

1 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
2 DAVID R. ZARO (BAR NO. 124334)
TIM C. HSU (BAR NO. 279208)
3 865 South Figueroa Street, Suite 2800
Los Angeles, California 90017-2543
4 Phone: (213) 622-5555
Fax: (213) 620-8816
5 E-Mail: dzaro@allenmatkins.com
thsu@allenmatkins.com

6 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
7 EDWARD G. FATES (BAR NO. 227809)
8 600 West Broadway, 27th Floor
San Diego, California 92101
9 Phone: (619) 233-1155
Fax: (619) 233-1158
10 E-Mail: tfates@allenmatkins.com

11 Attorneys for Receiver
KRISTA L. FREITAG

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

**NOTICE OF MOTION AND MOTION
TO CONCLUDE RECEIVERSHIP
AND FOR ORDER:**

**(1) AUTHORIZING RECEIVER TO
MAKE FINAL DISTRIBUTIONS TO
APPROVED CLAIMANTS AND
ESTABLISH RESERVE;**

**(2) APPROVING FINAL
ACCOUNTING AND REPORT;**

**(3) APPROVING DISPOSITION OF
BOOKS AND RECORDS; AND**

**(4) CONDITIONALLY
DISCHARGING RECEIVER;
RECEIVER'S FINAL ACCOUNTING
AND REPORT**

Date: October 1, 2018
Time: 1:30 p.m.
Ctrm: 16
Judge: Hon. John F. Walter

1 **TO THE HONORABLE JOHN F. WALTER, JUDGE OF THE UNITED**
2 **STATES DISTRICT COURT, AND ALL INTERESTED PARTIES:**

3 **PLEASE TAKE NOTICE** that on October 1, 2018, at 1:30 p.m. in
4 Courtroom 16 of the above-entitled Court, located at 350 W. 1st Street, Los Angeles,
5 California 90012, Krista L. Freitag ("Receiver"), the Court-appointed permanent
6 receiver for Defendants World Capital Market Inc.; WCM777 Inc.; WCM777 Ltd.
7 d/b/a WCM777 Enterprises, Inc.; and Relief Defendants Kingdom Capital
8 Market, LLC; Manna Holding Group, LLC; Manna Source International, Inc.; WCM
9 Resources, Inc.; ToPacific Inc.; To Pacific Inc.; and their subsidiaries and affiliates
10 (collectively, "Receivership Entities"), will and hereby does move the Court to
11 conclude the receivership and for an order, (1) authorizing Receiver to make final
12 distributions to approved claimants and establish a reserve; (2) approving the final
13 accounting and report; (3) approving disposition of books and records; and
14 (4) conditionally discharging the Receiver ("Motion"). The Receiver and her
15 counsel, Allen Matkins, have filed their fee applications concurrently herewith. The
16 Motion and all relevant pleadings are available at the Receiver's website,
17 www.worldcapitalmarketreceivership.com.

18 **Procedural Requirements:** If you oppose this Motion, you are required to
19 file your written opposition with the Office of the Clerk, United States District Court,
20 350 W. 1st Street, Los Angeles, California 90012, and serve the same on the
21 undersigned not later than 21 calendar days prior to the hearing.

22 **IF YOU FAIL TO FILE AND SERVE A WRITTEN OPPOSITION** by the
23 above date, the Court may grant the requested relief without further notice. This
24 Motion is made following the conference of counsel pursuant to L.R. 7-3.

25 Dated: August 21, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: /s/ David R. Zaro

DAVID R. ZARO
Attorneys for Court-appointed
Receiver KRISTA L. FREITAG

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 Krista Freitag, the Court-appointed Receiver herein, respectfully submits this
3 Memorandum of Points and Authorities in Support of her motion to conclude the
4 receivership and: (1) authorizing the Receiver to make final distributions to approved
5 claimants and establish reserve; (2) approving the final accounting and report;
6 (3) approving disposition of books and records; and (4) conditionally discharging the
7 Receiver ("Motion"). The Receiver and her counsel have filed their fee applications
8 concurrently herewith.

9 The Receiver has completed management of all assets of the receivership
10 estate. The Receiver recovered a total of \$38.002 million and spent approximately
11 \$7.389 million on preservation and maintenance of assets (includes \$51,431 of
12 anticipated non-administrative expenses to be incurred), for an anticipated net
13 recovery of approximately \$30.613 million. The Receiver's fees and costs, if all fee
14 applications are approved, amount to approximately \$2.279 million, or about 6% of
15 the total recovery. Administrative fees and costs for the Receiver's counsel amount
16 to approximately \$2.021 million, or about 5% of the total recovery. If all fee
17 applications are approved, the Receiver will distribute about 84% of the total net
18 recovery to investors under the distribution plan approved by the Court on
19 November 28, 2016 (the "Distribution Plan"), or about \$25.779 million. Investors
20 with approved claims will recover about 49.4 cents for each dollar invested.

21 The relief sought herein will allow the Receiver to take the remaining steps
22 necessary to conclude the receivership, including making final distributions to
23 approved claimants.

24 **I. RECEIVER'S FINAL ACCOUNTING AND REPORT**

25 **A. Background and Business Assessment**

26 On March 27, 2014, the Commission filed a Temporary Restraining Order
27 ("TRO") and the Court appointed Krista L. Freitag ("Receiver") temporary receiver
28 for Defendants World Capital Market Inc. ("WCM"), WCM777 Inc. ("WCM777"),

1 and WCM777 Ltd. d/b/a WCM777 Enterprises, Inc. ("WCM777 Enterprises"), and
2 Relief Defendants Kingdom Capital Market, LLC ("KCM"), Manna Holding
3 Group, LLC ("MHG"), Manna Source International, Inc. ("MSI"), WCM
4 Resources, Inc. ("WCM Resources"); and their subsidiaries and affiliates.

5 Pursuant to the TRO and law governing federal equity receivers, the Receiver
6 was charged with, among other things, (1) assuming control over the Receivership
7 Entities and their assets ("Receivership Assets"), (2) performing an accounting of the
8 assets and financial condition of the Receivership Entities, (3) investigating, locating,
9 and recovering Receivership Assets, and (4) preparing reports for the Court.

10 Promptly upon her appointment, the Receiver took possession of the
11 Receivership Entities, including the primary business locations located at 150 South
12 Los Robles Avenue, Suite 900, Pasadena, California and 3620 Cypress Avenue,
13 El Monte, California. It was believed the Receivership Entities were also operating
14 out of 1218 John Reed Court, City of Industry, California; however, this location had
15 been vacated. Upon takeover, the Receiver secured the Receivership Assets,
16 including bank accounts, real and personal property, books, records, domains,
17 computers and electronic devices, and WCM email accounts.

18 On April 10, 2014, the Court entered a Preliminary Injunction Order, which
19 included appointment of the Receiver on a permanent basis. Dkt. No. 33. On
20 May 21, 2014, the Court entered a Preliminary Injunction Order against additional
21 Relief Defendants Vincent Messina ("Messina"), International Market Ventures
22 ("IMV"), ToPacific, Inc. and To Pacific, Inc., and expressly appointed the Receiver
23 for WCM affiliates ToPacific, Inc. and To Pacific, Inc. ("ToPacific Order"). Dkt.
24 No. 75. Hereinafter, the TRO, Preliminary Injunction Order, and ToPacific Order
25 will be collectively referred to as the "Appointment Orders." Hereinafter, the
26 Defendants and Relief Defendants placed into receivership by the Appointment
27 Orders are referred to collectively as the "Receivership Entities" or individually as a
28 "Receivership Entity."

1 While taking control over each of the business locations, the Receiver met
2 with and interviewed Phil Ming Xu, employees, consultants, and others who were
3 present at each location. These interviews, along with a review of WCM's email
4 accounts yielded significant information concerning a myriad of investments, loans,
5 and fund transfers made in the days and months leading up to the receivership
6 appointment.

7 Other than two golf courses, the Receiver's investigation quickly indicated that
8 none of the Receivership Entities generated any revenue from business operations.
9 Accordingly, the Receiver did not retain employees of the Receivership Entities
10 other than golf course employees, and promptly pursued recovery of the various
11 investments, loans and fund transfers.

12 Through diligent and timely efforts, the Receiver was able to generate
13 significant value for the estate through the marketing and Court-approved sales of the
14 real and personal property assets, and recovery of various other investments and
15 transfers.

16 On May 16, 2018, the Securities and Exchange Commission and the Receiver
17 stipulated to entry of Judgment against the Receivership Entities. Dkt. No. 571. The
18 Final Judgment was entered on May 17, 2018. Dkt. No. 572.

19 **B. Receiver's Forensic Accounting**

20 The Receiver was ordered to "make an accounting, as soon as practicable, to
21 this Court of the assets and financial condition of the Receivership Entities and to file
22 the accounting with the Court and deliver copies thereof to all parties." On
23 February 27, 2015 (Dkt. No. 302), the Receiver filed her Forensic Accounting
24 Report, which reflected analysis of 77 domestic and 23 foreign bank accounts.

25 The overarching findings were as follows: (1) The Receivership Entities'
26 primary source of income was investor deposits, which was also the primary source
27 of virtually all funds distributed to the investors; (2) The vast majority of the
28 Receivership Entities' business activities revolved around raising and distributing

1 investor funds; and (3) Investor funds were so materially commingled between and
2 among the Receivership Entities that the entities operated as a unitary enterprise,
3 rather than as separate entities.

4 The Receiver's forensic accounting work as of February 27, 2015 showed
5 investor net losses of approximately \$80.8 million (approximately \$99.4 million was
6 received from investors and approximately \$18.6 million distributed to investors).
7 As of that date, \$57.2 million of investor deposits had been verified, while
8 \$44.5 million of deposits remained uncategorized because source data had not yet
9 been obtained for the foreign bank accounts.

10 Subsequent to publishing the Forensic Accounting Report, the Receiver was
11 able to obtain the underlying source data and verify that \$42.2 million of the
12 \$44.5 million of the previously uncategorized deposits were investor deposits –
13 resulting in total verified investor deposit amount of \$99.4 million.

14 The forensic accounting data was used to validate claims and as a foundation
15 for the Receiver's distribution plan. It was also used to complete pre-receivership
16 tax returns for the Receivership Entities, and for the receivership estate's Qualified
17 Settlement Fund (QSF) entity.

18 **C. Asset Disposition and Recovery**

19 Pre-receivership, the Receivership Entities used investor funds to make
20 investor payments, pay operating expenses, and make offshore fund transfers. In
21 addition, they purchased real and personal property, made investments, and
22 transferred money to insiders and third parties.

23 The Receiver recovered a total of approximately \$38.0 million from three
24 major sources of revenue: (1) \$10.5 million from Court-approved sales of real
25 property, (2) \$22.2 million from other investments and transfers, and (3) \$5.3 million
26 of revenue from operations of two golf courses.

27
28

The table below summarizes the recoveries:

Table 1: Total Revenues from all Sources			
Sales of Real Property			\$10,499,047
	Glen Ivy Golf Course in Corona, CA (includes water deposit)	4,123,816	
	Residence: 710 Arabian Lane, Walnut, CA	2,334,617	
	Warehouse: 3620 Cypress Avenue, El Monte, CA	1,490,155	
	Residence: 3607 Elfwood Drive, Monrovia, CA	957,333	
	Golf Course in Lake Elsinore, CA (includes liquor license)	675,809	
	Vacant Land in New Cuyama, CA	492,275	
	Residence: 16114 Grand Avenue, Lake Elsinore, CA	425,042	
Other Investments and Transfers			\$22,246,650
	Cash in Accounts at Takeover	2,242,756	
	Cash recoveries (includes Horsman Law Firm recovery)	13,300,066	
	Vincent J. Messina	2,133,214	
	Sue Wang, et al.	1,205,000	
	Frequency Networks, Inc.	1,000,002	
	Myco Technology	750,000	
	Daniel John Lazarus	750,000	
	Sales of Personal Property	340,498	
	James Dantona, Governmental Impact, Zayda Aberin, ZHB International	271,000	
	Miscellaneous (legal retainers, office deposits, insurance claims, interest)	229,114	
	WCM Resources	25,000	
Golf Course Revenue			\$5,256,659
	Gross revenue	5,256,659	
Total Recovery			38,002,356

D. Receiver Reporting and Communications

At the beginning of the receivership, the Receiver established a dedicated web page, which has provided case information, updates, and answers to frequently asked

1 questions to investors and creditors. The internet address for the webpage is
 2 www.worldcapitalmarketreceivership.com. The Receiver also maintained a
 3 dedicated email address and telephone line for investor inquiries. Case updates often
 4 triggered voluminous investor inquiries, so the Receiver's staff regularly returned a
 5 significant volume of emails and phone calls in both English and Spanish. In view of
 6 the volume of calls and correspondence, the Receiver utilized associates at lower
 7 billing rates to handle the majority of these communications.

8 The Receiver also filed detailed quarterly fee applications and accounting
 9 reports that kept investors and the Court advised as to the amount of money
 10 recovered, the financial position of the receivership estate, and efforts to recover
 11 funds for the benefit of investor victims.

12 **E. Receivership Accounting**

13 The following summary reflects the Receivership Entities' consolidated
 14 operating cash balance as of June 30, 2018:

15 **Table 2: Operating Cash Balance Summary**

16 Total Revenues			38,002,356
17 Disbursements (Non-Administrative)			(7,337,914)
18	Golf Course Operational Expenses	6,821,095	
19	Real & Personal Property Expenses (Non-Golf)	363,155	
20	WCM One-Time Payroll & Related	46,809	
21	WCM Moving & Storage	23,315	
22	Other Miscellaneous Expenses	83,540	
23 Disbursements (Administrative)			(3,722,972)
24	Epiq - Claims Process (incl. Notice Publication)	410,179	
25	Receiver Legal Fees & Expenses	1,590,927	
26	Receiver Fees & Expenses	1,721,866	
27 Interim Distributions (net)			(17,489,156)
28	Investor Claim Distribution (authorized initial distribution)	(21,000,000)	
	Check Disbursements Cashed	16,294,534	

1	PayPal & Electronic Payments Claimed	1,187,042	
2	PayPal Fees Paid	7,580	
3	Cash on Hand as of June 30, 2018		9,452,314

4 **F. Claims, Interim Distribution Process, and Epiq Fees**

5 For a myriad of reasons as discussed throughout this case, the claims and
6 distribution process has been one of the Receiver's most challenging tasks. This was
7 due to, (a) the lack of a comprehensive investor database, (b) the large volume of
8 secondary market transactions whereby funds could not be traced to the Receivership
9 Entities, (c) the large number of cash transactions with no substantiating support,
10 (d) the investors' misunderstanding of WCM777 and Kingdom points issued (which
11 was not an actual dollar investment), and (e) the global geographic reach of the
12 scheme. The Receiver worked diligently and creatively to arrive at a claims process
13 that fairly evaluated the claims.

14 On July 13, 2015, the Court granted the Receiver's motion for approval of the
15 claims process, setting the deadline to submit claims to the Receiver as November 9,
16 2015, which deadline was later extended to December 24, 2015. The Receiver
17 worked with the Court-approved claims administrator, Epiq, to implement Phase I of
18 the approved claim process, which resulted in receipt of over 35,000 claims
19 representing over 72,000 claimed investments.

20 Upon assessing and analyzing the voluminous Phase I claims data, the
21 Receiver prepared her report on Phase I of the claims process and recommendation
22 regarding Phase II, which was filed and approved by the Court on March 11, 2016
23 (Dkt. Nos. 427, 430).

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

1 Claims Order, the Receiver commenced working with Epiq to process the Court-
2 approved interim distributions.

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

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

21 The Receiver has successfully made a total of \$17,489,156 of interim
22 distributions and will be reissuing \$755,223 of interim distributions, which
23 respectively represent 83.3% and 3.6% of the \$21 million approved interim
24 distribution.¹ Investors who successfully negotiated their interim distribution

25 _____
26 ¹ Regarding the \$755,223 of interim distributions to be reissued, as the Receiver
27 proceeded with the interim distribution processes, voluminous communications
28 occurred with approved claimants who were unable to negotiate their payments.
Over time, the Receiver received updated contact or payment information from
approved claimants. Interim distribution payments were then primarily reissued

1 payments, including those receiving checks as part of the reissuance of \$755,223 of
2 interim distributions, will be sent a final distribution – said investors are located in
3 dozens of different countries.

4 II. CLOSING MATTERS

5 A. Establishment of Reserve, Payment of Administrative 6 Expenses and Proposed Final Distribution

7 1. Establishment of Reserve

8 As reflected in the table below, the Receiver seeks authority to set aside funds
9 in reserve to pay non-administrative expenses in the amount of \$51,431 and
10 projected administrative expenses to conclude the receivership of up to \$190,765, for
11 a total reserve amount of \$242,196.

12 2. Administrative Expenses

13 As also reflected in the table below, the Receiver seeks approval of payment of
14 administrative expenses incurred, not yet paid in the amount of \$144,790 and
15 holdbacks in the amount of \$775,146, for a total of \$919,936.

16 3. Proposed Final Distribution

17 As of June 30, 2018, the Receiver was holding cash in the total amount of
18 \$9,452,314 and anticipates additional interest income of \$310, bringing cash
19 available for the proposed final distribution to \$9,452,624. Provided the Court
20 approves the \$242,196 of reserve funds (\$51,431 of non-administrative expenses,
21 plus \$190,765 of projected administrative expenses), the payment of administrative
22 fees in the amount of \$919,936 (\$144,790 incurred and not yet paid, plus \$775,146
23 of holdbacks), and after payment of the \$755,223 of interim distributions to be re-

24
25 in one large batch. Some updated information from investors, however, was
26 received after the reissuance of interim distribution payments. These interim
27 distribution payments have been held by the Receiver. In order to reissue said
28 payments in a cost-effective way, the Receiver determined reissuing said
payments together with final distribution payments would maximize efficiency.
Therefore, the total amount of interim distributions which will now be reissued is
\$755,223.

1 issued, \$7,535,269 will be available for final distributions to approved claimants in
 2 accordance with this Court's Claims Order.

3 The breakdown of cash on hand, as well as the interim distributions to be re-
 4 issued, the reserve, and administrative expenses, is as follows:

5 **Table 3: Reserve, Administrative Expenses, Final Distribution Summary**

6 Cash Available for Final Distribution before Reserve and Administrative Costs			9,452,624
7	Operating Cash on Hand 6/30/18	9,452,314	
8	Projected Interest Income Net of Bank Fees	310	
9			
10 Interim Distribution Payments to be Reissued			(755,223)
11			
12 Disbursements (Non-Administrative RESERVE)			(51,431)
13			
14	Projected Final Tax and Return Preparation Fees	25,431	
15	Projected Storage and Document Destruction Fees	1,000	
16	Contingency	25,000	
17 Disbursements (Administrative RESERVE) – Projected Fees and Expenses			(190,765)
18			
19	Projected Receiver Fees and Expenses	88,063	
20	Projected Receiver Legal Fees and Expenses	30,000	
21	Projected Epiq Fees and Expenses	72,702	
22			
23 Disbursements (Administrative) – Fees and Expenses Incurred, Not Yet Paid			(144,790)
24			
25	Receiver Fees Incurred (Q4 2017 to Q2 2018)	67,032	
26	Receiver Legal Fees Incurred (Q4 2017 to Q2 2018)	27,545	
27	Epiq Fees Incurred	50,213	
28			

1	Disbursements (Administrative) – Holdbacks			(775,146)
2		Receiver 20% Holdback from Interim Fee Applications	402,326	
3		Receiver Legal 20% Holdback from Interim Fee Applications	372,820	
4				
5	Projected Cash Available for Final Distribution			7,535,269
6				

7 As noted above, all approved claimants who successfully negotiated their
8 interim distributions, will now receive a revised prorated amount as part of the final
9 distribution. This is because, pursuant to the Distribution Plan, the claims of
10 claimants who do not negotiate their interim distribution payments within 90 days
11 and who cannot be located through a reasonable investigation are automatically and
12 permanently extinguished. Dkt. No. 477-1, Exhibit E, p. 4. Therefore, investors who
13 submitted claims, but did not negotiate their interim distribution payments and did
14 not respond to efforts to contact them will not participate in the final distribution
15 because their claims have been extinguished under the Distribution Plan.

16 Pursuant to the Distribution Plan, in the event any approved claimants have not
17 negotiated their final distribution check(s) and/or there are funds remaining in the
18 Reserve account after 120 days after issuance of the final distribution has passed,
19 then the Receiver shall pay such funds to the Commission for turnover to the United
20 States Treasury.

21 **B. Destruction of Records**

22 The Receiver presently stores minimal files, records for the Receivership
23 Entities' operations, personnel files, investor files, and miscellaneous documents, and
24 electronic records. Typically, the Receiver would destroy all records at the close of a
25 receivership. In this instance, the Receiver seeks approval to turn such books and
26 records over to the United States Attorney's Office ("USAO") for use in the pending
27 criminal matter against Mr. Phil Ming Xu and to destroy the remaining files and
28 delete all digital records. The Receiver proposes to give the USAO 60 days to make

1 a decision as to what, if any, records they wish to take. The balance of the records
2 will be destroyed.

3 **C. Discharge of Receiver**

4 The Receiver has successfully completed all work required under the
5 Appointment Orders. The Receivership Entities' assets were marshalled, protected,
6 and successfully monetized, the accounting was completed, and the claims of
7 investors and others were adjudicated. As such, it is appropriate for the Receiver to
8 ask the Court to enter an order discharging her upon the following conditions:

9 1. The Receiver shall cause the final distribution to approved claimants to
10 be completed in accordance with the Claims Order and Distribution Plan;

11 2. The Receiver shall complete the tasks outlined in this Motion, including
12 the preparation of tax returns and payment of taxes, and the payment of actual fees
13 and expenses of the Receiver and her professionals;

14 3. In accordance with the Distribution Plan, following 120 days after the
15 final distribution to claimants, the Receiver shall turn over to the Commission any
16 balance of funds; and

17 4. Within 180 days after the final distribution to approved claimants has
18 been made, the Receiver shall file a declaration with the Court providing a final
19 accounting regarding use of the Reserve funds, along with an order discharging the
20 Receiver ("Discharge Order"), in the form attached hereto as **Exhibit A**, which
21 Discharge Order may be entered by the Court without further notice or a hearing.

22 **III. ARGUMENT**

23 **A. Broad Equitable Powers of the Court**

24 "The power of a district court to impose a receivership or grant other forms of
25 ancillary relief does not in the first instance depend on a statutory grant of power
26 from the securities laws. Rather, the authority derives from the inherent power of a
27 court of equity to fashion effective relief." *SEC v. Wencke*, 622 F.2d 1363, 1369
28 (9th Cir. 1980). The "primary purpose of equity receiverships is to promote orderly

1 and efficient administration of the estate by the district court for the benefit of
2 creditors." *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir. 1986). As the appointment
3 of a receiver is authorized by the broad equitable powers of the Court, any
4 distribution of assets must also be done equitably and fairly. *See SEC v. Elliot*,
5 953 F.2d 1560, 1569 (11th Cir. 1992).

6 District courts have the broad power of a court of equity to determine the
7 appropriate action in the administration and supervision of an equity receivership.
8 *See SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005). As the
9 Ninth Circuit explained:

10 A district court's power to supervise an equity receivership
11 and to determine the appropriate action to be taken in the
12 administration of the receivership is extremely broad. The
13 district court has broad powers and wide discretion to
14 determine the appropriate relief in an equity receivership.
15 The basis for this broad deference to the district court's
16 supervisory role in equity receiverships arises out of the
17 fact that most receiverships involve multiple parties and
18 complex transactions. A district court's decision
19 concerning the supervision of an equitable receivership is
20 reviewed for abuse of discretion.

21 *Id.* (citations omitted); *see also Commodities Futures Trading Comm'n. v. Topworth*
22 *Int'l, Ltd.*, 205 F.3d 1107, 1115 (9th Cir. 1999) ("This court affords 'broad deference'
23 to the court's supervisory role, and 'we generally uphold reasonable procedures
24 instituted by the district court that serve the[e] purpose' of orderly and efficient
25 administration of the receivership for the benefit of creditors."). Accordingly, the
26 Court has broad equitable powers and discretion in the administration of the
27 receivership estate and disposition of receivership assets.

28 **B. Conclusion of Receivership and Discharge of Receiver**

Federal District Courts presiding over federal equity receiverships have broad
power and wide discretion in the supervision of the same. *SEC v. Hardy*, 803 F.2d

1 1034, 1037-38 (9th Cir. 1986). Their power and discretion includes the authority to
2 "make rules which are practicable as well as equitable." *Id.* at 1039 (quoting *First*
3 *Empire Bank-New York v. FDIC*, 572 F.2d 1361, 1368 (9th Cir. 1978)). In this case,
4 the Court's supervision of the receivership is guided by these same rules.

5 The Receiver has diligently carried out her Court-ordered duties, including
6 assuming control of enterprises, marshalling and selling assets, performing a forensic
7 accounting, pursuing claims, providing detailed reports to the Court, conducting a
8 very complicated claims process, and if this Motion and the fee applications filed
9 herewith are granted, ultimately distributing nearly \$26 million. As there is no
10 further benefit to be gained from maintaining this receivership, the Receiver requests
11 that she be discharged and the case be closed, effective upon completion of the final
12 closing tasks as described in Section II above.

13 Effective upon completion of the closing tasks, the Receiver requests the
14 Discharge Order (attached hereto as Exhibit A) be entered, which order discharges
15 the Receiver and fully releases the Receiver and counsel of: (i) all duties under the
16 Appointment Orders, and (ii) any and all claims and liabilities associated with the
17 case and the Defendants. In addition, the Receiver asks the Court to approve and
18 ratify all actions taken by the Receiver and her professionals in the performance of
19 the Receiver's Court-ordered duties. The Receiver further requests the Court retain
20 exclusive jurisdiction over any and all new actions or claims related to the
21 receivership or work done by the Receiver and her professionals to carry out the
22 Receiver's Court-ordered duties. It is necessary and appropriate to issue the
23 requested "conditional" discharge order.

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IV. CONCLUSION

For the foregoing reasons, the Receiver respectfully requests the Court grant the Motion and issue the proposed Discharge Order submitted herewith.

Dated: August 21, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: /s/ David R. Zaro
DAVID R. ZARO
Attorneys for Receiver
KRISTA L. FREITAG

EXHIBIT A

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,
Plaintiff,
v.
WORLD CAPITAL MARKET INC.;
WCM777 INC.; WCM777 LTD. d/b/a
WCM777 ENTERPRISES, INC.; and
MING XU a/k/a PHIL MING XU,
Defendants,
KINGDOM CAPITAL MARKET, LLC;
MANNA HOLDING GROUP, LLC;
MANNA SOURCE
INTERNATIONAL, INC.;
WCM RESOURCES, INC.; AEON
OPERATING, INC.; PMX
JEWELS, LTD.; TOPACIFIC INC.;
TO PACIFIC INC.; VINCENT J.
MESSINA; and INTERNATIONAL
MARKET VENTURES,
Relief Defendants.

Case No. CV-14-2334-JFW-MRW
**[PROPOSED] ORDER
DISCHARGING RECEIVER AND
CLOSING RECEIVERSHIP**
Date: October 1, 2018
Time: 1:30 p.m.
Ctrm: 16
Judge: Hon. John F. Walter

1 The Court having considered the Declaration of Krista L. Freitag Regarding
2 Accounting of Reserve and Completion of Closing Tasks, and good cause appearing
3 therefor, IT IS HEREBY ORDERED as follows:

4 1. The Receiver is discharged of all duties under the Temporary Restraining
5 Order and Orders: (1) Freezing Assets; (2) Prohibiting the Destruction of Documents;
6 (3) Granting Expedited Discovery; (4) Requiring Accountings; (5) Authorizing
7 Alternative Service; (6) Repatriating Assets; and (7) Appointing a Temporary
8 Receiver, and Order to Show Cause re Preliminary Injunction and Appointment of a
9 Permanent Receiver entered by this Court on March 27, 2014 ("TRO") (Dkt. No. 14),
10 the Preliminary Injunction, Appointment of a Permanent Receiver, and Related
11 Orders entered by this Court on April 10, 2014 ("Preliminary Injunction Order") (Dkt.
12 No. 33), and subsequent orders of the Court. Pursuant to the discharge, the Receiver
13 is released from any and all claims and liabilities associated with the receivership, the
14 receivership entities, and the individual defendants named in this action.

15 2. All actions taken by the Receiver and her professionals in performing the
16 Receiver's Court-ordered duties under the TRO, Preliminary Injunction Order, and
17 subsequent orders of the Court are approved and ratified.

18 3. The Receiver is discharged from any further responsibility for payment
19 of liabilities of the Receivership Entities.

20 4. The receivership is closed.

21 5. Jurisdiction over all disputes, claims, and causes of action arising from or
22 relating to this receivership case is reserved in this Court.

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25 Dated: _____

Hon. John F. Walter
Judge, United States District Court

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