

Case Name: United States v. RaPower-3, LLC, et al. Case Number: 15-cv-828
Deposition of Robert Aulds taken March 14, 2017

Plaintiff Designations – BLUE Defendant Completeness—PURPLE Defendant Counter-Designations – RED (at end)	Defendant Designations – RED Plaintiff Completeness—PURPLE Plaintiff Counter Designations – BLUE (at end)	Defense Objections/Responses – RED Plaintiff Objections/Responses – BLUE	Exhibits	Ruling
PLAINTIFF DESIGNATIONS	DEFENDANT -DESIGNATIONS			
<p>6: I P R O C E E D I N G S 2 ROBERT AULDS, 3 having been first duly sworn, testified as follows: 4 EXAMINATION 5 BY MS. HINES: 6 Q. Good morning, Mr. Aulds. I introduced myself 7 to you just a few minutes ago, but I want to go ahead 8 and do that again for the record. 9 My name is Erin R. Hines. I'm with the 10 United States Department of Justice in the tax division, 11 and I represent the United States in this matter. 12 The matter is United States versus 13 RaPower3, LLC, et al. It is March 14, 2017, at 14 9:03 a.m., Central time. 15 I'm going to go ahead and have counsel 16 state their appearances for the record, and then we'll 17 get into some more of the introductory matters. 18 MS. HEALY-GALLAGHER: Erin Healy-Gallagher</p>				

Plaintiff Exhibit
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<p>19 of the Department of Justice, also for the United 20 States. Chris Moran, who's representing the United 21 States, is not present today. 22 MR. AUSTIN: I'm Christian Austin. I 23 represent RaPower3. 24 MR. JONES: Paul Jones for Bob Aulds. 25 MS. HINES: And also, for the record, 7: 1 Donald Reay, who represents Defendants R. Gregory 2 Shepard and Roger Freeborn, is not here today.</p>				
<p>9: 2 Q. Mr. Aulds, we're here today to get an accurate 3 record as possible of the facts of this case as you can 4 remember them. I need to ask, is there anything today 5 that would cause you or prevent you from understanding 6 and answering my questions completely and fully to the 7 best of your ability? 8 A. No. 9 Q. Are you taking any medications or drugs that 10 may interfere with your memory?</p>				

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<p>11 A. No. 12 Q. Have you had anything alcoholic to drink in the 13 last eight hours? 14 A. No. 15 Q. Are you feeling sick or unwell today? 16 A. No. 17 Q. Are you currently under a doctor's care for any 18 illness? 19 A. Yes. 20 Q. Is it related to memory or any kind of -- well, 21 does it relate to anything with your memory? 22 A. No. 23 Q. Is there any reason you can think of why you 24 would not be able to answer my questions fully and 25 accurately today? 10: 1 A. No.</p>				
<p>10: 8 Q. Mr. Aulds, can you give us your name and 9 current address, please. 10 A. Legal name is Robert Aulds, and the address is 11 1252 County Road 4699, Boyd, B-o-y-d, Texas, 76023. 12 Q. And how long have you lived at that current</p>				

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<p>13 address? 14 A. Approximately 11 years. 15 Q. Okay. Mr. Aulds, do you have any aliases? 16 A. Bob. 17 Q. What is your age? 18 A. 60. 19 Q. Are you married? 20 A. Yes. 21 Q. Any kids? 22 A. Three. 23 Q. What are their names and ages? 24 A. I have twin stepchildren that are 26. That's 25 Jordan and Alexandra Martirosian -- do you want me to 11: 1 spell that? M-a-r-t-i-r-o-s-s-i-a-n -- and then a son, 2 Joseph Aulds who's 22. 3 Q. Mr. Aulds, did you graduate from high school? 4 A. Yes. 5 Q. When did you graduate? 6 A. '74. 7 Q. What is your education after high school? 8 A. I attended Baylor University, Dallas Institute 9 of Mortuary Science. I got my real estate license from 10 a school, and I got some</p>				

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<p>insurance stuff. I don't know 11 what. I could do something with insurance. It's been 12 awhile. I don't remember the details. 13 Q. When did you attend Baylor? 14 A. In '74 and part of '75. 15 Q. And did you get a degree from Baylor? 16 A. No. 17 Q. And then you said Dallas Mortuary Science? 18 A. Dallas Institute of Mortuary Science. 19 Q. When did you attend Dallas Institute of 20 Mortuary Science? 21 A. In '77. 22 Q. How long a program was that? 23 A. It was one year, one full year. 24 Q. Did you complete it? 25 A. Yes. 12: 1 Q. Did that give you a license, a certification, a 2 degree? 3 A. I served a two-year apprenticeship. It was 4 combined. It was an embalmer's and funeral director's 5 license from the State of Texas.</p>				

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<p>6 Q. And then you said insurance. So you have like 7 some education or training in insurance? 8 A. I don't remember. I could do something with 9 insurance. I don't know what exactly I ended up 10 getting. I was selling pre-need funeral plans, and you 11 needed to have some sort of something to do that, and so 12 I did some sort of something. 13 Q. Okay. And when was that? 14 A. Sometime in the '70s or the '80s. I can't 15 really tell you. Probably in the '80s. 16 Q. And then what kind of training or education did 17 you have with real estate? 18 A. I got my real estate license sometime in the 19 '80s while I was also a funeral director. 20 Q. Are you currently employed? 21 A. Very much so. I've got several jobs. 22 Q. Tell me about those jobs. 23 A. Okay. I own the Oreck Clean Home Center here 24 in Wichita Falls. I own Pat's</p>				

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<p>Tea Shop here in Wichita 25 Falls. My wife owns a medical practice in Decatur, and 13: 1 I'm the CFO, and I have several network marketing 2 businesses. 3 Q. Okay. So let's start with the Oreck Care 4 Center. 5 A. Oreck Clean Home Center is the official name. 6 Q. Okay. What is that business? 7 A. It's a vacuum retail and repair center, and we 8 specialize in Oreck vacuums, which is -- I forget I'm 9 supposed to talk slow. We specialize in Oreck vacuums, 10 and we also sell Miele, which is a German vacuum. 11 Q. What is your role in that business? 12 A. I am the owner. 13 Q. How much time do you spend on that particular 14 business? 15 A. Physically, whenever my manager needs a 16 vacation or a day off. Mentally -- I'm mentally there 17 more often. I worry about it, but I don't have to</p>				

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<p>18 physically be there all the time. 19 Q. What kind of responsibilities do you have? Do 20 you do accounting records? Are you doing staffing? Are 21 you doing sales? Are you doing ordering of vacuums? 22 Give me a little bit of detail. 23 A. When I'm there, I do all of the above, but my 24 manager is excellent. Most of the time he does 25 everything. 14: 1 Q. How often would you say your manager needs you 2 to come in and be physically present? 3 A. Probably two weeks out of the year is when I'm 4 up there or up here, actually. 5 Q. And you said that's up here in Wichita Falls? 6 A. Yes. 7 Q. Tell me about Pat's Tea Shop. What is that? 8 A. That's funny. My mother is 84, and it used to 9 be called something else, and I'm not up here anymore, 10 and so her and my manager put together Pat's Tea Shop in 11 what used to be called Ace</p>				

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<p>Sales & Service. So I don't 12 know. Legally it's still with the name Ace Sales & 13 Service probably, but she advertises it as Pat's Tea 14 Shop, and she has fun teaching people how to do art and 15 has little kid parties and stuff like that. I own it. 16 I don't know much about it. 17 Q. What do you do as the owner? 18 A. Every time I go in there, I just look around 19 and go, "This is cool." I'm the legal owner, but she 20 does whatever she wants. I'm not going to tell my 21 84-year-old mother what she cannot do. 22 Q. You mentioned you're the CFO of your wife's 23 medical practice? 24 A. Correct. 25 Q. What kind of responsibilities do you have as 15: 1 CFO? 2 A. Anything involving money. 3 Q. Do you make the decisions as to how much people 4 could pay you, as to what supplies to buy? Give me a</p>				

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<p>5 little more detail, please. 6 A. I have my hand in all of it because my wife's 7 strength is medical and not financial, and my strength 8 is more financial. So I have input on hiring and firing 9 and what we should buy and what we should not buy. 10 Basically, anything to do -- having to do with 11 maintaining the financial integrity of the company. 12 Q. How big is the medical practice? How many 13 employees do you have? 14 A. Five. 15 Q. Does that include your wife? 16 A. Yes. 17 Q. Does that include you? 18 A. Yes. 19 Q. So three additional? 20 A. Right. 21 Q. Okay. And are those office staff? Are they 22 other medical staff? 23 A. They're basically all medical related. They're 24 like MAs, which is a medical assistant, but some of them 25 don't have that as an actual training. It's more of an</p>				

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<p>16: 1 on-the-job training. So it's, I think -- maybe two of 2 them have that, and the other one knows the work but is 3 not technically an MA. 4 Q. What type of medical practice is it? 5 A. Internal medicine. 6 Q. And then you mentioned, I think, one last 7 category. Network -- 8 A. Network marketing. 9 Q. You said several. How many is several? 10 A. RaPower obviously would be one. Stream Energy 11 is another. I'm not real active in some. I mean, some 12 of them I'm -- I've got permission to do them, but I 13 don't actively pursue them.</p>				
<p>25:23 Q. All right. So the fourth network marketing you 24 mentioned is RaPower. When did you get involved in 25 RaPower? 26: 1 A. December -- December 18, 2011, I believe. 2 Q. We're going to go back to RaPower in a few 3 minutes. In a typical week what do you spend your time</p>				

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<p>4 on out of all these businesses you mentioned? Like is 5 there a breakdown on average of what you do during the 6 week? 7 A. What I want to do is spend time working on my 8 ranch. That's my number one goal. Well, I should 9 change that. A year ago I started -- I helped start a 10 new church. So Wednesdays and Sundays I work almost 11 exclusively helping that church. Usually Mondays and 12 Tuesdays I'm playing on the farm, and Thursdays, 13 Fridays, and Saturdays I'm trying to play on the farm. 14 But while doing that, I also answer the phone and talk 15 with people about various businesses, and I'm calling 16 and arguing with vendors and -- so I do a lot of what I 17 could do. I'm doing it as I'm doing farm work. So I'm 18 not in an office at any point unless I have to be 19 because of some situation. The reason I did the 20 multilevels was to get to the</p>				

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<p>point where I could do 21 farm stuff, and so I finally got to that point. 22 Q. And is your farm at your residence? 23 A. Yes. 24 Q. How big of a farm is it? 25 A. 177 acres. 27: 1 Q. What do you have on the farm? Animals? Crops? 2 A. I have cows. My wife has horses, and that's 3 pretty much it. 4 Q. No crops? 5 A. No. Well, cactus. Nothing I want out there 6 except I basically have a lot of trees, and it looks 7 like a wilderness. My wife wants to live in a park. So 8 I spend all my time taking it and converting it from a 9 wilderness to a park. 10 Q. What kind of cows are they? Are they dairy 11 or -- 12 A. They're Angus beef cattle. 13 Q. How many cows? 14 A. I have a bull, four cows, and four calves. 15 Q. And how many horses? 16 A. Four. She just had one die.</p>				

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<p>That was my 17 favorite one. I'm hoping they all die.</p>				
<p>27:21 Q. (BY MS. HINES) So what kind of tasks do you do 22 on the farm? 23 A. Everything my wife tells me to do. 24 You can quote me on that. 25 Basically, like the calves were all born in 28: 1 a two-week period, and so I had to go and find the 2 calves, make sure they were okay when they were born. I 3 have to maintain the fencing, make sure they have hay, 4 make sure the -- you know, there's plenty of grass and 5 stuff, so. 6 Q. Does anyone help you on the farm? 7 A. No, not since my kids got older. 8 Q. And you talked about converting it into a park. 9 What does that entail? 10 A. Well, if you're driving from here to the 11 airport, you'll go through Decatur, Texas, and I don't 12 know if you can see it from</p>				

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<p>there, but there's places in 13 Texas where it looks like a wilderness, and there's 14 vines growing in the trees, and it just looks like a 15 jungle. So I'm cleaning out the vines and trimming up 16 the trees and taking a front end loader on a tractor and 17 raising up and cutting limbs, basically trying to make 18 it look like a park.</p>				
<p>28:21 Q. So you also mentioned on Wednesdays and Sundays 22 you're working with a new church. Tell me what that 23 entails. 24 A. I meet with the pastor at 2:00 o'clock on 25 Wednesdays. Actually, I meet with two pastors at 29: 1 2:00 o'clock on Wednesdays, and we have right now a book 2 we're going through, and we are just doing things that 3 we think we need to do to help the church grow. 4 Q. What kind of church is it? 5 A. It's nondenominational. 6 Q. When did you say it started? 7 A. There was an informal meeting of a few people</p>				

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<p>8 in the fall two years ago, but the official start of the</p> <p>9 church was January of last year. So it's a little over</p> <p>10 a year ago.</p> <p>11 Q. January of 2016?</p> <p>12 A. Yes, ma'am.</p> <p>13 Q. Where is the church?</p> <p>14 A. It meets in an elementary school in Keller,</p> <p>15 Texas.</p> <p>16 Q. Do you have a title or an official role with</p> <p>17 the church?</p> <p>18 A. No. I do have business cards, though.</p> <p>19 Q. What does the business card say?</p> <p>20 A. Because I was meeting people and I was trying</p> <p>21 to tell them where the church was and the website and</p> <p>22 stuff, and so the pastor said, "Well, why don't you</p> <p>23 just -- he was making fun. He said, "Well, why don't we</p> <p>24 just get you some business cards." I'm like, "Okay."</p> <p>25 Q. What other kinds of things do you do for the</p> <p>30: 1 church?</p> <p>2 A. Well, I'm technically called</p>				

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<p>the guest 3 relations coordinator. So I make sure that we have 4 people in the parking lot to greet and people at the 5 doors to greet and people in the different areas to 6 greet, and I help set up and help tear down because 7 we're meeting in a gymnasium, in a cafeteria, and we 8 basically go in with big trailers filled with church 9 stuff, and we convert it for that Sunday, and then we 10 tear it all down, and it's basically church in a box. 11 Q. How far is Keller, Texas, from your home? 12 A. 45 minutes, depending on traffic, but it's not 13 close. 14 Q. I know you've mentioned a lot of different 15 activities. We have the church, the farm. We have the 16 medical practice, owner of two businesses in Wichita 17 Falls, and the multilevel marketing businesses. What 18 kind of -- can you breakdown, give me a percentage of</p>				

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<p>19 how much time per month you would spend on these various 20 activities? 21 A. It depends on the month. Like two years ago, 22 for one month solid I worked almost exclusively on 23 RaPower because rumor had it, we were getting ready to 24 go on the grid, and I found a guy that wanted to run 25 with it. He was putting me on phone calls with 31: 1 everybody in his web of friends, and I literally worked 2 almost exclusively RaPower. I don't do that much 3 anymore. So it just depends on -- like some days I can 4 only work on the doctor's office because our internet is 5 down and I'm having to be on the phone. There's not a 6 typical -- well, if nothing's going real bad, I can -- I 7 can kind of give you an answer. I probably spend 8 several hours a week on the phone for the doctor's 9 office, several hours of the week on the phone for some 10 sort of multilevel. Sometimes if</p>				

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<p>it's not raining, some 11 time on the farm. Sometimes helping, you know, on the 12 phone with my stores in Wichita Falls. There's really 13 not a typical week. Sometimes I work on the church a 14 whole lot more than other weeks. 15 Q. Do you keep track of what you spend your time 16 on? 17 A. I have a cell phone that if I'm doing -- like 18 when I go to the church, I'm going to count that 19 mileage, and when I go to Wichita Falls, I count that 20 mileage, and when I go to Fort Worth to talk about, you 21 know, whatever, I keep up with that mileage. So I keep 22 up with whatever I'm doing on mileage. As far as time, 23 there's no tax benefit as far as time. So I don't have 24 to keep up with all that. 25 Q. So you've given us a pretty good idea of what 32: 1 you're doing now with your time. How has that changed 2 since 2011?</p>				

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<p>3 A. In 2011 I was not involved in the doctor's 4 office. In 2011 I was probably doing the same amount of 5 farm work. Once I got in RaPower, I worked it really 6 hard for a couple of months and then more sporadically. 7 I work things in spurts. I do what I want 8 to do. On the phone end of it, I used to get people 9 calling me constantly about RaPower, and I would be on 10 the phone lots, but it's trickled down to where I don't 11 get near as many calls as I used to. 12 Q. You said in 2011 you were not working your 13 wife's medical practice. When did you start working at 14 the medical practice? 15 A. May of 2000 -- it will be six years this May. 16 So 2000 -- what is that, '12 or '11?</p>				
<p>32:18 A. It's 2017. So six years ago would have been 19 2011. So it would have been May of 2011. 20 Do you want to hear the story of</p>				

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<p>why I 21 became involved in that? 22 Q. (BY MS. HINES) Sure. 23 A. I'm guessing you do. 24 I was refinancing our house, and my wife 25 and I keep separate money, and I said, "I've got to see 33: 1 your money because we have to get the information for 2 refinancing the house," and I discovered the manager of 3 the doctor's office had embezzled a bunch of money. So 4 I called my accountant, John Howell, whose name will 5 probably come up in the day, and he said, "You need to 6 get somebody in there that will protect your interest," 7 la, la, la, and that someone ended up being me. So I 8 had to learn everything about QuickBooks and all that 9 stuff because I had businesses, but I didn't know how to 10 do any of that. I basically had to learn all that 11 stuff. So it took a lot of time. 12 We signed a five-year lease that ended last 13 May. This May will be six</p>				

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<p>years. It was in May of 14 2011, and then I got in RaPower -- no. I was already in 15 the doctor office. Okay. It was doctor office and then 16 RaPower. 17 Q. Both in 2011? 18 A. My son is a computer engineer which means he 19 knows math. I sit there and go, okay, now, six years. 20 I think it was 2011 because this is 2017. In May will 21 be six years. 17 minus six is one. So it should have 22 been 2011. May of 2011 was doctor's office. December, 23 2011, was RaPower.</p>				
<p>34: 7 Q. Mr. Aulds, I've handed you what has been marked 8 a copy of Exhibit 393. Do you want to take a minute or 9 two and kind of look this over before I ask any 10 questions. 11 A. I'm here on the wrong day, date and time.</p>				
<p>34:16 Q. (BY MS. HINES) Mr. Aulds, Exhibit 393, do you 17 recall receiving this subpoena for documents from the 18 United States?</p>				

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<p>19 A. Yes. 20 Q. And do you recognize all the pages in here? 21 Does it look familiar? 22 A. Yeah. 23 Q. Okay. Exhibit 393 is labeled also with Bates 24 numbers, and it's Aulds_R&M-00697 through 25 Aulds_R&M-00713, and I am going to represent to you that 35: 1 the documents you produced to the United States have 2 been labeled with Bates numbers in the bottom right-hand 3 corner of every document. 4 A. Yes. 5 Q. If you'll turn to the page labeled 6 Aulds_R&M-00702, there's some handwriting there in the 7 bottom left. 8 A. Yes. 9 Q. Do you recognize that handwriting? 10 A. Yes. 11 Q. Whose handwriting is that? 12 A. That is mine. 13 Q. So when you received this subpoena for 14 documents, what did you do to look for the documents</p>				

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<p>15 that might be responsive? 16 A. I went through all my files. I went through my 17 e-mails. I went through everything I could think of 18 that had anything that might -- might have to do with 19 this business and gathered them. 20 Q. And where do you keep these documents? 21 A. That's part of the problem. I have areas 22 they're supposed to be, and then I have areas where they 23 just got mixed up, but I knew in the general part of the 24 house. So I went through all my different boxes and 25 stuff. And tax, I keep tax years. So I went through 36: 1 all the tax years since 2011. I went through my 2 e-mails, everything I could think of. 3 Q. You mentioned e-mails. What e-mail addresses 4 do you have? 5 A. Bobaulds@yahoo.com. I have other e-mails, but 6 I don't think Greg Shepard ever had them. Do you need 7 the other e-mails?</p>				

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<p>8 Q. Please give them to me. 9 A. Okay. Fre, F-r-e, p-o-w-r, @yahoo.com. WF, 10 like Wichita Falls, Oreck, O-r-e-c-k, 06@yahoo.com, and 11 the same e-mail except 07@yahoo.com. 12 Q. So when looking for responsive documents to the 13 subpoena, did you go through all four of those e-mail 14 addresses? 15 A. I'm not sure I went through all four because 16 the only one that Greg Shepard was aware of or RaPower 17 was aware of was the Bob Aulds and maybe the free power. 18 So the other two are Oreck. I didn't need to go through 19 those. 20 Q. To the extent you found any e-mails in the Bob 21 Aulds or free power Yahoo e-mail addresses, what did you 22 do with those e-mails? 23 A. I did whatever the instructions said to do. I 24 don't remember. I don't know if I made copies. What 25 was I instructed to do? 37: 1 Q. Do you know whether you</p>				

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<p>provided those 2 documents directly to the United States or did you have 3 an attorney assist you in responding to the subpoena? 4 A. No. I did not have an attorney assist me. 5 I -- if it said to make copies of them, then I made 6 copies of them. I don't think I sent them 7 electronically. 8 What's confusing me is, I had another 9 subpoena having to do with something else about the same 10 time involving the doctor's office. I'm trying to 11 remember which one I did which with. I sent 12 electronically the doctor's office. I think these I 13 made copies of for RaPower. 14 Q. You said you did not have an attorney assist 15 you in responding to the document subpoena? 16 A. Well, I mean, I had to find the information. 17 I'm assuming that Paul may have gotten the subpoena or 18 whatever. I don't remember</p>				

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<p>specifically. 19 Q. Did anyone else offer to assist you in 20 responding to the document subpoena? 21 A. There were e-mails that Greg Shepard had put 22 out that if you did -- well, no. That may have been 23 having to do with audits. I cannot recall. I cannot 24 remember if he had them -- if you were specifically -- 25 he would help you if you needed help with a subpoena. I 38: I know he did on audits, but I didn't ever ask for his 2 help in either one. 3 Q. So you got the document subpoena. You gathered 4 your documents, and to the best of your recollection you 5 sent in copies of responsive documents; is that correct? 6 A. Yes. 7 Q. Was there any document that you thought was 8 responsive that you did not provide to the United 9 States? 10 A. No. 11 Q. And then if we go back</p>				

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<p>really quickly to this 12 exhibit to the page with the Bates Number 13 Aulds_R&M-7702, that handwritten note again, just to be 14 clear and that I can make sure I read your writing, in 15 response to Number 13, you circled it, and the writing, 16 "I don't have anything for number 13," that is what that 17 says; right? 18 A. Yes. 19 Q. So you mentioned that you think Mr. Jones may 20 have been assisting you. How did you come to connect 21 with Mr. Jones?</p>				
<p>38:25 A. Okay. I am being audited, and somehow -- I'm 39: 1 not really sure how -- Mr. Jones is assisting me from 2 RaPower maybe. I'm not -- I'm not sure the 3 relationship, to be honest with you. 4 Q. But Mr. Jones is here representing you today? 5 A. Yes. 6 Q. Did you personally search for Mr. Jones to 7 assist you in the audit?</p>				

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8 A. No.				
39:12 Q. (BY MS. HINES) When did you first come in 13 contact with Mr. Jones? 14 A. I'm not sure of the dates, but some point after 15 the audit we made contact. He contacted me or RaPower 16 contacted me for him. I'm not sure of the details. I 17 did not pursue Mr. Jones. 18 Q. Have you received any bills directly from 19 Mr. Jones with respect to his assistance in either the 20 audit or in this case?				
39:22 A. Not yet. 23 Q. (BY MS. HINES) Do you expect to receive any 24 bills from Mr. Jones?				
40: 1 A. I hope not. 2 Q. (BY MS. HINES) Why not?				
40: 4 A. I'm not sure how to answer the question. 5 Q. (BY MS. HINES) Is it your understanding that 6 you will need to pay out of pocket for Mr. Jones' 7 services?				
40: 9 A. That has not been discussed. 10 Q. (BY MS. HINES) Have you				

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ever discussed payment 11 with Mr. Jones?				
40:13 A. No. 14 Q. (BY MS. HINES) And is it your understanding 15 that someone other than you will be paying for 16 Mr. Jones' services?				
40:18 A. I hope so. 19 Q. (BY MS. HINES) Is there anything -- what, if 20 anything, has given you the hope that someone else will 21 be paying for Mr. Jones' services?				
40:24 A. At some point I was told that audits created 25 because of RaPower, we would have help from RaPower. 41: 1 Q. (BY MS. HINES) And who told you that? 2 A. I do not recall if it was an e-mail or a 3 statement on a -- I don't think it was on the website; 4 so it must have been in an e-mail. 5 Q. And who would have sent that e-mail?				
41: 7 A. RaPower. 8 Q. (BY MS. HINES) Any particular person within 9 RaPower?				

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<p>41:11 A. I'm not positive. I would potentially guess 12 that it would be Greg Shepard. 13 Q. (BY MS. HINES) Did you frequently receive 14 e-mails from people within RaPower? 15 A. Sometimes more than others. I mean, we'd get 16 updates. We used to get a whole lot of updates like 17 right before the end of the year, and then after the 18 first of the year it seems to slow down because it's 19 easier to do the business before the end of the year 20 than at the beginning of the year. 21 Q. Any particular individuals on behalf of RaPower 22 that send out those e-mails? 23 A. Well, I know that Greg sends most of them out. 24 I've never specifically remembered getting one from 25 Neldon. I know that I've gotten one from -- I think his 42: 1 son is Matt. I think I got e-mails from him before, and 2 I don't know if they're -- I don't read them all that</p>				

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<p>3 close. So some of them just may be sent, you know, from</p> <p>4 RaPower. I don't know.</p> <p>5 Q. When you say Greg, you're referring to?</p> <p>6 A. Greg Shepard.</p> <p>7 Q. And Matt?</p> <p>8 A. Shepard.</p> <p>9 Q. And Neldon?</p> <p>10 A. Johnson.</p> <p>11 Q. So we've talked some already about RaPower.</p> <p>12 How did you first learn about RaPower?</p> <p>13 A. In May or approximately May of 2010 a friend of</p> <p>14 mine named Carey Hadderton, I can't remember if I</p> <p>15 approached him first or he approached me first, but we</p> <p>16 were both in Stream Energy. We were both doing</p> <p>17 something else. I forgot that one. CieAura, that's</p> <p>18 another multilevel. Get that one in there. I called</p> <p>19 him I think about CieAura. He said, "I'll come see your</p> <p>20 CieAura if you'll come see something I've got."</p> <p>21 He had some coach flying in from somewhere,</p>				

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<p>22 and he needed his house to have people in it, and so I 23 went as a courtesy to my friend or more an acquaintance 24 and met Roger Freeborn. 25 Q. Roger Freeborn is the coach? 43: 1 A. That's the one -- that's what he told me he 2 was, was a coach. 3 Q. Where did you go see Mr. Freeborn? Where was 4 that at? 5 A. It was at a house here in Wichita Falls. I 6 can't remember if it was Carey's house or there's 7 another gentleman that's a coach here in town. I can't 8 recall his name right now. It may have been at that 9 coach's house. 10 Q. When was this? Do you remember? 11 A. May, 2010. It was -- I tell people it was 12 18 months before I joined. So May would be 13 approximately 18 months before December, 2011. So I'm 14 guessing it's around May of 2010. 15 Q. Were there other people at</p>				

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<p>this house? 16 A. Yes. 17 Q. How many other people? 18 A. We were around a kitchen table, and I don't 19 remember there being many other than sitting at the 20 table, so no more than ten. 21 Q. And what happened at this meeting? 22 A. Mr. Freeborn made a business presentation that 23 went way over my head. The only thing I specifically 24 remember about it, he kept talking about that you would 25 get a \$6,000 bonus for doing something. I can 44: 1 specifically remember that part, but the rest of it went 2 way over my head. It had to do with solar energy and 3 towers and depreciation and all these complicated tax 4 terms. 5 Q. So how did Mr. Freeborn make this presentation? 6 Was it orally? Did he have any materials with him? 7 A. It was orally, and he may have had some 8 information. I don't remember</p>				

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<p>any handouts or anything, 9 but he may have had something he was pointing to. I 10 don't recall how he exactly did it. I wasn't planning 11 on getting in. I was just going over as a favor to a 12 friend. So I wasn't really paying too close attention. 13 Q. So what happened next? 14 A. I called my accountant laughing because it had 15 to do with taxes, and I said, "You're not going to 16 believe what this meeting was about." 17 He did tell us a website. So I gave that 18 website to my accountant. I said, "There may be 19 something here. I don't know, but it's all tax stuff 20 and all this, and I don't understand it." I said, "But 21 you're my tax guy. Check it out and see if there's any 22 value here." 23 Q. You said he gave you a website. Was that 24 Mr. Freeborn? 25 A. Yes. 45: 1 Q. Who was your accountant</p>				

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<p>in May of 2010? 2 A. He's an enrolled agent named John Howell, 3 H-o-w-e-l-l. 4 Q. So what happened after you called Mr. Howell? 5 A. He called me back a couple of weeks later, and 6 he was all excited. He said, "I've checked it all out. 7 You should do it. We should do it. We could make a lot 8 of money. This sounds great. I researched the tax law. 9 They have this 2006 energy tax credits and accelerated 10 depreciation, and with your skills in network marketing, 11 you could make a lot of money." And I told him, "No, 12 thank you." 13 Q. Why? 14 A. Because I didn't understand it, number one, and 15 at that time I was excited by CieAura, which is another 16 multilevel I forgot to mention earlier, and I didn't 17 want any more on my plate.</p>				
<p>46:24 Q. So you told Mr. Howell no. What happened next? 25 A. Every month or so he would</p>				

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<p>call and try to talk 47: 1 me into doing it because he kept doing more research, 2 and he kept saying, "This is fantastic." He knows I was 3 his upline in -- well, I'm still his upline in Stream 4 Energy, and he knows how I am about talking to people 5 within ten feet of me. He said, "You would do 6 fantastic. You would make a lot of money. This would 7 be a great business for you." I said, "I don't 8 understand taxes," blah, blah, blah. And he said, 9 "Well, I understand taxes. So I can help you with that 10 part." 11 I just kept putting him off and putting him 12 off and putting him off. For 18 months I put him off.</p>				
<p>47:21 Q. So you told Mr. Howell you weren't interested. 22 Was there anything in particular about RaPower3 that 23 made you not interested? 24 A. One thing, I didn't understand it. It's very 25 complicated as far as -- I mean,</p>				

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<p>you have to know how 48: 1 many years the thing is going to pay you and what tax 2 brackets they're in. It just -- it was more -- I was in 3 the middle of trying to get the doctor office 4 straightened out. It was just more on my plate than I 5 wanted to mess with. 6 Q. You just mentioned the tax brackets. What 7 about the RaPower program involved the tax brackets? 8 A. Well, when you purchase a lens, you purchase 9 the number based on the potential amount that you owe in 10 taxes. In other words, somebody that owes a lot in 11 taxes would need to buy more lenses than somebody that 12 didn't owe very much in taxes. So there was a formula 13 to figure out how many lenses to buy. It just -- there 14 was a lot of complications to it that I didn't want to 15 have to keep up with.</p>				
<p>48:25 Q. What exactly would buying lenses do to your 49: 1 taxes?</p>				

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<p>2 A. Well, because of the energy tax credit bill, 3 whatever the name of it is, of 2006, they created 4 accelerated depreciation and 30 percent energy tax 5 credits based on certain criteria, and as I understand 6 it, RaPower meets those criteria with these solar 7 lenses. So when you purchase lenses, you're qualifying 8 for accelerated depreciation and energy tax credit 9 established by the Federal government. 10 Q. How did you come to that understanding? 11 A. Well, because my accountant told me. 12 Q. Mr. Howell? 13 A. Mr. Howell. 14 Q. When did he tell you that? 15 A. Oh, for 18 months he -- it was a continual 16 lesson. He just kept talking about it and how good it 17 would be. He was waiting on me because I was the one 18 that told him about it. He wasn't going to do it 19 without me. He was trying to</p>				

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<p>push me to do it so he 20 could get in under me. It was a respect deal. You 21 know, if I brought you Amway, you know, you wouldn't go 22 get in Amway without me because I was the one that 23 brought it to you. Because I was the one that gave him 24 the website, he felt an obligation to get involved under 25 me which would make me more money. He didn't want to do 50: 1 it without me, in other words. 2 I'm sorry. I'm talking fast. I just 3 realized that. 4 Q. So what changed your mind from May of 2010 to 5 December of 2011 when you finally -- 6 A. He wore me down. Okay. He called me and said, 7 "Look. I've waited 18 months. I'm getting in today. 8 If you're going to be my sponsor, you've got to get in 9 today." 10 And I said, "I don't want to be your 11 sponsor. I don't want to do the business." 12 He kept -- he's on the phone. I</p>				

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<p>remember 13 the phone call pretty distinctly. He said, "Look. 14 You're missing out on a whole lot of money if you don't 15 do this." 16 I said, "But you understand taxes. I'm 17 going to try to involve people. I don't understand 18 taxes. I'm not going to know how to explain it to 19 them." 20 So I joked with him, and I said, "Why don't 21 you get in, and then I'll get in under you, and then you 22 have to help all the people I introduce it to, so that 23 takes me off the hook." 24 And so that's what we did. He signed up. 25 I signed up under him. Like if I were to talk to Paul 51: 1 about it and Paul asked all these complicated questions, 2 I'd say, "Hey, John Howell, who's an enrolled agent, 3 understands everything. Here's his phone. You call 4 John Howell." 5 It took the burden off of me as far</p>				

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<p>as 6 understanding all this stuff. 7 Q. Why did you feel it was important to understand 8 the tax -- the tax portion of the RaPower3? 9 A. Well, okay. The way I sell -- I'm very good at 10 selling, and the way I sold like vacuums is I would 11 figure out what your needs are in the world of vacuums, 12 and I know I have the way to meet those needs. So I had 13 to understand your needs to meet those needs with my 14 vacuum. So I'd ask questions, and I'd figure out, okay, 15 you need this \$1500 system. Well, then it was just a 16 matter of helping you understand the benefits of this 17 \$1500 system. That's the way I've always done sales. 18 In order to help you understand the value 19 in RaPower, I had to understand it. Well, I didn't 20 understand it. That's the reason why I couldn't -- I 21 didn't think I could sell it because I didn't understand</p>				

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<p>22 it. I needed to understand it in order to explain why</p> <p>23 you would want to be involved.</p> <p>24 Q. What value did the tax benefits create through</p> <p>25 RaPower?</p> <p>52: 1 A. Well, the number one goal of any business is to</p> <p>2 make money. So they had a structure set up that when I</p> <p>3 introduced it to people, I made money, and there were</p> <p>4 tax benefits also involved which make money. So it was</p> <p>5 all about making money.</p> <p>6 Q. How do those tax benefits make money?</p> <p>7 A. When you buy a lens, you purchase an item that</p> <p>8 qualifies for energy tax credits and accelerated</p> <p>9 depreciation because you take that lens and lease it</p> <p>10 out, and because of it being a leased entity, the</p> <p>11 Federal government, through this law in 2006, allows you</p> <p>12 to take those legal deductions.</p>				
<p>52:17 Q. (BY MS. HINES) What is your understanding of</p> <p>18 what would happen if you claimed the deduction based on</p>				

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<p>19 your purchase from RaPower? 20 A. Well, when I bought lenses -- and this is part 21 of what made it so complicated is knowing how many to 22 buy, but if you bought the correct number of lenses and 23 leased the correct number of lenses out by placing them 24 in service, because they're placed in service, you are 25 able to take deductions based on the legal term of an 53: 1 item placed in service that's leased out. 2 Q. How does taking that deduction make you money? 3 A. Well, I pay taxes. It's just like when I put 4 solar lenses on my house. Solar lenses qualified for an 5 energy tax credit. So because I bought lenses -- excuse 6 me. Because I bought windows, the government was giving 7 a tax credit for buying windows. Well, I got X number 8 of dollars back on my taxes. 9 Well, this is a commercial lens placed in a 10 commercial operation. When my business sold -- excuse</p>				

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<p>11 me. When my business bought these lenses and then 12 leased it back to this commercial operation, that 13 qualified for energy tax credits and accelerated 14 depreciation on those lenses. 15 Q. Which meant you paid less taxes for a 16 particular tax year? 17 A. Correct.</p>				
<p>53:19 Q. (BY MS. HINES) You also mentioned you would 20 make money for bringing people in to RaPower3? 21 A. Correct.</p>				
<p>54:15 Q. How often, say, in 2012 were you getting phone 16 calls from people that you sponsored or -- 17 A. A lot. I got lots and lots and lots and lots 18 of phone calls. 19 Q. Generally, what kind of things would you 20 discuss on these phone calls? 21 A. They usually had questions. The main question 22 usually was how many lenses do I need to purchase, and 23 there was a formula that was on the website that said</p>				

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<p>24 basically whatever your -- let's say your tax last year 25 was \$10,000. Well, if you want to have that \$10,000 55: 1 returned to you, then you buy X number of lenses; 2 therefore, qualifying for the energy tax credit, 3 accelerated depreciation, and instead of -- and let me 4 say this. I looked at it, and the way it was set up was 5 to help the Federal government find people to put money 6 into green energy. That's the reason they wrote the law 7 in 2006. They wanted people to put money to help 8 alternative energy. So from my perspective, would I 9 want to give \$10,000 to the Federal government and they 10 spend it wherever, or did I want to help them direct 11 that \$10,000? Well, I wanted to help them direct it. 12 So the \$10,000, I'd rather help the government by doing 13 what they set up to do with the law which was 14 incentivize people like me.</p>				
<p>56:13 Q. How did you find out</p>				

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<p>about this law that you 14 keep referencing, this 2006 law? 15 A. John Howell is a strange person. I mean, I 16 have hobbies. He says his hobby is reading tax code. 17 He loves reading tax code. He said, "I sit around and 18 read it like some people read novels." He knows it 19 inside and out, and he would quote me constantly, you 20 know. "In 2006 the federal government did this, and 21 this is, you know, for this reason, and you should take 22 advantage of it." And so that's what I heard for months 23 and months and months and months. 24 Q. Did you go and look for the law after 25 Mr. Howell told you about it? 57: 1 A. Not until I was already involved, and the only 2 reason I did it at that point is because people were 3 asking questions about it, and I kind of wanted to be 4 able to say more than just John told me to. So 5 I went -- I went and -- I mean, I</p>				

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<p>didn't go and find the 6 actual law, but I found references to it in the 7 contracts with RaPower and stuff. 8 I trusted my accountant. I mean, I 9 don't -- I don't have to understand how my plumber does 10 my stuff when he does plumbing. I just trust him. It's 11 basically the same thing with my tax guy.</p>				
<p>57:17 Q. And you mentioned a formula on a website. What 18 website was that? 19 A. Rapower3.com. 20 Q. And how did you know that that formula was on 21 the rapower.com website? 22 A. Because I looked at the website, and 23 eventually, once I was involved, I was looking in there 24 to learn more information, and it was on the website, 25 and so that's where I got the details. 58: 1 Q. Was it publicly accessible? 2 A. Yes. 3 Q. So how was the formula</p>				

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<p>presented on the 4 website? Was it on a web page? Did it open a file like 5 an Excel spreadsheet, a Word document? 6 A. It was an example. I think they had 7 categories, you know, technology and, you know, 8 whatever. I don't remember all the categories, but one 9 of them was an example of how this could help you make 10 money, and it would show -- take, for example, if 11 your amount that you paid in taxes last year was 12 \$10,000. If you wanted to have that \$10,000 be 13 redirected to where it helps green energy and you, then 14 you need to replace that \$10,000 that went to the 15 government into enough lenses to where they would give 16 it basically to you instead of to the government. So 17 the formula was .00085 times whatever your tax burden 18 was. It was not scientific. It was -- in other words, 19 it was close. You can't get real</p>				

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<p>scientific apparently, 20 but it was close. 21 Q. So when these people called asking how many 22 lenses to purchase, how did you help them or did you 23 help them arrive at a number to purchase? 24 A. Well, if they specifically didn't know the 25 formula, I would direct them to the website and say, 59: 1 "Hey, it says it on the website," because a lot of 2 people they would be like I would have been, "I don't 3 want to go look at a website." But I would always try 4 to direct them to the website because there's a lot more 5 information than just the formula, and there's a lot 6 more factors than just the formula. 7 I was basically a conduit to get them, 8 "Yeah, you need to go ahead and understand it. You need 9 to go to the website, and it's under such and such." 10 Q. So what were these other factors in addition to</p>				

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<p>11 the formula? 12 A. Well, people would say, you know, "Does it 13 work? Have you seen a check? Have you seen anybody 14 that got money from this business," and just on and on 15 and on and on. In the beginning I hadn't seen checks, 16 but after I'd done it awhile, then I had my own checks. 17 Q. You said they would say, "Does it work?" Does 18 what work? 19 A. Well, does it work, the fact that you can use a 20 formula, and, lo and behold, the Federal government, 21 based on tax law, will allow you to get back some of the 22 money based on how many lenses you bought versus keeping 23 the money and disbursing it through whatever the 24 government uses money for. 25 Q. And how would you respond to that kind of a 60: 1 question? 2 A. I'm not sure what you're asking me. 3 Q. Well, what would you tell them in response if</p>				

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<p>4 they asked you does it work? 5 A. Whether it works? Well, by March I had a check 6 from the Federal government. So I said, "Well, I have a 7 check, and the Federal government gave it to me, and the 8 reason they gave it to me was because I bought lenses, 9 placed them in service, declared them on my taxes. You 10 know, based on whatever tax law is there, I got a refund 11 on my income tax." 12 Q. At this point in time, when you purchased in 13 December of 2011, did you fully understand all of how 14 the tax benefits worked? 15 A. No.</p>				
<p>65:13 Q. About how many individuals did you share 14 RaPower with? 15 A. Probably hundreds. 16 Q. And of those hundreds how many people did you 17 sponsor? 18 A. Well, some of the sharing was done for other 19 people, but personally, I've sponsored probably 30. 20 Q. And with those 30, how</p>				

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<p>often do you speak with 21 them about RaPower? 22 A. Depends. Some of them are friends, and I speak 23 to them all the time, and some of them were 24 acquaintances, and I haven't spoken to them since I met 25 them in the Oreck store and they bought lenses. 66: 1 Q. Do you keep track of everyone that you have 2 sponsored into RaPower? 3 A. Not directly, but the website tracks them.</p>				
<p>66: 6 Q. (BY MS. HINES) Mr. Aulds, I'm going to hand 7 you Exhibit 394. Take a moment and look at this 8 document. 9 (Witness reviewing document.) 10 Q. Have you had a chance to review Exhibit 394? 11 A. Yes. 12 Q. Just for reference, Exhibit 394 has Bates in 13 the bottom right, Aulds_R&M- 00190 through 14 Aulds_R&M-00196. 15 Mr. Aulds, do you recognize this document? 16 A. Yes.</p>			394	

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<p>17 Q. And this is something that you produced to the</p> <p>18 United States?</p> <p>19 A. Yes.</p> <p>20 Q. And the first page, Aulds_R&M-00190, it says:</p> <p>21 My downline. Questions 2 and 4.</p> <p>22 Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. Whose handwriting is that?</p> <p>25 A. Mine.</p> <p>67: 1 Q. Would this have been -- with respect to</p> <p>2 questions 2 and 4, what were you referring to, if you</p> <p>3 recall?</p> <p>4 A. Can I look and see what questions 2 and 4 were?</p> <p>5 The terms "you," "yourself," and "your"</p> <p>6 refers to the person or entity responding to this</p> <p>7 subpoena, and to any of your employees or agents.</p> <p>8 Copies of any document you obtained from,</p> <p>9 or sent to, RaPower regarding a purchase -- so this is</p> <p>10 directly off the website, and then in 4 it's newsletter,</p> <p>11 memorandum, or written</p>				

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<p>correspondence containing 12 updates, and so I considered that as updates. So that's 13 how I came up with 2 and 4. 14 Q. When you said "the website," you're referring 15 to? 16 A. The RaPower -- well, they actually have 17 rapower3.net is where you access your information under 18 your user name and password. 19 Q. So rapower3.net is different than rapower3.com? 20 A. Yes. 21 Q. Can you explain the differences? 22 A. Well, when you go to join under -- and they've 23 changed it lately, and I don't know exactly if it's 24 still this way, but at one point, if you went to join, 25 it moved you over to the net one. It just automatically 68: 1 transferred you over there, but you could actually get 2 there by typing in the net to start with. 3 Q. And is the rapower3.net something that is 4 publicly accessible or are you</p>				

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<p>required to have a user 5 name? 6 A. To enter the information I gave the government, 7 you have to have a user name and password. 8 Q. So with Exhibit 394 and the front page with the 9 Bates Aulds_R&M-00190, when you say questions 2 and 4, 10 just to be clear, you were referring back to the 11 document subpoena we issued to you which is Exhibit 393? 12 A. Correct. 13 Q. So on the second page of the exhibit, which has 14 the Bates labeling of Aulds_R&M-00191, tell me how you 15 got this document printed out to supply to the United 16 States. 17 A. This is directly off the website, and I printed 18 it. It even has a timestamp up here of 6:16 p.m. 19 on -- it doesn't have a date stamp. Anyway, this was 20 that -- the folks that I had enrolled as of that time 21 and date.</p>				

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<p>22 Q. So this page is those that you sponsored into</p> <p>23 RaPower3?</p> <p>24 A. The ones that have a 1 at the end are the ones</p> <p>25 that I personally sponsored, and then if they have a 2,</p> <p>69: 1 they're the people under them.</p> <p>2 Q. So when you say the 1 and the 2, you're looking</p> <p>3 at the column that's entitled "Level"?</p> <p>4 A. Yes.</p> <p>5 Q. In the top left-hand corner where you reference</p> <p>6 the timestamp there, there's also a word "Baylor" and</p> <p>7 then underneath it, "Robert 1234 Aulds." What are</p> <p>8 those?</p> <p>9 A. The name that I selected as my user name is</p> <p>10 Baylor, and Robert 1234 Aulds is the way RaPower</p> <p>11 referred to me.</p>				
<p>69:15 Q. In the middle of the page where it says</p> <p>16 "Immediate Units: 2231" and then "Extended Units:</p> <p>17 2468," what does that mean to you?</p>			394	

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<p>18 A. Immediate units are lenses that are in the</p> <p>19 first six levels that I would make money from people</p> <p>20 purchasing, and extended units would be people including</p> <p>21 those I don't get paid for as far as lens purchase.</p> <p>22 Q. So people who are below --</p> <p>23 A. Below my sixth level. They're actually lenses,</p> <p>24 not people. It's a total of lenses.</p> <p>25 Q. What other things can you find or access</p> <p>70: 1 through this rapower3.net where you have to have a user</p> <p>2 name and password?</p> <p>3 A. It shows the date of purchases, how much is</p> <p>4 owed on those purchases, if any. It shows the</p> <p>5 contracts, the rental agreements. Basically anything</p> <p>6 involving RaPower can be found either in that secure</p> <p>7 area or the public site.</p> <p>8 Q. You said purchases and how much is left to pay</p> <p>9 on those purchases. Are those your personal purchases</p> <p>10 or everyone that you've sponsored?</p>				

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11 A. No. My personal purchases.				
70:22 Q. You also mentioned contracts. Can you access 23 only your contracts or also people's contracts that you 24 have sponsored into RaPower? 25 A. Well, it's all the same contract. It's just 71: 1 whether it's got my name on them or somebody else's 2 name. I really have no reason to see anybody else's 3 contract because they're going to be identical to mine 4 except for the dates and the people's names. 5 Q. But do you know whether you can access other 6 people's contracts? 7 A. I don't -- I do not believe I can. 8 Q. Over on that left-hand column there's like a 9 home button and then a list of other items underneath 10 that. Do you see? 11 A. Yes. 12 Q. Are these all different links that you can 13 click on to get information from the rapower3.net site? 14 A. Some of them were not			394	

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<p>active. In other words, 15 they weren't highlighted, but there are some that I can 16 get information from, like the "View Personal Purchases" 17 and "Add New Purchase," "View as Grid," "View as Tree," 18 and -- 19 Q. Do you recall which of these were not active? 20 A. I just remember there was some that were not 21 highlighted to where you could click on them. So I 22 figured it was something they were going to add later, 23 whatever. 24 Q. Have you ever clicked on the word "Contracts"? 25 A. Yes. 72: 1 Q. What would then populate after you clicked on 2 that? 3 A. The contracts involves the purchase agreements 4 and the lease agreements and whatever else is on there. 5 I don't specifically recall. There's more than one 6 contract involved with contracts. 7 Q. Is that your personal contracts or blank</p>				

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<p>8 contracts? 9 A. There are blank ones, and then there are also 10 some for me. I'm not sure on that specific click if I'm 11 getting a generic one or if I'm getting mine, but it's 12 the same contracts. So it's just a matter of whose name 13 is in the blanks. 14 Q. What about that next one down there that says 15 "IRS Info," have you ever clicked on that one? 16 A. I'm not sure if I clicked on it in that area. 17 I have clicked on some in -- on the site, but I don't 18 know if it was in my -- this is called the back office. 19 I'm not sure if I clicked on it in the back office or if 20 I clicked on it on the main site. 21 Q. But you have clicked on something with respect 22 to IRS information? 23 A. Correct. 24 Q. What kind of information is contained on that? 25 A. Like I said, I do this in spurts, and I haven't 73: 1 done this in close to three</p>				

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<p>years as far as actively 2 trying to deal with sponsoring people. So I cannot 3 recall exactly what's on there. 4 Q. What about the next field down, it says 5 "Media." Do you know if that was an active link? 6 A. I do not believe it was. I know there are 7 updates that they put out, but I don't remember if -- I 8 don't remember specifically what "Media" says. 9 Q. What kind of updates are you talking about? 10 A. Well, I know that Neldon started having a radio 11 show. It came out on an e-mail, and I don't know 12 details. I would assume that would be media, but I saw 13 in an e-mail that he's doing some sort of radio show or 14 something now. 15 Q. When you say Neldon, you mean -- 16 A. Neldon Johnson. 17 Q. Have you listened to that radio show? 18 A. No. 19 Q. So the next line down says</p>				

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<p>"Genealogy"?</p> <p>20 A. Correct.</p> <p>21 Q. What is your understanding of that term?</p> <p>22 A. Well, basically what you're looking at on the</p> <p>23 right or the list is -- I'm not sure if that's viewed as</p> <p>24 a grid or viewed as a tree, but that's how I generated</p> <p>25 that, was clicking on both of those. Well, I think both</p> <p>74: 1 of them actually are on here, and then on the page that</p> <p>2 ends in 3, where it has it as member genealogy, that is</p> <p>3 if you click on it as one or the other. I'm not sure</p> <p>4 which is grid and which is tree, but one is one and one</p> <p>5 is the other.</p> <p>6 Q. So when you say that the page that ends in 3,</p> <p>7 you're referring to the Aulds_R&M-00193?</p> <p>8 A. Correct.</p> <p>9 Q. So then under "Genealogy," there's a link that</p> <p>10 says "Communication," and it has "My Sponsor." Have you</p> <p>11 clicked on that link?</p> <p>12 A. I do not recall. I know who</p>				

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<p>my sponsor is; so 13 I don't -- 14 Q. Who is your sponsor again? 15 A. In this business -- let me think. The Baylor 16 business is sponsored by Freedom which is my Oreck 17 store. 18 Q. So when you say "Baylor," you're referring to 19 the user name that's in the upper left-hand corner? 20 A. Correct. 21 Q. And then when you say "Freedom is with Oreck," 22 what does that mean? 23 A. Well, in order to join RaPower you either can 24 join under your Social Security number or your tax ID 25 number, and I originally signed up my Oreck store 75: 1 directly under John Howell; so John Howell sponsors 2 Freedom, and then Freedom sponsored Baylor. 3 Q. So you purchased -- you or one of your entities 4 purchased lenses from RaPower3 under a different user 5 name? 6 A. Correct.</p>				

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<p>7 Q. So then the next -- well, actually, "My 8 sponsor," if you clicked on that, do you know whether it 9 would tell you more information other than just your 10 sponsor's name? 11 A. I don't remember. 12 Q. What about the "My Downline" link, what would 13 that populate? 14 A. I don't remember. 15 Q. And what about "RaPower3 Management"? 16 A. I don't know. 17 Q. Then under the "Finance" sub-heading where it 18 says "View Personal Purchases" -- 19 A. Yes. 20 Q. -- what would you see if you clicked on that 21 link? 22 A. It would show the date that I made purchases 23 and whether they had been paid in full or just the down 24 payment. 25 Q. If you had just made a down payment, would it 76: 1 also tell you the amount that you owed?</p>				

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<p>2 A. Yes. 3 Q. And then what about the link "Add New 4 Purchase"? 5 A. If I wanted to buy more lenses personally, then 6 I would click that link and it would give me the option 7 of buying. 8 Q. Did that redirect you to a different site? 9 A. No. It just directed me to a different screen 10 on the same site. 11 Q. Did you ever purchase additional lenses through 12 that link? 13 A. Yes. 14 Q. How did that work? 15 A. You click on it, click on "Add New Purchase," 16 and you put in how many you wanted to buy and filled out 17 the personal information and bought more lenses. 18 Q. Did you have to pay for anything at that point? 19 A. Yes. 20 Q. How did you pay? 21 A. Back when I did the purchases, they had a way 22 where they would draft it out of</p>				

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<p>your bank account. 23 Currently I think you have to mail them a check. They 24 stopped having that option. 25 Q. Was there, to your knowledge, any kind of 77: 1 approval process when you had to add a new purchase this 2 way, or if you wanted to purchase the number of lenses, 3 it was just automatically accepted? 4 A. I don't know. 5 Q. Did you ever try to purchase lenses and be told 6 from RaPower that they didn't have enough lenses? 7 A. No. 8 Q. What about that last line under "Finance," 9 "Payment Legend"? 10 A. I'm not sure what that is. 11 Q. To the best of your knowledge, is there anyone 12 not listed on these pages in Exhibit 394 that you 13 sponsored that's not listed? 14 A. Well, these are everybody as of that date that 15 was -- that was sponsored by the entity Robert 1234 16 Aulds.</p>				

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<p>17 Q. Did you also sponsor people then through -- I</p> <p>18 think you referred to the user name Freedom?</p> <p>19 A. Yes.</p> <p>20 Q. So none of those people would be listed on</p> <p>21 Exhibit 394, the ones that you sponsored through</p> <p>22 Freedom?</p> <p>23 A. I'm trying to think. No. They would be above</p> <p>24 it. No, they would not be listed here.</p> <p>25 Q. Did the user name Freedom then have a separate</p> <p>78: 1 portion of the RaPower3 back office?</p> <p>2 A. Yes.</p> <p>3 Q. And you did not produce any documents with</p> <p>4 respect to Freedom's back office?</p> <p>5 A. I don't believe so. I don't think it was</p> <p>6 subpoenaed. I think the subpoena was specifically</p> <p>7 directed to me.</p> <p>8 Q. When you sponsored someone either under Baylor</p> <p>9 or Freedom, did you get notification that those</p> <p>10 individuals had purchased</p>				

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<p>lenses from RaPower? 11 A. I used to get texts. I don't know if they 12 still do that or if they even did it back in the 13 beginning, but I know I have gotten texts showing people 14 had purchased. 15 Q. Who would send those texts? 16 A. I'm assuming somebody with RaPower. I don't 17 remember directly. 18 Q. What -- what was contained within that text? 19 A. Congratulations. It may have been an e-mail. 20 It was a text or e-mail. It said congratulations. I 21 think it said how many -- the person's name and how many 22 they purchased or whatever.</p>				
<p>78:24 Q. (BY MS. HINES) Mr. Aulds, I've given you 25 Exhibit 395, what has been marked as 395. Take a couple 79: 1 of minutes and look at it. I know it's big. I'm going 2 to go ahead and identify for the record that it has 3 Bates numbering Aulds_R&M-00096 through Aulds_R&M-00189. 4 Have you had a moment to</p>			<p>395</p>	

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review 395? 5 A. Yes, ma'am. 6 Q. What is Exhibit 395? 7 A. When I would receive commission checks, they 8 would tell me where the money came from, and this was 9 what they sent, mailed with the check. 10 Q. When you say "they," what do you mean? 11 A. RaPower.				
79:24 Q. So back to Exhibit 395, you indicated these 25 came with your commission checks from RaPower. How 80: 1 often did you receive commission checks from RaPower? 2 A. Usually once a month, but if there was no 3 activity that month, then I did not do a check. 4 Q. Did you only receive the documents in 5 Exhibit 395 if you received a check? 6 A. Correct. 7 Q. Let's just take a look at the first one. It's 8 on Aulds_R&M-0097 of Exhibit 395. So when you received 9 this document, what information			395	

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<p>was it telling you? 10 A. Level 1 was people I personally sponsored, and 11 I get 10 percent of their purchase amount. Level 2 were 12 people in the second level that were sponsored by 13 somebody I sponsored, and I get 1 percent, and Level 3 14 was the same. 15 Q. The same as what? 16 A. The same 1 percent on their purchases. 17 Q. So on the top, it looks like there are column 18 names there. 19 A. Yes. 20 Q. Member number, what does that mean to you? 21 A. That must be a recordkeeping number that was 22 assigned by RaPower. It means nothing to me. 23 Q. Last name, first name, I think is probably 24 explanatory. Person who purchased? 25 A. Right. 81: 1 Q. "Purchase Amount," what is that, purchase 2 amount? Do you know? 3 A. That would have been the</p>				

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<p>amount that was sent 4 in by the purchaser as a down payment on the lens. 5 Q. What about "Order ID" number? 6 A. That's a bookkeeping number, I'm assuming, from 7 RaPower, how they keep up with it. 8 Q. Do you know if you personally had order ID 9 numbers? 10 A. I assume I do. I don't know what they are, but 11 I imagine every order had an ID number. 12 Q. What about "Units"? 13 A. That refers to how many units were purchased. 14 Q. Units of what? 15 A. Lens. 16 Q. What about "Payable"? 17 A. That's how much that the people paid in with 18 that -- oh, no. That would have been how much they paid 19 me for that purchase. In other words, the 10 percent of 20 the purchase amount was my commission for finding the 21 people and helping them getting started and all that.</p>				

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<p>22 Q. Again, when you say "they paid you," you</p> <p>23 mean --</p> <p>24 A. RaPower.</p> <p>25 Q. You mentioned units. I think you said "unit of</p> <p>82: 1 lenses." Is a lens a unit?</p> <p>2 A. Yes.</p> <p>3 Q. And so that "Payable" column, is it your</p> <p>4 understanding that all of those numbers in Level 1, 2</p> <p>5 and 3 are totaled in that last box that kind of looks</p> <p>6 like it's highlighted?</p> <p>7 A. Yes.</p> <p>8 Q. Is that the amount of the check you would have</p> <p>9 received with this document?</p> <p>10 A. Yes.</p> <p>11 Q. It also looks like there's a date maybe in the</p> <p>12 top right-hand corner?</p> <p>13 A. Okay. Yes.</p> <p>14 Q. So the -- I guess it says "Member Activity</p> <p>15 Report," April 1, 2013, through April 30, 2013.</p> <p>16 A. Correct.</p> <p>17 Q. So that would have just been the people</p> <p>18 purchasing during that time</p>				

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<p>period would have been on 19 this report? 20 A. Correct. 21 Q. Were there certain time periods during a year 22 where you might receive more commissions than others? 23 A. Yes. 24 Q. What were those time periods? 25 A. The way the plan is set up is people finish 83: 1 paying their down payment for their lenses once they've 2 received their refund check from the government. 3 Q. And when is that typically during a calendar 4 year? 5 A. Well, it depends. If they don't file an 6 extension, it would have happened, you know, by 7 April 15th. Which means they would have sent it in May 8 or June. So I would have been paid July/August, but if 9 they do an extension, it can vary, you know, later into 10 the year, even into the next year. 11 Q. Did there ever come a time where you learned</p>				

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<p>12 that someone had purchased a lens and you did not 13 receive a commission from RaPower? 14 A. Not that I'm aware of. 15 Q. Did you keep track of that? 16 A. Tried to. It's money. 17 Q. Did people that you sponsored tell you when 18 they purchased lenses? 19 A. Well, I can see on my back office when people 20 joined the business, and I can assume that they're going 21 to pay them off, but people are people, and so I'm -- 22 I'm not guaranteeing everybody paid it off when they 23 were supposed to because there was no way that I could 24 force that, and I didn't call them and say, "Hey, I see 25 you owe money," because I never looked at it. 84: 1 Q. Were you ever asked to talk to people you had 2 sponsored about paying the money for the lenses they 3 purchased? 4 A. No. 5 Q. What, if anything, would happen if someone did</p>				

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<p>6 not finish paying for their lens? 7 A. What would happen to them or happen to me or 8 happen to whom? 9 Q. Well, let's start with them, and then we can go 10 from there. 11 A. I don't really know what happens to them. I 12 mean, if somebody -- the way I understand it, if 13 somebody says that they purchased lenses and then 14 don't -- and doesn't send the money to RaPower at a 15 certain point, they're just going to drop off the list 16 because they didn't -- they didn't really purchase 17 lenses if they never send in the initial money. You 18 sign up on a website. Then they trust you to mail in 19 the money within 15 days or so. If you sign up on the 20 website and never send your money in, I don't know if 21 they fall off. I don't get paid for them obviously, but 22 they may still be on the website. I don't know. 23 Q. Did you ever have anybody</p>				

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<p>that you sponsored 24 sign up on the website and not send in the check within 25 the time frame? 85: 1 A. Not that I know of. It may have happened, but 2 I don't recall. 3 Q. You mentioned that if they signed up and didn't 4 pay, you wouldn't get paid. Was there any other 5 consequence to you if that person didn't pay? 6 A. No. 7 Q. I'd like to have you go to the Bates labeling 8 on the bottom of 395 that is Aulds_R&M-00132. And so 9 this member activity report has a different name in the 10 top left. 11 A. Correct. 12 Q. And that's to Wichita Falls Floor Care Center, 13 LLC, Robert Aulds underneath that? 14 A. Correct. 15 Q. Is this member activity report with respect to 16 your Freedom account? 17 A. This was in the box where I had all my stuff,</p>				

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<p>18 and it probably should have been in the box with the</p> <p>19 Wichita Falls stuff. It goes to Wichita Falls. They</p> <p>20 must have sent it to me and I threw it in with the rest</p> <p>21 of the stuff.</p> <p>22 Q. Is this a separate account?</p> <p>23 A. Yes, this is a separate business.</p> <p>24 Q. In what capacity did you represent Wichita</p> <p>25 Falls Floor Care Center, LLC, with RaPower3?</p> <p>86: 1 A. Well, if anything happened with Wichita Falls</p> <p>2 Floor Care Center, LLC, I did it.</p> <p>3 Q. So anything meaning a purchase of a lens?</p> <p>4 A. Sponsoring. Anything -- I was building three</p> <p>5 separate businesses.</p> <p>6 Q. Explain that. Three separate businesses, what</p> <p>7 do you mean by that?</p> <p>8 A. Well, the way the business is structured, if I</p> <p>9 would have signed up one time under John Howell, he</p> <p>10 would have made 10 percent on everything that that</p> <p>11 business purchased, but because</p>				

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<p>I knew I could sign up 12 individually and as a corporation, then I sponsored -- 13 well, the phrasing is Wichita Falls Floor Care Center, 14 LLC, directly under John Howell. So he got 10 percent 15 on that, but then I sponsored Baylor under my work 16 business, which is this one so that I got the 10 percent 17 on what I purchased, and then I sponsored Doctor. I 18 don't know what the technical term of -- my password is 19 Doctor. My user name is Doctor under this one. So I 20 had a corporation above me and a corporation below me 21 that I worked. 22 Q. You said the Wichita Falls Floor Care Center is 23 the Oreck business? 24 A. Yes. 25 Q. So through the Oreck business you purchased 87: 1 lenses underneath John Howell? 2 A. The Oreck business purchased lenses and all the 3 commission checks go to Oreck. It's completely</p>				

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<p>4 separate. It's a corporation, but I acted as the only 5 person working that business for the corporation. 6 Q. Okay. And then you personally bought lenses 7 as -- with the Oreck company as the sponsor? 8 A. Well, I used the business account to buy the 9 Wichita Falls Oreck Floor Care Center lenses, but I did 10 the work. In other words -- 11 Q. Right. But I'm saying, though, the Oreck or 12 the Floor Care Center, LLC, bought with John Howell as 13 the sponsor? 14 A. Correct. 15 Q. And then you personally purchased lenses with 16 the Oreck or Wichita Floor Care Center as the sponsor? 17 A. Correct. 18 Q. And then you mentioned this third account which 19 had a user name of "Doctor"? 20 A. Correct. 21 Q. And what entity or person purchased the lenses 22 under Doctor? 23 A. It was the -- my wife's</p>				

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<p>medical, Doctor, LLC, 24 and I was the acting party that did the purchasing. 25 Q. Okay. And is that down there on the -- like 88: 1 the last line, Level 6? No. I'm sorry. It's right 2 before "Bonuses." It looks like there's an entry of 3 12/21/2011 for Meria G. Aulds, M.D.? 4 A. Yes. 5 Q. Is that the account -- 6 A. Yes. 7 Q. -- that is associated with the user name 8 Doctor? 9 A. Correct. The legal name of her corporation is 10 Meria G. Aulds, M.D. 11 Q. Did your wife have any responsibility or 12 participate in the decision to buy lenses through -- 13 A. No. 14 Q. I'm going to go ahead and finish that question. 15 Did your wife have any responsibility or 16 decision making in the decision to or participate in the 17 decision making to purchase</p>				

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<p>lenses through Meria G. 18 Aulds, M.D.? 19 A. No. I'm sorry I cut you off. 20 Q. If you flip to what is Aulds_R&M-00134, this 21 member activity report also has a different name than 22 Meria G. Aulds, M.D., P.A. 23 A. That's technically the name for the doctor 24 office. 25 Q. So this would be a member activity report for 89: 1 the account with the user name Doctor? 2 A. Correct. 3 Q. And at the bottom right before the line 4 "Bonuses," there are two entries, one with a date of 5 12/29/2011 and the other January 19, 2012, under the 6 name Robert 1234 Aulds. Do you see those? 7 A. Well, maybe I'm wrong. Hang on just a second. 8 Okay. Maybe I sponsored -- maybe I told you wrong. 9 Maybe I sponsored Oreck from John Howell and then -- I 10 don't remember. Maybe Doctor sponsored me. That may be</p>				

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<p>11 what -- that's the reason that's on Level 1. So, yeah, 12 that's what it is. So Doctor -- Doctor sponsored 13 Baylor. Freedom sponsored Doctor. John Howell 14 sponsored Freedom. I told you wrong. I'm sorry. 15 Q. Okay. What was the reason that the Meria G. 16 Aulds, M.D., P.A., decided to purchase lenses? 17 A. Because I, as a businessman, would rather 18 pay -- get a 10 percent commission than a 1 percent 19 commission. So if I structured it the way I structured 20 it, then I was getting more money paid -- my 21 corporations were making money based on my effort in the 22 lower level. So if I put my personal business on Level 23 3 or Level 2 of Freedom than Level 1 of Doctor, then 24 this one would get a 10 percent commission on the ones 25 that this one sponsored, and this one would get a 10 90: 1 percent on the ones that this one sponsored. So I was</p>				

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<p>2 basically taking money away from my sponsor which was</p> <p>3 totally fine and legal and all that good stuff.</p> <p>4 Q. In what capacity at Meria G. Aulds, M.D., P.A.,</p> <p>5 did you make the decision to purchase lenses from</p> <p>6 RaPower?</p> <p>7 A. Chief financial officer.</p> <p>8 Q. What kind of things did you consider when</p> <p>9 making the decision to purchase lenses from RaPower for</p> <p>10 Meria G. Aulds, M.D., P.A.?</p> <p>11 A. I talked to my accountant.</p> <p>12 Q. And the accountant is?</p> <p>13 A. John Howell.</p> <p>14 Q. What did you talk about?</p> <p>15 A. What reasons I would have to buy lenses.</p>				
<p>90:21 Q. (BY MS. HINES) I believe the question was:</p> <p>22 What did you talk about? What did you talk about?</p> <p>23 A. I mean, we talked all the time about lots of</p> <p>24 stuff. Why did I specifically do it under the doctor</p> <p>25 office was because I knew at some point I was going to</p> <p>91: 1 sponsor myself, and if I could</p>			395	

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<p>have had more businesses 2 to slide in there, I would have put them because the way 3 RaPower had set it up, you couldn't sponsor your wife. 4 The only people you could sponsor was business entities 5 or yourself. So I only had two technical business 6 entities. So I put them above the one I knew I was 7 going to build so I would make more money. 8 Q. That third line up, the one right above the 9 Robert 1234 right before "Bonuses" with the date of 10 12/26/2011, Patricia Aulds, does she have any 11 relationship to you? 12 A. Mother. 13 Q. Is that the same mother who runs Pat's Tea 14 Shop? 15 A. Yes, ma'am. 16 Q. What does Meria G. Aulds, M.D., P.A., have to 17 do with solar lenses? 18 A. As CFO I realize that that business could make 19 money in ways other than medical because that business</p>				

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<p>20 could sponsor people, and that business gets checks, 10 21 percent of anything that was ever purchased on what I 22 personally purchased with Robert 1234 Aulds and 1 23 percent on levels below that for five levels. So it 24 makes the doctor's office money. It's a different 25 string of income. 92: 1 Q. So how much money has Meria G. Aulds, M.D., 2 P.A., made from RaPower3? 3 A. I'm not sure, but I know that I personally 4 purchased around 250 lenses of which I paid for most of 5 them \$1,000. So they would have made 10 percent of that 6 just on what I purchased.</p>				
<p>93:16 Q. How much percentage-wise would you say of the 17 medical practice, the Meria G. Aulds, M.D., P.A., how 18 much of their income percentage-wise comes from 19 RaPower3? 20 A. Less than 10 percent. I mean, I don't know 21 exactly. 22 Q. Less than 5?</p>				

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23 A. Probably less than 5. 24 Q. What is the main source of income of Meria G. 25 Aulds, M.D., P.A.? 94: 1 A. Patients.				
95:14 Q. About how much of the income from the Wichita 15 Falls Floor Care Center, the Oreck business, comes from 16 RaPower3, in a percentage? 17 A. Probably less than 5 percent. 18 Q. When we talk about these percentages of the 19 income and you're saying less than 5 percent, is that 20 money all from commissions or is there some other 21 revenue stream from RaPower? 22 A. Commissions is the only income from it. 23 Q. Have you personally gotten or either of the 24 businesses, Wichita Falls Floor Care Center or the Oreck 25 business or Meria G. Aulds, M.D., P.A., gotten other 96: 1 kinds of benefits from -- monetary benefits from 2 RaPower3? 3 A. The businesses only get bonuses or commission 4 checks, but because of us filing				

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<p>our taxes together, 5 there's tax benefits that are involved from RaPower that 6 goes to us. 7 Q. When you say "us," you're referring -- 8 A. We file jointly, so my wife and I. 9 Q. Have you personally or through Wichita Falls 10 Floor Care Center, the Oreck business or Meria G. Aulds, 11 M.D., P.A., received any other kind of money from 12 RaPower other than the commissions? 13 A. No. 14 Q. I think earlier you mentioned the possibility 15 of receiving bonus money from RaPower. 16 A. Correct. 17 Q. And so you said you've gotten no other income. 18 Does that mean you've not received any of this bonus 19 money? 20 A. No. 21 Q. Do you know why? 22 A. Yes. 23 Q. Why? 24 A. There are financial</p>				

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<p>benchmarks that 25 RaPower -- well, actually, it's IAUS, which is the 97: 1 mother company of RaPower, International Automated 2 Systems, Inc. When they reach certain financial 3 benchmarks, they will release bonus money to people that 4 are involved with RaPower. 5 Q. How did you come to know that there were 6 financial benchmarks that had to be reached? 7 A. It's on the website, and they told us that. 8 Q. Who's "they"? 9 A. RaPower. 10 Q. And when you say "the website," you mean? 11 A. RaPower3.com. 12 Q. Is there anyone, any particular individual 13 within RaPower that has told you that? 14 A. Well, specifically I know Greg has told me, and 15 I'm assuming Neldon has told me. I can't specifically 16 think -- I've only met Neldon once, but I'm sure he 17 talked about it.</p>				

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<p>18 Q. Again, Greg is? 19 A. Greg Shepard. 20 Q. And Neldon is? 21 A. Neldon Johnson. 22 Q. What are the financial benchmarks that 23 International Automated System has to meet? 24 A. If I remember correctly, when they reach a 25 billion in sales, then they're going to release \$2,000 98: 1 per lens purchased during a certain time period. 2 Q. Have you asked anyone what the status of that 3 financial benchmark is? 4 A. Yes. 5 Q. Who have you asked? 6 A. Greg Shepard. 7 Q. What did he tell you? 8 A. Close. 9 Q. When was that discussion? 10 A. We've had it several times, but specifically 11 the first time -- well, one of the times was at the 12 convention. 13 Q. What convention? 14 A. November -- excuse me. Not November. The 15 summer of 2012. I'm not sure</p>				

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<p>what month. They had a 16 convention in Salt Lake. 17 Q. Who is "they"? 18 A. RaPower. 19 Q. So you went to that? 20 A. Yes.</p>				
<p>98:22 How many other times did you have that 23 conversation with Greg Shepard? 24 A. Well, a lot of it is communicated through 25 e-mails. It's not necessarily a communication -- I 99: 1 mean, not necessarily a conversation, but there's 2 communication referring to it in the e-mails because 3 they would have it as a date that as of such and such 4 date they're still going to pay the bonus. Well, then 5 that date may come and go, and then they would reinstate 6 another date, and then say, "Okay. We're going to pay 7 it this date." It came up in e- mails for several years. 8 Q. Did any of those e-mails contain status update 9 on the financial benchmarks? 10 A. Not directly. He would send</p>				

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<p>out progress 11 reports on lens -- lens tower construction and videos 12 and new innovative products that all add up to that 13 billion, but he hasn't said we're at 400,000 or 14 something. He hasn't given a dollar benchmark. 15 Q. What is the relationship between International 16 Automated Systems and RaPower? 17 A. As I understand it, International Automated 18 Systems is the mother company, and Neldon owns that 19 company, and then he's in some sort of partnership with 20 RaPower, and that's more of a marketing arm for the lens 21 for IAUS. 22 Q. How did you come to learn that? 23 A. It's on the website, convention, e-mails. 24 Q. And e-mails would be from? 25 A. RaPower. 100: 1 Q. You said that this benchmark is, to the best of 2 your recollection, something about a billion in sales.</p>				

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<p>3 Have you ever independently researched the sales of</p> <p>4 International Automated Systems?</p> <p>5 A. I bought stock back when I first got involved</p> <p>6 in this because I was excited about the idea that this</p> <p>7 was an up and coming company, and I thought it would do</p> <p>8 really well. So I did some minor research as far as I</p> <p>9 know that he had something to do with creating the self</p> <p>10 checkout pay lanes in grocery stores and things like</p> <p>11 that.</p> <p>12 Q. You said "he."</p> <p>13 A. Neldon Johnson.</p> <p>14 Q. And you said you bought stock. You bought</p> <p>15 stock of what?</p> <p>16 A. IAUS.</p> <p>17 Q. International Automated Systems?</p> <p>18 A. Correct.</p> <p>19 Q. When was that that you bought stock?</p> <p>20 A. Probably the first week that I got involved</p> <p>21 which would have been December, 2011.</p>				

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<p>22 Q. How much stock did you buy?</p> <p>23 A. I'm not exactly sure.</p> <p>24 Q. Did you use a broker?</p> <p>25 A. I used like Edward Jones or something like that</p> <p>101: 1 where it's -- you don't really have a broker, but they</p> <p>2 make the purchase for you.</p> <p>3 Q. Do you know how much you spent on the stock of</p> <p>4 IAS?</p> <p>5 A. I can't remember exactly. It was -- I have</p> <p>6 made at least two purchases. I think I have around</p> <p>7 \$10,000 worth I purchased. I'm not sure exactly the</p> <p>8 amount.</p> <p>9 Q. When was that second purchase?</p> <p>10 A. The price dropped to below what my original</p> <p>11 price was. I think it was about September of last year.</p> <p>12 Q. 2016?</p> <p>13 A. 2016, I think that's when it was.</p> <p>14 Q. How much did you buy then in 2016?</p> <p>15 A. I can't remember if it's 5,000. I think it</p>				

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<p>16 might have been 5,000 the first time and 5,000 the</p> <p>17 second or it might have been more than that. I don't</p> <p>18 remember exactly.</p> <p>19 Q. When you say 5,000, you mean in monetary terms</p> <p>20 or number of --</p> <p>21 A. Dollars.</p> <p>22 Q. You said that when you first bought stock in</p> <p>23 December, 2011, you did some minor research. What did</p> <p>24 that consist of?</p> <p>25 A. Whatever Edward Jones or whatever it was, they</p> <p>102: 1 have a deal where you can click on it and it reads past</p> <p>2 history, you know, that kind of stuff. So I read a</p> <p>3 little bit of that, but mostly I did it because John</p> <p>4 Howell said that he thought this was a great deal. He's</p> <p>5 my tax guy; so I listen to him.</p> <p>6 Q. John Howell recommended you buy stock in</p> <p>7 International Automated Systems as well as purchase</p> <p>8 lenses in RaPower?</p> <p>9 A. I don't know that he necessarily said I should</p>				

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<p>10 buy stock. I just know that we discussed the aspects of</p> <p>11 this as a business, and we both saw great potential for</p> <p>12 this as a business, and if businesses do well, the stock</p> <p>13 should do well.</p> <p>14 Q. Did other people that you sponsored into</p> <p>15 RaPower also purchase International Automated Systems</p> <p>16 stock?</p> <p>17 A. Some did, not on my recommendation because I'd</p> <p>18 rather them buy lenses than stock, but some did tell me</p> <p>19 that they had bought stock, and some people called and</p> <p>20 asked me if this company had stock, and if they asked</p> <p>21 me, I told them that it did, but I didn't encourage it</p> <p>22 because I didn't make money from them buying stock. I</p> <p>23 encouraged them to put money in lens or lenses.</p> <p>24 Q. Do you still own all of the International</p> <p>25 Automated Systems, that stock you bought in 2011 and</p> <p>103: 1 2016?</p> <p>2 A. Yes.</p>				

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<p>103: 9 Q. Have you ever expressed displeasure at not 10 having received your bonus money yet to anybody at 11 RaPower? 12 A. Oh, yeah. 13 Q. Who have you talked to about that? 14 A. Specifically, Neldon Johnson. I'm sorry. Greg 15 Shepard. Not Neldon Johnson. 16 Q. How often have you talked to him about the 17 bonus monies that you've not received? 18 A. Well, I have not talked to him personally in 19 probably three years, but the last time I talked to him 20 would have been in September of 2000 -- what year 21 would -- I can't remember if it was three years coming 22 up or four years coming up, but he put out an e-mail 23 that it would be on the grid by the end of September of 24 whatever year he did it, and so I went out and built 25 this thing really hard for a month and then we didn't 104: 1 get on the grid; so I</p>				

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<p>expressed my displeasure with 2 that. 3 Q. Did you talk to him in person? On the phone? 4 A. On the phone. Now, I know John -- John 5 regularly communicates with Greg, and so I've just 6 learned to communicate with John and I find out what 7 Greg was saying; so I don't have to talk to him myself. 8 Q. What was the substance of your conversation 9 then in that September after the e-mail where they said 10 they would be on the grid by the end of September? 11 A. I don't recall the specific conversation, but 12 the attitude behind it was, "You told me at the 13 convention we were going to be on the grid by the end of 14 the year, and that was 2012, and now it's 2000-whatever 15 year it is. Why are we not on the grid? Why are we not 16 getting our bonuses?" 17 Q. And what was his response? 18 A. "Patience." 19 Q. Did he tell you why you</p>				

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<p>needed to have 20 patience? 21 A. Well, between him and John Howell -- John 22 Howell has a manufacturing background, and there is a 23 lot of research and development involved in bringing a 24 product to market, and apparently it's pretty 25 complicated because it's taking a whole lot longer than 105: 1 they said it would take. 2 Q. How long did they say it was going to take? 3 When you say "they," you mean? 4 A. Greg Shepard. 5 Q. So how long did Greg Shepard tell you it was 6 going to take? 7 A. I specifically asked at convention, "When are 8 we going to be on the grid?" And he said, "By the end 9 of this year." 10 Q. This was the convention in 2012? 11 A. Correct. 12 Q. When you say "on the grid," what exactly does 13 that mean? 14 A. The lenses are designed to</p>				

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<p>create electricity, 15 and it's a complicated process, but that electricity 16 will be sold on the grid which will create money for 17 RaPower which will help them pay our lease money and our 18 bonuses. 19 Q. You mentioned lease money. What is that? 20 A. I own lenses that I've leased back to RaPower, 21 but they don't start paying the lease until they've made 22 money off the grid. 23 Q. What is RaPower doing with the lenses that you 24 leased to them? 25 A. They are finished with research and 106: 1 development, and they are installing lenses on the 2 towers on the property under the grid, under the wires 3 that run to the grid, and they sent videos out and 4 there's a lot of them. There's stuff happening. We're 5 closer than we've ever been. 6 Q. Where is that property? 7 A. Somewhere near Delta, Utah. 8 Q. Have you been to the property</p>				

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<p>near Delta, Utah? 9 A. I've been to a property, but I think they've 10 moved the lens site to an area directly under the grid 11 where before it was an area that they were going to have 12 to pay a whole lot of money to get it to the grid. They 13 moved. They had more property, and they started 14 building under the grid, under the power lines. 15 Q. How do you know that they've moved the 16 property? 17 A. E-mails, website, John Howell, Greg Shepard, 18 some combination of those. 19 Q. When was it that you visited the site near 20 Delta, Utah? 21 A. The same time as the convention. It was 22 September -- not September. Summer, 2012. 23 Q. Was that part of the convention? 24 A. Yes.</p>				
<p>107:11 Q. So have you received any information that your 12 particular lenses have been put</p>				

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<p>on one of these towers? 13 A. Well, according to the definition of "placed in 14 service" that the government uses, they didn't actually 15 have to be on a lens to be placed in service. They had 16 to be on site available to be on the lens, and so we met 17 that qualification from the moment they were purchased. 18 Q. Do you know where your particular lenses are 19 right now? 20 A. No. 21 Q. You said something about the definition of 22 "placed in service." How is it you've come to know what 23 the definition of "placed in service" is? 24 A. John Howell, Greg Shepard, e-mails, website, 25 combination of one or all of them. 108: 1 Q. Did you do any independent research into 2 that -- 3 A. No. 4 Q. -- "placed in service" term? 5 A. No. Well, I mean, read it in contracts and</p>				

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<p>6 stuff. So I personally read it, but I didn't go out and</p> <p>7 Google it or anything.</p> <p>8 Q. Do you know whether or not this new site where</p> <p>9 they're building towers is currently connected to the</p> <p>10 grid?</p> <p>11 A. I don't know as of right now. I know that --</p> <p>12 supposedly I know that we finished research and</p> <p>13 development. We have been on the grid. We've proved</p> <p>14 the technology, but we have to come back off the grid</p> <p>15 and then go through certain requirements to be a</p> <p>16 permanent member on the grid, and we're in that process</p> <p>17 of meeting whatever requirements, documents, research.</p> <p>18 I don't know what all's involved.</p> <p>19 Q. So how did you come to know where RaPower is in</p> <p>20 that process?</p> <p>21 A. Greg Shepard, e-mails, John Howell, or website,</p> <p>22 a combination of all of them.</p> <p>23 Q. Just to be clear, the website meaning?</p> <p>24 A. RaPower3.</p>				

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<p>25 Q. And the e-mails are coming from? 109: 1 A. Usually Greg Shepard. 2 Q. You said that you were on the grid at some 3 point?</p>				
<p>109: 6 A. I have -- I have the understanding that we have 7 proven the technology by being on the grid, but to stay 8 on the grid, once you prove you can do what you're 9 supposed to do, then you have to go back and -- I don't 10 know. Environmental studies? I don't know what they 11 do, but there's things that they're doing now to stay on 12 the grid or to get back on the grid and to stay on the 13 grid. 14 Q. (BY MS. HINES) So what is your understanding 15 of what it meant for RaPower to be on the grid? What 16 was it that they were doing? 17 A. We were using our technology to create 18 electricity that we were able to sell on the electrical 19 grid. 20 Q. Did you or Meria G. Aulds,</p>				

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M.D., P.A., or 21 Wichita Falls Floor Care Center, the Oreck business, 22 receive any money from what you understood to be putting 23 electricity on the grid? 24 A. No.				
111: 7 Q. Are the documents contained in Exhibit 395 true 8 and accurate copies of the documents you received from 9 RaPower? 10 A. Yes. 11 Q. Earlier today you testified that you had gone 12 to the national convention in Salt Lake City in 2012? 13 A. Correct. 14 Q. How did you come to learn about the national 15 convention? And that was of RaPower; right? 16 A. Yes. E-mail and website. 17 Q. And the website would be? 18 A. RaPower3.com. 19 Q. And who did the e-mails come from? 20 A. Probably Greg Shepard. 21 Q. Was there a cost for attending the national 22 convention? 23 A. I don't believe there was a			395 396	

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<p>cost other than 24 transportation and stuff to get out there. 25 Q. Did you have to sign up to attend? 112: 1 A. Yes. 2 Q. How did you sign up? 3 A. On the website. 4 Q. Did they ask for any specific information? 5 A. I don't remember. 6 Q. How long was the conference or the national 7 convention? 8 A. It was at least two days because one day was in 9 Salt Lake, and then one day was at the lens site. 10 Q. That's the site near Delta, Utah? 11 A. Correct. 12 Q. What was advertised as the activities during 13 the national convention? 14 A. Basically a tour of the website [sic] and the 15 ability to find out more how the business worked. 16 Q. You said "a tour of the website"? 17 A. I probably did say that, but I meant a tour of</p>				

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<p>18 the lens site. 19 Q. How were you going to find out more about the 20 business? 21 A. They had speakers and just interaction with 22 other attendees. 23 Q. Who were the speakers? 24 A. Neldon spoke. Greg spoke. I don't specific -- 25 I think they had some other speakers, but I don't 113: 1 remember their names. Maybe experts. I know they had 2 an expert in something. I don't remember what he was an 3 expert of, but he spoke. 4 Q. You said Neldon. That is Neldon? 5 A. Johnson. 6 Q. And Greg? 7 A. Shepard. 8 (Exhibit 396 marked.) 9 Q. (BY MS. HINES) This should be Exhibit 396. If 10 you want to take a minute and look this over. 11 A. It would have been a whole lot easier to answer 12 the question if I had this in front of me. 13 Q. So what is Exhibit 396, Mr.</p>				

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<p>Aulds? 14 A. That is information that we received at the 15 convention. 16 Q. And this is the convention in 2012? 17 A. Correct. 18 Q. So Exhibit 396 has Bates labeled 19 Aulds_R&M-00074 through Aulds_R&M-00094. Is this a 20 document you produced to the United States in response 21 to the document subpoena? 22 A. Yes. 23 Q. There's a note on the front page which has the 24 Bates labeling Aulds_R&M-00074 with some handwriting on 25 there? 114: 1 A. Correct. 2 Q. Whose handwriting is that? 3 A. Mine. 4 Q. And it looks like, again, "Notes from 5 convention, etc. Questions 1, 2, 3, 4, 5, 6, 7, 8." 6 What questions were you referring to? 7 A. The questions in the subpoena. 8 Q. And that's the document</p>				

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<p>subpoena which is 9 Exhibit 393? 10 A. Yes. 11 Q. Is this a true and accurate copy of documents 12 that you received from RaPower with the exception of 13 some handwritten notes on them? 14 A. Yes. 15 Q. When you looked through Exhibit 396, did you 16 recognize all of the handwritten notes? 17 A. I didn't look that close, but if you'll tell me 18 what specific page to look at, I will look at them. 19 Q. First is an Aulds_R&M-00077. 20 A. Yes. 21 Q. Are those all your notes? 22 A. Yes. 23 Q. The next is Aulds_R&M-00079. 24 A. Yes. 25 Q. Are those all your notes? 115: 1 A. Yes. 2 Q. Aulds_R&M-00081, looks like there's a date on 3 there? 4 A. Yes.</p>				

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<p>5 Q. Is that your handwriting? 6 A. Yes. 7 Q. Aulds_R&M-00085, looks like another date? 8 A. Yes. 9 Q. Is that your handwriting? 10 A. Yes. 11 Q. So other than the handwriting notes that you 12 made that we've just identified, is this a true and 13 accurate copy -- 14 A. Yes. 15 Q. -- of what you received from RaPower? 16 A. Correct. 17 Q. On page Aulds_R&M-00075, it looks like there 18 was a leadership meeting on Monday, June 25th. Did you 19 attend that meeting? 20 A. Yes. 21 Q. Who was the primary speaker at that meeting? 22 A. I don't see Greg listed, but I thought he did 23 most of the talking, but I'm not sure on that specific 24 day. Apparently he didn't. I see Roger, Randy Johnson, 25 Neldon Johnson, Neldon Johnson. So I guess Neldon</p>				

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<p>116: 1 Johnson was the main speaker that day. 2 Q. I'm sorry. Are you referring to the leadership 3 meeting on the 25th, or are you referring to the 4 schedule on the 26th? 5 A. I'm just looking at the one that's page 75 who 6 it says were the speakers. 7 Q. I'm actually, I believe, at the paragraph above 8 that. There's a bold heading that says "Leadership 9 Meeting." 10 A. Oh, okay, that meeting. That was Greg Shepard, 11 and, yes, I was at that one. That was the night before. 12 Q. Did anyone else speak at that meeting other 13 than Greg Shepard? 14 A. I do not remember. 15 Q. What did Greg Shepard talk about during the 16 leadership meeting? 17 A. I've been in so many leadership meetings about 18 network marketing, it all blends together, but 19 basically, rah, rah, go tell them about your business.</p>				

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<p>20 That's pretty much the formula for leadership meetings.</p> <p>21 Q. If you turn to page Aulds_R&M-00079, is it</p> <p>22 titled "Leadership Meeting"?</p> <p>23 A. Yes.</p> <p>24 Q. Take a moment to read that and then the two</p> <p>25 pages prior which ends in 77.</p> <p>117: 1 Do these two pages have an agenda that</p> <p>2 would have occurred during that leadership meeting?</p> <p>3 A. The leadership meeting per se was not a formal</p> <p>4 meeting as I recall. I mean, a lot of it was question</p> <p>5 and answer. I don't -- I mean, he spoke a little bit,</p> <p>6 and then I think he mostly answered questions, and, you</p> <p>7 know, we talked and stuff. So this meeting, I don't</p> <p>8 think this -- I may be wrong, but I don't know that</p> <p>9 that's the notes from the leadership meeting. It says</p> <p>10 leadership meeting. I agree with what you're saying. I</p> <p>11 don't know. This may or may not be the notes from that</p> <p>12 specific what they're calling the</p>				

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<p>leadership meeting. I 13 don't know. 14 Q. Would these have been notes from that 15 convention? 16 A. Yes, it was from that convention; correct. 17 Q. There is a note on the Bates label 18 Aulds_R&M-00079 down in the bottom right? 19 A. Correct. 20 Q. Does that say -- and make sure I'm reading your 21 handwriting correctly -- 120 units up and running 22 producing electricity by November 12. Is that -- 23 A. It's actually November second half, is what I 24 would assume. So I imagine he said by the middle of 25 November we would have 120 units up and running. 118: 1 Q. Who is "he"? 2 A. I'm assuming Greg Shepard. 3 Q. In the context of this note, what are 4 120 units? What's a unit? 5 A. Towers that hold lenses. 6 Q. And did, in fact, 120 towers get up and running</p>				

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<p>7 by November of 2012? 8 A. I do not know. I don't. If they did, they 9 kept them secret. 10 Q. Did you follow up in November of 2012? 11 A. Maybe. I don't remember specifically. We got 12 e-mails all the time; so if we would have actually been 13 at that point in the second half of November, I would 14 have had an e-mail talking about it, and I do not have 15 that e-mail. 16 Q. I'd like you to flip back a couple of pages to 17 Aulds_R&M-00077, and above the header in the middle of 18 the page, "The Five Power Axioms for Success," there's a 19 handwritten note. I think this is what it says -- and 20 please correct me if I'm not reading your handwriting 21 correctly -- "How do we know RaPower is not a scam, us 22 and government"? 23 A. "How do we now RaPower is not a scam," dash, 24 "us and government." "Bring one tough question to the</p>				

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<p>25 meeting." Okay. So I was bringing a tough question to 119: 1 the meeting. How do we know that RaPower is not a scam? 2 So I'm assuming I asked that question. 3 Q. Do you know if you got an answer? 4 A. Well, it doesn't say it's my question. It says 5 to bring one tough question. So I had people ask me 6 that I introduced this to, "How do we know if it's a 7 scam or not?" And I was curious to see how they 8 answered it. I had my own personal answer. I was 9 asking it as a bring one tough question to the meeting 10 and get everybody's input and the best answer. So I 11 wrote the great question, but I didn't write the great 12 answer. 13 Q. Do you recollect what the answer was?</p>				
<p>119:16 A. No, not directly. I mean, we discussed it 17 because lots of people that didn't understand tax law 18 and all that stuff, like 99.9</p>				

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<p>percent of us don't, was 19 getting that question from people when we would talk to 20 them about the business, and so as a group we were 21 trying to figure out how we help them understand this is 22 not a scam. We're actually taking tax law and applying 23 it the way we're applying it.</p>				
<p>120:15 Q. I'd like you to go now to Aulds_R&M-00081. 16 This is another copy of the agenda. Do you recall 17 any -- attending all of the sessions that were listed 18 out here in this agenda for Tuesday, June 26th? 19 A. Yes. I was at everything. 20 Q. Let's talk about some of these sessions. Who 21 would do the welcome and the introduction? 22 A. I can't specifically remember. I believe Greg 23 kind of served as master of ceremony. I mean -- not 24 Greg. Yes, Greg. It was probably Greg Shepard. 25 Q. So what about that 9:10 a.m., "Where are we at 121: 1 yet & what's been</p>			<p>396</p>	

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<p>accomplished in the last year," who 2 would have led that session? 3 A. I'm not sure. 4 Q. The 9:30 a.m. session, "The Ra3 role behind the 5 scenes," would Glenda Johnson and Roger Freeborn have 6 led that session? 7 A. Yes. 8 Q. What would they have talked about during that 9 session? 10 A. I know Glenda serves as the - - kind of like the 11 treasurer, and Roger Freeborn was the main one going out 12 and showing the business, so something having to do with 13 stuff that happens behind the scenes. I mean, I 14 don't -- I don't honestly remember what was said. I can 15 be there and kind of tune out.</p>				
<p>121:20 Q. You said that you think Glenda Johnson was the 21 treasurer. How did you come to learn that she served in 22 that capacity? 23 A. Because she signs my checks.</p>				
<p>123: 9 Q. (BY MS. HINES) Do you recall if Randy Johnson</p>				

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<p>10 spoke at the convention? 11 A. I do not recall who Randy Johnson is. So I 12 don't -- I remember they talked about somebody that was 13 trying to help improve the lenses, and I think it might 14 have been Neldon's son, and it might have been Randy 15 Johnson. It could have been -- let me read here and see 16 what it's talking about. 17 It probably is his son because they spent 18 months trying to improve the lens to where it would do 19 what they needed it to do and they kept having issues, 20 and I think Randy was talking about that, so. I think 21 it's his son. 22 Q. What kind of issues was the lens having? 23 A. They would fracture based on different, you 24 know, wind or whatever, and so they were trying to 25 create a lens that would not have those issues. 124: 1 Q. How long did that process take to fix the lens? 2 A. Months and months and</p>				

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<p>months because the 3 manufacturers -- they would think they had a 4 manufacturer that could get it right, and then they 5 didn't get it right, and then they were working on what 6 kind of formula to get it to be to where it doesn't 7 break, and finally they found somebody that would do it 8 correctly. 9 Q. How did you find out that there was an issue 10 with the lenses, that they went through this process to 11 fix the lenses? 12 A. Well, they told us about it, but then also, 13 when you go out to Delta, Utah, there was just lens 14 pieces laying everywhere under the towers. So you could 15 tell they had issues trying to get them to be the way 16 they need to be. 17 Q. When you say "they told us," who told you? 18 A. I don't remember specifically. It came up in 19 conversation, one of the speakers, all the speakers.</p>				

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<p>20 I'm not sure specifically who said it.</p> <p>21 Q. But someone at the convention?</p> <p>22 A. Yes.</p> <p>23 Q. Did Mr. Neldon Johnson speak at the convention</p> <p>24 on the 26th?</p> <p>25 A. Yes.</p> <p>125: 1 Q. What did Mr. Johnson talk about?</p> <p>2 A. According to these notes, he talked about the</p> <p>3 turbine and different facts about that and mass</p> <p>4 production and efficiency capacities along with lower</p> <p>5 cost advantage, and then he talked about dual axis</p> <p>6 tracking and concentrators and inexpensive production of</p> <p>7 zinc batteries.</p>				
<p>126:10 Q. As part of the convention, you also went and</p> <p>11 visited the Delta site on June 27th?</p> <p>12 A. Yes.</p> <p>13 Q. What happened at the site visit?</p> <p>14 A. The thing that sticks out most, these guys</p> <p>15 showed up with guns. That was</p>				

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<p>-- that was a pretty 16 interesting time. 17 Q. Tell me about -- tell me about the site visit. 18 A. We drive out there, and we're walking toward 19 the manufacturing plant, and we see guys with guns, and 20 they're telling us to stay back. It was just quite 21 interesting. 22 And then Greg spoke and said, "These guys 23 are just doing their job," you know, and he worked out a 24 deal where we could go ahead and get in the site, I 25 think. It happened then or it happened later. I know I 127: 1 went in the site eventually. 2 I know we went to Neldon's house, and there 3 was more people there with guns, and they were trying to 4 take people's license plate numbers, all that good 5 stuff. 6 Q. Who were you with? 7 A. I was with -- I know that John Howell and his 8 family went, and then I had some people that were part</p>				

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<p>9 of my business that went. I know two guys from Abilene 10 went that are part of my business. I'm not sure who 11 else that was specifically part of my business, but I 12 know two guys from Abilene were there, and then some of 13 the people in my upline were there and John Howell and 14 his family. 15 Q. When you say "part of my business," what do you 16 mean? 17 A. Downline, they were people that I sponsored 18 somebody who sponsored somebody who sponsored somebody. 19 Q. Did you ask anyone what was happening when the 20 men with guns arrived? 21 A. Yeah. I was quite concerned, but I was with 22 John, and John was like, you know, calm, and so I 23 figured if he's calm, I'll be calm. 24 Q. So who did you ask what was happening to? 25 A. John Howell. 128: 1 Q. And what was his response?</p>				

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<p>2 A. Eventually I found out what it was. I don't</p> <p>3 remember if he specifically knew at that point, but Greg</p> <p>4 eventually told us something that -- I don't remember</p> <p>5 how he phrased it, but basically, that they were there</p> <p>6 to seize assets or something. I don't remember exactly.</p> <p>7 Q. Were you satisfied by the answer that</p> <p>8 Mr. Howell provided you?</p> <p>9 A. I kept doing the business. So, I mean, it was</p> <p>10 a bump in the road, but I figured he says the tax law</p> <p>11 says this, we're doing this; therefore, it should be</p> <p>12 legal. So I didn't have -- I mean, I was concerned, but</p> <p>13 I figured, well, it's got to -- according to what my tax</p> <p>14 guy is telling me, what we're doing is 100 percent</p> <p>15 legal, and so I don't know why they're messing with</p> <p>16 RaPower, but I don't control who they are, whoever they</p> <p>17 are. I guess they were the IRS. I don't know who</p> <p>18 exactly they were.</p>				

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<p>19 Q. You said you were concerned. What exactly were 20 you concerned about? 21 A. People there with guns trying to close us down 22 from going into the manufacturing plant. So obviously 23 there was something going on. 24 Q. Did you later learn that that event had 25 anything to do with taxes? 129: 1 A. I don't know -- well, as far as whether it had 2 to do with taxes, I still don't know exactly what it was 3 to this day. I know it had something to do with the 4 government and RaPower. I don't know, you know, 5 specifically taxes or, you know what facet of it.</p>				
<p>130: 3 Q. What did you see at the manufacturing plant? 4 A. There was stations of different product in 5 various stages of manufacturing, and there was big, tall 6 things of lenses that had been made by Lucite that were 7 what they were going to make our lenses out of. There 8 was lenses made, and there was</p>				

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<p>pieces of tower made, and 9 there was machinery to bend stuff to make towers. It 10 was like a manufacturing plant. 11 Q. Did someone give you a tour of the plant? 12 A. Yes. 13 Q. Who was that? 14 A. It was kind of a self-guided tour, but then 15 there would be -- in this area there might be Neldon and 16 in this area there might be Greg, and so you could go 17 and ask specific questions. So it was kind of a 18 self-guided tour. 19 Q. Were you able to see your lenses while you were 20 visiting the site? 21 A. The lenses have a code number on them. My lens 22 was probably there somewhere, but I didn't go and 23 specifically see the specific one that's mine. 24 Q. Did you ask if you could see it? 25 A. No. 131: 1 Q. Were you concerned about where it might be? 2 A. No.</p>				

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<p>3 Q. Why not? 4 A. Well, I mean, it's my lens. This big stack of 5 whatever is some of them, and then some of them are over 6 here already in towers, and so at that point it didn't 7 matter because I wasn't going to get paid on my lens 8 until they got money from electricity. There wasn't any 9 point in looking at it. I saw there was thousands of 10 lenses there; so I assumed, you know, mine are all in 11 there. 12 Q. What did you do after you visited the 13 manufacturing plant? 14 A. I don't remember the order, whether we went to 15 the towers first or the manufacturers. I think we went 16 to the towers last and then from there we went back to 17 Salt Lake City. 18 Q. What did you see when you visited the tower 19 location? 20 A. A whole bunch of broken lenses. It looked like 21 there was quite a few towers out</p>				

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<p>there, and every tower 22 had a big pile of broken lenses under it, and that was 23 proof that, yeah, it is hard to make these things to be 24 accurate to where they do what they're supposed to do, 25 but then they had some that were in there, and if you 132: 1 stick your hand under them, your hand got really hot 2 really fast. So the fact that it will create energy was 3 very obvious. 4 Q. Were you concerned that your lenses might be 5 some of the broken lenses that were all over the ground? 6 A. No, because you're insured. Our lenses have a 7 warranty and are insured for a minimum of 35 years. 8 Q. Who was given the warranty on the lens? 9 A. It's part of the contract. I don't know who 10 actually warrants it. The contracts warrant it. 11 Q. And then who insures the lenses? 12 A. I don't know, but the contract insures it. The</p>				

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<p>13 contract says that they're insured and warranted. 14 Q. You did not personally seek out insurance for 15 your lenses? 16 A. No. It's part of the process of having 17 purchased the lens. 18 Q. Well, what is your understanding of what would 19 happen if one of your lenses did break? 20 A. They would replace it at their cost.</p>				
<p>133: 3 Q. You keep saying "they" -- 4 A. The contract. 5 Q. Okay. But who, who's your contract with or 6 what's your understanding of who's going to be doing the 7 replacing and who's paying?</p>				
<p>133: 9 A. I don't know who specifically wrote the 10 contracts, and I don't know if it's specifically RaPower 11 or IAUS, but the contracts that I electronically signed 12 stated that these things would happen. It's part of 13 the -- I think it's part of the rental and purchase 14 agreement which is a separate</p>				

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contract. It's probably 15 in one of these stacks of papers is my guess.				
133:16 Q. (BY MS. HINES) So you indicated that if you 17 put your hand under the lens you'd feel heat? 18 A. Absolutely. 19 Q. Do you know what, if anything, was going to be 20 done with the heat? 21 A. Yes. I know what they say that's going to be 22 done, is they're going to use the heat to heat up the 23 magic ball, which doesn't mean anything to you, but it's 24 the way they transfer the heat to water. I think it's 25 water. It's whatever it is that transfers it to where 134: 1 it goes to the generator and it makes electricity. It 2 powers the generator. 3 Q. Did you see this magic ball -- 4 A. Yes. 5 Q. -- when you were on the site visit? 6 A. Yes. 7 Q. Was it hooked up to something to capture that 8 heat?				

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<p>9 A. It wasn't -- there wasn't a working model there 10 because they were still in research and development. So 11 they didn't have everything finished to have a working 12 model. I mean, they -- now, I say that. John saw a 13 video -- I think John saw a video. They had a house 14 that was attached to a prototype, and the house's only 15 source of electricity was a tower, and the lights are on 16 in the house. So I had not personally viewed that 17 video, but -- I can't tell you where that house is, but 18 I remember that from some source. I don't know if it 19 was John or Greg or e-mail or what. 20 Q. So in 2012 when you visited, you did not see a 21 working model? 22 A. No. 23 Q. Did you subsequently find out that there was a 24 working model? 25 A. I don't remember the exact time frame whether I 135: 1 knew about the house before</p>				

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<p>the convention or after the 2 convention, but I do know that the discussion about a 3 house that's only source of electricity is a tower 4 that's got working electricity. 5 Q. But you did not see that house? 6 A. I did not see the house. 7 Q. And you don't recall exactly when you learned 8 that? 9 A. Correct. 10 Q. How did you know the tower was the only source 11 of electricity to that house? 12 A. Because there wasn't any power lines connected 13 to it other than the lines from the tower, and that's 14 what they told us. 15 Q. And who told you that? 16 A. Good question. I don't remember exactly. I 17 don't remember if it was John telling me he saw the 18 video or if somebody saw it and told me or Greg told me. 19 I don't remember the details, but I remember 20 specifically being told there is a house. There is a</p>				

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<p>21 tower. The tower runs the house, and the house has</p> <p>22 electricity.</p> <p>23 Q. You didn't watch the video that showed this</p> <p>24 house?</p> <p>25 A. I'm not even sure there's a video. I don't</p> <p>136: 1 remember if it's somebody that was telling me this or</p> <p>2 they say they saw the video. I'm a very trusting</p> <p>3 person, and so when they told me that, I didn't need to</p> <p>4 see it myself. Whoever told me that, I trusted them. I</p> <p>5 can't tell you five years later if it was a video they</p> <p>6 saw or the actual house or Greg just told somebody. I</p> <p>7 don't remember the details.</p> <p>8 Q. Did you ever get paid any money from the</p> <p>9 house's use of electricity from these towers?</p> <p>10 A. No.</p> <p>11 Q. I think you indicated that in 2012 it was your</p> <p>12 understanding that RaPower was still in research and</p> <p>13 development?</p> <p>14 A. Correct.</p>				

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<p>15 Q. Do you know if they have completed research and 16 development? 17 A. They say they have.</p>				
<p>137:13 Q. (BY MS. HINES) Mr. Aulds, I believe the 14 question that was pending before the interruption was, 15 when did you learn that RaPower3 had finished research 16 and development? 17 A. Approximately August of 2014. 18 Q. And how did you learn that R and D was 19 completed? 20 A. An e-mail. 21 Q. From? 22 A. Greg Shepard. 23 Q. What was your understanding of the next steps 24 after research and development was completed? 25 A. They were going to do whatever they needed to 138: 1 do to permanently stay on the grid. There's paperwork 2 and environmental studies, whatever they needed to do to 3 permanently stay on the grid. 4 Q. And is RaPower currently on the grid?</p>				

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<p>5 A. I do not know. I hope so. 6 Q. Have you asked? 7 A. I've asked my accountant. 8 Q. Mr. Howell? 9 A. Yes. 10 Q. And what has Mr. Howell told you? 11 A. He doesn't know. I'm assuming we would get an 12 e-mail if they were on the grid. 13 Q. So after R and D was completed, has RaPower3 or 14 anyone else produced electricity?</p>				
<p>138:16 A. They were on the grid. They proved the 17 technology. Then they were required to come off the 18 grid. Now, they didn't meter it supposedly and they 19 didn't sell the electricity. They just proved it would 20 produce it and go on there, but they did -- they did 21 what they had to do to move to the next step which is 22 permitting and all that to stay on the grid. 23 Q. (BY MS. HINES) So you say they were proving. 24 Who were they proving this to?</p>				
<p>139: 1 A. I'm assuming whoever</p>				

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<p>regulates electricity on 2 the national grid, the energy whoever. There's somebody 3 that regulates whether you can go on the grid or not. 4 Whoever that is -- the way I understand it, you have to 5 prove it works. Once you prove it works, then you have 6 to come off of it, go through the process to be 7 permanently placed back on it, and we're in that 8 process. 9 Q. (BY MS. HINES) Who told you what this process 10 was to produce electricity and get on the grid? 11 A. I'm sure it was e-mails from Greg Shepard 12 and/or RaPower. 13 Q. And did Greg Shepard or anyone from RaPower 14 tell you a specific entity or organization they were 15 proving that this system worked to produce electricity? 16 A. They probably did in the e- mail. I don't 17 recall the information directly.</p>				
<p>140:15 Q. Mr. Aulds, how many lenses did you buy from</p>				

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<p>16 RaPower? 17 A. Between all three entities, I bought 500. 18 Q. How was that broken down between the three 19 entities? 20 A. I believe I initially bought like 18 or 23 or 21 something like that from -- through the Oreck store, and 22 then I bought 200 and something for the doctor's office, 23 and then I bought the rest personally. 24 Q. What was the price of each lens? 25 A. It's 105 down, and then a total of 1,050 is 141: 1 what they consider the down payment, and you pay that 2 total after you get your tax return. 3 Q. How did you know what the price was? 4 A. What the price of the lens was? 5 Q. Yes. 6 A. Because it's on the -- when you sign up, it's 7 listed on the website. 8 Q. That's the RaPower3 website? 9 A. It's there, but it's on the actual page where</p>				

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<p>10 you say how many lenses you want. It figures it. If</p> <p>11 you say you want 20 lenses, it automatically mapped it</p> <p>12 out and told you how much your down payment was and how</p> <p>13 much you would owe and all that.</p> <p>14 Q. How much have you paid and you and your other</p> <p>15 two -- you personally and the two entities paid for the</p> <p>16 500 lenses?</p> <p>17 A. It's in here somewhere. I don't know exactly.</p> <p>18 Quite a bit.</p> <p>19 Q. You paid the 105 down for each of those 500</p> <p>20 lens?</p> <p>21 A. Yeah, I had to pay the 105 down when I</p> <p>22 initially bought. So I paid 105 times 500, and then I</p> <p>23 paid approximately \$40,000 for six years, five or six</p> <p>24 years.</p> <p>25 Q. Are you current on all of your payments for the</p> <p>142: 1 lenses?</p> <p>2 A. Yes.</p> <p>3 Q. Do you know whether or not you or the entities</p>				

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<p>4 owe any money for those 500 lenses? 5 A. I haven't paid for all the lenses because I 6 haven't used them all in a tax year yet. 7 Q. Explain what that means to me. 8 A. Well, there's carry forward and carry back, and 9 you can carry back a year, and you can carry forward 10 like 20 years, and so I went back to 2010 and then did 11 '11, '12, '13, '14, '15, but one year they had not paid 12 me yet for whatever reason. They paid the year 13 afterwards and the year before, but they didn't pay that 14 specific year. 15 Q. Who is "they"? 16 A. IRS. 17 Q. When you say "pay," what are they paying you? 18 A. Well, I have tax credits and accelerated 19 depreciation to cancel out monies that I had sent in 20 with payroll and stuff like that. So to recover it, 21 when they do my taxes, he</p>				

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<p>shows, you know, my lens 22 purchases and stuff, John Howell, and for whatever 23 reason that year, I don't know why they hadn't paid it 24 yet because they paid the year before and they paid the 25 year afterwards, but they didn't pay that specific year. 143: 1 That's a John Howell question. 2 Q. So how does whether or not the IRS pays you a 3 refund, how does that relate to whether or not you pay 4 RaPower for the lenses? 5 A. Because the way the contracts or the system was 6 set up is you don't owe the full balance until you've 7 received whatever the money was from that accelerated 8 depreciation and the energy tax credit. That's the way 9 it was back then. It's not that way now. Now whatever 10 lenses you buy, you have to pay for within the next tax 11 year, but when I got in, it was supposed to have been 12 five year carry forward, but John and I misunderstood</p>				

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<p>13 and thought, well, legally you can go 20 years. So I</p> <p>14 bought enough to go 20 years. Greg Shepard and I will</p> <p>15 have that discussion at some point.</p> <p>16 Q. During what time period did you buy these 500</p> <p>17 lenses between you and the two entities?</p> <p>18 A. I bought them all in the first two months.</p> <p>19 Q. All in --</p> <p>20 A. Two months that I joined. So it would have</p> <p>21 been in December of 2012 or '11, whatever year I said.</p> <p>22 Q. So January of '12?</p> <p>23 A. Yeah, January of '12.</p> <p>24 Q. And how did you decide to buy 500?</p> <p>25 A. That's a good question. I called John, and I</p> <p>144: 1 said, "How many lenses can I buy?" He said, "Well, you</p> <p>2 can carry forward for 20 years." And so I kind of just</p> <p>3 guesstimated -- I mean, honestly I didn't at that time</p> <p>4 understand really how it all worked, but I figured if I</p> <p>5 used, say, 20 or 30 a year, 500</p>				

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<p>just seemed like a good 6 number at the time. 7 Q. So you paid the 105 down for all 500? 8 A. Correct. 9 Q. And then you said you've made additional 10 payments on some but not all of those 500? 11 A. Correct.</p>				
<p>145:16 Q. But you do know that all 500 of the lenses 17 you've not paid the full \$1,050? 18 A. Correct. 19 Q. Has anyone at RaPower contacted you about the 20 remaining payment on those 500 lenses? 21 A. No, because it's not due. Greg understands how 22 John and I read the information, and he understands 23 why -- when Greg did his example, he said a five-year 24 example. Well, the IRS allows you to have a 20-year 25 window of carry forward. So Greg in the five-year 146: 1 example meant you need to do it in five years. We read 2 it to mean, okay, he's an example of five years, but in</p>				

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<p>3 actuality you can do 20. I didn't buy the amount I 4 needed in five years. I bought the amount that I needed 5 closer to 20. 6 Q. So how is your -- for the remaining lenses you 7 haven't made payment on, how would RaPower know that 8 your obligation is now due and that you had used some of 9 these lenses on your tax return? 10 A. Well, there is some trust factor in the idea 11 because they don't see my tax return. But like I call 12 them and tell them, "I'm getting ready to mail you a 13 check for \$40,000," blah, blah, blah, "And I wanted to 14 make sure you get it and let me know when you get it," 15 and all that. So that's -- but they don't ask to see my 16 tax returns and stuff. 17 Q. How was the price of the lens determined? 18 A. I don't know. 19 Q. Did you have the opportunity to negotiate the 20 price? 21 A. No. Well, I didn't. I might</p>				

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<p>have, but I did 22 not. 23 Q. Why not? 24 A. Why did I not negotiate the price? 25 Q. Yes.</p>				
<p>147: 2 A. Didn't think of it. Didn't - - I just -- I 3 mean, I negotiate on a car, but I don't negotiate with 4 my electricity company. So there's certain things I 5 feel are negotiable and certain things that are not. 6 Q. (BY MS. HINES) Has RaPower ever offered to buy 7 back any of your lenses? 8 A. At one point I believe there was an e-mail that 9 if you wanted to sell your lenses, they would buy them 10 back at -- in a certain time frame. I don't want to 11 sell my lenses because I think this business is going to 12 eventually work. I bought them for a reason, and I want 13 it to do what I meant for it to do. 14 Q. When was that e-mail? 15 A. Two, three, three, four years ago at some 16 point.</p>				

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<p>17 Q. Do you remember who sent that e-mail? 18 A. It would have probably been Greg Shepard, but 19 it was RaPower.</p>				
<p>147:24 Q. Earlier, Mr. Aulds, you talked about -- you 25 testified it had been about three years or so since you 148: 1 actively worked RaPower? 2 A. Well, let's rephrase that. I worked it really, 3 really hard for about a month three years ago, but I 4 still -- if I'm talking to somebody, I will still talk 5 to them about RaPower, and I still carry business cards, 6 and I still in the course of my day-to-day operations 7 I'm going to mention RaPower, but I -- I was 10, 8 12 hours a day every day for about a month. 9 Q. Was there something that happened that caused 10 you to stop focusing 10 to 12 hours a day on it at that 11 point? 12 A. Well, we did not get on the grid in September 13 of 2014 like I was told we were</p>				

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going to, and I got 14 tired. 15 Q. You weren't making a lot of money with RaPower 16 at that point, were you?				
148:19 A. For the month I worked really hard, I did not 20 make the money right then that would justify working 21 that hard, but every time I sell a lens, personally I 22 get \$1,000 bonus someday and I get 35 years, 10 percent 23 on every amount of money they get for 35 years. So I 24 see a long-term benefit to working it hard at times. 25 Q. (BY MS. HINES) But to date you've not received 149: 1 any bonus money? 2 A. No.				
149: 5 Q. (BY MS. HINES) Mr. Aulds, when was the last 6 time you personally spoke with Greg Shepard? 7 A. Probably -- I'm trying to think if I talked to 8 him since September, 2014. I think he called -- I had a 9 friend, Don Suggs, was going up there, and Greg called 10 me to get information about				

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<p>Don or something or I called 11 him. So we talked somewhere, and that would have been 12 either the end of 2014 or the first half of 2015. 13 Q. So you've not talked to him since the end of 14 2014 or beginning of 2015? 15 A. Well, it may have been -- Don Suggs went to 16 Utah to see the towers, and I talked to Greg about him 17 going or he called me. I remember talking to Greg, but 18 I don't remember the exact dates. 19 Q. Is there a reason you haven't spoken with 20 Mr. Shepard since that conversation about Don Suggs? 21 A. Not really. I mean, he -- there's nothing he 22 can tell me that's any different from what he's sending 23 out in e-mails, and I ask John. John has a better 24 relationship with him because I get flustered talking 25 with him. So now I ask John and John asks him, and John 150: 1 finds out the answer. 2 Q. Earlier you testified about</p>				

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<p>leasing the lenses. 3 I want to go through that a little bit more. What did 4 you have to do in order to lease your lenses? 5 A. It was all part of the same process of buying 6 the lenses. There's several contracts involved, and I 7 don't remember the specific names of all of them, but in 8 the same process of buying the lenses, you are also 9 committing to lease them back for a minimum of 35 years, 10 and it states the terms of the lease, and it states that 11 they're insured. It states that they're replaced if 12 broken and all that. 13 Q. What did you have to do with respect to the 14 lease to -- do you have responsibilities? Do you have 15 to do any management or overseeing? 16 A. No. That's all taken care of. It's part of 17 the lease agreement, that they maintain everything I pay 18 them. Instead of getting \$150 -- is it monthly or</p>				

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<p>19 quarterly? I'm trying to remember now. There's an 20 amount of money they pay us for the first five years, 21 and then starting on the sixth year they keep all but 22 \$68. Is it 68? They keep a portion of my rental money 23 to go toward insurance and maintenance and all that. 24 For 30 years it's that way. So I get money, but I don't 25 get as much for the last 30 years as I did for the first 151: 1 five. 2 Q. When does the -- when do the rental payments or 3 lease payments start coming to you? 4 A. I don't know the technical way it's worded, but 5 what was inferred to me is once RaPower has income from 6 your lens. So, in other words, getting on the grid 7 would put us there or if we were generating heat and 8 selling it, or whatever. I don't know what they could 9 do with the lens, but when they use your lens to make 10 money, that's when the lease</p>				

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payments start. 11 Q. Have you received any lease payments yet? 12 A. No.				
152: 2 Q. Do you know who you're leasing your lenses to?				
152: 5 A. It's part of the contract, and it states it. I 6 do not recall the entity. I don't know if it's RaPower 7 or IAUS or who. 8 Q. (BY MS. HINES) Did you get to pick the company 9 that you are leasing your lenses to?				
152:11 A. I'm sure I could, but I didn't try to change 12 what they already had set up. I mean, if they're 13 willing to pay me for 35 years, I'm willing to go with 14 whoever they've selected. 15 Q. (BY MS. HINES) How do you know whether the 16 company who is leasing your lenses is doing a good job?				
152:19 A. Because I'm guaranteed a minimum of \$150 -- I'm 20 trying to remember if it's quarterly or monthly. It's 21 in my contract, but it's -- well, it's a year. Maybe				

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22 it's yearly because it's a guaranteed \$750. So that 23 would be five times 150 for the first five years, and 24 then it's 68 a year for the last 30 years. So it's 25 yearly. I'm guaranteed a minimum of 150 a year per lens 153: 1 for lease agreements.				
153:12 Q. So you purchased your lenses in December of 13 2011 and January, 2012, and entered into the lease as 14 part of that initial purchase transaction? 15 A. Correct. 16 Q. So now it's 2017, and you have not received a 17 lease payment; correct? 18 A. Correct. 19 Q. And you've not received a bonus? 20 A. Correct.				
154:22 Q. (BY MS. HINES) Mr. Aulds, you've just been 23 handed a copy of what has been marked as Exhibit 397. 24 Take a moment, familiarize yourself with it. 25 A. I'm pretending to look. I don't know what I'm 155: 1 looking at. Just ask			397	

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<p>questions. 2 Q. What is Exhibit 397? 3 A. It's my 2011 U.S. income tax return. 4 Q. You filed that jointly with your wife? 5 A. Correct. 6 Q. And do you know whether your RaPower3 units or 7 lenses appear on this tax return? 8 A. They do. 9 Q. And in what capacity do you know these lenses 10 are on the return? 11 A. Well, I know they create an accelerated 12 depreciation benefit for me, and I know they have a 13 30 percent tax credit. Now, how he showed it or where 14 he shows it, it looks like -- it's somewhere on here. I 15 don't have a clue where he puts them. That's what I pay 16 him for. He understands it.</p>				
<p>157: 1 Q. (BY MS. HINES) Exhibit 398 and 399 have been 2 marked. Mr. Aulds, these are two documents you produced 3 in response to the subpoena; is that correct? 4 A. Yes.</p>			398 399	

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5 Q. And these are true and correct copies of 6 documents you printed from the RaPower3 website; 7 correct? 8 A. Correct.				
158:17 Q. (BY MS. HINES) Mr. Aulds, the 2011 tax return, 18 that was prepared by John Howell? 19 A. Yes. 20 Q. So you've now been handed a copy of what is 21 Exhibit 398. No. I'm sorry. We're on 400. Yes, 22 Exhibit 400. What is Exhibit 400? 23 A. It says 1040X, and it's for 2010. So that's 24 the amended return for 2010 since tax law allows for 25 carryback. The benefits were carried back to the 159: 1 previous tax year of 2010, and this is where he filed 2 that. 3 Q. Who prepared this tax return? 4 A. John Howell. 5 (Exhibit 401 marked.) 6 Q. (BY MS. HINES) Mr. Aulds, you've been handed a 7 copy of what is Exhibit 401.			400 401 402 403 404 397	

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<p>What is Exhibit 401? 8 A. My tax return for the year 2012. 9 Q. And who prepared your tax return for 2012? 10 A. John Howell. 11 Q. I'll mark these and then ask you a couple of 12 questions in case you were wondering. 13 (Exhibit 402 marked.) 14 Q. (BY MS. HINES) Mr. Aulds, you've been handed a 15 copy of what's been marked as Exhibit 402. What is 16 Exhibit 402? 17 A. Our tax return for the year 2013. 18 Q. When you say "our," you mean? 19 A. My wife and I. 20 Q. Who prepared your 2013 tax return? 21 A. John Howell. 22 (Exhibit 403 marked.) 23 Q. (BY MS. HINES) Mr. Aulds, you've been handed a 24 copy of Exhibit 403. What is Exhibit 403? 25 A. Our tax return for my wife and I for 2014. 160: 1 Q. And who prepared your</p>				

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Plaintiff Designations – BLUE Defendant Completeness—PURPLE Defendant Counter-Designations – RED (at end)	Defendant Designations – RED Plaintiff Completeness—PURPLE Plaintiff Counter Designations – BLUE (at end)	Defense Objections/Responses – RED Plaintiff Objections/Responses – BLUE	Exhibits	Ruling
<p>tax return for 2014?</p> <p>2 A. John Howell.</p> <p>3 (Exhibit 404 marked.)</p> <p>4 Q. (BY MS. HINES) Mr. Aulds, you've been handed a</p> <p>5 copy of Exhibit 404. What is Exhibit 404?</p> <p>6 A. Form 8879. I don't really know what it is.</p> <p>7 Oh, okay. It's our 2015 individual tax return and some</p> <p>8 other stuff with it, it looks like.</p> <p>9 Q. And the other stuff with it, do those appear to</p> <p>10 be other tax related forms?</p> <p>11 A. Yes.</p> <p>12 Q. Who prepared your tax return for 2015?</p> <p>13 A. John Howell.</p> <p>14 Q. How is John -- does John Howell operate as a</p> <p>15 sole proprietor or does he have a business entity name?</p> <p>16 A. Howell Tax Service is the building he operates</p> <p>17 out of. He's an enrolled agent.</p> <p>18 MR. JONES: I want to put an objection on</p> <p>19 the record. It calls for speculation.</p> <p>20 Q. (BY MS. HINES) Mr. Aulds, for the six exhibits</p>				

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<p>21 that we have now marked as Exhibit 397, 400, 401, 402, 22 403, and 404, these are copies of your tax returns for 23 2011 through 2015 and the amended tax return for 2010. 24 Is it your understanding that depreciation and credits 25 regarding your RaPower lens purchases were included on 161: 1 all of these tax returns? 2 A. Yes. 3 Q. I'd like you to turn to the 2013 tax return 4 which is Exhibit 402 and specifically to page 5 Aulds_R&M-00273. Mr. Aulds, this is a Schedule C 6 related to Alternate Energy Systems. Do you know what 7 specific activity that you engaged in that this Schedule 8 C relates to? 9 A. I am in two different energy businesses, and he 10 may have put them both together since they're both 11 basically the same type businesses. 12 Q. And the other business is called what? 13 A. Stream Energy.</p>				

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<p>14 Q. Is that what's on Aulds_R&M-00269? 15 A. Yeah. Okay. So this one, Alternate Energy 16 Systems, I guess that's just RaPower. 17 Q. Did Mr. Howell go through the tax returns with 18 you and show you where the items relating to RaPower 19 were on your tax returns? 20 A. No. 21 Q. Did he explain -- did Mr. Howell explain to you 22 why he would include RaPower on this Schedule C and with 23 the principal business of Alternate Energy Systems? 24 A. No.</p>				
<p>164: 9 Q. (BY MS. HINES) Mr. Aulds, other than the 10 meeting in May, 2010, that you went to when you were 11 asked by Carey Hadderton, have you attended any other 12 local meetings with respect to RaPower? 13 A. I've given meetings. I was the speaker. It 14 wasn't somebody else doing it. I've had meetings about 15 it.</p>				

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<p>16 Q. How does that work? 17 A. I call up people and tell them. Some of them 18 are already in the business. I just tell them, "Hey, 19 we're going to have a meeting at the Oreck store." They 20 show up at the store, and then I explain the business. 21 Q. Do you provide any materials to people who come 22 to these meetings? 23 A. I give them the website.</p>				
<p>165: 8 Q. How many people would attend these meetings? 9 A. Probably had as many as 20. Usually I would do 10 it like me with one or two other people, but sometimes I 11 had larger meetings. 12 Q. How many of these meetings do you think you've 13 had since 2011, December, when you purchased? 14 A. Physical sit down talk about the business 15 meetings with people, 100 maybe. I don't know exactly. 16 I mean, like I said, usually I'm doing it over the 17 telephone, and usually I -- I did come to Wichita Falls</p>				

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<p>18 once a week up until maybe 19 three years ago. So if I was 20 coming up here and being out 21 anyway, I would have 22 meetings up here and then after 23 I finished work, but 24 that's been three or four or five 25 years.</p>				
<p>193: 3 Q. Mr. Aulds, you said during your testimony in 4 response to a question by Mr. Austin that we don't use 5 the term "invest." 6 A. Correct. 7 Q. Who is "we"? 8 A. We doing this business. 9 Q. Meaning RaPower? 10 A. Anybody that's involved with this business, I 11 would teach you if you were going to be part of it, that 12 the term "invest" has legal complications because of the 13 Securities and Exchange Commissions and et cetera. So 14 we don't invest in anything. We buy a lens, and then 15 because we buy a lens, there are advantages to owning a 16 lens including the ability to depreciate it and get tax 17 credits and things like that.</p>				

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<p>18 Q. So again, you said "the business." I want to 19 clarify what business you're referring to? 20 A. RaPower. 21 Q. How did you come to learn that this term 22 "invest" has some kind of legal ramification? 23 A. Some e-mail or some website information or John 24 Howell. Somebody knows more than me about it. 25 Q. You mentioned something about the SEC. What 194: 1 did the -- what did the term "invest" have to do with 2 the SEC?</p>				
<p>194: 5 A. I've been part of a lot of multilevel 6 businesses, and there are rules that you follow in 7 business like paying your taxes and being honest and 8 things like that, and part of the rule that I would 9 suggest to somebody if they were going to be involved in 10 RaPower is just like the term "realtor," if you sell 11 houses, you can't call yourself a realtor unless you're</p>				

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<p>12 really a realtor even though somebody might think a 13 realtor is somebody that sells houses. 14 Well, if you say, "I want you to invest in 15 lenses," there's a legal ramification to the word 16 "investment," and that investment term can be involved 17 with what the Securities and Exchange Commission 18 regulates, and we don't want to be regulated by them. 19 So we don't use any terms that would confuse that. 20 Q. (BY MS. HINES) And again, you say, "We don't 21 want to be regulated." Who's "we"? 22 A. We as in anybody in any kind of business that's 23 not involved with it. In other words, if they're not in 24 our business, I don't want them in our business 25 including RaPower.</p>				
<p>198:22 MS. HEALY-GALLAGHER: We're just going to 23 put on the record that we'd like the witness to read and 24 sign. I'm sure there's a way we</p>				

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<p>can figure that out. 25 THE WITNESS: Okay. 199: 1 THE REPORTER: We're off? 2 MS. HINES: Yes. We're off.</p>				
<p>DEFENDANT COUNTER-DESIGNATIONS</p>	<p>PLAINTIFF COUNTER-DESIGNATIONS</p>			

Instructions: One form should contain all designations for a witness. Plaintiff Designations (column 1) and Defendant Designations (column 2) will show the full deposition text that the party proposes to read in its case-in-chief. Completeness designations are proposed by the other party, under Fed. R. Civ. P. 32(a)(6), to be read with the designations. Counter-designations are read following the designations and completeness designations, similar to cross examination. This form should be provided in word processing format to the other party, who then will continue to fill in the form. The form is then returned to the proposing party for review, resolution of disputes, and further editing. The parties should confer and file a final version in PDF format using the event “Notice of Filing” and also submit a final word processing copy to the court at dj.nuffer@utd.uscourts.gov, for ruling.

All objections which the objecting party intends to pursue should be listed, whether made at the deposition, as with objections as to form, or made newly in this form, if the objection is of a type that was reserved.