

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

FIRST STATE DEPOSITORY COMPANY,
LLC, ARGENT ASSET GROUP, LLC, AND
ROBERT LEROY HIGGINS,

Defendants.

CASE NO.: 1:22-cv-01266-RGA

THE REPORT OF THE RECEIVER’S ACCOUNTING FIRM

Kelly M. Crawford, as the court-appointed Receiver (“Receiver”), submits the report of the Receiver’s accounting firm, respectfully showing the Court as follows:

1. Upon his appointment as Receiver, and pursuant to paragraph 29(f) of the *Order Granting Plaintiff’s Motion for an Ex Parte Statutory Restraining Order, Appointment of a Temporary Receiver, and Other Equitable Relief* [D.I. 12](the “SRO”), the Receiver engaged the Baker Tilly accounting firm (the “Accountants”) to conduct an audit and physical inventory of the precious metals and other assets at 100 Todds Lane, Wilmington, Delaware, the headquarters of Defendants First State Depository Company, LLC (“FSDC”) and Argent Asset Group, LLC (“Argent”).

2. The Accountants conducted the audit and physical inventory of the precious metals and other assets at 100 Todds Lane in Wilmington, Delaware, and prepared a report with their findings. A true and correct copy of the Accountants’ Report is attached hereto as **Exhibit A**.

3. The following is a summary of the Accountants' findings as set forth in the Accountants' Report:

- Both Defendants FSDC and Argent operated out of a building located 100 Todds Lane, Wilmington, Delaware. Roughly a third of the building is a vaulted area, which includes a separate vault for gold and smaller precious metals, and houses the metals and assets held for customers of FSDC. Another third of the building consists of offices and areas for shipping of metals. Another third of the building houses the metals and assets of Defendant Argent. The Accountants conducted an inventory of all metals and other valuable assets in the building – a total of approximately 1.58 million items.
- Defendant FSDC has 2,102 customer accounts and 1,044 of those accounts had no discrepancies between what was shown on the inventory and what was found physically present. There were discrepancies, however, with 1,006 accounts, and 46 accounts had more inventory present than shown on the inventory. Defendants Argent and Robert Leroy Higgins had 6 accounts in the inventory and they each had discrepancies.
- Of the Defendant FSDC accounts, 90% were held by IRAs, and New Direction Trust Company is the administrator of more than half of the IRA accounts.
- The Accountants found a wide range of values for the metals and assets they counted, depending upon whether the metals were fungible or non-fungible, the year of the coin, condition of the coin, etc. In providing a range of values in the Accountants' Report, the Accountants cite the values used by Defendant FSDC in

its inventory reports, the spot price of metals as of October 4, 2022 – the date the Receiver took possession of the premises, and third party sources.

- The estimated value of the assets missing from the FSDC customers ranges from \$56.8 million to \$110.4 million.
- The estimated value of the assets of FSDC customers in which there was no discrepancy between the inventory and physical count ranges from \$55.9 million to \$85.1 million.
- The estimated value of the Argent assets and the assets that were not specifically assigned to a FSDC customer was difficult for the Accountants to determine because the assets consist primarily of non-fungible, rare collectible items that need to be appraised. Indeed, of the 1.58 million items counted by the Accountants, 494,000 items could not be valued. For those items that could be valued, the values ranged from \$5.4 million to \$8.4 million. Once the non-fungible, collectible, and rare items are appraised, the total value of the Argent assets and assets not specifically assigned to a FSDC customer should be significantly higher.

4. The Receiver will post the Accountants' Report on the receivership website, www.fsdreceivership.com, and the Accountants' Report will be used by the Receiver in the distribution and claims process the Receiver proposes to the Court.

Respectfully submitted on January 9, 2023

ASHBY & GEDDES, P.A.

/s/ Ricardo Palacio

Ricardo Palacio (DE Bar No. 3765)

500 Delaware Avenue, 8th Floor

P.O. Box 1150

Wilmington, DE 19899-1150

Tel: (302) 654-1888

Fax: (302) 654-1888

Email: RPalacio@ashbygeddes.com

-and-

SCHEEF & STONE, L.L.P.

Peter C. Lewis, Esq. (admitted *pro hac vice*)

500 North Akard Street, Suite 2700

Dallas, TX 75201

Tel: (214) 706-4200

Fax: (214) 706-4242

Email: Peter.Lewis@solidcounsel.com

Counsel to Kelly Crawford, Receiver