

Joseph M.R. Covey (7492) jcovey@parrbrown.com
Jeffery A. Balls (12437) jballs@parrbrown.com
Walter O. Peterson (17300) wpeterson@parrbrown.com

PARR BROWN GEE & LOVELESS, P.C.

101 South 200 East, Suite 700
Salt Lake City, Utah 84111
Telephone: (801) 532-7840
Facsimile: (801) 532-7750

Attorneys for Jonathan O. Hafen as Receiver

**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,

vs.

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 TWENTY-FIRST
QUARTERLY STATUS REPORT**

*For the period October 1, 2023 to
December 31, 2023*

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

Honorable Tena Campbell

Magistrate Judge Dustin Pead

Jonathan O. Hafen, the Court-Appointed Receiver for the assets of Rust Rare Coin Inc.,

Gaylen Dean Rust, Denise Gunderson Rust, Joshua Rust, Aleesha Rust Franklin, R Legacy

Racing Inc., R Legacy Entertainment LLC, and R Legacy Investments LLC (collectively, “Receivership Defendants”), hereby submits this Twenty-First Quarterly Status Report for the period of October 1, 2023 through December 31, 2023, 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. General Developments

1. Claims Analysis. The Receiver and his team have successfully completed the claims analysis process which entailed analyzing and reviewing all 668 claims submitted to the Receivership Estate, with the total amount of self-reported losses identified by such claimants (each a “Claimant”) of approximately \$171 million. Throughout this review process, the Receiver asked for the Court’s input, and the Court issued rulings to guide the Receiver’s

analysis of the claims. The Receiver endeavored to be accurate, equitable and transparent with his application of Court guidance to the many varied factual scenarios presented by claims. This quarter, the Court resolved the vast majority of the remaining disputed claims and then entered a Memorandum Decision and Order related to them. *See* Dkt. No. 522. The Court's ruling on these claims paved the way for the Receiver to make an initial distribution to Claimants. Only five unresolved claims remain which are either involved in claw back litigation or are stayed by the Court.

2. Initial Distribution. Having resolved all outstanding disputed claims, and as set forth in more detail below¹, the Receiver is pleased to report to the Court that he has made three distributions to Claimants in the amount of over twenty-three million dollars.

3. Claw Back Actions. As previously reported, the Receiver and his team have filed numerous claw back actions against approximately 124 different investors seeking recovery of amounts they were paid in excess of their actual investments. In addition, the Receiver made a significant effort to minimize the number of lawsuits by entering into over 170 tolling agreements with various potential net winners. As discussed in more detail below², the Receiver continues to work closely with net winners and their counsel to secure favorable resolutions of such actions.

B. Liquidation of Real Property. The Receiver did not liquidate any real property during this quarter. Other than the personal residence owned by Joshua Rust, the Receiver believes he has liquidated all real property in the Receivership Estate.

C. Liquidation of Tangible Personal Property. The Receiver did not liquidate any

¹ *See* Section III.

² *See* Section V.

tangible personal property during this quarter. Other than certain coins owned by Joshua Rust, the Receiver is not aware of any remaining personal property of material value but continues to look for any such property.

D. Recovery and Sale of Other Receivership Property.

1. Intellectual Property. The Receivership Estate includes certain intellectual property related to Huge Studios, Torque Entertainment, and YourLDSMusicStore. As previously reported, the sale and/or auction of these intangible assets requires significant analysis and cost to the Estate given the interrelated nature of Huge Studios, Torque Entertainment, Writer's Den, and YourLDSMusicStore. To date, the Receiver has not found a bulk buyer who is willing to pay an amount sufficient to justify the cost of analyzing all of those assets. However, the Receiver has been approached by several music artists who are interested in acquiring the rights to songs and/or albums they helped create or produce. The value to the estate of these music rights is low. The Court recently approved a motion allowing the Receiver to sell music rights, without having to incur the expense of filing a motion and obtaining Court approval, if the sale is for less than \$7,500 (*See* Dkt. No. 507). This has and will allow the Receiver to sell lower value music rights "as is" while minimizing administrative expenses to the estate.

2. Investor Communications. The Receiver continues to post updates to the Receivership's website (rustrarecoinreceiver.com) when filings are made with the Court. The Receiver has also distributed by email copies of all filings and notices to the approximately 800 individuals listed on the Receiver's master mailing matrix. The Receiver also continues to communicate with investors about objections and proposed actions. The Receiver has also filed all objections on behalf of investors, when required by the Court's Summary Disposition

Procedures.

3. Tax Issues. The Receiver continues to work with his accountants at Berkley Research Group (“BRG”) to ensure the Receivership’s various tax obligations are being met, including the amounts owed in relation to any Receivership property and the amounts associated with the business entities still within the scope of the Receivership Estate.

4. Discovery Productions and Redaction. The Receiver has compiled and produced a vast number of documents, including financial statements and investor communications, for the benefit of the Court, investors, and net winners in claw back actions. Currently, over 300,000 documents have been reviewed for production. In addition to the substantial amount of time reviewing, compiling and producing documents, the Receiver has also completed a large-scale redaction of documents. In an effort both to ensure the privacy of hundreds of victims and minor children, while still respecting the rights of net winner litigants to documents, the Receiver has created a set of redacted documents for production in its ancillary litigation proceedings. These documents have been redacted for social security numbers, birth dates and account numbers of investors.

II. SUMMARY OF THE CURRENT FINANCIAL CONDITION OF THE RECEIVERSHIP

The Receiver had sufficient cash during this 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 voluntarily agreed to refrain from taking any fees until the Estate recovers at least three times the amount of their fees. Through the end of the quarter, the Receiver and his team’s efforts have recovered approximately \$47 million for the Receivership Estate.

III. DESCRIPTION OF RECEIPTS AND DISBURSEMENTS

1. The Receiver is pleased to announce to the Court that he has made three initial distributions to Claimants in connection with this matter as follows:

i. On December 27, 2023, the Receiver paid in full all Class 1 and Class 3 claims filed against the Receivership Estate. The payments made to those Claimants for administrative costs of the Receivership Estate and for secured liens totaled \$361,433.48;

ii. On January 5, 2024, the Receiver, acting as the Settlement Distribution Administrator, distributed \$1,348,146.26 in funds from the class action settlement obtained by class action counsel in *Gregory, et al., v. Zions Bank Bancorporation, N.A.*, Case No. 2:19-cv-00015-HCN-DBP. The Receiver reserved a small amount of the Settlement Funds to cover two claims that have not yet been resolved. If those claims are ultimately denied, the Receiver will distribute those reserved funds to class members at a later date; and

iii. On January 5, 2024, the Receiver distributed \$21,563,942.14 to Class 4 claimants, which are unsecured creditors and defrauded investors. This distribution, along with payments from the Zions Class Action Settlement described above, brought Class 4 claimants to 25% recovery under the court-approved rising tide methodology. The Receiver retained sufficient money in the account to pay outstanding claims and ongoing costs and expenses of the Receivership Estate.

2. The Receiver anticipates making additional distributions in the future from the Receivership Estate, but at this time, he does not know when such distributions will be made or the amount to be distributed. The timing and amount of future distributions will be determined in the coming months as pending litigation and remaining disputed claims are resolved.

3. 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 A**.

4. As previously reported, the Receiver believes that he has identified most, if not all, of the physical assets that fall within the scope of the Receivership Estate.

IV. DESCRIPTION OF ALL PHYSICAL RECEIVERSHIP PROPERTY

Other than personal assets of Joshua Rust, no physical assets of any material value remain in the Receivership Estate. If and when the Receiver is able to sell any remaining physical assets, their value will be determined by what an arms-length buyer is willing to pay.

V. DESCRIPTION OF LIQUIDATED AND UNLIQUIDATED CLAIMS

1. As previously reported to the Court, over 80 different investor groups and several hundred individual investors have been identified in this matter.

2. Based on the net winner analyses provided by BRG, the Receiver has identified millions of dollars of potential net winner claims which the Receiver is currently working to recover. The number and value of these potential claims are based primarily on the books, records and correspondence of the Receivership Defendants, and are therefore fluid and subject to ongoing investigation and change.

3. The Receiver has engaged in formal and informal settlement negotiations with many net winners, while protecting the Receivership Estate's interest with tolling agreements. Many of these negotiations have resulted in recoveries for the Receivership Estate, and others have reached impasses resulting in the Receiver filing additional ancillary actions in order to move matters forward.

4. As part of the Receiver's recovery efforts, scores of ancillary lawsuits have been filed against potential claw back defendants of the Receivership Estate. In total, these actions

include numerous separate claw back filings against over 100 different investors. The Receiver and his team continue to either prosecute these claims or settle them when favorable terms can be reached.

5. As set forth above and in prior reports, the Receiver has also made a significant effort to minimize the number of necessary filings by coordinating the execution of over 170 tolling agreements with various investors. Because the determination of whether these investors are net winners often depends on the metal transactions associated with each investor, the Receiver has worked closely with his legal counsel and accountants to determine whether there is adequate support in the books and records of the Receivership Estate to recognize such metal transactions. Currently, a number of tolling agreements remain which will require the Receiver to move forward with actions necessary to resolve the underlying matters.

6. As a result of the Court granting the Receiver's Motion for Settlement Authority (*See* Dkt. No. 271), and the Receiver's ongoing settlement efforts, the Receiver recovered approximately \$18,000 in claw back negotiations during this last quarter. The Receiver continues to finalize agreements and negotiate with investors and creditors to increase the number of settlement agreements. Currently, the Receiver is in varying phases of final approval for numerous settlement agreements. These agreements attempt to get the largest return of funds while minimizing administrative burden to the Receivership Estate. The Receiver remains hopeful that many of the fraudulently transferred funds will be recovered without having to incur the cost of formal litigation.

VI. LIST OF KNOWN CREDITORS OF THE RECEIVERSHIP

As previously reported to the Court, the Receiver initiated the claims process which included a claims deadline of October 4, 2019. As a result of this process, the Receiver received

approximately 627 claim forms from potential claimants and creditors of the Receivership Estate. An updated list of the first and last names of each of these claimants is attached hereto as **Exhibit B.**

VII. STATUS OF CREDITOR CLAIMS PROCEEDINGS

1. As set forth above, the Receiver and his team have successfully completed the claims analysis process. Currently, there are five open claims against the Receivership Estate in various phases of settlement and/or litigation, or stayed by the Court. The Receiver and his team are diligently working through these claims and expect to have them resolved later this year.

VIII. RECOMMENDATION TO CONTINUE THE RECEIVERSHIP

Now that the Receiver has liquidated most, if not all, of the physical assets in the Estate, the Receiver's main focus is on recovering a significant amount of funds from various claw back defendants. The Receiver has made an initial distribution to defrauded investors and other Receivership Claimants. The Receiver has additional funds in its account that it will distribute to Receivership Claimants along with additional funds it recovers from the claw back defendants. The Receiver anticipates that the continuation of the Receivership will generate a significant amount of additional funds that will ultimately be distributed for the benefit of Claimants. Accordingly, the Receiver recommends the continuation of the Receivership.

DATED this 31st day of January 2024.

PARR BROWN GEE & LOVELESS

By: /s/ Joseph M.R. Covey
Joseph M.R. Covey
101 South 200 East, Suite 700
Salt Lake City, UT 84111
(801) 532-7840
jcovey@parrbrown.com
Attorney for Receiver Jonathan O. Hafen

CERTIFICATE OF SERVICE

I hereby certify that service of the above RECEIVER'S TWENTY-FIRST 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 January 31, 2024, which sent notice of the electronic filing to all counsel of record, as indicated below:

Kristen R. Angelos
UTAH FEDERAL DEFENDER OFFICE
46 W Broadway, Ste 110
Salt Lake City, UT 84101
(801) 524-4010
Kris_angelos@fd.org

Walter F. Bugden
BUGDEN & ISAACSON LLC
445 E 200 S, Ste 150
Salt Lake City, UT 84111
(801) 467-1700
wally@bilaw.net

Jennifer Juniper Chapin
COMMODITY FUTURES TRADING COMMISSION
4900 Main Street, Ste 500
Kansas City, MO 64112
(816) 960-7746
jchapin@cftc.gov

Tara L. Isaacson LLC
BUGDEN & ISAACSON LLC
445 E 200 S, Ste 150
Salt Lake City, UT 84111
(801) 467-1700
tara@bilaw.net

Andrew G. Deiss
DEISS LAW PC
10 W 100 S, Ste 425
Salt Lake City, UT 84101
(801) 433-0226
adeiss@deisslaw.com

Sean N. Egan
South Temple Tower, Ste 1505
136 E South Temple
Salt Lake City, UT 84111-1139
(801) 363-5181
seannegan@sneganlaw.com

Thomas M. Melton
PARR BROWN GEE & LOVELESS
101 S 200 E, Ste 700
Salt Lake City, UT 84111
(801) 503-5065
tmelton@parrbrown.com

Kristen R. Angelos
FEDERAL PUBLIC DEFENDER
DISTRICT OF UTAH
46 W Broadway, Ste 110
Salt Lake City, UT 84101

Paula Woodland Faerber
UTAH ATTORNEY GENERALS OFFICE
160 E 300 S, 5th Floor
Salt Lake City, UT 84114
(801) 366-0248
pfaerber@agutah.gov

Jacob L. Foncesbeck
SMITH WASHBURN LLP
8 E Broadway, Ste 320
Salt Lake City, UT 84111
(801) 584-1800
jfonnesbeck@smithwashburn.com

Robert K. Hunt
UTAH FEDERAL DEFENDER OFFICE
46 W Broadway, Ste 110
Salt Lake City, UT 84101
(801) 524-4010
robert_hunt@fd.org

Jennifer R. Korb
UTAH ATTORNEY GENERAL'S OFFICE
160 E 300 S, 5th Floor
Salt Lake City, UT 84114
(801) 366-0310
jkorb@agutah.gov

Monique McElwee
COMMODITY FUTURES TRADING COMMISSION
4900 Main Street, Ste 500
Kansas City, MO 64112
(816) 960-7760
mmcelwee@cftc.gov

Corey Drew Riley
DEISS LAW PC
10 W 100 S, Ste 425
Salt Lake City, UT 84101
(801) 433-0226
criley@deisslaw.com

John Robinson, Jr.
DEISS LAW PC
10 W 100 S, Ste 425
Salt Lake City, UT 84101
(801) 433-0226
jrobinson@deisslaw.com

Thomas L. Simek
COMMODITY FUTURES TRADING COMMISSION
4900 Main Street, Ste 500
Kansas City, MO 64112
(816) 960-7760
tsimek@cftc.gov

Jessica Stengel
FEDERAL PUBLIC DEFENDER
DISTRICT OF UTAH
46 W Broadway, Ste 110
Salt Lake City, UT 84101
(801) 524-4010
jessica_stengel@fd.org

Megan K. Baker
DORSEY & WHITNEY LLP
111 S Main Street, 21st Floor
Salt Lake City, UT 84111-2176
(801) 933-7360
baker.megan@dorsey.com

D. Loren Washburn
SMITH WASHBURN LLP
8 E Broadway, Ste 320
Salt Lake City, UT 84111
(801) 584-1800
lwashburn@smithwashburn.com

Steven T. Waterman
DORSEY & WHITNEY LLP
111 S Main Street, 21st Floor
Salt Lake City, UT 84111-2176
(801) 933-7360
waterman.steven@dorsey.com

David C. Castleberry
OGLETREE DEAKINS NASH SMOAK & STEWART PC
2050 S 1300 E, Ste 500
Salt Lake City, UT 84106
(801) 658-6100
david.castleberry@ogletreedeaikins.com

Robert G. Wing
PARR BROWN GEE & LOVELESS
101 S 200 E, Ste 700
Salt Lake City, UT 84111
(801) 503-5065
rwing@parrbrown.com

Wayne Klein
KLEIN & ASSOCIATES
PO Box 1836
Salt Lake City, UT 84110
801-824-9616
wklein@kleinutah.com

/s/ Joseph M.R. Covey
Joseph M.R. Covey