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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 SIXTEENTH AND
FINAL 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 fourth
6 quarter of 2017, during which time, having obtained approvals and authorization
7 from the Court, the Receiver focused on final asset recoveries, coordinating with
8 Epiq to 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 issues therewith, and preparing for the final distribution and conclusion
11 of the receivership.

12 This sixteenth and final interim report should be read in conjunction with the
13 Receiver's 15 prior interim reports, as well as the Receiver's Forensic Accounting
14 Report, all of which contain substantial background and detail on assets recovered
15 and secured. Dkt. Nos. 28, 129, 258, 302, 324, 359, 376, 404, 443, 449, 463, 487,
16 530, 539, 558 and 564. Effort has been made not to repeat the content of these prior
17 reports. The Receiver anticipates filing her motion to conclude the receivership, her
18 final report and accounting, and fee applications for herself and Allen Matkins in the
19 next 60-90 days.

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

21 **A. Cash Recoveries**

22 During the fourth quarter of 2017, the Receiver recovered the final \$30,000 of
23 the \$80,000 Court-approved Dack King Lee settlement.

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 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. and further located an interest in real property
5 previously undisclosed by Mr. Wu, which he transferred to a friend immediately
6 after the judgment was entered. As such, the Receiver worked towards enforcing
7 the judgment, and on July 13, 2017, an Order was entered granting the Receiver's
8 Motion for Lien against the property. Such order was then recorded against the
9 property and the Receiver commenced steps to force a sale thereof to collect on the
10 judgment. The Receiver was able to settle the lien claim against the property with
11 the transferee of the property, Dack King Lee, in exchange for payments totaling
12 \$80,000, which motion was approved by the Court on September 6, 2017. Dkt.
13 No. 557. As of December 31, 2017, the entire \$80,000 had been recovered.

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.

28

1 In February 2017, the initial \$21 million interim distribution was initiated via
2 check and PayPal, depending on the selection of each allowed claimant. A total of
3 3,912 checks were issued and 462 PayPal payments were initiated. Given the
4 geographic diversity of claimants, challenges surfaced with claimants being able to
5 negotiate their checks – from inability to negotiate a check written on a United
6 States bank account, to claimants waiting until insufficient time existed for foreign
7 banks to clear a check written on a United States bank account, to misplaced checks,
8 to claimants unwillingness to provide updated address information (possibly due to
9 immigration concerns), to undeliverable addresses (*e.g.*, claimants did not provide
10 apartment numbers).

11 The Receiver worked with Epiq and the investors to troubleshoot these
12 challenges and get as many payments as possible negotiated and claimed. To that
13 end, a translated email reminder was sent to all allowed claimants whose payments
14 remained outstanding in early April 2017. An additional email went out in
15 July 2017 requesting updated contact information from claimants whose payments
16 remained outstanding. In light of a significant number of responses, Epiq and the
17 Receiver reissued interim distribution payments, ultimately providing until
18 November 9, 2017, to negotiate them.

19 As a result of the significant efforts put forth, ultimately and with a proposed
20 follow-on interim distribution to be made (approximately \$650,000),¹ a total of
21 approximately \$18,133,000 of interim distributions will be successfully made. This
22 represents over 86% of the \$21 million approved interim distribution. It should be
23

24

25

26 ¹ In connection with her upcoming motion to conclude the receivership and make
27 final distributions, the Receiver will seek authority to distribute an additional
28 approximately \$650,000 in uncashed interim distribution payments based on
updated address information received from holders of allowed claims who have
not yet received an interim distribution. If approved, these claimants will receive
two checks at the same time – an interim distribution and a final distribution.

29

1 noted that a voluminous amount of correspondence has been received by investors
2 throughout the process.

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

4 The following summary reflects the Receivership Entities' consolidated cash
5 balance² as of December 31, 2017:

6 Manna Holding (closed)	\$0
7 Manna Source International (closed)	0
8 WCM Resources	1,281,359
9 World Capital Market	4,743,163
10 Kingdom Capital Market (non-golf - closed)	0
11 Kingdom Capital Market (golf - closed)	0
Grand Total	\$6,024,522

12 As of December 31, 2017, there were no outstanding checks, resulting in a
13 December 31, 2017, reconciled cash balance of \$6,024,522.

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

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

28 ² This summary does not reflect the Investor Distribution account, which is
accounted for separately below.

1	Recovery – Personal Property Sale Proceeds (includes garments)	340,498
2	Recovery – Vincent J. Messina Transfer	2,133,214
3	Recovery – Links at Summerly Golf Course Net Sale Proceeds	651,309
4	Recovery – Links at Summerly Golf Course Liquor License Sale Proceeds	24,500
5	Recovery – Lake Elsinore Property Net Sale Proceeds	425,042
6	Recovery – Wellman & Warren Retainer	71,063
7	Recovery – James Dantona/Governmental Impact, Inc. Settlement Funds	94,534
8	Recovery – Formerly Jointly Held Funds (Governmental Impact, Inc.)	40,466
9	Recovery – MycoTechnology Settlement Funds	750,000
10	Recovery – Employee Dishonesty Insurance Claim Settlement	25,000
11	Recovery – Merkaz Oil and Gas	25,000
12	Recovery – Sue Wang, et al Settlement Proceeds (incl. Dack King Lee Proceeds)	1,205,000
13	Recovery – Glen Ivy Golf Course Net Sale Proceeds	3,995,290
14	Recovery – El Monte Warehouse Net Sale Proceeds	1,490,155
15	Recovery – New Cuyama Net Sale Proceeds	492,275
16	Recovery – Frequency Stock Sale	1,000,002
17	Recovery – Zayda Aberin/ZHB International, Corp. Settlement Funds (incl. Settlement Sale Proceeds)	36,000
18	Recovery – Glen Ivy Water Deposit	128,526
19	Recovery – Diamex Diamonds	2,000
20	Other Misc. (Incl. Interest Income)	118,569
21	Golf Revenues	5,256,659
22	Golf Expenses	(6,821,095)
23	Real & Personal Property Expenses (Non-Golf)	(349,313)
24	WCM One-Time Payroll & Related	(46,809)
25	WCM Moving & Storage	(23,315)
26	Other Miscellaneous Expenses	(83,541)
27	Epiq - Claims Process (incl. Notice Publication)	(410,179)
28	Investor Claim Distribution (see below for more detail)	(21,000,000)
	Receiver Legal Fees & Expenses	(1,569,726)
	Receiver Fees & Expenses	(1,671,829)
	Cash Book Balance at 12/31/17	\$6,024,522

1 The following is a summary of the cash activity in the receivership estate
 2 distribution accounts as of December 31, 2017:

3 Investor Claim Distribution Transfer	\$21,000,000
4 Check Disbursements Paid	(16,294,535)
5 PayPal & Electronic Payments Claimed	(1,188,400)
6 PayPal Fees Paid	(7,844)
7 * Distribution Balance at 12/31/17 (interim distribution funds not claimed/negotiated – includes approximately \$650,000 of additional interim distributions to be proposed)	\$3,509,222

8
 9 **IV. RECOMMENDATIONS**

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

15 Within the next 60-90 days, the Receiver anticipates filing her final report and
 16 accounting, motion for authority to make final distributions to holders of allowed
 17 claims, final fee applications for herself and Allen Matkins, and motion to conclude
 18 the receivership.

19
 20 Dated: February 13, 2018

By: 
 KRISTA L. FREITAG
 Receiver

21
 22 Dated: February 13, 2018

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