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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

COMMODITY FUTURES TRADING
COMMISSION, and

STATE OF UTAH DIVISION OF
SECURITIES, through Attorney General
Sean D. Reyes

Plaintiffs,
v.

RUST RARE COIN INC., a Utah corporation,
and GAYLEN DEAN RUST, an individual,
DENISE GUNDERSON RUST, an individual,
JOSHUA DANIEL RUST, an individual,

Defendants;

and

ALEESHA RUST FRANKLIN, an individual,
R LEGACY RACING INC, a Utah
corporation, R LEGACY ENTERTAINMENT
LLC, a Utah limited liability company, and R
LEGACY INVESTMENTS LLC, a Utah
limited liability company.

Relief Defendants.

**RECEIVER'S SECOND QUARTERLY
STATUS REPORT**

*For the period January 1, 2019 to
March 31, 2019*

REDACTED

Civil No. 2:18-cv-00892-TC

Honorable Tena Campbell

Jonathan O. Hafen, the Court-Appointed Receiver over the assets, of whatever kind and wherever situated, of the following Defendants and Relief Defendants: Rust Rare Coin Inc., Gaylen Dean Rust, R Legacy Racing Inc., R Legacy Entertainment LLC, and R Legacy Investments LLC (collectively, “Receivership Defendants”), hereby submits this Second Quarterly Status Report for the period January 1, 2019 through March 31, 2019, pursuant to Section XIII, paragraph 53 of this Court’s Order Appointing Receiver and Staying Litigation, dated November 27, 2018 (the “Appointment Order”). *See* Dkt. No. 54.

As instructed by the Court, this Report addresses:

- I. A summary of the operations of the Receiver, including significant developments during the quarter.
- II. A summary of the current financial condition of the Receivership.
- III. A summary of the receipts and disbursements of the Receivership.
- IV. A description of known Receivership property, including approximate valuations, and anticipated dispositions.
- V. A description of liquidated and unliquidated claims of the Receivership, including the need for forensic and investigatory resources, approximate values of those claims, and anticipated methods of enforcing such claims.
- VI. A list of known creditors of the Receivership.
- VII. The status of creditor claims proceedings.
- VIII. The Receiver’s recommendations for continuation of the Receivership.

I. **SUMMARY OF OPERATIONS OF THE RECEIVER, INCLUDING SIGNIFICANT DEVELOPMENTS DURING THE QUARTER**

A. **Liquidation of Personal Property.**

1. **Big Door and Musician’s Toolkit Equipment Auction.** The Receiver, through his auctioneers at Erkelens & Olson, has successfully sold all of the video production equipment

from Big Door and all of the furniture, fixtures, and equipment used by Musician's Toolkit. After receiving this Court's approval to sell the hard assets of Big Door and Musician's Toolkit, *see* Dkt. No. 86, Erkelens & Olson hosted an auction for these items on February 23, 2019.¹ This sale generated \$57,442.47 in proceeds for the Receivership Estate.

2. **Sale of Sage & Thistle.** The Receivership Defendant R Legacy Entertainment operated an event planning and party equipment leasing company named Sage & Thistle. While working to liquidate the company's inventory and other assets via public auction, the Receiver was approached by a private party who offered to purchase all of Sage & Thistle's assets for 25% more than Erkelens & Olson believed the Receiver would recover at auction. As such, on February 1, 2019, after receiving this Court's approval to move forward with the private sale, *see* Dkt. No. 86, the Receiver finalized an agreement with this third-party purchaser and secured a total of \$27,750 for the bulk of Sage & Thistle's assets.

3. Along with these assets, the Receiver also facilitated the sale of a 2015 Chevrolet Tahoe that was frequently used by Sage & Thistle. Because the Tahoe had an outstanding lien balance of approximately \$28,000, Erkelens & Olson determined that it had no equity. As such, the Receiver worked with the lienholder and negotiated a deal wherein the Sage & Thistle purchaser bought the vehicle for \$25,000 and the lienholder agreed to release its lien on the Tahoe.

4. **Horse Auction.** The Receiver identified approximately 100 racehorses belonging to Relief Defendant R Legacy Racing located in New Mexico and Kentucky. The disposition of these horses has posed several unique challenges and has been an extremely time-sensitive endeavor for the Receiver and his professionals, given the approximately \$60,000 in monthly

¹ This sale did not include the intellectual property of Musician's Toolkit or any of the laptops or computers used by either of these entities.

carrying costs and the practical challenges of completing vaccinations and registrations before sale while providing ongoing boarding and training.

5. After analyzing the significant costs and time constraints associated with selling the horses through traditional sales channels, the Receiver ultimately determined that an online auction would be the most effective means of selling the majority of the racehorses. The Receiver first obtained Court approval to sell the horses, see Dkt. No. 86, and then finalized an agreement with Flashpoint Bloodstock, LLC (“Flashpoint”), an experienced online horse auctioneer, to promote and conduct an online auction for 71 of the New Mexico and Kentucky racehorses.

6. To prepare for this auction, the Receiver also entered into an agreement with Huntercreek Farms, LLC (“Huntercreek”), the company boarding the majority of the New Mexico race horses. This agreement stated that Huntercreek would provide the Receiver with all breeder’s certificates necessary for the sale of certain horses, and that Huntercreek would photograph and video the horses in preparation for auction. As consideration for these services and for past-due post-Receivership board fees, the Receiver agreed to pay Huntercreek the first \$61,000 generated from the auction’s proceeds and to convey to Huntercreek six horses that the Receiver determined were unlikely to draw a bid at auction, saving the Receivership \$1,800 in auction entry fees for these horses.

7. The auction’s bidding began on February 21, 2019, and closed after a four-day bidding period. After paying all auction fees, commissions, and amounts due under the agreement with Huntercreek, the auction ultimately generated \$225,210 in proceeds for the Receivership Estate, an amount significantly above the Receiver’s conservative expectations for the sale. The Receiver was also pleased to learn that only 3 out of the 71 horses up for auction received no bids.

These three no-bid horses were then conveyed at no cost to Susan Hunter, the horses' caretaker, to relieve the Receivership of all additional carrying costs for the horses.

8. While several of the horses under Bart Hone Racing, Inc.'s active training program were also sold at this auction, Mr. Hone successfully sold six racehorses to private buyers. As set forth in the Receiver's agreement with Mr. Hone, he was permitted to keep the full \$2,750 in proceeds he received for the sale of Avocation, Cache Valley, and Lady Belle, which were determined to be low-value horses, as an offset to his post-receivership claim for board fees. Mr. Hone received a 15% commission for the sale of the remaining three horses, which were ultimately sold for \$12,000.

9. In total, the Receivership Estate received approximately \$235,410 in sales proceeds for the New Mexico and Kentucky racehorses, which have now all been sold. The Receiver has offset approximately \$43,200 in post-receivership claims for various past-due board fees and has eliminated the significant monthly carrying costs associated with the horses.

10. **Rust Rare Coin—High Value Inventory.** The Receiver has retained a numismatic expert, Ian Russell, to value the specialized coins and currency at Rust Rare Coin ("RRC") and to assist in the liquidation of those assets via public auction. Mr. Russel is a member of the Professional Numismatics Guild and is the President of GreatCollections.com, a California-based company that specializes in the sale of rare coins and other numismatic items.

11. The Receiver finalized the details of this Consignment Agreement with GreatCollections.com on February 12, 2019, wherein the Receiver agreed to pay Mr. Russel a 5% commission on all RRC assets that sell for \$1,000 or less and no commission for all RRC assets that sell for over \$1,000. The Receiver will pay a listing fee ranging from three to ten dollars per item, depending on the item's minimum bid at auction, and will reimburse Mr. Russell for all of

the reasonable expenses he incurs while inspecting, inventorying, and transporting the RRC assets to his facility. The Agreement also allows Mr. Russell to charge all buyers a premium in the amount of 10-12.5% that he will retain for his services.

12. The Consignment Agreement also requires GreatCollections.com to insure the RRC inventory under its specialist numismatic insurance policy. As such, the Receiver's Agreement with Mr. Russell has effectively relieved the Receivership Estate from all ongoing expenses that would have otherwise been incurred to insure these items until their liquidation.

13. Mr. Russell has completed a final inventory of all the high value RRC items, other than the gold and silver bullion, and has assisted the Receiver with all necessary grading of these assets. That inventory list is attached hereto as Exhibit A. According to Mr. Russell's analysis, the Receiver anticipates the sale of these items to generate upwards of \$500,000 for the Receivership Estate. Once the Court approves the Receiver's motion to allow a summary disposition procedure, *see* Dkt. No. 155, the Receiver will file a motion seeking authority to sell the RRC assets. The Receiver anticipates needing to use the summary disposition procedure to address certain objections that may be filed to his motion to sell the RRC items. Once the necessary Court approval is obtained, the Receiver is fully prepared to move forward and begin auctioning these assets through GreatCollections.com's online platform.

14. Several of these high level items are also allegedly subject to certain consignment arrangements. While the Receiver is still working through the various issues related to these items, the Receiver has engaged in negotiations with the largest alleged consignor in an attempt to resolve his claim against the Receivership Estate. The Receiver will seek court approval for any settlement with the consignor.

15. **Rust Rare Coin—Bullion.** The Receiver plans to sell commodities, like bullion, directly through recognized commodities markets. To ensure these assets would be adequately protected while awaiting this Court's approval of their sale, the Receiver engaged the services of a licensed storage facility and fully insured the bullion.

16. The Receiver performed a variety of research and due diligence to determinate the legitimacy and security of the selected facility. This involved a close review of the Storage Agreement's terms and conditions, as well as a physical inspection of the storage facility and its security measures. Once these concerns were addressed, the Receiver had the commodities moved from RRC to the secure storage facility.

17. The Receiver also arranged for insurance coverage of these items to ensure that the commodities would be adequately protected in the event of an unexpected loss.

18. **Rust Rare Coin—Furniture, Fixtures, and Equipment.** In addition to the inventory located at RRC, the Receiver also identified various pieces of equipment, furniture, and other fixtures that needed to be removed from the property. Several of these items were extremely large and difficult to maneuver, such as glass display cases, a 1500 pound L Series safe, office equipment, and other antique items.

19. After consulting with Erkelens & Olson about the best way to liquidate these items, the Receiver determined that an on-site auction at RRC would eliminate all expenses associated with transporting the property and would maximize the property's value to the Receivership Estate.

20. As such, an auction for RRC's personal property fixtures, furniture, and equipment was scheduled for February 1, 2019. Erkelens & Olson's marketing efforts generated a significant amount of attention for this sale and as a result, it ultimately generated \$19,836.25 for the Receivership Estate.

21. **Layton Inventory.** YourLDSMusicStore.com, a music distribution company operated by Defendant R Legacy Entertainment, was storing several thousand CDs and songbooks at a leased warehouse in Layton, Utah. Given the declining use of CDs generally, the Receiver was concerned about the expense of liquidating these assets when viewed in light of their relatively low expected value.

22. Moreover, the Receiver faced several legal issues associated with this inventory, as several of the items were allegedly being held on consignment by R Legacy Entertainment and thus not properly within the Receivership Estate. This prevented the Receiver from selling the personal property inventory in bulk to a third-party purchaser and required a more nuanced analysis of each of the musical titles being stored at the warehouse.

23. Given these constraints, the Receiver ultimately determined that the best way to maximize the value of this inventory was to send an email notification to all artists listed on R Legacy Entertainment's records asking them to either (1) provide the Receiver with documentation evidencing their consignment arrangement with R Legacy Entertainment, or (2) make an offer to purchase their CDs and/or songbooks from the Receiver. The artists were then given time to respond to this request and informed that upon agreement with the Receiver, they could pick up their items from the warehouse on February 28, 2019.

24. The Receiver received several responses to this email notification. After analyzing all of the documentation and purchase offers provided by each of the artists, the Receiver sent a team to the Layton warehouse to help the artists retrieve their items. To expedite this process and minimize costs, the Receiver utilized the help of Denise Rust and Melane Hatch, former R Legacy Entertainment employees. This sale ultimately generated over \$5,000 for the Receivership Estate.

25. Because several CDs and songbooks remained after this initial sale, the Receiver asked Denise Rust and Melane Hatch to identify which of the remaining items were most likely to generate the most value for the Receivership Estate. The Receiver's team then reached out to these particular artists and coordinated a second pick-up date on March 8, 2019, which generated approximately \$2,000 in additional proceeds.

26. The most marketable inventory was then removed from the warehouse and is now being stored at the Receiver's office while the Receiver attempts to finalize negotiations with various businesses and individuals regarding the purchase of these items.

27. **Sale of Vehicles.** The Receiver also identified and arranged for the sale of several vehicles in the Receivership Estate. This included a 2014 Toyota Avalon that had a remaining lien balance of \$6,896.04 and a 2016 Ford Transit that had a remaining lien balance of \$27,938.32. After consulting with Erkelens & Olsons, the Receiver determined that there was still equity in the Avalon but little to no value in the Ford Transit. Based on this analysis, the Receiver negotiated a reduced commission rate for sale of the vehicles so that the Estate would realize a benefit from their disposal. The Receivership ultimately obtained \$4,990.64 from the sale of these two vehicles.

28. **Computers of Receivership Defendants and Employees.** After collecting the various laptops and computers belonging to Defendants and their employees, the Receiver consulted with Erkelens & Olson to determine whether it would be beneficial to the Estate to sell the collected items. After Erkelens & Olson provided the Receiver with an estimated liquidation value for each of these computers, the Receiver reached out to Salt Lake Legal ("SLL") to determine the cost of having each of the computers imaged and the content of their hard drives recorded. In light of these discussions, the Receiver was able to significantly reduce the cost of

imaging several of these laptops and computers. As such, SLL has imaged and wiped approximately 40 of the Receivership's laptops and computers in preparation for their sale.

29. During this process, SLL reached out to the Receiver and offered to purchase 13 of the iMac computers for \$600 each, and 2 of the MacBooks Pro laptops for \$1,200 each. Because SLL's offer fell within the items' estimated liquidation value provided by Erkelens & Olson, the Receiver has made arrangements to finalize the sale of these computers directly to SLL.

30. The remaining computers and laptops will be sold at auction through Erkelens & Olson on a date to be determined. The Receiver anticipates this auction will take place sometime in May 2019.

31. **Sale of Alaska Business Property Inventory.** At the business property located at 3657 Main Street, Homer, Alaska, Ms. Aleesha Franklin used equipment and inventory that were purchased by R Legacy Investment. The Receiver has identified the personal property inventory and is in the process of finalizing an agreement with Ms. Franklin for the sale of those items. The Receiver anticipates filing a motion with the Court in the near terms seeing approval to sell the equipment and inventory.

32. **Jazz Tickets.** The Receiver has successfully sold all remaining Utah Jazz tickets owned by Gaylen Rust. In total, these ticket sales have generated approximately \$8,000 for the Receivership Estate.

33. **Vacated Leased Properties.** The Receiver has successfully vacated all of the leased properties in the Receivership Estate. This includes Rust Rare Coin, Sage & Thistle, Musician's Toolkit, and the Layton Warehouse. These efforts have eliminated thousands of dollars of ongoing monthly rental costs for the Receivership Estate.

B. Liquidation of Real Property.

34. **Sale of Ohio Property.** The Receivership includes a home and horse stables located at 5154 Mayham Rd. Northeast, Carrolton, Ohio 44615 (the “Home”), as well as twelve acres of raw ground located in close proximity to the Home (the “Raw Ground”).

35. On February 1, 2019, this Court approved the appointment of appraisers for these properties and authorized the Receiver to move forward with the sale of the Home via private sale to Craig and Leann Henry. *See* Dkt. No. 103. As such, the Receiver closed on the property and ultimately obtained \$475,000 from the Home’s sale, an amount not only in excess of the two-thirds statutory requirement, but also above the average appraised price for the Home.

36. The Receiver, through its broker, has continued to market for sale the Raw Ground and has since received an offer to purchase the property for \$48,500. The Receiver will seek Court approval for the sale of the Raw Ground in the coming days.

37. **Huge Studios.** The Receiver has continued to move forward with the marketing and sale of Huge Studios, the state-of-the-art music production studio located in Salt Lake City, Utah. Highland Commercial, the Receiver’s real estate broker for this property, has assisted the Receiver in listing Huge Studios for sale and has engaged in a variety of marketing efforts to help solicit potential offers.

38. In accordance with the Receivership Order and 28 U.S.C. § 2001, the Receiver has retained three independent appraisers to value Huge Studios who have since been approved by this Court. Dkt. No. 147. To help reduce these and other real property appraisal costs, the Receiver petitioned the Court to allow the use of restricted appraisal reports in lieu of standard appraisal reports, which are more expensive. Based on this Court’s approval of that motion, *see* Dkt. No.

148, the Receiver obtained two restricted reports and one standard appraisal report for Huge Studios. In light of these appraisals, Huge Studios is currently listed on the market for \$4,000,000.

39. As a result of the Receiver's and Highland Commercial's efforts, several individuals have expressed interest in purchasing Huge Studios and its equipment. The Receiver's team has continued to provide potential buyers with all relevant financial information regarding the property and has engaged in ongoing discussions with buyers as necessary. Highland Commercial has already received several offers in excess of \$3,000,000, and continues to market the property.

40. The Receiver has also retained Chance Thomas, a former Huge Studios employee, as a consultant for the sale of Huge Studios. Mr. Thomas has a specialized knowledge of the building's high-end equipment and its unique structure. As such, he has worked closely with Highland Commercial to help promote and show the property to interested buyers. He has also generated a detailed inventory list and valuation report of the Huge Studio equipment suggesting that it may be worth well over a hundred thousand dollars.

41. **Big Door.** The Receiver has also initiated the private sale of the real property located at 78 W Center Street, Provo, Utah 84601. This property was used by Big Door as a video-production studio and was also rented out by R Legacy Entertainment as an event space called "The Brick Room." The Receiver has engaged Highland Commercial to help market and sell this property. The Receiver has negotiated a reduced commission schedule with the broker so that the Estate will not pay a commission of over 5% for the sale of Big Door.

42. The Receiver also engaged three independent appraisers to value the Big Door property. These appraisers were approved by the Court, *see* Dkt. No.147, and their appraisal reports have been received. As with Huge Studios, two of the reports are restricted and the other

is a standard appraisal report. Highland Commercial has listed the property for sale at \$850,000, and has begun to receive offers. The Receiver will seek Court approval before finalizing any sale.

43. **St. George Condo.** The Receiver owns a condominium property located at 1111 S. Plantation Drive, #306, St. George, Utah. As required, the Receiver engaged three independent appraisers to value the St. George property, and those appraisers were subsequently approved by the Court. Dkt. No. 137.

44. Lori Chapman, the Receiver's real estate broker for this property, has shown the property over 17 times and has held several open houses for potential buyers. Through these efforts, the Receiver has received an offer of \$375,000, which is in alignment with the appraised values. The Receiver will be seeking Court approval for the sale of the St. George property in the near term.

45. **Alaskan Properties.** The Receivership Defendant R Legacy Investment holds title to five properties located in a small fishing community in Homer, Alaska: (1) a two-story business property located at 3657 Main Street, Homer, Alaska; (2) a beach house located at 1121 Seabreeze Ct., Homer, Alaska; (3) a small building located on Homer's spit, with an address of 4025 Homer Spit Road, Homer, Alaska; and (4) a 7 acre and 5 acre piece of raw ground adjacent to the personal residence of Aleesha Rust Franklin located at 65299 Diamond Ridge Road, Homer, Alaska.

46. The Receiver retained three appraisers to value each of the five Alaskan properties, and those appraisers were approved by this Court. Dkt. No. 137. The Receiver also retained a real estate broker, Ash Churchill of Kachemak Group Real Estate, to help market and sell the Alaskan properties. The Receiver will pay Mr. Churchill a standard 6% commission on the properties' sale price as payment for his services to the Estate.

47. The Receiver, through his broker, has listed the following properties for sale: (1) the Main Street property, with a listing price of \$330,000, (2) the Seabreeze beach house, with a listing price of \$320,000 and (3) the Homer Spit Road property, with a listing price of \$75,000. The Home Spit Road property went under contract on March 5, 2019 with Bear Cove Properties, LLC for the full asking price of \$75,000. If this Court approves the sale of this property, the Receiver will move forward with closing.

48. The Receiver has been negotiating with Aleesha Rust Franklin and her husband regarding the sale of their residence on Diamond Ridge Road, in connection with the sale of the joining 7 and 5 acre parcels. The Receiver will seek Court approval before finalizing any agreement, but believes that such an arrangement would help maximize the value of Diamond Ridge Road property for the Receivership Estate.

49. **Victorian House.** The Receiver owns a Victorian style home located at 734 East 200 South, Salt Lake City, Utah. The Receiver has continued to use the real estate agent that had the home under contract when the Receiver was appointed. The home is currently listed at \$1,550,000. Sale of the home will be subject to Court approval.

50. **Timeshare Membership.** Mr. Gaylen Rust owns a timeshare membership with Wyndham WorldMark that is fully paid for but has outstanding monthly maintenance dues that must be paid before it is sold. The Receiver is in the process of working through the documents necessary to sell that timeshare.

51. **Money at Zions Bank.** As the Court knows, several transfers involving the Receivership Defendants' bank accounts took place in the 24-hours immediately preceding the Receiver's appointment. One of these transfers was for \$1.6 million that the Receiver is actively trying to recover. The Zions customer who initially deposited those funds into the Receivership

Defendants' account is contesting the return of those funds to the Receiver and claims that they are not properly assets of the Receivership Estate. Accordingly, Zions has filed a motion to intervene and interplead the funds. Dkt. No. 141. The Receiver has no objections to Zions' motion and has continued to engage in ongoing correspondence with Zions and its customer in an attempt to resolve the issues.

52. **Cash in Life Insurance Policy.** After the Receiver identified a whole life insurance policy held by Gaylen Rust, numerous attempts were made to communicate with the life insurer's office regarding the policy's cash surrender value. For several months the insurer refused to cooperate with the Receiver's investigation into this issue and failed to provide the Receiver with the surrender value of the policy, which totaled approximately \$78,049.

53. In response to these difficulties, the Receiver drafted a motion to show cause against the insurer. However, shortly before this motion was filed, the insurer agreed to payout the insurance policy's surrender value and sent the Receiver a check for the full surrender amount of \$78,049.

54. **Musician's Toolkit Intellectual Property.** Through Musician's Toolkit, Defendants created thousands of hours of high quality music instructional videos and a custom learning-management system for instructors. As part of the Receiver's ongoing efforts to effectively market and sell this unique asset, the Receiver has met with Gaylen Rust and his counsel on various occasions to gather information about this property and better understand its many intricacies and potential value. Attached hereto as Exhibit B is a list of the intellectual property created by Musician's Toolkit. The Receiver anticipates that a broker will be retained for these specialized assets in the next quarter to help facilitate their sale. No action to sell this property will be undertaken without prior notice to interested parties and Court approval.

55. **The Writer's Den.** The Receivership Estate includes ownership in a Tennessee music publication company known as "The Writer's Den, LLC." The Receiver is currently in the process of selling and/or liquidating the Estate's interest in The Writer's Den business and its corresponding assets, which include several musical compositions as well as other intellectual property rights.

56. At this time, the Receiver is evaluating an offer to purchase the Estate's interest in The Writer's Den. The Receiver is currently working with his accountants at Berkley Research Group ("BRG") to value the company and its assets to ensure the company is sold for its maximum value.

57. The Receiver has also identified several legal issues that must be resolved before a sale of the company takes place. This has required the Receiver to locate and review various company records and communicate with several individuals associated with The Writer's Den to ascertain information about the company and its formation.

58. **Torque Entertainment.** The Receiver has received requests from several Torque artists who want to purchase the rights to the albums they recorded with Torque Entertainment, a music publishing house in Tennessee. In an effort to maximize the value of these intangible assets, the Receiver has reviewed financial information provided by BRG and has engaged in ongoing discussions with the artists in attempt to negotiate a favorable purchase price for the assets.

59. While these offers are still being analyzed, the Receiver expects to finalize a purchase agreement with one of the Torque artists shortly. The Receiver anticipates that this sale alone will generate approximately \$9,000 for the Receivership Estate.

60. **CC Soundhouse.** The Receiver has engaged in ongoing negotiations with CC Soundhouse, a music performance studio, regarding the Receivership's ownership interest in CC

Soundhouse. At this time, it appears that Gaylen Rust invested in excess of \$1 million into CC Soundhouse in exchange for a 5% share of the company.

61. To determine the value of the Receivership's interest in CC Soundhouse, the Receiver asked BRG to provide a brief valuation of the company. Based on that analysis and continued correspondence with CC Soundhouse's counsel, the Receiver is currently attempting to finalize an agreement whereby the Receiver will sell the Estate's interest in the company.

62. **U.S. Bank Accounts.** The Receiver has identified two bank accounts located at U.S. Bank, one belonging to Torque Entertainment and the other belonging to The Writer's Den. In total, the accounts hold approximately \$8,000. The Receiver is currently in the process of providing U.S. Bank with the legal information necessary to have those account balances transferred to the Receivership's bank account.

63. **Documents, Records, and Information from Receivership Defendants.** The Receiver has continued to collect, organize, inventory, and preserve all documents, records, and information from the Receivership Defendants. The Receiver has also created forensic copies of several key computers, including the computers used by Gaylen Rust, Denise Rust, and Josh Rust, as well as key employees of Rust Rare Coin. The contents of these computers and file servers continue to be analyzed as needed.

64. The Receiver has also made significant progress cataloging and indexing the physical documents that were retrieved from the various Receivership business entities, such as Rust Rare Coin, R Legacy Entertainment, Musician's Toolkit, the Layton Warehouse, Sage & Thistle, and Big Door. Of the approximately 111 boxes of documents collected, approximately 89 have been indexed.

65. **Investor Communications.** The Receiver continues to post updates to its website (rustrarecoinreceiver.com) when filings are made to the Court and has also distributed copies of all filings and notices to the approximately 600 individuals listed on the Receiver's master mailing matrix.

66. Along with these efforts, the Receiver has posted a "Frequently Asked Questions" link on its website which provides investors, creditors, vendors, and other interested parties with pertinent information about the Receivership and its related issues. These questions and answers will be periodically updated by the Receiver in an attempt to keep all parties informed about the Receivership's ongoing issues.

67. **Insurance.** The Receiver has continued to ascertain, review, and manage the insurance policies for Receivership real and personal property located in Utah, Ohio, Tennessee, and Alaska. This has involved monitoring policy statuses and coordinating the payment of all necessary insurance policy premiums so that the Receivership property remains adequately insured. As various property has been liquidated, the Receiver has cancelled the corresponding insurance policies to reduce costs to the Estate.

68. **Tax Issues.** To ensure that the Receivership Defendants' former employees received all necessary tax information, the Receiver engaged iSolved, the Receivership Defendants' third-party payroll provider, to prepare the requisite W2s for the Receivership Estate.

69. The Receiver also engaged a tax specialist at BRG to prepare the necessary 1099s for the Receivership Estate. Given the limited time to resolve some of the more complex tax issues, the Receiver requested a filing extension with the IRS.

II. **SUMMARY OF THE CURRENT FINANCIAL CONDITION OF THE RECEIVERSHIP.**

70. The Receiver had sufficient cash during the quarter to cover all expenses of the Receivership Estate, and believes that he will continue to have sufficient cash in the Estate to cover all foreseeable expenses. The Receiver is not concerned that the Estate will be unable to cover its ongoing expenses as the Receiver, his counsel and his accountants at BRG, have agreed to refrain from taking any fees or expense reimbursements until the Estate recovers at least three times the amount of their fees and expenses. The Receiver is confident that through the liquidation of assets and claw back recoveries, the Receivership Estate will have sufficient funds to cover all Receivership expenses and make a return to victims. It is too early for the Receiver to estimate the potential return to victims, but he will provide that analysis at the appropriate time in a future report.

III. **DESCRIPTION OF RECEIPT AND DISBURSEMENTS.**

71. The Receiver continues to collect outstanding accounts receivable for the Receivership Defendants. A schedule of the receipts and disbursements of the Receiver is attached hereto as Exhibit C.

72. The Receiver is still in the process of identifying and securing the assets of the Receivership Defendants and determining the scope of the Receivership Estate. The Receiver has not made any disbursements to investors or creditors of the Receivership Estate in this quarter

IV. **DESCRIPTION OF ALL KNOWN RECEIVERSHIP PROPERTY.**

73. Outlined above is a description of the material Receivership asset known to the Receiver, along with their values. The Receiver is still in the process of determining the value of

some assets in the Receivership Estate, while the value of certain assets will not be finally determined until they are sold to an arms-length buyer.

V. **DESCRIPTION OF LIQUIDATED AND UNLIQUIDATED CLAIMS.**

74. The Receiver has continued to work with his accountants at BRG to identify potential liquidated and unliquidated claims. This has involved investigating a substantial number of suspected fraudulent transfers. As these efforts have progressed, the Receiver has begun reaching out to potential net winners and engaging in various discussions with them. The Receiver has also started drafting demand letters to potential claw back defendants and plans to begin filing claw back claims against these net winners if the Receiver is unable reach a favorable agreement with them. Based on the Receiver's initial meetings and correspondence with some of these potential net winners, he remains hopeful that at least some of the fraudulently transferred funds will be recovered without having to resort to litigation.

75. The Receiver is cautiously optimistic that he will be able to start to quantify the amount of potential claims in the next quarterly report.

VI. **LIST OF KNOWN CREDITORS OF THE RECEIVERSHIP.**

76. The Receiver continues to receive submissions on his website of potential claimants of the Receivership Estate. The Receiver will provide a copy of this list to the Court. Because the list contains personal information regarding the names and addresses of investors and creditors, the Receiver will seek to file such list under seal. This list of creditors is identified as Exhibit D.

VII. **STATUS OF CREDITOR CLAIMS PROCEEDINGS.**

77. The Receiver has continued to receive completed questionnaires and supporting documentation from various investors. The data provided by these questionnaires is being used by

BRG to inform their “sources and uses” analysis, which is still ongoing and will likely continue for the next several months.

78. The Receiver and his team have also continued to meet and communicate with investors and other potential creditors to ensure that they remain informed about the Receivership’s progression. At this time, the Receiver has not yet established a claims process.

VIII. RECOMMENDATION TO CONTINUE THE RECEIVERSHIP.

79. As set forth in the Receiver’s Initial Status Report, Dkt No. 98, the Receiver believes that significant value remains in the Receivership Estate. The continuation of the Receivership will allow additional real and personal property within the Estate to be liquidated and will give the Receiver and his team the ability to initiate claw back actions against potential net winners. The Receiver anticipates that these actions will generate a significant amount of additional funds for the victims of Mr. Rust’s Ponzi scheme. Accordingly, the Receiver recommends the continuation of the Receivership.

DATED this 30th day of April, 2019.

PARR BROWN GEE & LOVELESS

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CERTIFICATE OF SERVICE

I hereby certify that service of the above **RECEIVER'S SECOND QUARTERLY STATUS REPORT** was (1) emailed to all those on the master mailing matrix maintained by the Receiver; (2) posted on the Receiver's website (rustrarecoinreceiver.com); and (3) electronically filed with the Clerk of the Court through the CM/ECF system on April 30, 2019, which sent notice of the electronic filing to all counsel of record, as indicated below:

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