

DISTRICT COURT, DENVER COUNTY, COLORADO	
Court Address: 1437 BANNOCK STREET, RM 256, DENVER, CO, 80202	
Plaintiff(s) DAVID S CHEVAL ACTING SECURITIES COMMISS et al. v. Defendant(s) MARK RAY et al.	DATE FILED: March 1, 2022 9:04 AM CASE NUMBER: 2019CV33770 <p style="text-align: center;">△ COURT USE ONLY △</p> Case Number: 2019CV33770 Division: 209 Courtroom:
ORDER RE: RECEIVERS MOTION TO APPROVE SETTLEMENT AGREEMENTS	

The motion/proposed order attached hereto: GRANTED.

This matter is before the Court on the Receiver's Motion to Approve Settlement Agreements filed February 18, 2022 ("Motion"). Pursuant to the Court's November 4, 2019 Order appointing the Receiver, any objections to the Motion were due within 10 calendar days. Order at ¶19. The Court has not received any objection, and otherwise finds that the settlements are fair and equitable and in the best interests of the receivership estate. Accordingly, the Motion is GRANTED.

Issue Date: 3/1/2022



ALEX C MYERS
District Court Judge

DISTRICT COURT, DENVER COUNTY, STATE OF COLORADO Denver District Court 1437 Bannock St. Denver, CO 80202	<p style="text-align: center;">▲ COURT USE ONLY ▲</p>
<p>Plaintiff: TUNG CHAN, Securities Commissioner for the State of Colorado</p> <p>v.</p> <p>Defendants: 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</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</p> <p>Division/Courtroom: 209</p>
<p>RECEIVER’S MOTION TO APPROVE SETTLEMENT AGREEMENTS</p>	

Gary Schwartz, the duly-appointed receiver “Receiver” for all of the assets of Mark Ray (“Ray”), Custom Consulting & Product Services, LLC (“Custom Consulting”), MR Cattle Production Services, LLC (“MR Cattle”), Universal Herbs, LLC (“UH”), DBC Limited, LLC (“DBC”), RM Farm & Livestock, LLC (“RM Farm”), Sunshine Enterprises (“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 Reva Stachniw (“Glencoe Ranch”) (collectively “Ray and the Ray Entities” or the “Estate”), asks the Court to enter an order approving settlement agreements he has reached with three investors in the Estate (“Settling Investors”).

I. BACKGROUND

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 plaintiff is now Securities Commissioner 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. As detailed in the Complaint, this case involves a cattle-trading Ponzi scheme perpetrated by Ray and the entities he controlled. Since at least 2014, the entities raised tens of millions of dollars from investors. Ray promised all of these investors high rates of return, usually over short periods of times.

4. The Ponzi scheme involved the offer and sale of unregistered securities in the form of investment contracts and promissory notes that Ray advertised to investors, some of whom were unsophisticated, primarily through word of mouth.

5. 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.

6. 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 “Stanchiw Assets”) pursuant to Colo. Rev. Stat. § 11-51-602(1) and C.R.C.P. 66.

7. 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, and Sunshine and their identified properties, assets, interests and management rights in related affiliated and subsidiary businesses (the “Stachniw Estate”) and added the Stachniw Estate to the Ray Estate (collectively, the “Estate”). November 4 Order at ¶¶ 3, 4.

8. Under the Receivership Orders, the Receiver has the authority to prosecute claims to recover the fraudulent transfer of Estate assets and causes of action against third-parties, including claims held by creditors. Receivership Orders ¶¶ 5(v).

9. Pursuant to the Receivership Orders, the Receiver has conducted an exhaustive forensic accounting of the Ponzi scheme, including a detailed analysis of the total investments into the scheme and total payments from the scheme. For each person or entity that invested with Mark Ray and his entities, the Receiver has constructed an individual investor spreadsheet

that shows each financial transaction with the Ponzi scheme, and calculates the amount of net loss, or net profit, for each investor.

10. Of course, there were no “net profits” to distribute to individual investors, and it is the Receiver’s position that all such net profits paid to investors constitute fraudulent transfers of Estate assets. The Receiver contacted all investors who received net profits and offered each the opportunity to settle the Receiver’s claim for recovery of the net profits at a discounted amount to avoid the expense and delay of litigation.

11. As relevant here, the Receiver identified potential claims the Estate has against the five Settling Investors, including claims under Colorado’s Uniform Fraudulent Transfer Act, COLO. REV. STAT. § 38-8-101 *et seq.*

12. The proposed settlement agreements between the Settling Investors resolve the disputes between the Receiver and the Settling Investors regarding certain transfers the Settling Investors received from Ray and the Ray Entities before the Receiver was appointed.

13. The proposed settlements are as follows:

Party	Proposed Settlement
Jordan Betensky	\$80,000.00
Ben Elliot	\$38,987.00
Frank Carbone	\$81,866.00

II. The settlement agreements are in the best interests of the Estate and its creditors.

14. There exists little Colorado authority with respect to factors the Court should consider in determining whether to approve a Receiver’s settlement agreement. In analogous

bankruptcy contexts, courts consider whether “the settlement is fair and equitable and in the best interests of the estate.” In considering whether to approve a settlement, bankruptcy courts consider four primary factors: “the probable success of the underlying litigation on the merits, the possible difficulty in collection of a judgment, the complexity and expense of the litigation, and the interests of creditors in deference to their reasonable views.” *Kopp v. All Am. Life Ins. Co. (In re Kopexa Realty Venture Co.)*, 213 B.R. 1020, 1022 (B.A.P. 10th Cir. 1997); *Kaiser Steel Corp. v. Frates (In re Kaiser Steel Corp.)*, 105 B.R. 971, 977 (D. Colo. 1989). Courts also recognize that deference should be given to the business judgment of the Receiver. *See, e.g., In re OptInRealBig.com, LLC*, 345 B.R. 277, 291 (Bankr. D. Colo. 2006) (deferring to the business judgment of the bankruptcy trustee).

15. Considering these factors, the Court should approve the settlement agreements. Although the Receiver believes his claims to recover the transfers to the Settling Investors are strong, they have raised various defenses to those claims, and several have raised issues relating to the collectability of any judgment obtained.

16. The proposed agreements also resolve the potential litigation claims against the Settling Investors without further expense or litigation risk and will result in the prompt payment of funds to the Estate.

17. Pursuant to paragraph 20 of the September 30 Order and paragraph 19 of the November 4 Order, Court approval of any motion filed by the Receiver shall be given as a matter of course within 10 days after the motion is filed and served. As reflected by the certificate of service below, this Motion is being served on all parties who have appeared in this case and posted to the Receiver’s website.

WHEREFORE, the Receiver asks the Court to enter an Order approving the settlement agreements.

Dated: February 18, 2022.

FOSTER GRAHAM MILSTEIN & CALISHER, LLP.

By: /s/ John A. Chanin

John A. Chanin, #20749

Katherine A. Roush, #39267

ATTORNEYS FOR THE COURT-APPOINTED RECEIVER,
GARY SCHWARTZ

Attachment to Order - 2022 CV 33770

CERTIFICATE OF SERVICE

I hereby certify that on February 18, 2022 a true and correct copy of the foregoing **RECEIVER'S MOTION APPROVE SETTLEMENT AGREEMENTS** was electronically filed and served on all parties of record via the Colorado Court E-Filing System.

I further certify that on February 18, 2022 a true and correct copy on the foregoing **RECEIVER'S MOTION TO APPROVE SETTLEMENT AGREEMENTS** is being posted to the Receiver's website at www.rayreceivership.com.

/s/ Angelica McClurg
Angelica McClurg

Attachment to Order - 2019C133710