

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO 1437 Bannock Street Denver, CO 80202</p>	<p>DATE FILED: September 24, 2020 3:28 PM FILING ID: 19D96D9DB09C6 CASE NUMBER: 2019CV33770</p>
<p>TUNG CHAN, Securities Commissioner for the State of Colorado, Plaintiff, v. MARK RAY; REVA STACHNIW; CUSTOM CONSULTING & PRODUCT SERVICES, LLC; RM FARM & LIVESTOCK, LLC; MR CATTLE PRODUCTION SERVICES, LLC; SUNSHINE ENTERPRISES; UNIVERSAL HERBS, LLC; DBC LIMITED, LLC, Defendants.</p>	<p style="text-align: center;">▲ COURT USE ONLY ▲</p>
<p><i>Attorneys for Court-appointed Receiver Gary Schwartz:</i> John A. Chanin, #20749 Katherine A. Roush, #39267 FOSTER GRAHAM MILSTEIN & CALISHER, LLP 360 South Garfield Street, Suite 600 Denver, Colorado 80209 Phone: (303) 333-9810 Fax: (303) 333-9786 Email: jchanin@fostergraham.com; kroush@fostergraham.com</p>	<p>Case Number: 19CV33770 Division: 209</p>
<p style="text-align: center;">RECEIVER'S QUARTERLY REPORT</p>	

Gary Schwartz, the duly-appointed receiver (“Receiver”) for Mark Ray (“Ray”), Reva Stachniw (“Stachniw”), Custom Consulting & Product Services (“Custom Consulting”), MR Cattle Production Services (“MR Cattle”), Universal Herbs (“UH”), DBC Limited (“DBC”), RM Farm & Livestock (“RM Farm”), and Sunshine Enterprises (“Sunshine” and collectively with Ray, Stachniw, Custom Consulting, MR Cattle, UH, DBC, RM Farm, and Sunshine, “Ray and the Ray Entities”), submits this quarterly report (“Report”) concerning the status and condition of the Receivership Estate.

I. Procedural History

1. On September 30, 2019, David Cheval, then-Acting Securities Commissioner for the State of Colorado (the “Commissioner”), filed his Complaint for Injunctive and Other Relief against Ray and the Ray Entities. The Securities Commissioner is now Tung Chan.

2. On September 30, 2019, the Commissioner and Ray, Custom Consulting, MR Cattle, UH and DBC filed a Stipulated Motion for Appointment of Receiver, consenting to the appointment of a receiver over Ray, Custom Consulting, MR Cattle, UH and DBC pursuant to Colo. Rev. Stat. § 11-51-602(1) and C.R.C.P. 66.

3. On September 30, 2019, the Court entered a Stipulated Order Appointing Receiver (the “September 30 Order”) appointing Gary Schwartz of Betzer Call Lausten & Schwartz, LLP as receiver for Ray, Custom Consulting, MR Cattle, UH and DBC and their respective properties and assets, and interests and management rights in related affiliated and subsidiary businesses (the “Ray Estate”) September 30 Order at ¶ 3.

4. On September 30, 2019, the Securities and Exchange Commission (“SEC”) filed a Complaint against Ray and the Ray Entities and Ron Throgmartin in the United States District Court for the District of Colorado, case no. 19-cv-02789-DDD-NYW (the “Federal Case”).

5. On September 30, 2019 the SEC and Ray, Throgmartin, UH, Custom Consulting, MR Cattle, and DBC filed a stipulated request for the entry of consent orders in the Federal Case.

6. The Court in the Federal Case granted the request for entry of consent orders on October 10, 2019 (the “Ray Consent Judgments”).

7. On October 16, 2019, the SEC and Stachniw, RM Farm and Sunshine filed a second stipulated request for the entry of consent orders in the Federal Case.

8. The Court in the Federal Case granted the request for entry of consent orders on October 18, 2019 (the “Stachniw Consent Judgments”).

9. On October 30, 2019, the Commissioner and Stachniw, RM Farm and Sunshine filed a Second Stipulated Motion for Appointment of Receiver, consenting to the appointment of a receiver over RM Farm, Sunshine, and “the real property, equipment, supplies or inventory located at 12700 E. Lone Chimney Road, Glencoe, OK 74032 that are in the name of or under the control of” Stachniw (the “Stachniw Assets”) pursuant to Colo. Rev. Stat. § 11-51-602(1) and C.R.C.P. 66.

10. On November 4, 2019, the Court entered a Stipulated Order Appointing Receiver (the “November 4 Order” and collectively with the September 30 Order, the “Receivership Orders”) appointing Gary Schwartz of Betzer Call Lausten & Schwartz, LLP as receiver for the Stachniw Assets, RM Farm, Sunshine, and RM Farm’s and Sunshine’s respective properties and assets, and interests and management rights in related affiliated and subsidiary businesses, and (the “Stachniw Estate”) and added the Stachniw Estate to the Ray Estate (collectively, the Stachniw

Estate and Ray Estate are referred to herein as the “Receivership Estate” or “Estate”). November 4 Order at ¶¶ 3, 4.

11. The Ray Consent Judgments and the Stachniw Consent Judgments both stay the Federal Case during the pendency of the above-captioned litigation.

12. This Report is submitted as required by paragraphs 9 in the Receivership Orders.

II. Receiver’s Activities

13. In addition to the activities outlined in the Receiver’s previous reports, all of which remain ongoing, The Receiver and his staff continue to diligently work on a forensic accounting on the entire Estate, to establish what monies came into and went out of the Estate and the various entities. It is entirely possible that other entities and individuals involved in this scheme will be identified as the Receiver continues his analysis.

14. The forensic accounting team continues to make significant progress. To date, they have identified and entered transactions from approximately thirty different accounts directly related and/or controlled by the Mark Ray enterprise. They have substantially completed the data entry related to these accounts. These accounts span the time period from approximately 4Q 2012 through 4Q 2019. They have tracked over \$930 million in funds flow through these accounts in over 40,000 transactions.

15. The Receiver’s and the forensic accounting team’s recent focus is twofold: 1) reducing the number of transactions with unknown parties related to the Mark Ray enterprise accounts, and 2) accounting for transactions conducted directly between investors. Transactions with unknown parties occur when the Receiver lacks supporting documentation or that documentation is unclear. This most frequently happens with check images that are not available or when the deposited items are not provided. In these situations, the forensic accounting team looks to alternate sources in an attempt to identify the party to the transaction. Alternate sources include information from investor bank accounts, documents provided to the Receiver by the investors, and information provided by Mark Ray’s accountant, Harry Shurek.

16. Tracing the investor-to-investor transactions is a difficult task and necessarily iterative. To date, the Receiver has received information for over thirty accounts belonging to investors comprising tens of thousands of additional pages of documentation, much of which is unrelated to the Mark Ray enterprise. To prioritize the analysis, the forensic accounting team has analyzed the activity for each investor account and has focused their efforts where these accounts are most likely to have activity related to the Mark Ray enterprise based on the account history, timing, and other factors known about each investor. Based on this analysis and knowledge of the case, the forensic accounting team has entered several thousand additional transactions that they are working to incorporate into their existing analysis.

17. The Receiver and the forensic accounting team continue to receive documentation related to investor-to-investor activity and are working to incorporate this into their analysis. Several subpoenas in this area are still pending and are therefore information is still forthcoming.

18. The forensic accounting team has also assisted counsel with analysis related to specific transactions. This has included quantifying funds drawn from the Mark Ray enterprise into investment accounts held by Reva and Myron Stachniw and quantifying transactions through various Chase accounts.

19. In order to complete a full forensic accounting of the Estate and to locate all assets of the Estate, the Receiver has issued over two dozen subpoenas to various entities, including KeyBank, Bellco Credit Union, and J.P. Morgan Chase. The requested records include internal documents relating to these banks' handling of the Ponzi-scheme related accounts as well as bank statements for the Ponzi-scheme related accounts. The Receiver has also requested and received permission to issue federal subpoenas from federal court where the companion case filed by the Securities and Exchange Commission is pending. The Receiver has issued several federal subpoenas to Banks and individuals who have relevant information but do not have a presence in Colorado.

20. Based on the subpoenaed information, the Receiver has identified and continues to identify and trace assets of the estate. In addition to the cattle, business, and real property assets that the Receiver was already aware of, additional assets identified so far include diamond jewelry and approximately \$8 million in funds currently held in accounts owned by Defendant Reva Stachniw and her husband Myron Stachniw. There are currently motions to add these assets to the Estate pending before the Court. Counsel for the Receiver, Plaintiff and Mr. and Mrs. Stachniw continue to engage in discussions regarding those motions.

21. The Receiver also continues to investigate potential claims against third parties who may have facilitated or participated in the scheme, include potential fraudulent transfers to Ronald Throgmartin, who is a defendant in the companion federal case brought by the SEC.

22. The Receiver keeps and maintains a full creditor matrix that he updates regularly. The Receiver continues to identify and communicate with potential creditors of the Estate as they are identified and to collect information of their claims against the Estate. The Receiver plans to seek Court approval in coming weeks for a claims administration and distribution process.

III. Assets of the Receivership Estate

A. Estate Cash

23. As of September 15, 2020, the balance in the Receivership checking account was \$94,683.66 and the payroll account had a balance of \$11,785.91. The payroll account is typically funded with amount equal to the periodic payroll, and thus is intended to operate like a zero-balance account.

24. However, there are several accounts for which the previous balances are unknown and or unsupported. The financials prepared by the previous management group are unreliable, inadequate and incomplete. Thus, the Receiver was required to start from scratch in preparing financial statements. There are still adjustments being made to these financials based upon new information. These are based upon the most current information but are subject to change.

25. As of September 15, 2020, Universal Herbs was holding cash at various locations of approximately \$172,000. All of those funds are earmarked for the immediate payment of liabilities, including but not limited to rents and local, state and federal tax obligations.

B. Universal Herbs

26. Universal Herbs (UH), a marijuana dispensary and growing operation, is one of the primary assets of the Estate. UH has 2 retail dispensaries and one grow facility.

27. On or about May 21, 2020, the Receiver entered into an Asset Purchase Agreement (“APA”) with Lifestream Holdings, LLC, a Colorado corporation (“Lifestream”). The APA includes the purchase of all tangible personal property, including, but not limited to, furniture, fixtures and equipment, all marketable inventory, cannabis inventory and related products, and leasehold improvements and intangible personal property, including, but not limited to, “all licenses and permits necessary for the conduct of a retail and medical marijuana business.¹”, leases, tradenames, lease rights, for a total purchase price of \$4 million.

28. The sale of UH was approved by the Court on August 30, 2020. The sale will close upon approval of the Change in Ownership Application currently pending before Colorado’s Marijuana Enforcement Division.

29. As of September 20, 2020, the Receiver has identified current liabilities of \$1,197,823, a reduction from the \$2,021,933 reported as of April 30, 2020. This amount includes confirmed vendors, of \$336,957, unconfirmed vendors and amounts of \$147,797, and disputed or claims subject to litigation of \$276,088. In addition, UH still owes the State of Colorado and the City of Denver a total of \$408,423 for unpaid sales tax, excise and other taxes. Universal Herbs also currently owes the IRS \$253,099, which is again, all pre-receivership obligations. All of this obligation relates to pre-receivership unpaid taxes, interest and penalties. The Receiver is working with the State and the City of Denver to waive or reduce penalties and interest. The various taxing authorities and their counsel have been cooperative in working with the Receiver on deferred payments of this obligations. The Receiver has made significant progress in paying off local and state obligations both pre- and post-receivership and has been working with the IRS to establish a payment plan to pay off the debts related to unpaid pre-receivership payroll and income taxes.

30. As noted above, since that time, the Receiver has made some progress in repaying some of the critical debt obligations, including the City of Denver, the State of Colorado, Xcel Energy, and several critical suppliers. As noted in the Receiver’s Preliminary Report, the Current Liability list provided by the previous management group was incomplete and/or inaccurate. As noted above, as of September 20, 2020, the Receiver has estimated that the current **known** liabilities of UH are still approximately \$1.2 million, which are again almost exclusively pre-receivership debts.

¹ APA, Section I. – Sale of Assets, subsections 1.1 and 1.2.

C. Assets held by Express Ranches (“ER”)

31. Since his appointment in September 2019, the Receiver has collected approximately \$345,000 in net proceeds from regularly scheduled cattle auctions conducted by Express Ranches. These funds were deposited into the Receivership account to pay expenses related to the Receivership and UH.

32. The Receiver understands that additional proceeds from cattle auctions are forthcoming upon collection of those funds from purchasers of the cattle. Once these funds are collected, the Receiver will take possession of these funds and deposit them into a Receivership bank account.

33. On or about July 31, 2020, the Receiver entered into an agreement to sell various percentage cattle interests to Express Ranches for a total purchase price of \$205,943.58. The Court approved the sale of their percentage cattle interests on August 11, 2020, and the parties finalized the bill of sale for the transaction on or about August 25, 2020.

34. As noted below, there is pending litigation or other claims involving the Defendants, some of which involves cattle currently maintained at ER.

D. The Glencoe Ranch

35. Per the Second Stipulated Motion for Appointment of Receiver, filed on November 4, 2019, the Court confirmed the fact that the Receivership estate included “...the real property, equipment, supplies or inventory located at 12700 E. Lone Chimney Rd., Glencoe, OK.” It is the Receiver’s understanding that the property is in the name of and/or under the control of Ms. Stachniw.

36. On or about August 31, 2020, the Receiver entered into a Purchase Agreement for the sale of the real property defined as the Stachniw Assets as well as additional real property adjacent to the Stachniw Assets (collectively known as “Glencoe Ranch”). The Court approved the sale of Glencoe Ranch on September 11, 2020. Closing is currently set for September 30, 2020. The purchase price for Glencoe Ranch is \$1,013,625.00. The Receiver will allocate the funds from the sale of Glencoe Ranch as follows: (1) \$643,383.33 or the then-current payoff amount to pay off existing mortgages; (2) Payment of the pro-rated mortgage, taxes and insurance payments incurred from the date Glencoe Ranch was added to the Receivership Estate to closing; (3) The remaining balance will be held in a bank account controlled by the Receiver until further order of the Court.

E. Pending Litigation against Ray and the Ray Entities

37. Before the Receiver was appointed, various lawsuits were pending against Ray and the Ray Entities. The following table summarizes that litigation.

PENDING LITIGATION AGAINST RAY AND RAY ENTITIES

Case Caption	Court	Case Number	Date Suit Commenced	Nature of Suit	Status
<i>John Landry v. Mark Ray, individually, and Custom Consulting and Product Services, LLC</i>	United States District Court for the Southern District of Mississippi	1:19-CV-556 LG-RHW	9/4/2019	Breach of contract	Dismissed for lack of subject matter jurisdiction on 9/26/2019
<i>Youngdon Yun v. Mark David Ray, Custom Consulting and Product Services, LLC and MR Cattle Production Services, LLC</i>	Denver District Court	2019CV 32728	7/16/2019	Breach of contract	Case stayed pursuant to Receivership Orders
<i>Henderson State Bank v. Universal Herbs, LLC</i>	United States District Court for the District of Nebraska	19-cv-03070	7/10/2019	Fraud	Case stayed pursuant to Order dated January 8, 2020
<i>Helen Squire v. Mark D. Ray, Universal Herbs, LLC and Custom Consulting and Product Services, LLC</i>	Denver District Court	2019CV 032167	6/3/2019	Breach of contract, fraud	Dismissed without prejudice on 9/19/2019
<i>Beacon Integrated Technologies, Inc. and Secure Shield Enforcement Solutions v. Universal Herbs, LLC, Mark Ray, Elite Security Services, LLC and E2T2, LLC</i>	Denver District Court	2019CV 32882	8/14/2019	Breach of contract, theft,	Stayed and administratively closed pursuant to Receivership Orders as of 10/17/2019
<i>Clark v. Ray and Custom Consulting and Product Services, LLC</i>	Denver District Court	2019CV 033554	9/12/2019	Breach of contract, theft	Notice of stay filed 11/10/2019

38. Counsel for Receiver contacted plaintiff’s counsel in all cases that remained active when the Receiver was appointed and when the Federal Orders were issued to ensure that a notice of stay was filed in each case. The Receiver’s counsel has entered an appearance in the Nebraska case and that case is currently stayed.

F. Miscellaneous Other Assets

39. Books and Records.

The Receiver has requested all books and records for all of the Ray entities. These books and records have been maintained by various individuals and entities. The books and records for UH were apparently maintained by various individuals related to the Diego entities.

40. Litigation Claims.

The Receiver is identifying and investigating potential litigation claims against various parties, including Ronald Throgmartin. These potential claims may allow the Receiver to recover asserts transferred before and after the Receivership Orders were entered. At this time, the Receiver cannot provide any reasonable estimate of the value, if any, of these claims.

IV. Summary of the Estate's Liabilities

41. The full extent of the Estate's liabilities is presently unknown. However, Receiver summarized UH's known liabilities above, and continues to identify investors and creditors of the Estate.

42. In addition, the Estate has incurred obligations to counsel and experts to assist in recovering the Estate's assets as follows:

Obligee	Amount of Obligation:	Basis of Obligation:
Betzer, Lausten Call & Schwartz, LLP	\$ 290,257	Receiver and Accounting Fees
Gary Schwartz, Receiver	\$ 117,379	Receiver's fees UH Expenses Paid by Receiver
Foster Graham Milstein & Calisher, LLP	\$ 299,603	Legal Fees

The Receiver's fees noted above includes monies paid to various consultants assisting with the administration and operation of UH. In addition, the Receiver has paid certain expenses and obligations of UH through the extension of a loan to the Estate. These represent critical expenses that were time sensitive. This loan will be repaid as funds become available.

43. The Receiver continues to investigate the assets and liabilities of the Estate and will file additional quarterly periodic reports as contemplated by the Receivership Orders.

44. The Receiver plans to seek Court approval in the next quarter to begin liquidating Estate assets, including show cattle interests, real estate interests, and business interests, including Universal Herbs. The Receiver also plans to seek Court approval in the next quarter for a claims administration and distribution process.

45. Pursuant to paragraphs 9 in the Receivership Orders, the Receiver hereafter will file bi-annual reports, with his next report due at the end of April 2021, and every six (6) months thereafter.

DATED this 24th day of September, 2020.

FOSTER GRAHAM MILSTEIN & CALISHER, LLP

By: /s/ John A. Chanin
John A. Chanin, #20749
Katherine A. Roush, #39267

Attorneys for Court-appointed Receiver Gary Schwartz

CERTIFICATE OF SERVICE

I hereby certify that on September 24, 2020, a true and correct copy of the foregoing **RECEIVER'S QUARTERLY REPORT** was electronically filed and served on all parties of record via the Colorado Court E-Filing System.

I further certify that on September 24, 2020 a true and correct copy on the foregoing **RECEIVER'S QUARTERLY REPORT** is being served by U.S. Mail on all currently known creditors of the Receivership Estate to the addresses set forth on the service list maintained in the Receiver's records.

/s/ Lucas Wiggins _____
Lucas Wiggins