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**UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH  
CENTRAL DIVISION**

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UNITED STATES OF AMERICA,

Plaintiff,

v.

RAPOWER-3, LLC; INTERNATIONAL  
AUTOMATED SYSTEMS, INC.; LTB1,  
LLC; R. GREGORY SHEPARD; NELDON  
JOHNSON; and ROGER FREEBORN,

Defendants.

**RECEIVER'S FOURTH QUARTERLY  
STATUS REPORT**

*For the period July 1, 2019 to September  
30, 2019*

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

District Judge David Nuffer

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R. Wayne Klein, the Court-Appointed Receiver (the "Receiver") of RaPower-3, LLC ("RaPower"), International Automated Systems, Inc. ("IAS"), and LTB1, LLC ("LTB1"), as well as 13 subsidiaries and affiliates (collectively, the "Receivership Entities"), and the assets of Neldon Johnson ("Johnson") and R. Gregory Shepard ("Shepard") (collectively "Receivership Defendants"), hereby submits this Fourth Quarterly Status Report ("Report") for the period from July 1, 2019 to September 30, 2019 ("Reporting Period").

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## I. INTRODUCTION AND BACKGROUND

The Receivership Estate was created on October 31, 2018 with entry of the Court’s *Receivership Order* (“Order”),<sup>1</sup> which, among other things, appointed the Receiver and continued a previously-entered asset freeze.<sup>2</sup> A May 3, 2019 order expanded the Receivership Estate to include 13 additional affiliated entities.<sup>3</sup> During the current Reporting Period, the Court overruled objections to the order expanding the Receivership Estate.<sup>4</sup>

The Receiver’s efforts during the quarter have focused on investigating prior actions of the Receivership Defendants, selling Receivership assets, analyzing the results of the forensic accounting to determine what prior payments should be recovered, making demands for the returns of funds, and commencing litigation to recover monies and real property.

## II. CANCELATION OF IAS SHARES

A. Order Canceling IAS Shares. On July 8, 2019, the Court granted the Receiver’s motion to cancel the shares of IAS.<sup>5</sup> The Court made specific findings in support of its order, including a determination that 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.”<sup>6</sup>

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<sup>1</sup> [Docket No. 490](#). A *Corrected Receivership Order*, which corrected formatting errors, was entered the following day. [Docket No. 491](#), filed Nov. 1, 2018.

<sup>2</sup> *Memorandum Decision and Order Freezing Assets and to Appoint a Receiver*, [Docket No. 444](#), filed Aug. 22, 2018.

<sup>3</sup> [Docket No. 636](#), filed May 3, 2019.

<sup>4</sup> [Docket No. 718](#), filed Jul. 8, 2019. Defendants have appealed this order.

<sup>5</sup> [Docket No. 719](#), filed Jul. 8, 2019.

<sup>6</sup> *Id.* at 5.

B. Cessation of Trading. The Receiver notified the Financial Industry Regulatory Authority (“FINRA”) when the Court’s order was entered. FINRA halted all trading of IAS shares on July 9, 2019.

### III. ASSET RECOVERY

A. Motion for Turnover of Real Estate and Monies. On August 30, 2019, the Receiver filed *Receiver’s Motion for Order Directing Turnover and Transfer of Real Properties Titled in the Name of Glenda Johnson and Funds in Accounts Controlled by Glenda Johnson*<sup>7</sup> seeking an order directing Glenda Johnson to turn over to the Receiver 14 real properties in Millard County and Utah County that the Receiver identified as having been purchased with Receivership funds. The motion also seeks an order requiring Mrs. Johnson to turn over to the Receiver more than \$1.4 million in two bank accounts she controls, which the Receiver alleges were taken from Receivership Entities. Mrs. Johnson was granted additional time to respond, so the motion is not yet ripe for court ruling.<sup>8</sup>

B. Motor Vehicles. On August 26, 2019, the Utah Tax Commission provided the Receiver with information on motor vehicles and trailers registered in the name of Neldon Johnson. Johnson had previously indicated that he owned less than half a dozen vehicles and trailers. The DMV records show that he and the Receivership Entities own 23 trucks, trailers, ATVs, watercraft, and snowmobiles. The Receiver made demand on Neldon Johnson for a turnover of these vehicles, but none has been turned over.<sup>9</sup>

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<sup>7</sup> [Docket No. 757](#), filed Aug. 30, 2019.

<sup>8</sup> In early October, after the close of the Reporting Period, the Receiver learned that Mrs. Johnson had removed the Receiver’s name and address as the contact person for these properties and listed her name and address. The Receivership Order which has been recorded against all these properties was not affected.

<sup>9</sup> Notably, accounting records maintained by Glenda Johnson, identified certain expenses paid by Receivership Entities as being for the “company motorcycle,” “company condo,” and “company car.” Despite describing these

The Receiver also received information from a vehicle dealer that Receivership funds were used to purchase a 2017 Dodge Durango that is titled in the name of Glenda Johnson and that RaPower paid \$5,623 in 2014 as the down payment for a lease of a new Chrysler van that also is titled in the name of Glenda Johnson. These vehicles have not been turned over to the Receiver.

#### IV. ASSET SALES

A. Sales of Real Estate. All six real estate properties that were owned by IAS were sold during the Reporting Period. The 626-acre property in Texas that was titled in the name of the N.P. Johnson Family Limited Partnership is now in the Receivership Estate and is being marketed. Attached as Exhibit 1 is a table showing the status of all properties in the Receivership Estate. The six IAS properties that sold during the prior three months are:

1. San Bernardino. This six-acre property in San Bernardino County, California was appraised for \$4,000. The Receiver preliminarily accepted an offer of \$3,500 for the property and sought approval from the Court to conduct an auction, to see if any other bidders would show an interest in the property. On May 23, 2018 (in the prior Reporting Period) the Court approved a public sale of the property at auction.<sup>10</sup> The Receiver set an auction for July 9, 2019 and advertised notice of the auction. No other bidders pre-qualified for the auction so the Receiver canceled the auction and sold the property to the initial bidder. After the payment of taxes and other closing costs, the net

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assets as being owned by Cobblestone, Glenda and Neldon Johnson have refused to turn these assets over to the Receiver.

<sup>10</sup> [Docket No 668](#), filed May 23, 2019.

sales proceeds were \$2,582.52. A notice of sale results was filed with the Court on August 5, 2019.<sup>11</sup>

2. Millard County Tower Site. This 75.4-acre property in Millard County appraised at \$3,800. The low appraisal reflected the presence of dilapidated solar towers, scattered equipment, and trash on the property. The Receiver preliminarily accepted an offer of \$3,800 for the property. During the prior Reporting Period, the Court approved conducting an auction to determine whether other bidders might offer a higher price.<sup>12</sup> After publication of notice of the auction, four additional bidders qualified to bid at the July 18, 2019 auction. The auction bidding increased the ultimate sales price to \$21,000. After payment of taxes and other closing costs, the net sales proceeds were \$17,656.00. After the auction, bid deposits were refunded to the unsuccessful bidders. A notice of sale results was filed on August 5, 2019.<sup>13</sup>

3. Millard County 40-Acre Site (HD 4654). This 40-acre undeveloped property in Millard County appraised at \$8,000. The Receiver accepted an offer of \$8,500, subject to Court approval. The Court approved conducting an auction to determine whether higher bids would be obtained.<sup>14</sup> One potential bidder indicated an intention to bid and signed the auction procedures agreement. That bidder did not submit the required bid deposit before the auction date. The Receiver held the auction as

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<sup>11</sup> [Docket No. 744](#), filed Aug. 5, 2019.

<sup>12</sup> [Docket No. 689](#), filed Jun. 6, 2019.

<sup>13</sup> [Docket No. 743](#), filed Aug. 5, 2019. On the date of the auction, the Receiver inspected this property and found significant damage to multiple vehicles located on the property. This included windshields smashed in, headlights and equipment gauges broken, and windows broken on the travel trailer. The Receiver believes this damage was intentional and had occurred relatively recently before the auction.

<sup>14</sup> [Docket No 722](#), filed Jul.18, 2019.

scheduled in Fillmore, Utah on August 22, 2019, but the potential bidder did not appear and no other bidders appeared. The Receiver directed the title company to close on the sale to the original bidder. After payment of closing costs and property taxes, the net sales proceeds to the Receiver were \$6,961.31. A notice of property sale results was filed on September 30, 2019.<sup>15</sup>

4. Millard County 80-Acre Site (HD 4657). This 80-acre undeveloped property in Millard County appraised at \$24,000. The Receiver accepted an offer of \$24,000, subject to Court approval. The Court approved conducting an auction to determine whether higher bids would be obtained.<sup>16</sup> One potential bidder indicated an intention to bid and signed the auction procedures agreement. That bidder did not submit the required bid deposit before the auction date. The Receiver held the auction as scheduled in Fillmore, Utah on August 22, 2019, but the potential bidder did not appear and no other bidders appeared. The Receiver directed the title company to close on the sale to the original bidder. After payment of closing costs and property taxes, the net sales proceeds to the Receiver were \$21,166.29. A notice of property sale results was filed on September 30, 2019.<sup>17</sup>

5. Millard County 120-Acre Site (HD 4609). This 120-acre undeveloped property in Millard County appraised at \$48,000. The Receiver accepted an offer of \$45,000, subject to Court approval. The Court approved conducting an auction to determine whether higher bids would be obtained.<sup>18</sup> No potential bidders prequalified to

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<sup>15</sup> [Docket No. 775](#), filed Sep. 30, 2019.

<sup>16</sup> [Docket No 723](#), filed Jul. 18, 2019.

<sup>17</sup> [Docket No. 776](#), filed Sep. 30, 2019.

<sup>18</sup> [Docket No 752](#), filed Aug. 19, 2019.

bid before the September 26, 2019 auction date so the Receiver canceled the auction and directed the title company to close on the sale to the original bidder. After payment of closing costs, property taxes, and recaptured greenbelt fees, the net sales proceeds to the Receiver were \$39,058.42. A notice of property sale results was filed on September 30, 2019.<sup>19</sup>

6. Millard County 320-Acre Site (HD 4612). This 320-acre undeveloped property in Millard County appraised at \$128,000. The Receiver preliminarily accepted an offer of \$90,000, subject to Court approval. The Court approved conducting an auction to determine whether higher bids would be obtained.<sup>20</sup> No other bidder prequalified to bid, so the Receiver canceled the auction set for September 26, 2019 and directed the title company to close on the sale to the original bidder. After payment of closing costs, property taxes, and greenbelt recapture fees, the net sales proceeds to the Receiver were \$77,741.68. A notice of property sale results was filed on September 30, 2019.<sup>21</sup>

B. Texas Real Estate. The Receivership Estate owns 626 acres of undeveloped property in Howard County, Texas that is being marketed. The Receiver has engaged a listing broker, but no offers have been received on that property.

C. Real Estate-Related Activities for IAS Properties.

1. Tax Appeal. The Millard County Assessor proposed a 2019 assessment of \$149,350 for the Tower Site property (HD-4658-1). Because the Receiver would be responsible for more than half the property taxes for the year, the Receiver filed an appeal

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<sup>19</sup> [Docket No. 777](#), filed Sep. 30, 2019.

<sup>20</sup> [Docket No 751](#), filed Aug. 19, 2019.

<sup>21</sup> [Docket No. 778](#), filed Sep. 30, 2019.



of the property valuation, requesting a valuation of \$21,000—the amount of the property sale at auction. On September 19, 2019, the Millard County Board of Equalization granted the appeal, reducing the valuation to \$21,000. As a result, the Receiver expects to receive a refund of amounts held in escrow with the title company for payment of 2019 property taxes.

2. Property Lien Filed by Glenda Johnson. On August 15, 2019, Glenda Johnson filed a notice of lien against the Tower Site property, claiming she is owed \$9,000 for work performed on the property between January 2004 and August 14, 2019. This lien was filed after the sale of the property by the Receiver. If it had been filed before the closing date, the lien would have been eliminated by the Court's order approving the sale. Thus, the delayed filing of the lien appears deliberately designed to avoid the effect of the Court's order. Moreover, the lien asserts that Ms. Johnson performed work on the property between the period between August 22, 2018 and August 14, 2019, including work during the time period when the assets were frozen and she was prohibited from entering the properties. The Receiver and the United States are evaluating what sanctions to seek against Glenda Johnson for the filing of this lien.<sup>22</sup>

D. Other Asset Sales.

1. Aircraft Sales. As noted in prior reports, the Receivership Estate owned two airplanes: a Mooney and a twin-engine Cessna.<sup>23</sup> The Receiver hired an aircraft mechanic from Richfield to inspect the Mooney aircraft and evaluate its condition, since

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<sup>22</sup> The Receiver fears this lien filing may be intended to dissuade potential buyers from purchasing properties from the Receiver. The buyer has informed the Receiver he is contemplating bringing an action for the wrongful lien filing

<sup>23</sup> During this quarter, Neldon Johnson finally delivered the aircraft log books for the twin-engine Cessna.

the prior airworthiness certificate had expired. The Receiver hired T.J. Neff Aircraft Sales, a California airplane broker that specializes in the sales of piston aircraft, to advise the Receiver on the sales of the two aircraft. The Receiver talked with several potential buyers and provided them with information about the aircraft. Offers were received for the Mooney from three potential buyers but there were no offers on the twin-engine Cessna.<sup>24</sup> The highest offer for the Mooney alone was \$19,000. Neff, the aircraft broker, informed the Receiver that the Cessna had no value in its current location and lack of airworthiness because the cost of transporting the aircraft exceeded its salvage value. In the end, the Receiver sold both aircraft on July 31, 2019 to a single buyer for \$24,000.

2. Trailer Sale. The Receiver sold a utility trailer located on one of the Receivership properties for \$500, before the property was sold at auction.<sup>25</sup>

## V. INVESTIGATION

A. Variety of Patent Ideas by Neldon Johnson. The Nelson Snuffer invoices for legal services revealed a wide variety of ideas for which Neldon Johnson sought patents. It was previously known that IAS claimed to be pursuing technologies derived from Neldon Johnson's patents for digital wave modulation, self-scanning checkout systems, automated fingerprint identification, and solar energy. The Nelson Snuffer invoices reveal legal work on patent

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<sup>24</sup> The Cessna's airworthiness had not been certified for several years.

<sup>25</sup> The buyer informed the Receiver that Neldon Johnson called the police, claiming the buyer had possession of Johnson's trailer. The buyer showed the police officer the bill of sale signed by the Receiver, which satisfied the police officer. Johnson contacted the buyer directly, claiming the contents of the trailer were valued at \$10,000 and belonged to Johnson. After consultation with the Receiver, the buyer notified Johnson that he was welcome to retrieve the contents of the trailer if Johnson agreed to remove all the contents of the trailer and clean out the trash and rodent droppings in the trailer.

investigations where Neldon Johnson claimed inventions regarding nuclear reactors, rocket engines, spacecraft, submarines, and quantum computers.

B. Wisdom Farms. As part of his investigation into the transfer of \$2.3 million from IAS to a friend of Neldon Johnson, the Receiver learned that Neldon Johnson directed his friend to send \$500,000 of the \$2.3 million to an engineering firm named Wisdom Farms. Wisdom Farms stated that it used that money to partially build a prototype turbine that was based on Johnson's "concepts." The prototype was not derived from Johnson's patents or any drawings by Johnson but was an attempt by engineers at Wisdom Farms to determine whether a workable device could be built using Johnson's ideas. Wisdom Farms reported to the Receiver that it built a partial prototype, but was unable to complete the prototype because the \$500,000 in funding was insufficient to complete the project and no other funding was provided. Wisdom Farms reported that the partially-built prototype was picked up by Johnson and one of his sons in August 2019. The Receiver has not yet been able to determine the location of the prototype. The Receiver believes that Johnson has previously claimed that this prototype proves that his system works.

C. Payments for Easements on Texas Property. Documents produced to the Receiver by Neldon Johnson and his attorneys during prior reporting periods indicated that the Texas property was originally owned by the N.P. Johnson Family Limited Partnership ("NPJFLP") but later transferred to Black Night Enterprises and Starlite Holdings—both Nevis-based entities controlled by insiders. However, prior to creation of the Receivership Estate, several third parties had sought and received easements to use portions of the property. Agreements granting the easements were signed by Neldon Johnson on behalf of NPJFPL, even though NPJFLP did not

own the property and Johnson had no interest in NPJFLP. The easement payments were paid to NPJFLP. The checks representing these payments were endorsed by Neldon Johnson and deposited into a bank account belonging to Glenda Johnson.

D. IAS Shares Granted to Nelson Snuffer. The number of shares that IAS granted to the Nelson Snuffer law firm was such a high number that for at least some time periods, Nelson Snuffer owned more than 10% of the outstanding shares of IAS. That required Nelson Snuffer to submit forms indicating it was “Acting in Concert” with IAS in its share sales and to file notices with the U.S. Securities and Exchange Commission when it sold shares as a “Control Person.”<sup>26</sup>

As part of his investigation into stock sales, the Receiver identified a transfer of 1.5 million shares of IAS stock to Nelson Snuffer that appeared designed to avoid the required holding period before IAS shares could be sold in public markets. IAS had issued 1.5 million shares on July 12, 2010 to a company controlled by an insider, Christopher Taylor. Those shares were transferred to Nelson Snuffer on October 25, 2011, after the shares had been outstanding for greater than one year. That enabled Nelson Snuffer to sell those shares without satisfying any further holding period. IAS then issued 1.5 million new shares to Taylor’s company.

During the Reporting Period, J. David Nelson and Denver Snuffer returned to the Receiver warrants for IAS stock that had been issued to them.

E. Nelson Snuffer Funding for Property Transferred to Glenda Johnson. In reviewing records delivered to the Receiver by Nelson Snuffer, the Receiver found that in 2006 Nelson

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<sup>26</sup> The Receiver’s Third Status Report indicated that Nelson Snuffer may have sold as many as 90 million shares of IAS stock. Nelson Snuffer filed a response (Docket No. 724, filed Aug. 15, 2019) that included information appearing to show many of the numerous share certificates issued to Nelson Snuffer were certificates replacing earlier certificates after a portion of the shares from the earlier certificates were sold. The Receiver now believes that Nelson Snuffer received a total of 12,125,000 shares of IAS stock, most of which was sold (netting an estimated \$4.2 million for Nelson Snuffer) and some of which was transferred to others or relinquished to the Receiver.

Snuffer sent three checks totaling \$95,371.37 to First American Title with a notation the funds were for the purchase of land in Delta, Utah. The last check was dated July 13, 2006. The Receiver believes these funds were used to purchase a home and .82 acres of property in Delta that is titled in the name of Glenda Johnson.<sup>27</sup> The effect of the stock issuances and subsequent payments was: i) IAS issued stock to Nelson Snuffer, ii) Nelson Snuffer sold the stock, putting the net proceeds in its client trust account, iii) Nelson Snuffer sent \$95,371.37 to First American Title to purchase real property, and iv) the real property was titled in the name of Glenda Johnson.

F. Nelson Snuffer Transfer of Shares. On June 23, 2003, Nelson Snuffer transferred 500,000 shares of IAS stock from its brokerage account to the account of Matthew Woolley. At the time, Woolley was an attorney working as an employee of IAS. Woolley reported to the Receiver that he did not get any benefit from the 500,000 shares from Nelson Snuffer; Woolley says he transferred those shares to Neldon Johnson. The Receiver believes this transfer from Nelson Snuffer to Woolley to Neldon Johnson may have been to disguise the source of the shares and enable Johnson to receive proceeds from the sales of shares without having to report the sales to the U.S. Securities and Exchange Commission.

G. Credit Card Analysis. During the Reporting Period, the Receiver obtained account statements for several credit cards issued by Citibank. The credit card accounts were in the name of Glenda Johnson, but most of the payments on the account came from Receivership Entities. This analysis revealed the extent to which personal expenses were charged to credit cards where

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<sup>27</sup> This property has tax parcel number HD-4497-1. It is identified in the Corrected Receivership Order at paragraph 20(n).

the credit card payments came from one of the companies. The Receiver plans to seek a return of the payments for personal expenses from Citibank and issuers of other credit cards where similar conduct occurred.

H. Payments to Insurance Companies. The Receiver sent letters to insurance companies that received payments from Receivership Entities. The letters sought information on the type of insurance policies in effect, so the Receiver could determine whether any of those payments would be avoidable transfers and whether there were insurance policies on which the Receiver could make claims. After analyzing the responses, the Receiver learned the insurance was mostly insurance on properties, health insurance, and employee-related insurance (such as worker's compensation and unemployment insurance). To date, the Receiver has not identified any insurance policies on which he should assert claims.

I. Furniture Purchases. The Receiver found more than \$43,000 in Receivership Entity payments to R.C. Willey for the purchase of furniture. R.C. Willey provided the Receiver with copies of the invoices and delivery documents relating to those purchases. The Receiver learned that all the furniture paid for by Receivership Entities was delivered to residences used by Neldon and Glenda Johnson and at least one of Neldon Johnson's sons.

J. Funding for Appeal. The Corrected Receivership Order permitted Receivership Defendants to assert control over the Receivership Entities to the extent necessary to file an appeal, subject to the requirement that no receivership funds were used to fund the appeal. The Receiver has identified approximately \$565,000 in Receivership Entity funds that have been used to pay legal fees to Nelson Snuffer since the conclusion of trial. This includes \$300,000 that

Robert Johnson sent to Nelson Snuffer from the \$2.3 million he received in June 2018<sup>28</sup> and approximately \$265,000 that Nelson Snuffer has paid itself from the \$1 million that XSun Energy paid to Nelson Snuffer on June 25, 2018 as a retainer. The Receiver has demanded the return of all these funds from Nelson Snuffer.

## **VI. DEMANDS FOR RETURN OF ASSETS AND FUNDS**

A. Turnover Demands for Real Estate, Cash. The Receiver's investigation revealed that at least 14 of the 18 the real properties held in the name of Glenda Johnson were funded with monies transferred from Receivership Entities to Glenda's personal bank account. The Receiver also found that over \$1.4 million in cash was transferred from company bank accounts to Glenda Johnson's personal bank account. The Receiver requested that Glenda Johnson turn over to the Receiver those 14 properties and \$1.4 million in cash. She refused.

The Receiver separately filed a notice of foreclosure, to take possession of a home owned by Blain and Lisa Phillips. Blain Phillips previously was a director of IAS and Lisa Phillips was an employee of IAS. Together, they owed a \$200,000 to IAS on a promissory note, which note was secured by their home.

B. Law Firm Payments. The Receiver demanded that the law firm Nelson Snuffer Dahle and Poulsen return \$1,168,000 in funds paid to the law firm by XSun Energy and Solco I three days after the Court ruled that Neldon Johnson, IAS, and RaPower were engaged in a massive fraud. The Receiver has demanded the return of funds paid to Snell & Wilmer for the 2018 RaPower bankruptcy filing that the Court found to have been filed in bad faith and for

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<sup>28</sup> The first time the Receiver became aware that Nelson Snuffer had received \$300,000 from Robert Johnson (which were funds belonging to IAS) was on July 3, 2019 in Robert Johnson's response to the Receiver's demand to Robert Johnson. The Receiver does not believe Nelson Snuffer has identified these IAS-derived funds as the source of payments for its legal work in any filings with the Court despite the requirements of paragraph 10 of the Order.

some of the law firm's work related to Neldon Johnson's 2011 personal bankruptcy. Demands have also been sent to five additional lawyers and law firms seeking the return of fees paid to them by one of the Receivership Entities where the legal services provided personal benefits to other persons, including lens purchasers.

C. Robert Johnson. The Receiver demanded the return of \$2.3 million that IAS paid to Robert Johnson. Robert Johnson has been cooperating and providing information showing that some of the funds he received were paid to Wisdom Farms, the Nelson Snuffer law firm, and an international arbitration organization.

D. Commission Recipients. The Receiver sent demands to more than 120 persons who were paid significant amounts of commissions for soliciting others to purchase lenses. These demands have resulted in numerous settlements and in litigation.

E. Insiders. Demands were made on relatives of Neldon Johnson and of Greg Shepard for the return of funds they were paid by Receivership Entities. Demands were also made seeking the return of funds from one of the accountants for IAS and from Neldon Johnson's former wife.

F. Other. The Receiver requested the return of payments made by Receivership Entities for a medical conference attended by LaGrand Johnson, for monies paid by Greg Shepard to participate in a South African investment scheme that turned out to be a fraud, and the return of funds loaned by Shepard to his son and his son's business partner.

## **VII. LITIGATION**

A. Receiver-Initiated Litigation. Litigation filed by the Receiver includes:



1. Turnover Motion. On August 30, 2019, the Receiver filed a motion seeking an order requiring Glenda Johnson to turn over to the Receiver \$1,945,500 she took from Receivership Entities and ownership of 14 real properties purchased with Receivership Estate funds but put into her name. As of the end of the Reporting Period, the motion has not yet been fully briefed.

2. Lawsuits Against Insiders. The Receiver filed the following lawsuits against insiders:

<b>Defendant</b>	<b>Relationship</b>	<b>Amount Sought</b>	<b>Date</b>
Johnson, LaGrand	Son of Neldon J.	\$2,388,527.84	7/26/19
Johnson, Randale	Son of Neldon J.	\$1,143,942.24	7/26/19
Bowers, Steven	M. Shepard Partner	\$17,300.00	7/26/19
Shepard, Matthew	Son of Greg Shepard	\$141,763.22	8/19/19
Newman, Ina	Former wife of Neldon	\$700,000.00	9/4/19
Johnson, Glenda	Wife of Neldon	\$3,640,203.36	9/4/19
Frandsen/Hutchings	G. Shepard Associates	\$52,000.00	9/17/19

After lawsuits like these are filed, the Receiver must have the lawsuit served and provide “initial disclosures” information to defendants. These additional efforts are ongoing.

3. Lawsuits Against Commission Recipients. During the Reporting Period, the Receiver filed the following lawsuits against persons who were paid commissions for soliciting others to purchase lenses. Additional lawsuits have been filed since the end of the Reporting Period and more are expected.

<b>Defendant</b>	<b>State of Residence</b>	<b>Amount Sought</b>	<b>Date</b>
Bean, Joel	Texas	\$16,018.10	9/27/19
Bennett, A; Jordan E.	Texas	\$10,899.00	9/27/19
Black, Scott	Utah	\$26,683.97	9/23/19
Brennan, Paul	Utah	\$95,591.76	9/24/19

Chaston, Steven	Utah	\$9,649.00	9/24/19
Davies, Ryan	Utah	\$22,500.00	9/24/19
Day, Melvin	Utah	\$110,371.24	9/24/19
Hadderton, Carey	Texas	\$87,522.67	9/27/19
Howell, John	Texas	\$307,832.87	9/27/19
Jones, Paul	Utah	\$65,311.75	9/25/19
King, Steven	Texas	\$22,108.05	9/27/19
Kulacz, Connie	Utah	\$19,320.00	9/23/19
Luke, Shane	Utah	\$16,649.10	9/24/19
Mahler, Mike	Texas	\$12,141.35	9/27/19
Manley, Mark	Texas	\$15,635.55	9/30/19
Mooney, Thomas	Texas	\$15,355.85	9/30/19
Newman, Kirk	Utah	\$12,828.90	9/25/19
Orgill, Stephen	Utah	\$12,012.00	9/23/19
Palmore, Carl	Texas	\$22,214.00	9/30/19
Roe, Janet	Texas	\$47,313.34	9/30/19
Shepherd, Trudy	Utah	\$72,123.14	9/25/19
Smith, Kelvin	Utah	\$42,854.96	9/23/19
Stilson, Dennis	Utah	\$32,471.25	9/24/19
Swenson, Lyle	Utah	\$60,721.50	9/24/19
Williams, Lynette	Utah	\$45,601.50	9/25/19

4. Motion to Transfer Cases. In conjunction with the initial lawsuits, the Receiver filed motions seeking to have all recovery actions filed by the Receiver transferred to the Court that is overseeing the Receivership, or in the alternative to have all recovery actions consolidated before a single judge. Attorneys for insiders sued by the Receiver opposed the Receiver's motions. After the end of the Reporting Period, orders were issued transferring cases to this Court. Ultimately, on October 18, 2019, after the end of the Reporting Period, the Court issued General Order 19-003 which transferred all pending and future cases arising from or relating to this action to Judge Nuffer.

B. Counterclaims Asserted Against the Receiver. Four of the defendants sued by the Receiver (Glenda Johnson, Randale Johnson, LaGrand Johnson, and Matthew Shepard—all

represented by Nelson Snuffer) filed counterclaims against the Receiver. The counterclaims assert that the Receiver acted without authority in causing a cessation of trading in IAS shares and that the Receiver is personally liable for the loss in value of the IAS shares owned by these defendants. The Receiver has filed a motion seeking to dismiss the counterclaims on the grounds that the Receiver's actions were pursuant to Court order.<sup>29</sup> The Receiver's motion to dismiss has been fully briefed and is awaiting the Court's decision.

C. Motions Relating to Administration of the Receivership Estate. In order to have jurisdiction over defendants living in other states, the Receiver must file notice of his appointment as Receiver with the federal judicial districts in which out-of-state defendants reside. Notice was previously filed in districts in Texas and California. The Receiver filed a motion asking the Court to "reappoint" him as Receiver, so he can file the required notices in other federal districts within the ten-day window prescribed by statute.<sup>30</sup> The Court granted the Receiver's motion, after the end of the Reporting Period.<sup>31</sup>

Due to conflicts of interest between counsel for the Receiver and potential defendants, the Receiver filed a motion seeking court approval for the appointment of conflict counsel, to pursue lawsuits for which the Receiver's principal attorneys have a conflict.<sup>32</sup> After the end of the Reporting Period, the Court appointed David Castleberry and Manning Curtis Bradshaw &

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<sup>29</sup> In the case of Glenda Johnson, the Receiver noted that Glenda Johnson did not own any IAS shares at the time the shares were canceled.

<sup>30</sup> [Docket No. 761](#), filed Sep. 5, 2019.

<sup>31</sup> [Docket No. 783](#), filed Oct.10, 2019.

<sup>32</sup> [Docket No. 773](#), filed Sep. 26, 2019.

Bednar as conflict counsel for the Receiver.<sup>33</sup> To date, the Receiver has referred three litigation matters to the conflict counsel.<sup>34</sup>

D. Tolling Agreements, No Limitations Concerns. Approximately a dozen potential defendants have signed tolling agreements, consenting to extend the statute of limitations so they can consult with counsel, conduct further investigation of their records, or negotiate with the Receiver. In several additional matters, the transactions were sufficiently recent that the Receiver does not feel compelled to file actions before the one-year anniversary of his appointment, when certain statute of limitations defenses become available. As a result, the Receiver expects to file additional lawsuits even after October 31, 2019.

E. Contempt. In connection with the contempt order the Court entered against Pacific Stock Transfer Company (“PSTC”) on May 24, 2019,<sup>35</sup> the Court ordered the PSTC to pay \$6,160.40 for the Receiver’s costs of the PSTC’s failure to comply with the subpoena and to reimburse the Receiver for his costs in seeking contempt.<sup>36</sup> The PSTC paid this amount.

In connection with the Court’s findings of contempt against Neldon, Glenda, Randale, and LaGrand Johnson, the respondents were required to submit additional compliance declarations and give the United States and the Receiver an opportunity to provide comments on the adequacy of the declarations. Draft declarations were provided by respondents in July. The Receiver and the United States jointly submitted redline versions of the draft declarations, identifying areas where the United States and the Receiver believed the declarations were

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<sup>33</sup> [Docket No. 785](#), filed Oct. 11, 2019.

<sup>34</sup> These referrals occurred after the end of the Reporting Period and will be reported on in the next status report.

<sup>35</sup> [Docket No. 677](#), filed May 24, 2019.

<sup>36</sup> [Docket No. 732](#), filed Jul. 25, 2019.

inadequate. Respondents filed final declarations rejecting the position taken by the United States and the Receiver that additional information should be provided.

The United States filed a motion seeking additional sanctions against Neldon Johnson and three family members for continuing contempt of the Court's Receivership Order and for additional instances of contempt.<sup>37</sup> The matter has been fully briefed and is awaiting further hearings or a ruling by the Court.

F. Appeals. The Receivership Defendants appealed the Court's order entering judgment against them and appointing a receiver. The Tenth Circuit Court of Appeals heard oral argument on that appeal on September 25, 2019. The Receiver expects a ruling will not be issued until summer 2020. The Receivership Defendants and other affiliated entities have separately filed an appeal of the Court's order canceling the shares of IAS. Appellants' brief was filed after the end of the Reporting Period and will be discussed in the next status report.

G. Sexual Harassment Litigation Against Cobblestone. The Receiver learned that a former employee of Cobblestone had asserted claims alleging sexual harassment and discrimination by Cobblestone (before the Receiver was appointed). The Receiver notified the Utah Labor Commission and opposing counsel of the stay of litigation imposed by the Corrected Receivership Order. That matter is now on hold.

## VIII. SETTLEMENTS

A. Repayments, Settlement Agreements. In response to demand letters sent by the Receiver to persons who were paid commissions, six commission recipients sent checks during the Reporting Period totaling \$54,731.25 refunding the amounts they received. Another seven

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<sup>37</sup> [Docket No. 754](#), filed Aug. 21, 2019.

entered into settlement agreements with the Receiver agreeing to pay \$216,216.95 in settlements. A few of these settlements reflect agreement by the Receiver allowing installment payments over time or reduced settlement amounts based on demonstrated inability to pay. Those who have sought hardship treatment have been required to submit a sworn affidavit detailing their income and assets. The Receiver filed a motion seeking Court approval of these settlement agreements.<sup>38</sup> This motion is awaiting approval by the Court.

B. Additional Settlements. Since the time the first motion seeking approval of settlement agreements was filed, the Receiver has received other refunds and negotiated additional settlement agreements. The Receiver expects to file a second motion for approval of settlement agreements in early November. The Receiver is also in negotiation with a number of additional potential defendants and expects some of those negotiations will result in settlement agreements.

## **IX. FINANCIAL OPERATIONS OF THE RECEIVERSHIP ESTATE**

A. Living Allowance. The Receiver continues to make living allowance payments to Greg Shepard. The Allianz annuity payments due to Shepard, that had been coming to the Receivership Estate, have ended. In July, the Receiver paid \$830 to Shepard. In August, Shepard notified the Receiver that the \$1,000 monthly payment Shepard was to be receiving directly from Bigger Faster Stronger was not received. In August and September, the Receiver paid Shepard \$1,830 monthly. After the end of the Reporting Period, Shepard notified the Receiver that the Bigger Faster Stronger payments have resumed, so the Receivership Payments will revert to \$830 monthly.

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<sup>38</sup> [Docket No. 766](#), filed Sep. 12, 2019.

B. Receipts and Disbursements. The tables below show the amount and source of funds brought into the Receivership Estate during the quarter and the categories of expenditures:

<b>Revenue into the Receivership Estate</b>	
<b>Source of Revenue</b>	<b>Amount In</b>
Real estate sales proceeds	\$47,366.12
Sales of aircraft, trailer	\$25,000.00
Settlements	\$250,288.20
Contempt, rebate, annuity	\$6,664.56
Bank interest	\$2,713.46
<b>Total</b>	<b>\$325,688.34</b>

<b>Expenditures</b>	
<b>Type of Expenditure</b>	<b>Amount</b>
Real estate sales, appraisals	\$1,332.80
Aircraft sale expenses	\$738.40
Shepard living allowance	\$4,490.00
Bank fees	\$114.00
Administrative expenses <sup>39</sup>	\$534.24
<b>Total</b>	<b>\$7,209.44</b>

No professional fees were paid during the quarter. The Receiver and his counsel submitted a fee application in August for work performed in the second quarter.<sup>40</sup> The Court approved the fee application after the end of the Reporting Period.

C. Bank Account Balances. The following table shows the balance of funds in the Receivership bank accounts at Wells Fargo Bank as of September 30, 2019:

<b>Bank Account Balances</b>	
<b>Account</b>	<b>Amount</b>
Checking account	\$166,714.66
High yield savings <sup>41</sup>	\$1,577,732.04
<b>Total</b>	<b>\$1,744,446.70</b>

<sup>39</sup> These include the purchase of flash drives, fees for copies of vehicle records, postage, and document production expenses.

<sup>40</sup> [Docket No. 746](#), filed Aug. 15, 2019.

<sup>41</sup> The Receiver was able to take advantage of a special promotion by Wells Fargo Bank by which the interest rate on the savings account increased significantly in August 2019.

**X. NEXT STEPS**

The significant next steps in the Receivership will be:

- A. Filing Additional Lawsuits. The Receiver intends to file numerous additional lawsuits during the upcoming quarter. These include lawsuits against defendants in other states and persons who have signed tolling agreements. The Receiver will continue to consult with counsel for the United States in the lawsuits he files.
- B. Pursue Litigation Already Filed. The Receiver must serve the complaints, provide initial disclosures, review answers filed, and make and defend against motions that are filed. This is expected to consume significant effort over the coming quarters.
- C. Negotiate Settlements. The Receiver will continue to negotiate settlements of demands he has made and lawsuits he has filed. This is expected to include review of hardship affidavits and determinations whether to accept installment payments or reduced amounts.
- D. Asset Recovery. If the Court grants turnover motions the Receiver has filed against Glenda Johnson and the Diana Shepard Trust, the Receiver will market those real estate properties. When foreclosure proceedings are complete on the Phillips property, the Receiver will market that property. If the Receiver recovers vehicles owned by Neldon Johnson and Glenda Johnson, he will market those vehicles. If the Receiver recovers the prototype equipment built by Wisdom Farms, he will evaluate the best means of maximizing the value of that equipment.
- E. Contempt. The Receiver expects to assist the United States in its motion for additional sanctions for the continued contempt by Neldon Johnson and his family members.



F. Appeal. The Receiver will file its brief in the appeal of the order expanding the Receivership Estate.

## **XI. CONCLUSION**

Substantial progress was made during the Reporting Period. Affiliated entities and their assets are now part of the Receivership Estate. Litigation has now commenced. All the key bank records have been received and are in the final stages of analysis. Substantial (but likely still incomplete) records have been obtained from the Defendants, respondents, and the PSTC.

This important progress is the result of prodigious efforts by the United States in bringing its successful contempt motion and enormous commitments of time and attention by the Court regarding the motion for contempt. Substantial time has also been devoted by the Receiver to seeking and reviewing information and participating in the contempt proceedings. This progress was materially aided by the Court's resolution of the many and varied motions by the Receiver relating to sales of real estate, sanctions, living allowances, expanding the Receivership Estate, and actions on the shares and publicly traded status of IAS. The burden on the Court will continue to be heavy in view of the litigation to be commenced by the Receiver.

The Receiver is adjusting his priorities to ensure that the immovable deadline of filing recovery actions relating to transfers more than four years ago will not be compromised. With this adjustment, the Receiver believes the objectives of the Receivership are being achieved.

The Receiver certifies that the information in this Fourth Quarterly Status Report is accurate to the best of his knowledge.

  
Wayne Klein  
Receiver

DATED this 4<sup>th</sup> day of November, 2019.

**PARR BROWN GEE & LOVELESS**

/s/ Jonathan O. Hafen  
Jonathan O. Hafen  
Michael S. Lehr  
*Attorneys for Receiver*

**CERTIFICATE OF SERVICE**

IT IS HEREBY CERTIFIED that service of the above **RECEIVER'S FOURTH QUARTERLY STATUS REPORT** was electronically filed with the Clerk of the Court through the CM/ECF system on November 5th, 2019, which sent notice of the electronic filing to all counsel of record.

IT IS FURTHER CERTIFIED that, on the same date, by U.S. Mail, first-class, postage pre-paid, I caused to be served the same documents upon the following persons:

R. Gregory Shepard  
858 Clover Meadow Dr.  
Murray, Utah 84123

*Pro se Defendant*

/s/ Michael S. Lehr