

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

<b>SECURITIES AND EXCHANGE COMMISSION,</b>	§	
	§	
<b>Plaintiff,</b>	§	
	§	
<b>vs.</b>	§	
	§	
<b>ARISEBANK,</b>	§	<b>Civil Action No. 3:18-cv-0186-M</b>
<b>JARED RICE SR., and</b>	§	
<b>STANLEY FORD,</b>	§	
	§	
<b>Defendants.</b>	§	
	§	

**RECEIVER’S FOURTH STATUS REPORT FOR  
RECEIVERSHIP ESTATE OF ARISEBANK**

Pursuant to paragraphs 53-54 of this Court’s Order Appointing Receiver in this case [ECF No. 12], which was incorporated in full into the Order Reappointing Receiver [ECF No. 72] (the “Receivership Order”), Mark Rasmussen, the Court-appointed Receiver for AriseBank and its affiliates (the “Receivership Entities”), files this fourth status report:

**BACKGROUND**

1. On January 25, 2018, the Securities and Exchange Commission filed a complaint against Defendants AriseBank, Jared Rice, Sr., and Stanley Ford, along with an application for the appointment of a receiver for the Receivership Entities. After reviewing the application, the Court concluded that the appointment of a receiver in this action was necessary and appropriate for the purposes of marshaling and preserving all assets, tangible and intangible, that are owned, controlled or possessed by the Receivership Entities.

2. Accordingly, on January 25, 2018, the Court entered the Receivership Order, appointing Mark Rasmussen as Receiver for Defendant AriseBank and its affiliates. That same day, the Court also entered an *ex parte* order granting a temporary restraining order, an asset freeze and other relief, and set a hearing on the SEC's motion for a preliminary injunction (the "TRO").

3. On January 26, 2018, the Court entered orders authorizing the Receiver to employ Jones Day as legal counsel and Kroll Cyber Security as a forensic and investigative consultant. Also on January 26, 2018, Defendants Jared Rice and AriseBank were served with the summons, complaint, TRO, and Receivership Order.

4. On January 26, 2018, Receiver's counsel sent via email a copy of the Receivership Order to an email controlled by Defendant Stanley Ford. On January 31, 2018, the Receiver spoke with Mr. Ford on the phone, and Mr. Ford confirmed that he had received the Receivership Order.

5. On February 5, 2018, the Court granted the unopposed motion filed by the SEC and Defendants AriseBank and Jared Rice for an order extending the TRO until February 22, 2018. On February 16, 2018, the Court granted a second unopposed motion filed by the SEC and AriseBank and Rice for an order extending the TRO until March 13, 2018. On March 9, 2018, the Court granted the SEC's unopposed motion for a preliminary injunction against AriseBank and Rice. On March 19, 2018, the Court granted the SEC's motion to use alternative means to serve Ford. That same day, the Court issued a preliminary injunction against Ford.

6. The Receivership Order requires that the Receiver file an initial status report to the Court within 30 days of the Receivership Order. In satisfaction of this requirement, the Receiver submitted the initial status report on February 26, 2018.

7. In addition, the Receivership Order requires that the Receiver file a status report within thirty days after the end of each calendar quarter. In satisfaction of this requirement, the

Receiver submitted his second status report on April 30, 2018 and the third status report on July 30, 2018. The Receiver now submits this fourth status report.

### **SUMMARY OF RECEIVERSHIP ACTIVITIES**

8. During the period covered by this report, the Receiver has largely focused on his examination of the electronic records of the Receivership Entities, including server data, emails, text messages, and social media messages to determine whether additional assets exist.

9. To perform this work, the Receiver has relied on accounting and technical consultants at Kroll to perform a detailed forensic-accounting and asset-tracing analysis. As previously reported, the Kroll consultants have examined information recovered from the AriseBank servers, wallets, and bank accounts, and have correlated that data with public blockchain records to determine whether additional cryptocurrency belonging to the Receivership Entities exists and can be recovered.

10. Kroll has completed this analysis. Based on this work, the Receiver has concluded that a substantial majority of all recoverable assets of the Receivership Entities have been recovered by the Receiver or were conveyed to third parties whom the Receiver is pursuing through litigation.

11. Account records show that roughly \$150,000 worth of ether was not recoverable because, before the entry of the Receivership Order, it was converted into US dollars and spent on various expenses, including travel, advertising, room and board, and electronics. Some of the value of the electronics may be recoverable through the sale of the electronics that were collected by the Receiver.

12. In addition, approximately 4 bitcoin (roughly \$25,000 at current market prices) was not recoverable because it was lost through trades made in a cryptocurrency account that was

established in the name of Abdo Farag, a person associated with AriseBank and identified to the Receiver as living overseas. Most of this trading occurred before the Receivership Order was entered. The Receiver was not told about this account, and he did not independently identify it until all of the value had been lost.

13. Based on an analysis of public blockchain records, it also appears that a relatively small amount of unrecovered cryptocurrency (less than \$15,000 in various forms of cryptocurrency at current market prices) is in wallets controlled by unknown parties. The Receiver has analyzed whether he can recover cryptocurrency from these wallets in a cost-effective manner and concluded that the cost of pursuing these assets would be more than their value. Accordingly, unless directed otherwise by the Court or the value of the assets increases to a level where it would be cost-effective to pursue them, the Receiver does not intend to attempt to collect these assets.

14. As previously reported, on April 24, 2018, the Receiver filed a lawsuit in this Court against Messrs. Smith and Matthew to recover those assets, *Mark W. Rasmussen, Receiver for AriseBank v. Richard Smith, Jr. and Kurt F. Matthew, Jr.*, 18-cv-1034.

15. On May 28, 2018, Messrs. Smith and Matthew filed answers to the complaint, denying the substance of the allegations. This Court entered a scheduling order on June 20, 2018, setting a jury trial for the Court's three-week docket beginning June 24, 2019. The parties are conducting fact discovery, the deadline for which is November 19, 2018. More information about the status of this litigation is available in the parties' Joint Report on Settlement Negotiations [Dkt. No. 20], filed on October 10, 2018 in case number 3:18-cv-1034.

16. The Receiver has previously reported that he had been negotiating with an additional third party regarding funds that were transferred to it in mid-January 2018 by AriseBank. The Receiver contends that this transfer of funds occurred in violation of the Texas

Uniform Fraudulent Transfers Act and that fair value was not received by AriseBank for the funds. The Receiver has demanded the return of the funds but the third party to date has refused. The Receiver will continue to demand funds but has determined that the cost of pursuing the assets through litigation may be greater than their value.

17. Additional actions the Receiver and his advisors have taken include, but are not limited to, the following:

- a. Maintaining the Receivership website as the primary means of communicating with the contributors to the ICO;
- b. Communicating both over the phone and in writing with contributors to the ICO to keep them updated about the status of the Receivership;
- c. Working on a framework for a claims process to submit to the Court in due course; and
- d. Cooperating with information requests from government authorities.

### ASSETS AND LIABILITIES

18. To date, the Receiver secured the following assets of the Receivership Entities:

<u>Asset</u>	<u>Estimated Value or Amount</u>
U.S. Currency	\$413,911
Bitcoin	27.96 coins
Doge	196,131.04 coins
Litecoin	271.33 coins
Ether	218.73 coins
Bitshares	2,391,455.51 coins
PIVX	19,413.76 coins
BitUSD	3599.99 coins

Various computers, televisions, and smart phones	\$5,000-\$10,000
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19. As stated in the Receiver’s previous reports, the Receiver has taken steps to minimize ongoing Receivership Estate expenses by terminating all known and unnecessary recurring expenses and a commercial lease in Dallas, Texas. The Receiver has not identified any other ordinary course liabilities of the Receivership Entities, apart from any potential claims held by contributors to the AriseBank ICO.

**ADMINISTRATIVE EXPENSES**

20. The Receiver has incurred administrative expenses as a result of his efforts to marshal and preserve the assets of the Receivership Entities. For example, the Receiver has incurred fees for legal counsel from Jones Day and for technical consultants from Kroll. The Receiver submitted his first Quarterly Fee Application on May 15, 2018. The Court approved that fee application on September 11, 2018. Pursuant to that order, the Receiver paid Kroll \$67,353.60 and Jones Day \$147,957.00. The Receiver submitted his second Quarterly Fee Application on August 14, 2018.

21. The Receiver has paid monthly administrative expenses of \$39 out of the Receiver’s bank account to allow the Receiver to access data on a third-party site that AriseBank utilized. The Receiver has also incurred other fees, including those necessary to access computer servers and wire transfer fees. Receiver’s counsel has paid for these expenses and has sought reimbursement as part of the Receiver’s Quarterly Fee Applications.

22. The Receivership Order gives the Receiver the authority to dispose of property of the Receivership Entities in the ordinary course of business “on terms and in the manner the Receiver deems most beneficial to the Receivership Estate.” The Receiver filed a motion on July

27, 2018, requesting authority from the Court to liquidate the televisions, computers, and smart phones. The Receiver is in the process of liquidating this equipment.

23. With respect to the cryptocurrency held by the Receiver, market valuations have fluctuated significantly since the time of collection and likely will continue to do so. The Receiver anticipates filing a motion to seek authority from the Court in regard to the cryptocurrency holdings.

#### **PROPOSED PLAN FOR ADMINISTERING THE RECEIVERSHIP**

24. As noted above, the Receiver has filed a lawsuit to collect property that belongs to the Receivership Entities. In addition, the Receiver is still in the process of analyzing the contributions and investments made to the Receivership Entities based upon information collected from computers and servers and also from the information provided by people who have contacted the Receiver. Accordingly, the Receiver is unable to provide a list of all creditors with their addresses and the amounts of their claims at this time.

25. Based on the information identified to date, the Receiver continues to believe that it will take substantial effort to validate the contributions and investments and accurately determine what is owed to whom, following the resolution of the underlying case between the SEC and Defendants. The Receiver is working on a framework for a proof-of-claim process.

26. The Receiver recommends that the Receivership continue to allow the Receiver time to pursue claims on behalf of the Receivership. In accordance with the Receivership Order, the Receiver will submit another status update within thirty days after the end of the year.

Dated: October 30, 2018

Respectfully submitted,

*/s/ James Cox*

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on October 30, 2018, the foregoing document was submitted to the clerk of the Court for the U.S. District Court, Northern District of Texas, and served on counsel for the SEC and Jared Rice through the electronic service system. In addition, a copy was served by email to Stanley Ford as indicated below:

Email: [thestormkrow@gmail.com](mailto:thestormkrow@gmail.com)

*/s/ James Cox*

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James A. Cox