

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

vs.

**REX VENTURE GROUP, LLC
d/b/a ZEEKREWARDS.COM, and
PAUL BURKS,**

Defendants,

No. 3:12-CV-519

RECEIVER'S STATUS REPORT FOR THE FIRST QUARTER OF 2013

Kenneth D. Bell, Esq., the Court-appointed Temporary Receiver (the "Receiver") for and over the estate of Rex Venture Group, LLC d/b/a ZeekRewards.com, any of its subsidiaries, whether incorporated or unincorporated, and any businesses or business names under which it does business (the "Receivership Defendant"), submits this Quarterly Status Report (the "Report") in accordance with the Order of this Court entered on August 17, 2012, and for the purpose of providing a status report on the work and findings to date (the "Investigation") of the Receiver, his counsel, agents, consultants, and advisors (the "Receiver Team"). The facts presented herein may be supplemented, amended and/or corrected as the Investigation continues.

I. INTRODUCTION

The Receivership Defendant is a group of interrelated entities and websites, all of which were either controlled or owned directly or indirectly by Defendants Rex Venture Group, LLC ("RVG") and Paul Burks ("Burks" and with the Receivership Defendant, the "Defendants").

RVG and Burks operated a penny auction website, www.zeekler.com (“Zeekler”), and a self-described “private, invitation-only, affiliate advertising division” for Zeekler at www.zeekrewards.com (“ZeekRewards” or the “ZeekRewards Program”). The ZeekRewards Program had its physical operations in Lexington, North Carolina and had internet-based affiliates and contacts throughout the United States and internationally. The Zeekler participants were required to pay a non-refundable fee to purchase and place each incremental bid (typically one cent) on merchandise sold via auction. Bidders could acquire those bids by purchasing them directly on Zeekler.com, but ZeekRewards and its affiliates purchased the vast majority of the bids that they sold or gave away for free to be used in the penny auctions.

On August 17, 2012, the Securities and Exchange Commission (“SEC”) commenced a civil enforcement action (the “Enforcement Action”) against Burks and the Receivership Defendant. *See* (Doc. No. 2, Complaint filed Aug. 17, 2012) (the “SEC Complaint”). The SEC Complaint alleges that the Defendants engaged in (1) the unregistered offer and sale of securities in violation of Sections 5(a) and 5(c) of the Securities Act; (2) fraud in the offer or sale of securities in violation of Section 17(a) of the Securities Act; and (3) fraud in connection with the purchase or sale of securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. According to the SEC Complaint, Burks and RVG engaged in the fraudulent unregistered offer and sale of securities in unregistered investment contracts constituting securities in a combined Ponzi and pyramid scheme (the “Scheme”) involving hundreds of millions of dollars of money supplied by domestic and foreign investors. *Id.* at ¶¶ 1 and 3. The SEC sought equitable relief, including injunctions against future violations of the securities laws, disgorgement, prejudgment interest, and civil monetary penalties.

Simultaneous with the filing of the SEC Complaint, the SEC, the Receivership Defendant and Burks agreed to an order granting emergency relief, including a preliminary injunction, in the form of an order freezing the assets of the Receivership Defendant and appointing a Temporary Receiver over the estate of the Receivership Defendant. *See* (Doc. No. 4, Agreed Order Appointing Temporary Receiver And Freezing Assets of Defendant Rex Venture Group, LLC, filed Aug. 17, 2012), (“Initial Receiver Order”).¹ An Amended Order Appointing Temporary Receiver was entered on August 30, 2012, expanding the definition of the Receivership Estate. *See* (Doc. No. 21, Order Granting in part and Denying in part Motion to Amend/Correct Order) (“Amended Receiver Order”) (collectively with the Initial Receiver Order the “Receiver Orders”).

There are approximately 2.2 million unique users (“Affiliates” or “usernames”) in ZeekRewards. The number of Affiliates does not reflect the number of unique individuals who participated in ZeekRewards, as it is likely that some individuals had more than one username. Approximately 1 million Affiliates paid money into the ZeekRewards Program (“Affiliate-Investors”).

II. SUMMARY OF ACTIVITIES OF THE RECEIVER BETWEEN JANUARY 1, 2013 AND MARCH 31, 2013

Pursuant to Paragraphs 55 and 56 of the Initial Receiver Order, the Receiver makes the following report “reflecting (to the best of the Receiver’s knowledge as of the period covered by the report), the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estate.” Initial Receiver Order ¶ 55.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed them in the Initial Receiver Order.

A. Operations of the Receiver

1. Investigating the Receivership Defendant's Financial Information

The Receiver continues to investigate the financial information of the Receivership Defendant and to marshal, identify, and secure potential assets of the Receivership Estate. FTI Consulting ("FTI") completed a preliminary validation of the information in the RVG databases. FTI also worked to reconcile the financial instruments the Receivership Estate deposited against the RVG databases in order to determine the total amount invested in ZeekRewards and the net winners and losers.

The Receiver continues to work with various financial institutions to obtain the necessary information for the analysis and reconstruction of the Receivership Defendant's records and a determination of the funds of the Receivership Estate. In addition, the Receiver continues to investigate and analyze accounts of, and payments and transfers to and from, key insiders, third-party advisors, and companies affiliated with RVG and/or its principals and key insiders. Part of this process involves the investigation of transfers made to RVG accounts through various payment processors and e-wallets. Additional or supplemental document requests, subpoenas for documents and/or testimony, witness interviews, and other means of discovery will be used to determine whether there are any additional outstanding assets that can be seized for the Receivership Estate.

Finally, the Receiver is working to locate additional Receivership Assets that were not previously seized by the United States Secret Service ("USSS"). These potential assets are primarily held by institutions that previously turned over assets to the USSS but may not have released all Receivership Assets in their possession.

2. Marshaling and Preserving Receivership Assets

a. Accounts for Holding Receivership Assets

The Receiver now maintains four interest-bearing bank accounts on behalf of the Receivership Estate. One account has been used to deposit Affiliate-Investor payments (the “Affiliate Account”). Another account is reserved for the funds seized from financial institutions and payment processors by the USSS on behalf of the Receivership Estate (the “Seized Asset Account”). A third account is used as an operating account with funds primarily held or controlled by the Receivership Defendant pre-Initial Receiver Order (the “Pre-Filing Account”). On March 22, 2013, the Receiver opened a fourth interest-bearing account on behalf of the Receivership Estate, which is being used to deposit the proceeds of settlements with net winners (the “Settlement Account”).

As of March 31, 2013, the Receivership Estate held approximately \$85.1 million in the Affiliate Account, approximately \$221.4 million in the Seized Asset Account, approximately \$2.2 million in the Pre-Filing Account, and approximately \$36,000 in the Settlement Account.

The Receiver has continued to work with the USSS to seize and collect Receivership Assets from various entities and financial institutions. On March 12, 2013, the Receivership deposited approximately \$291,000 into the Seized Asset Account from a merchant services account reserve being held for RVG by American Express.

b. Cashier's Checks

Since January 1, 2013, the Receiver deposited approximately \$360,000 into the Affiliate Account. These funds primarily came from financial institutions that contacted the Receiver Team about cashier's checks for which they had erroneously stopped payment upon initial presentment. Also during the first quarter, the Receivership repaid approximately \$640,000 from

the Affiliate Account to financial institutions that had erroneously double-paid cashier's checks and other items to the Receivership Estate.

The Receiver Team is in the final stages of an analysis identifying the cashier's checks and bank money orders that were improperly returned by various financial institutions, and it intends to seek recovery for these improper returns and the associated returned check fees.

c. Funds Held by E-Wallets

The Receiver continues to investigate the extent to which there are any recoverable funds from the Receivership Defendant's former e-wallet vendors. NxPay stands ready to send the Receiver the approximately \$4.0 million to \$6.0 million it believes are Receivership Assets pending resolution of a motion related to e-wallet funds. *See* (Doc. No. 80, Mot. For Order Requiring Release of Frozen Third-Party Assets, filed Dec. 11, 2012). NxPay's payment processor continues to hold approximately \$1.3 million, which NxPay has requested but has not received. NxPay believes the majority of those funds are Receivership Assets. The resolution of the above-referenced motion will determine the disposition of these funds.

In addition, based on FTT's financial analysis, the Receiver believes that both Payza and SolidTrustPay may have additional Receivership Assets, and the Receiver is working to investigate and seize these funds. To the extent these entities allowed affiliates to withdraw funds after receiving notice of the Receivership, the Receiver may seek reimbursement or indemnification for the funds from the payment service providers.

d. Additional Asset Recovery

The Receiver recently obtained approximately \$291,000 from American Express from a merchant services account reserve. The Receiver continues to investigate whether there are additional outstanding recoverable assets subject to seizure for the Receivership Estate.

e. Foreign Accounts

The Receiver is still seeking one foreign account that holds or held approximately \$12 million. No other foreign accounts have been located at this time. The Receiver Team has not completed the reconciliation of all of the Receivership Defendant's account records with the amount of funds that has been recovered from foreign accounts. As such, the Receiver continues to reserve all of his rights in that regard.

3. Analyzing the Operations of the Receivership Entity

a. Investigating and Validating the Receivership Defendant's Electronic and Financial Data

During the first quarter, the Receiver Team continued to reconstruct and analyze financial records of the Receivership Defendant, requiring the creation of certain books and records that were unavailable. As previously reported, this time-consuming process is necessary as the Receiver continues to identify additional assets, analyze millions of transactions, trace the proceeds of any potentially fraudulent conduct, evaluate claims of creditors and investors, and identify potential claims against former employees, third parties (including Affiliate-Investors), and others that may have received assets of the Receivership Estate.

FTI's data analysis team continued to analyze three of the RVG databases which include approximately 1.6 billion records across 406 material tables. The cataloguing, review, and understanding of the tables and their elements remain critical in understanding how the

ZeekRewards program worked, specifically as it related to Affiliate information, reward program transaction information, and bid history information.

FTI continued analyzing this data to identify and validate the transactions that involve the transfer of cash into or out of the accounts of the Receivership Defendant. As previously reported, this analysis has taken longer than initially anticipated due to several issues: problematic transactions with questionable accuracy housed in disparate database tables, the validity (or lack thereof) of database records, and the lack of available documentation (including look-up tables, database dictionaries, and source code documentation which are commonly used to understand the organization and function of a database's components). In the absence of these tools, FTI has been required to perform extensive testing of the data to validate the proposed calculations and to rely on disparate third-party sources (including Paul Burks, e-wallet vendors, financial institutions, and responses related to subpoenas and tax Form 1099 responses) for understanding the organization and function of the database components. FTI's analysis of the databases has provided information regarding the financial gains and losses incurred by Affiliate-Investors as a result of their participation in the ZeekRewards program. This information will be used to adjudicate Affiliate-Investor claims and to assist the Receiver in reaching settlement agreements with net winners.

FTI also continued investigating and reconstructing over 18 months of financial information. This process has been hindered by the state of certain financial records of the Receivership Defendant. Recreation of the books and records related to the financial accounts of RVG for the period January 1, 2011 through August 17, 2012 is substantially complete. However, a number of transactions require further investigation. FTI is now in the process of

reconciling the financial transactions represented in the RVG databases with the financial transactions represented in financial records produced by third party financial institutions.

b. Investigating the Receivership Defendant's Operations

The Receiver Team continues its forensic investigation into the operations of the Receivership Defendant which, to date, includes a review of RVG bank and payment processor records, public records, documents produced by third parties, and the ZeekRewards.com website. Working with the Receivership Defendant's website hosting vendor, InternetDynamo, FTI gained access to the ZeekRewards.com website. FTI and McGuireWoods ("MW"), counsel to the Receiver, are reviewing the contents of the ZeekRewards.com guest site and a sampling of the ZeekRewards.com internet-based "back offices" to gain an understanding of business operations and activities. As there were over two million Affiliates associated with the ZeekRewards Program at any given time, the review of the back office information is a time consuming process.

The Receiver Team continues to communicate—through counsel when appropriate—with numerous individuals and entities believed to have information about Receivership Assets and the operation of the RVG. The Receiver Team continues to interview the Receivership Defendant's former employees, officers, advisors, and promoters who are willing to be interviewed, as well as various third parties. These interviews have identified numerous other individuals and entities with relevant information, and the Receiver Team continues to pursue its investigation using voluntary and compulsory means as necessary.

The Receiver Team has received numerous document productions in response to subpoenas and voluntary document requests sent to the Receivership Defendant's former employees, service providers, and other professional advisors as well as certain Affiliates. The

Receiver Team continues to negotiate with others regarding their necessary productions, and pursues compulsory means as necessary to obtain responsive documents. All records obtained by the Receiver are being preserved in their original format and will be analyzed on an ongoing basis to the extent the Receiver believes they will aid him in completing his court-appointed assignment.

c. Privilege Review Team

The Receiver Team is continuing its analysis of the RVG documents and data it seized as well as RVG information produced by former officers and employees. However, Paul Burks has asserted attorney-client privilege and work product protection over communications and electronic documents in the Receiver's possession and/or control on the grounds of a joint representation by counsel of Mr. Burks and the Receivership Defendant. These claims stem from the time frame when Burks asserts that he and RVG were represented jointly by the same outside counsel. The Receiver has waived RVG's attorney-client privilege and work product protection for RVG's pre-receivership records, and the Receiver intends to waive such privileges as to corporate communications over which the Court determines Burks has no right to object.

As previously reported, the Receiver Team has delayed a significant portion of its document review until the privilege dispute has been resolved in order to save costs by avoiding a duplicative review by the Receiver's internal "taint team" of MW lawyers. In the first quarter, the Receiver Team's taint team has reviewed and logged a set of documents that were subpoenaed to fulfill its Court-ordered and ethical obligations to assess and evaluate third parties' assertion of privilege, independently classifying those documents as privileged, work product, or not protected. In addition, Burks has provided an additional document set, not yet subpoenaed, for taint team review. That review is substantially complete. Once the privilege

dispute has been resolved, the Receiver Team will proceed with all the document review it deems necessary but has delayed.

4. Communicating with Affiliates and Creditors

As previously reported, to facilitate communications with Affiliate-Investors, the Receiver Team established a website through which Affiliate-Investors and other claimants may access information relating to the Receivership (www.zeekrewardsreceivership.com). During the first quarter, the Receiver posted updated Letters from the Receiver five times on that website, and updated the Frequently Asked Questions tab. The Receiver's most recent message to Affiliates, dated April 1, 2013, was a letter to net winners regarding a settlement opportunity prior to litigation. In conjunction with that message, the Receiver Team worked on an email blast to certain net winner Affiliates regarding possible settlement.² The Receiver Team also continued to expend resources to assist Affiliate-Investors and their financial institutions with regard to cashier's checks that were not presented as of December 24, 2012. Specifically, on January 4 2013, and again on January 7, 2013, the Receiver posted two letters outlining his position with regard to those un-presented cashier's checks. It remains the Receiver's position that if the items were not presented as of December 24, 2012, they were considered "lost" under the Uniform Commercial Code, and the financial institutions may refund the remitters of such cashier's checks without fear of liability to the Receiver.

5. Issues Concerning Federal Taxes and Tax Filings

During the first quarter, the Receiver Team worked to determine which federal tax filings were necessary with respect to income taxes, payments made to service providers, and payments made to Affiliate-Investors. The efforts were focused on the latter two issues because of the

² The email blast was ultimately sent the first week in April 2013.

earlier filing deadline (January 31, 2013). After analyzing the issues, consulting with various entities, and reviewing RVG's records, the Receiver Team determined that it would be necessary to file and issue 1099s to certain Affiliate-Investors. FTI's database team expended significant resources to compile the data necessary to issue the 1099s.

On January 31, 2013, over 25,000 1099s were issued to Affiliate-Investors. The amounts used in these 1099s were calculated from the information contained in the RVG databases and information produced by financial institutions to the Receiver to date. Hundreds of 1099 recipients have responded to the Receiver regarding the amounts provided on the 1099s. FTI reviews these responses for any information that may assist in understanding the RVG databases. Many of these responses have helped further the Receiver Team's understanding of the databases because, as discussed above, the Receiver Team has faced obstacles analyzing the 406 material tables due to issues with these databases.

As a result of the review of affiliate responses, FTI identified a category of failed electronic transactions as well as removed from the analysis a number of checks returned to the Receiver which causes the amount paid during 2012 to certain Affiliate-Investors to be less than previously reported on the 1099s. Through research of financial records, FTI identified additional payments made to two Affiliate-Investors which cause the amounts paid to them during 2012 to be more than previously reported on the 1099s. FTI and MW worked with National Law Forms to issue amended 1099s to the Affiliate-Investors affected by the failed transactions and the two Affiliate-Investors whose payment amounts increased as a result of the financial record research. These amended 1099s are scheduled to be e-filed with the IRS by April 30, 2013.

6. Issues Concerning Employees

In January 2013, the Receiver Team worked with RVG's former payroll company to issue W-2s to all former employees. During this process, the Receiver Team gained access to evidence that caused the Receiver Team to believe some individuals who RVG previously classified as "independent contractors," and to whom 1099s would have been issued, were misclassified pursuant to IRS regulations.³ Accordingly, the Receiver Team has reclassified them as employees, issued them W-2s, and paid past payroll withholding taxes. The Receiver Team is continuing to work to identify all individuals who RVG classified as "independent contractors" and will determine whether back wages or payroll withholding taxes are owed and whether any individual should be reclassified pursuant to IRS regulations. The Receiver Team also has continued to respond to former employee requests for information on the status of unpaid wage claims and claims filed by former employees to state agencies for unemployment benefits.

7. Litigation in the SEC Enforcement Action⁴

During the first quarter, the Receiver opposed the efforts by some of the largest net winners to have an "Examiner" appointed to represent all Affiliate-Investors. As the Court is aware, on February 7, 2013, the Court denied the motion and declined to appoint an "Examiner."

In addition, the Receiver filed a response in opposition to the Motion to Intervene and for an Order Dissolving the Appointment of a Temporary Receiver filed by two large net winners. Furthermore, the Receiver filed a response in opposition to the Motion for an Order Requiring

³ In August 2012, while winding up operations, the Receiver Team worked with RVG's former payroll company to disburse final wages to employees. Individuals who RVG classified as independent contractors were not paid for services rendered. Instead, they were instructed that they should file a claim as part of the Receivership Claims Process.

⁴ This section discusses litigation in the SEC Enforcement Action. The Receiver's efforts related to the recovery of fraudulently transferred funds are discussed later in this Report.

Release of Frozen Third-Party Assets, filed by the same net winners who had previously filed the “Examiner” motion. These efforts by a small group of non-party net winners have continued to delay the Receiver’s efforts and increase the costs in marshaling the Receivership Assets for distribution to victims of the Scheme.

Finally, the Receiver has been engaged in a number of discovery disputes with various net winner Affiliate-Investors. These disputes also delay the Receiver and increase the costs to the Receivership Estate.

8. Work to Establish a Claims Process

As this Court is aware, the Receiver has recently submitted a motion to approve the Claims Process. *See* (Doc. No. 138, Mot. For Order Seeking Approval of (1) Claims Process, (2) Setting of Bar Date, and (3) Certain Notice Procedures, filed Mar. 29, 2013). The Claims Process is at the core of the Receivership because it will provide the basis for the Receiver to return the Receivership Defendant Assets he recovers to the victims of the ZeekRewards Scheme. Significant resources were expended during the first quarter to formulate this Claims Process. The majority of the work was to determine what information the Receiver should collect from Affiliates, the best way to obtain and track this information from Affiliates, and how to inform Affiliates of the amounts the Receiver believed were valid claims asserted against the Receivership Defendant.

As described in the Motion that seeks approval of the Claims Process, the Receiver determined that an online claims process was the most accurate and cost efficient method for obtaining this information, and the Receiver Team began the process of creating the online claims process. The Receiver Team spent significant time determining what data needed to be collected from claimants, the format for the collection of such data, what other information the

Receiver Team would find useful in the claims process, and what data the Receiver Team already holds so that it can accurately reconcile claims. Once these issues were resolved, the Receiver Team formulated the online claims portal so that the Receiver Team could obtain the data it needs to determine the valid amount of each creditor's claim. Additionally, the Receiver Team created the systematic process to evaluate the claims data that it receives as part of this process.

The Receiver further determined that after the claim data is reconciled, the Receiver would inform the claimant of the Receiver's determinations of the amount that the claimant paid to and received from ZeekRewards. The Receiver further determined that the most cost effective way to provide this claim determination would be through an online transmission. Upon completion of the formulation of the Claims Process, the Receiver Team drafted and filed a motion seeking approval of the Claims Process.

B. The Receiver's Fund Accounting

The Receiver's Second Standardized Fund Accounting Report ("SFAR") is attached hereto as Exhibit A.

C. The Receiver's Receipts and Disbursements

The Receiver's Schedule of Receipts and Disbursements ("Schedule") from January 1, 2013 through March 31, 2013, is attached hereto as Exhibit B. The Schedule sets forth the following receipts and disbursements:

1. The Receivership received funds in the amount of \$221,020,567.22 from the USSS in seized assets;
2. Received funds in the amount of \$291,536.62 from America Express;

3. Received funds in the amount of \$359,346.98 from the deposit of Affiliate-Investor financial instruments;
4. Received funds in the amount of \$36,000.00 from third-party litigation income;
5. Received funds in the amount of \$35,449.00 in bank service charge refunds;
6. Received income from other sources, such as interest income, totaling \$65,660.94; and,
7. Disbursed funds from the Receiver's accounts, on a cash basis, of \$2,404,446.19, which includes the fees previously approved for payment of FTI and MW. These funds were disbursed for: bank adjustments to deposit amounts, bank fees for the deposit of financial instruments; RVG website and database hosting with InternetDynamo in Miami, Florida; security services; utilities; document services; property insurance; IT support; hosting and monitoring of the Receivership website; appraisal services; storage and moving services; and other professional services.⁵

Between January 1, 2013 and March 31, 2013, the Receivership Estate deposited \$221,808,560.76 and disbursed \$2,404,446.19. The Receiver marshaled total assets of approximately \$312.1 million during the period between August 17, 2012 and March 31, 2013.

D. Description of All Known Non-Cash Receivership Property

The Receiver has retained appraisers and auctioneers to value the real and personal property of the Receivership Estate in order to assist with the liquidation of those assets. The Receivership Defendant owns two buildings in Davidson County, North Carolina: the main office building from which the Scheme was operated (to which a functioning, leased laundromat

⁵ See attached Exhibit B for further detail regarding disbursements and receipts.

is attached), and a warehouse. The Receivership Defendant was also a tenant under leases for an office building and two apartments in Davidson County, North Carolina and a lease for a virtual corporate office in Las Vegas, Nevada. The Receiver terminated the lease on the Davidson County office building in the fourth quarter of 2012. Prior to the Receiver's appointment, the lease for the virtual corporate office in Las Vegas, Nevada was prepaid by the Receivership Defendant through April 2015, and the corporate apartments in Davidson County were prepaid by the Receivership Defendant through April 2013. The leases on these corporate apartments were not renewed. The Receiver is also continuing to maintain pre-existing leases for three climate-controlled storage units containing personal property. After the personal property is appraised, it will be transported to a Receivership Defendant-owned property for auction.

In the first quarter, the Receiver continued to work with the retained appraisers and auctioneers to value and prepare for the liquidation of the Receivership Defendant's real property: the main office and attached laundromat, located at 801 and 803 West Center Street, Lexington, NC, and a warehouse, located at 4095 Old Salisbury Rd, Lexington, NC. The Receiver is also in possession of personal property located in the main office, the warehouse, the leased apartments and climate-controlled storage units that is currently being appraised. Based upon its investigation to date, the Receiver has determined that this property belongs to the Receivership Estate. The Receiver anticipates that certain third parties will claim ownership interests in some portion of the personal property. Based upon evidence collected to date, the Receiver anticipates disputing many such claims by third parties. The Receiver will continue to work with the retained appraisers and auctioneers to liquidate the real and personal property at auction.

E. Description of Claims Held by the Receivership Estate

The Receiver Team has continued to evaluate options and strategies for pursuing funds fraudulently transferred by the Receivership Defendant.

1. Identifying and Pursuing Fraudulently Transferred Funds Held by Net Winner Affiliate-Investors

The Receiver currently estimates that net winner Affiliate-Investors received approximately \$291.6 million in fraudulent transfers from the Receivership Defendant. The Receiver Team intends to recoup as much of this money as possible for the Receivership Estate, but it is unable to estimate the portion of this amount that may be reduced to judgment and eventually collected.

The Receiver's litigation team continues to evaluate the most efficient and cost-effective method for pursuing fraudulent transfer claims. As reported previously, the Receiver's clawback litigation is likely to be a combination of individual actions, group actions, defendant class actions, and other alternative dispute resolutions as approved by the Court. Such proceedings will establish the key findings applicable to most, if not all, recipients of fraudulently transferred funds (findings such as the existence of a Ponzi and/or pyramid scheme). They will also separately provide a forum for the efficient determination of the proper amount of each net winner's repayment obligation.

The group of net winners identified to date includes numerous individuals residing outside of the United States, with the largest foreign winners living mainly in countries with established legal systems which are signatories to the Hague Convention for international service of process. While the pursuit of "clawback" claims against these foreign net winners raises various challenges, the Receiver intends to include these winners as parties to domestic litigation

based on their contacts with the ZeekRewards Program in the United States so long as doing so will not delay the litigation against domestic winners. The Receiver will also pursue cost-effective foreign litigation to establish the repayment obligation and/or to collect judgments where necessary and appropriate.

Further, the Receiver has proactively encouraged net winners to voluntarily cooperate with the Receiver in settling the Receiver's claims for return of their Zeek profits. Recently, the Receiver has informed net winners in emails and through the Receiver's website that the opportunity for settlement is available but that the window for settlement prior to the anticipated filing of clawback claims in June 2013 is closing. Net winners have thus been asked to come forward and seek a settlement by May 31, 2013, if they wish to resolve the Receiver's claims outside of litigation. So far, the Receiver has reached settlement agreements subject to Court approval with a number of net winners and intends to soon seek the Court's approval for these and future settlements.

2. Investigating Claims against Receivership Defendant Insiders

The Receiver continues to consider the prospect of filing claims against Receivership Defendant insiders including employees, contractors, or other RVG agents who played an active role in furthering the Scheme. The approximate value of these potential claims remains unknown at this time.

3. Investigating Claims against the Receivership Defendant's Third-Party Advisors and Others

The Receiver continues to consider the prospect of filing claims against third-party advisors of the Receivership Defendant, vendors, or other service providers that knew or should

have known of the inappropriate nature of RVG's activities and yet facilitated those activities for their own gain. The approximate value of these potential claims remains unknown at this time.

F. Potential Creditors of the Receivership Estate

As discussed in the Status Report for the Fourth Quarter of 2012, the Receiver estimates that the Affiliate-Investors' net losses could potentially amount to approximately \$800 million in claims. In addition, various trade creditors and taxing authorities have asserted that they are owed the following amounts:

<u>Creditor</u>	<u>Creditor or Collections Firm Address</u>	<u>Amount Invoiced</u>
UPS	c/o Baker, Govern and Baker 7771 W Oakland Park Blvd. # 240, Ft. Lauderdale, FL 33351	\$7,539.79
Complete Payment Recovery Services, Inc.	c/o Bennett Law PLLC 10542 S. Jordan Gateway, Suite 200, S. Jordan, UT 84095	\$1,085.00
Best Disposal	1123 Roy Lopp Rd., Lexington, NC 27292	\$110.00
Calvo & Jandebour PLLC, Certified Public Accountants	8709 Gelligum Dr., Charlotte, NC 28277	\$4,687.50
City of Lexington	28 W. Center St., Lexington, NC 27292	\$106.16
City of Lexington	28 W. Center St., Lexington, NC 27292	\$427.71
City of Lexington	28 W. Center St., Lexington, NC 27292	\$73.89
Complete Payment Recovery Services, Inc.	3500 5th St., Northport, AL 35476	\$3,732.75
Complete Payment Recovery Services, Inc.	11601 Roosevelt Blvd., St. Petersburg, FL 33716	\$225.00
Davidson Water, Inc.	PO Box 969, Welcome, NC 27374-0969	\$2.13
Electrical Communications & Security Solutions, Inc.	1513 E. Center St. Ext, Lexington, NC 27292	\$4,160.00
InternetDynamo, Inc.	16275 SW 88 th St., Unit #136, Miami, FL 33196	~\$6,300,000.00

IssueTrak	249 Central Park Ave., Suite 200, Virginia Beach, VA 23462	\$11,220.00
Time Warner Cable	PO Box 70872, Charlotte, NC 28272-0872	\$44.86
Time Warner Cable Residential	PO Box 70872, Charlotte, NC 28272-0872	\$35.33
U.S. Department of Treasury	Internal Revenue Service, Cincinnati, OH 45999	\$25,934.94
USHBB, Inc.	8629 Fawn Lake Circle, Indianapolis, IN 46278	\$878,856.00
Wat-R-Boy	PO Box 26634, Winston-Salem, NC 27114-6634	\$12.81
		Total: \$7,238,253.87

The above list is not an admission that the above entities are creditors of the Receivership Defendant or the above amounts asserted are due and owing. Specifically, the Receiver disputes the amounts claimed by certain purported creditors and believes there are substantial defenses to such claims. Further, these potential creditors will be required to submit claims through the Court-approved Claims Process along with all other creditors of the Receivership Estate so that their claims may be determined and liquidated, to the extent valid.

G. Status of Creditor Claims Proceedings, After Such Proceedings Have Been Commenced

As discussed above, the Receiver Team is working to establish a claims process. The Receiver filed its Motion for Order Seeking Approval of (1) Claims Process, (2) Setting of Bar Date, and (3) Certain Notice Procedures on March 29, 2013. The Claim Process will commence within 14 days of a final order of this Court approving the Claims Process.

III. CONCLUSION

At this time, the Receiver recommends the continuation of the Receivership for the following reasons:

1. The continuing efforts of the Receiver to investigate and marshal assets of the Receivership Estate;
2. The continuing efforts of the Receiver to establish and implement a claims process in order to distribute proceeds to injured claimants;
3. The continuing efforts of the Receiver to liquidate various assets of the Receivership Estate;
4. The carrying out of any other legal and/or appointed duties of the Receiver as identified in the Receiver Orders, or as the Court deems necessary.

Dated: April 30, 2013

By: /s/ Kenneth D. Bell
Kenneth D. Bell, Esq., Receiver

and

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have electronically filed the foregoing **RECEIVER'S STATUS REPORT FOR THE FIRST QUARTER OF 2013** with the Clerk of Court using the CM/ECF system which will send notification to the following parties in this case:

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This the 30th day of April, 2013.

/s/ Kenneth D. Bell
Kenneth D. Bell, Esq., Receiver