

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

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

**RECEIVER’S FIFTH 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 fifth 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, the third status report on July 30, 2018, and the fourth status report on October 30, 2018. The Receiver now submits this fifth status report.

SUMMARY OF RECEIVERSHIP ACTIVITIES

8. During the period covered by this report, the Receiver has largely focused on pursuing claims for recovery against Richard Smith and Kurt Matthew, responding to government requests, and developing a proposed claims process. In doing so, the Receiver has endeavored to keep expenses low to preserve assets of the Receivership Estate.

9. As previously reported, on April 24, 2018, the Receiver filed a lawsuit in this Court against Messrs. Smith and Matthew to recover assets, *Mark W. Rasmussen, Receiver for AriseBank v. Richard Smith, Jr. and Kurt F. Matthew, Jr.*, 18-cv-1034. Pursuant to the Court's scheduling order dated June 20, 2018, the parties completed fact discovery on November 19, 2018. The Receiver attempted to discuss settlement with the defendants' counsel, but as the parties stated in the Joint Report on Settlement Negotiations [Dkt. No. 20], filed on October 10, 2018, defendants have not responded to the outreach. The Receiver anticipates moving for summary judgment before the deadline of March 18, 2019.

10. During this period, the Receiver has also responded to information requests from the government in connection with the criminal proceeding against Mr. Rice. In addition, the Receiver has been working on preparing a claims process and bar date proposal. The Receiver moved for approval of the proposed claims process and bar date on January 29, 2019 [Dkt. No. 98] and is prepared to proceed with the claims process as soon as the Court is satisfied with the proposal and approves the proposed order.

11. 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; and
- c. Attempting to liquidate certain assets pursuant to the order dated August 1, 2018 [Dkt. No. 83].

ASSETS AND LIABILITIES

12. 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

13. 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.

14. 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 once the claims have been submitted and validated pursuant to the proposed claims process.

ADMINISTRATIVE EXPENSES

15. 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 and his third on November 14, 2018. The second and third Quarterly Fee Applications have not been ruled on. 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.

PROPOSED PLAN FOR ADMINISTERING THE RECEIVERSHIP

16. As noted above, the Receiver has filed a lawsuit to collect property that belongs to the Receivership Entities. The Receiver recommends that the Court continue to allow the Receiver time to pursue these claims on behalf of the Receivership.

17. In addition, to identify potential claimants, the Receiver has analyzed the information collected from computers and servers, as well as information provided by people who

have contacted the Receiver. This information is incomplete in many respects. Accordingly, the Receiver has proposed a claims process that will allow him to collect necessary information to develop a full list of creditors with the amounts of their claims. More information about the proposed claims process is available in the Receiver's Motion to Approve Claims Process and Proposed Bar Date [Dkt. No. 98], filed on January 29, 2019. Based on the information available to the Receiver to date, the Receiver believes that the information he is asking for in the Motion to Approve Claims Process and Proposed Bar Date will be helpful in the Receiver's effort to validate the contributions and investments and accurately determine what is owed to whom.

18. In accordance with the Receivership Order, the Receiver will submit another status update within thirty days after the end of the first quarter of this year.

Dated: January 30, 2019

Respectfully submitted,

/s/ James Cox

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COUNSEL FOR COURT-APPOINTED
RECEIVER

CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on January 30, 2019, 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 all parties, through the ECF system.

/s/ James Cox

James A. Cox