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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF UTAH

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UNITED STATES OF AMERICA,

Plaintiff,

v.

RAPOWER-3, LLC, et al.,

Defendants.

**ORDER CANCELING  
INTERNATIONAL AUTOMATED  
SYSTEM INC.’S SHARES**

Case No. 2:15-cv-00828-DN

District Judge David Nuffer

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The court-appointed receiver, R. Wayne Klein, (“Receiver”) filed a motion (“Motion”) requesting an order canceling the shares of Defendant International Automated Systems Inc. (“IAS”).<sup>1</sup> The Motion incorporates by reference certain earlier reports and recommendations<sup>2</sup> from the Receiver.<sup>3</sup> Plaintiff United States of America agrees with the Motion.<sup>4</sup> The law firm of Nelson Snuffer Dahle & Poulsen (“NSDP”)—which previously represented Defendants RaPower-3 LLC, IAS, LTB1 LLC, R. Gregory Shepard, and Neldon Johnson in this case,<sup>5</sup> and which has since appeared in this case on behalf of nonparties Glenda Johnson, LaGrand Johnson, Randale Johnson, N.P. Johnson Family Limited Partnership, Solco I LLC, Solstice Enterprises

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<sup>1</sup> Receiver’s Motion for Order Canceling Shares of International Automated Systems Inc. (“Motion”), [docket no. 682](#), filed May 27, 2019.

<sup>2</sup> Receiver’s Accounting, Recommendation on Publicly-Traded Status of International Automated Systems, and Liquidation Plan (“R&R”), [docket no. 552](#), filed December 31, 2018; Receiver’s Second Quarterly Status Report (“Status Report”), [docket no. 608](#), filed April 15, 2019.

<sup>3</sup> Motion, *supra* note 1, at 4.

<sup>4</sup> *Id.* at 11.

<sup>5</sup> *See* Order Granting Motion to Withdraw as Counsel, [docket no. 592](#), filed March 6, 2019.

Inc., Starlight Holdings Inc., XSun Energy LLC, and Black Night Enterprises Inc.<sup>6</sup>—filed a response opposing the Motion, purportedly on behalf of IAS.<sup>7</sup>

Based on the arguments of the parties, the evidence presented, and the existing record, and for good cause appearing, the following findings and conclusions are entered.

1. The Corrected Receivership Order<sup>8</sup> directed the Receiver to “investigate the publicly-traded status of IAS and provide a recommendation to the Court on whether IAS should remain a publicly traded company or should otherwise be liquidated and dissolved.”<sup>9</sup> The Corrected Receivership Order also directed the Receiver to file a report that “describe[s] in detail his findings and recommendations.”<sup>10</sup>

2. The Corrected Receivership Order states: “If the Receiver determines that [IAS has] no operations unrelated to the solar energy scheme, then the Receiver shall propose a liquidation plan rather than sell the shell entity and its ‘public company’ status.”<sup>11</sup>

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<sup>6</sup> See, e.g., Response to Receiver’s Report and Recommendation and Motion to Include Affiliates and Subsidiaries in the Receivership Estate, [docket no. 596](#), filed March 15, 2019 (for Glenda Johnson, Solco, Solstice, and XSun); Declaration of Randale Johnson Relating to Compliance Verification, [docket no. 621](#), filed April 29, 2019 (for Randale Johnson); Declaration of LaGrand Johnson Relating to Compliance Verification, [docket no. 622](#), filed April 29, 2019 (for LaGrand Johnson); Opposition to Motion for Leave to Commence Legal Proceedings, [docket no. 643](#), filed May 8, 2019 (for Glenda Johnson, LeGrand Johnson, Randale Johnson, Solco, and Solstice); Solstice Enterprises Inc., Black Night Enterprises Inc., Starlight Holdings Inc., N.P. Johnson Family Limited Partnership’s Objection to Order on Memorandum and Decision and Order on Receiver’s Motion to Include Affiliates and Subsidiaries in Receivership, [docket no. 675](#), filed May 24, 2019.

<sup>7</sup> Opposition to Receiver’s Motion for an Order Canceling Shares of International Automated Systems Inc., [docket no. 690](#), filed June 7, 2019 (“Opposition”); see Receiver’s Reply in Support of Motion for Order Canceling Shares of International Automated Systems Inc. (“Reply”), [docket no. 696](#), filed June 19, 2019. The Opposition does not comply with prior court orders in this case. See Reply, *supra*, at 3-4. Regardless, many of the assertions set forth in the Opposition are without evidentiary support. See *id.* at 4-6.

<sup>8</sup> [Docket no. 491](#), filed November 1, 2018.

<sup>9</sup> *Id.* ¶ 85.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* ¶ 85(f).

3. The Corrected Receivership Order establishes a priority system for distributing assets of the Receivership Estate.<sup>12</sup> Under this priority system, claims of shareholders of IAS are entitled to share in recoveries only to the extent that the Receiver has previously paid \$50,025,480 to the United States Treasury and other priority claimants.<sup>13</sup>

4. Based upon his subsequent investigation of IAS, the Receiver filed a proposed liquidation plan and recommends that IAS not continue as a publicly traded company.<sup>14</sup> During the course of this investigation, the Receiver found:

a. IAS's most recent annual report, dated June 30, 2016, is outdated and fails to disclose material information, such as: Neldon Johnson's 2011 personal bankruptcy, the SEC's 2004 and 2005 injunctions against Johnson and his family, foreign entities own the intellectual property rights underlying Johnson's supposed solar generation program,<sup>15</sup> courts have invalidated some IAS patents,<sup>16</sup> and this court has ruled that IAS was operating a massive fraud.<sup>17</sup>

b. Material information contained in IAS's annual report is inaccurate. The section insiders' stock ownership falsely reports that Johnson owns 76% of outstanding shares, when foreign entities actually hold those shares.<sup>18</sup>

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<sup>12</sup> *Id.* ¶¶ 89-91.

<sup>13</sup> *Id.* ¶ 89(d)-(e).

<sup>14</sup> *See* R&R, *supra* note 2, at 16-30.

<sup>15</sup> Status Report, *supra* note 2, at 8.

<sup>16</sup> *Id.* at 14.

<sup>17</sup> *See* Findings of Fact and Conclusions of Law, [docket no. 467](#), filed October 4, 2018.

<sup>18</sup> Motion, *supra* note 1, at 8.

c. IAS has not filed a quarterly or annual report since June 30, 2016. IAS has been delinquent in filing its quarterly and annual reports at least 39 times since 1996.

d. The trading price and volume of IAS stock has varied greatly, ranging from a high of \$57/share in 1996 to less than \$0.01/share. Despite the public availability of the Amended and Restated Judgment in a Civil Case,<sup>19</sup> the Findings of Fact and Conclusions of Law,<sup>20</sup> and the Receiver's filing of Form 8-K disclosing the Memorandum Decision and Order Freezing Assets<sup>21</sup> and the Receivership Order—IAS's stock has retained value and continued trading.<sup>22</sup>

e. While IAS had been telling shareholders and public markets for years that IAS was developing a variety of products, the only active product development in which IAS engaged was the solar lens scheme.<sup>23</sup> IAS does not engage in any business operations other than this scheme.<sup>24</sup> IAS has never had a product that generated revenue, has never generated a profit, and had no market share for any of its products.<sup>25</sup> IAS's independent auditors indicated that it may be “unable to continue as a going concern.”<sup>26</sup>

f. IAS issued over 9,000,000 shares to NSDP, which NSDP could sell to pay legal fees it incurs.<sup>27</sup>

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<sup>19</sup> [Docket no. 507](#), filed November 13, 2018.

<sup>20</sup> Findings of Fact and Conclusions of Law, *supra* note 17.

<sup>21</sup> [Docket no. 444](#), filed August 22, 2018.

<sup>22</sup> R&R, *supra* note 2, at 20.

<sup>23</sup> *See id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 21.

<sup>26</sup> *Id.*

<sup>27</sup> Status Report, *supra* note 2, at 9.

g. The Security Exchange Commission obtained injunctions against Neldon Johnson and his family members in 2005 based on allegations that they manipulated the price of IAS shares in the course of selling shares.<sup>28</sup>

h. The Utah Division of Securities sanctioned IAS twice for selling unregistered securities and for a denied application for exemption.

i. Based on the assets that the Receiver has identified, there is no reasonable prospect of the Receivership Estate yielding over \$50,000,000 in assets. As a result, there will be no asset distribution to fifth priority shareholder claims under the Corrected Receivership Order.

5. Although IAS is not a reporting company under SEC regulations, material information that IAS has publicly disclosed is false and misleading.

6. The immediate cancellation of IAS shares is necessary to prevent manipulation of the price of IAS shares and to halt the sale of assets belonging to the Receivership Estate.

### **ORDER**

THEREFORE, IT IS HEREBY ORDERED that the Motion<sup>29</sup> is GRANTED.

IT IS FURTHER HEREBY ORDERED as follows:

1. All equity in IAS shares is CANCELLED.
2. IAS shares have no value, including any common shares, preferred shares, or warrants in IAS shares.

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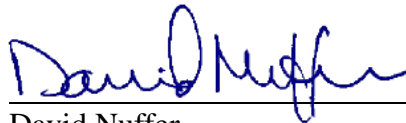
<sup>28</sup> *Id.* at 14.

<sup>29</sup> [Docket no. 682](#), filed May 27, 2019.

3. Nothing in this Order changes, limits, or circumscribes in any way the Receiver's authority as set forth in the Corrected Receivership Order. The Receiver shall continue to have all power, authority, rights, and privileges as set forth in the Corrected Receivership Order.

Signed July 8, 2019.

BY THE COURT:



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David Nuffer  
United States District Judge