 539 and 558. Effort has  
15 been made not to repeat the content of these prior reports.

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

17 **A. Cash Recoveries**

18 During the third quarter of 2017, the Receiver recovered \$250,000 from the  
19 final financing tranche relating to the Court-approved MycoTechnology note  
20 amendment (bringing the total recovery to \$750,000), the first \$50,000 of the  
21 \$80,000 Court-approved Dack King Lee settlement, and \$21,000 to complete the  
22 \$25,000 Court-approved sale of the settlement relating to Zayda Aberin/  
23 ZHB International Corp.

24 **B. Investments, Loans, and Other Transfers to Third Parties**

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

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

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

23           Sue Wang/MaNa Fashion/JJ Sparkles/Yuanhao

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

1 the judgment, and on July 13, 2017, an Order was entered granting the Receiver's  
2 Motion for Lien against the property. Such order was then recorded against the  
3 property and the Receiver commenced steps to force a sale thereof to collect on the  
4 judgment. The Receiver was able to settle the lien claim against the property with  
5 the transferee of the property, Dack King Lee, in exchange for payments totaling  
6 \$80,000, which motion was approved by the Court on September 6, 2017. Dkt.  
7 No. 557. As of September 30, 2017, the first \$50,000 had been recovered.

8 *MycoTechnology*

9 MycoTechnology raised further capital such that the final \$250,000 payment  
10 was due and owing to the receivership estate under the Court-approved amended  
11 promissory note. The payment was received on August 28, 2017, which brought the  
12 total and maximum recovery to \$750,000.

13 **C. Investor Communications**

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

21 **D. Investor Interim Distribution Process**

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

1 3,912 checks and 462 PayPal payments were initiated. Claimants were provided  
2 90 days to negotiate the initial payments; at the end of May 2017, Epiq voided all  
3 unnegotiated payments. After reissuance of payments, as further discussed below,  
4 as of September 30, 2017, 769 checks totaling \$3,342,817 of the manual check  
5 payments remained outstanding or unclaimed and PayPal payments totaling  
6 \$126,387 were ultimately rejected, unclaimed or denied.

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

14         The Receiver worked with Epiq and the investors to troubleshoot these  
15 challenges to get as many payments as possible negotiated and claimed. To that  
16 end, a translated email reminder was sent to all allowed claimants whose payments  
17 remained outstanding in early April 2017. An additional email went out in  
18 July 2017 requesting updated contact information from claimants whose payments  
19 remained outstanding. In light of a significant number of responses, Epiq and the  
20 Receiver reissued unnegotiated interim distributions, ultimately providing until  
21 November 9, 2017 to negotiate them. Note that a total of \$411,226 of interim  
22 distributions were not reissued due to the original payments being returned as  
23 undeliverable by the Post Office with no further updated address information  
24 available. It should be noted that a voluminous amount of correspondence has been  
25 received by investors throughout the process.

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27  
28

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

2 The following summary reflects the Receivership Entities' consolidated cash  
3 balance<sup>1</sup> as of September 30, 2017:

|  |                    |
|--|--------------------|
| 4 Manna Holding (closed)                     | \$0                |
| 5 Manna Source International (closed)        | 0                  |
| 6 WCM Resources                              | 1,281,036          |
| 7 World Capital Market                       | 4,808,381          |
| 8 Kingdom Capital Market (non-golf - closed) | 0                  |
| 9 Kingdom Capital Market (golf - closed)     | 0                  |
| <b>Grand Total</b>                           | <b>\$6,089,417</b> |

10 As of September 30, 2017, a total of \$4,917 in checks were outstanding,  
11 resulting in a September 30, 2017 reconciled cash balance of \$6,084,500.

12 The following is a summary of the consolidated cash activity in the Receiver-  
13 controlled Receivership Entities' bank accounts for the period from March 27, 2014  
14 through September 30, 2017:

|  |                    |
|--|--------------------|
| 15 <b>TRO Account Cash Balance at 3/27/14</b>                          | <b>\$2,242,756</b> |
| 16 Recovery – Horsman Law Firm   | 11,281,453         |
| 17 Recovery – First General Bank                                       | 1,502,355          |
| 18 Recovery – Defendant and Affiliate Accounts                         | 419,862            |
| 19 Recovery – Baseballers Against Drugs                                | 100,000            |
| 20 Recovery – Undisbursed Funds Held by Global Payout                  | 56,396             |
| 21 Recovery – Funds Left in Escrow from Failed Real<br>Estate Purchase | 40,000             |
| 22 Recovery – Pasadena Office Security Deposit                         | 10,455             |
| 23 Recovery – Monrovia Property Net Sale Proceeds                      | 957,333            |
| 24 Recovery – Walnut Property Net Sale Proceeds                        | 2,334,617          |
| 25 Recovery – Lazarus Third-Party Transfer                             | 750,000            |
| 26 Recovery – Personal Property Sale Proceeds (includes<br>garments)   | 340,498            |
| 27 Recovery – Vincent J. Messina Transfer                              | 2,133,214          |

28 <sup>1</sup> This summary does not reflect the Investor Distribution account, which is  
accounted for separately below.

|    |  |                    |
|----|--|--------------------|
| 1  | Recovery – Links at Summerly Golf Course Net Sale Proceeds   | 651,309            |
| 2  | Recovery – Links at Summerly Golf Course Liquor License Sale Proceeds                              | 24,500             |
| 3  | Recovery – Lake Elsinore Property Net Sale Proceeds  | 425,042            |
| 4  | Recovery – Wellman & Warren Retainer   | 71,063             |
| 5  | Recovery – James Dantona/Governmental Impact, Inc. Settlement Funds                                | 94,534             |
| 6  | Recovery – Formerly Jointly Held Funds (Governmental Impact, Inc.)                                 | 40,466             |
| 7  | Recovery – MycoTechnology Settlement Funds   | 750,000            |
| 8  | Recovery – Employee Dishonesty Insurance Claim Settlement  | 25,000             |
| 9  | Recovery – Merkaz Oil and Gas  | 25,000             |
| 10 | Recovery – Sue Wang, et al Settlement Proceeds (incl. Dack King Lee Proceeds)                      | 1,175,000          |
| 11 | Recovery – Glen Ivy Golf Course Net Sale Proceeds  | 3,995,290          |
| 12 | Recovery – El Monte Warehouse Net Sale Proceeds  | 1,490,155          |
| 13 | Recovery – New Cuyama Net Sale Proceeds  | 492,275            |
| 14 | Recovery – Frequency Stock Sale  | 1,000,002          |
| 15 | Recovery – Zayda Aberin/ZHB International, Corp. Settlement Funds (incl. Settlement Sale Proceeds) | 36,000             |
| 16 | Recovery – Glen Ivy Water Deposit  | 128,526            |
| 17 | Recovery – Diamex Diamonds   | 2,000              |
| 18 | Other Misc. (Incl. Interest Income)  | 117,540            |
| 19 | Golf Revenues  | 5,256,659          |
| 20 | Golf Expenses  | (6,822,727)        |
| 21 | Real & Personal Property Expenses (Non-Golf)   | (349,316)          |
| 22 | WCM One-Time Payroll & Related   | (46,809)           |
| 23 | WCM Moving & Storage   | (23,315)           |
| 24 | Other Miscellaneous Expenses   | (85,476)           |
| 25 | Epiq - Claims Process (incl. Notice Publication)   | (395,483)          |
| 26 | Investor Claim Distribution (see below for more detail)  | (21,000,000)       |
| 27 | Receiver Legal Fees & Expenses   | (1,540,997)        |
| 28 | Receiver Fees & Expenses   | (1,620,677)        |
|    | <b>Cash Book Balance at 9/30/17</b>  | <b>\$6,084,500</b> |

1 The following is a summary of the cash activity in the receivership estate  
 2 distribution accounts as of September 30, 2017:

|   |                    |
|---|--------------------|
| 3 Investor Claim Distribution Transfer  | \$21,000,000       |
| 4 Check Disbursements Paid  | (16,103,802)       |
| 5 Checks Disbursements Outstanding *  | (3,342,817)        |
| 6 Checks Voided/Not Reissued *  | (411,226)          |
| 7 PayPal Payments Claimed   | (1,000,560)        |
| 8 PayPal Payments Denied *  | (126,387)          |
| 9 Paypal Fees Residual Funds *  | (8,600)            |
| 10 PayPal Fees Paid   | (6,608)            |
| 11 <b>* Distribution Balance at 9/30/17 (total<br/>outstanding, not reissued, denied. and<br/>residual funds)</b> | <b>\$3,889,030</b> |

12 **IV. RECOMMENDATIONS**

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

18 The Receiver anticipates the operational tasks remaining to wind-up the  
 19 receivership will be completed at the end of 2017. As such, the Receiver is  
 20 preparing and anticipates filing the Receiver's final accounting and report, and  
 21 motion for the Court's approval to make final distributions to holders of allowed  
 22 claims in the first quarter of 2018. Once final distributions have been issued, the  
 23 Receiver will seek to obtain a final order discharging her and closing the  
 24 receivership.

25 Dated: December 15, 2017

26 By:   
 KRISTA L. FREITAG  
 Receiver



1 Dated: December 15, 2017

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

2 By:           /s/ Edward Fates          

3 EDWARD G. FATES  
4 Attorneys for Receiver  
5 KRISTA L. FREITAG

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