

Jonathan O. Hafen (6096) (jhafen@parrbrown.com)
Jeffery A. Balls (12437) (jballs@parrbrown.com)
Michael S. Lehr (16496) (mlehr@parrbrown.com)
PARR BROWN GEE & LOVELESS, P.C.
101 South 200 East, Suite 700
Salt Lake City, Utah 84111
Telephone: (801) 532-7840
Facsimile: (801) 532-7750

Attorneys for Court-Appointed Receiver Wayne Klein

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

<p>R. WAYNE KLEIN, as Receiver,</p> <p style="text-align: center;">Plaintiff,</p> <p style="text-align: center;">v.</p> <p>LAGRAND T. JOHNSON, an individual and trustee of the YOTSUYA FAMILY TRUST,</p> <p style="text-align: center;">Defendants.</p>	<p style="text-align: center;">AMENDED COMPLAINT</p> <p style="text-align: center;">(Ancillary to Case No. 2:15-cv-00828)</p> <p style="text-align: center;">Civil No. 2:19-cv-00534-TC</p> <p style="text-align: center;">District Judge Tina Campbell</p>
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R. Wayne Klein, the Court-Appointed Receiver of RaPower-3, LLC (“RaPower”), International Automated Systems Inc. (“IAS”), LTB1 LLC (“LTB1”) their subsidiaries and affiliates,¹ and the assets of Neldon Johnson (“Johnson”) and R. Gregory Shepard (“Shepard”),² (the “Receiver” or “Plaintiff”) in the case styled as *United States v. RaPower-3, LLC, et al.*, Case No. 2:15-cv-00828 (D. Utah) (Nuffer, J.) (the “Civil Enforcement Case”), hereby files this

¹ Collectively, unless stated otherwise, RaPower, IAS, LTB1, and all subsidiaries and affiliated entities are referred to herein as “Receivership Entities.” The subsidiaries and affiliated entities are: Solco I, LLC (“Solco”); XSun Energy, LLC (“XSun”); Cobblestone Centre, LC (“Cobblestone”); LTB O&M, LLC; U-Check, Inc.; DCL16BLT, Inc.; DCL-16A, Inc.; N.P. Johnson Family Limited Partnership (“NPJFLP”); Solstice Enterprises, Inc. (“Solstice”); Black Night Enterprises, Inc. (“Black Night”); Starlight Holdings, Inc. (“Starlight”); Shepard Energy; and Shepard Global, Inc.

² Collectively, RaPower, IAS, LTB1, Shepard, and Johnson are referred to herein as “Receivership Defendants.”

Complaint against LaGrand Johnson (“LaGrand Johnson”) as an individual and as trustee of the Yotsuya Family Trust.

STATEMENT OF THE CASE

1. Receivership Defendants were operated as an abusive tax fraud.³ The United States alleged, and the Court found, among other things, that the Receivership Defendants operated a massive tax fraud.⁴ The whole purpose of the Receivership Entities was to enable funding for Neldon Johnson and his family.⁵ LaGrand Johnson received, directly or indirectly, more than \$2.3 million from Receivership Entities. The transfers to LaGrand Johnson were in furtherance of the massive tax fraud and without any legally recognized value for the transferred money. The Receiver seeks to recover, for the benefit of the Receivership Estate, the amounts improperly transferred to LaGrand Johnson.

PARTIES, JURISDICTION AND VENUE

2. Pursuant to a Receivership Order entered on October 31, 2018 in the Civil Enforcement Case (the “Receivership Order”),⁶ Plaintiff is the duly-appointed Receiver for Receivership Entities.⁷

3. Upon information and belief, LaGrand Johnson is a resident of or is domiciled in the State of Utah. He is trustee of the Yotsuya Family Trust and the son of Neldon Johnson.

³ See *Findings of Fact and Conclusions of Law*, Civil Enforcement Case, [Docket No. 467](#), at 1 (“FFCL”), filed Oct. 4, 2018.

⁴ *Amended and Restated Judgment*, Civil Enforcement Case, [Docket No. 507](#), filed Nov. 13, 2018; see also FFCL. The Receivership Defendants have filed notices of appeal, which are pending.

⁵ FFCL at 128.

⁶ Civil Enforcement Case, [Docket No. 490](#). A Corrected Receivership Order, which corrected formatting errors, was entered the next day, [Docket No. 491](#).

⁷ Civil Enforcement Case, [Docket No. 636](#). The assets of 12 of these affiliates had been frozen by the initial Receivership Order.

4. Jurisdiction is proper in this Court pursuant to 28 U.S.C. §1367 and 28 U.S.C. § 754.

5. Venue is proper in this Court pursuant to 28 U.S.C. § 754 and 28 U.S.C. § 1391(b).

FACTS

The Abusive Tax Scheme

6. As the Court found in the Civil Enforcement Case: “For more than ten years, the Receivership Defendants promoted an abusive tax scheme centered on purported solar energy technology featuring ‘solar lenses’ to customers across the United States. But the solar lenses were only the cover story for what the Receivership Defendants were really selling: unlawful tax deductions and credits.”⁸

7. Receivership Defendants sold solar lenses emphasizing their purported tax benefits. Customers were told that they could “zero out” their federal income tax liability by buying enough solar lenses and claiming both a depreciation deduction and solar energy tax credit for the lenses.

8. The purported solar energy solar technology and solar lenses, however, did not work and could not generate energy.

9. Specifically, the Court found that the “purported solar energy technology is not now, has never been, and never will be a commercial grade solar energy system that converts sunlight into electrical power or other useful energy” and “[t]he solar lenses do not, either on

⁸ *Memorandum Decision and Order on Receiver’s Motion to Include Affiliates and Subsidiaries in Receivership*, Civil Enforcement Case, [Docket No. 636](#) at 4, quoting FFCL at 1.

their own or in conjunction with other components, use solar energy to generate marketable electricity.”⁹

10. Notwithstanding the fact the solar lenses and technology never worked, Receivership Defendants continued to sell solar lenses to customers emphasizing that customers would qualify for depreciation deductions and/or the solar energy tax credit.

11. Between 45,205 and 49,415 solar lenses were sold to customers.¹⁰ Receivership Defendants’ own transaction documents and testimony at trial showed that the gross receipts received by Receivership Defendants were at least \$32,796,196 and possibly much more.¹¹

12. These lens sales constituted a massive tax fraud.¹² None of these solar lenses ever met the necessary elements to qualify for depreciation deductions or the solar energy tax credit.

13. Indeed, “[h]undreds, if not thousands” of customer lenses were not even removed from the shipping pallets.¹³

14. Based on these facts and others, the Receivership Defendants were enjoined from promoting their abusive solar energy scheme, were ordered to disgorge their gross receipts, and were required to turn over their assets and business operations to the Receiver.¹⁴

15. The Court held that the “whole purpose of . . . the Receivership Entities . . . was to perpetuate a fraud to enable funding for Neldon Johnson. The same is true for other entities

⁹ FFCL at 49.

¹⁰ *Id.* at 14.

¹¹ *Id.* at 15.

¹² *Id.*

¹³ *Id.* at 55-56.

¹⁴ *Memorandum Decision and Order on Receiver’s Motion to Include Affiliates and Subsidiaries in Receivership*, Civil Enforcement Case, [Docket No. 636](#) at 4, citing *Memorandum Decision and Order Freezing Assets and to Appoint a Receiver*, Civil Enforcement Case, [Docket No. 444](#), filed August 22, 2018.

Johnson created, controls, and owns . . . including [Johnson-controlled affiliates]. Johnson has commingled funds between these entities, used their accounts to pay personal expenses, and transferred Receivership Property to and through them in an attempt to avoid creditors.”¹⁵

16. Receivership Entity bank accounts were frequently used to make payments to Neldon Johnson’s family members and to pay his personal expenses.¹⁶

17. LaGrand Johnson received more than \$2.3 million from the Receivership Defendants.

LaGrand Johnson’s Involvement with Receivership Defendants

18. Upon information and belief, LaGrand Johnson was knowledgeable about the operations of Receivership Entities. He was a corporate officer of the publicly-held IAS, an owner or member of many of Receivership Entities,¹⁷ and is the son of Neldon Johnson.

19. LaGrand Johnson was an insider of the Receivership Entities. He was involved in the preparation of financial statements for IAS, and had access to bank records of Receivership Entities.

20. At all times relevant hereto, the Receivership Entities were insolvent or had assets that were unreasonably small in relation to transactions in which they were involved.

21. LaGrand Johnson knew that the Receivership Entities were insolvent at the time that all transfers in this Complaint were made. Specifically, he knew or should have known that:

¹⁵ *Id.* citing FFCL and *Receiver’s Report and Recommendation on Inclusion of Affiliates and Subsidiaries in Receivership Estate*, Civil Enforcement Case, [Docket No. 581](#).

¹⁶ FFCL at 128.

¹⁷ See [Docket No. 581](#) at 4-28.

a. IAS's audited financial statements showed that IAS had never made any sales of any products, had not generated a profit since its 1986 inception, and had an accumulated deficit of more than \$40 million;

b. RaPower's revenue came from the sales of solar lenses to customers and that RaPower had promised that those lens purchasers would receive more in revenue from electricity generated from those solar lenses than what purchasers had paid for the lenses. As a result, if those lenses never generated any revenue from the sales of electricity, RaPower would be liable to those lens purchasers for the amount the customers paid for the lenses and for bonuses promised by RaPower;

c. XSun Energy's revenue came either as a result of agreements with other Receivership Entities or from third parties where XSun had liabilities to those third parties at least as great as the amount of revenues it received. XSun never earned any revenues from operations, other than transfers from affiliated entities in connection with the promotion of the abusive tax shelter; and

d. The vast majority, if not all, of Cobblestone's revenue came from Receivership Entities and were in connection with promotion of the abusive tax shelter. Upon information and belief, Cobblestone had no source of net revenues from third parties.

Amounts Transferred to LaGrand Johnson

22. LaGrand Johnson has received \$2,188,527.84 directly from Receivership Entities since 2005 and an additional \$200,000.00 from Glenda Johnson (wife of Neldon Johnson and a fellow insider of the Receivership Entities), reflecting amounts she transferred from Receivership

Entities to her own account and from there to LaGrand Johnson (the “Transfers”). A document summarizing the \$2,388,527.84 in Transfers is attached hereto as Exhibit 1.

23. LaGrand Johnson did not take the Transfers in good faith and/or did not transfer anything of a reasonably equivalent value to the transferors.

24. Upon information and belief, LaGrand Johnson knew that RaPower and IAS were being operated as a fraudulent scheme at the time that all Transfers were made.

Trust Deed Note and the Yotsuya Family Trust

25. On or about June 15, 2001, LaGrand Johnson, as Trustee of the Yotsuya Family Trust, executed a trust deed note securing certain real property in Beaver, UT.

26. The principal amount of Trust Deed Note was \$17,000 plus 10% per annum on the unpaid principal.

27. Upon information and belief, Cobblestone or other Receivership Entities made all payments under the Trust Deed Note, not the Yotsuya Family Trust or LaGrand Johnson.

FIRST CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under Utah Code Ann. §§ 25-6-5(1)(a) and 25-6-8 or Utah Code Ann. §§ 25-6-202(1)(a) and 25-6-303)

28. The Receiver re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

29. The Receivership Entities were engaged in an enterprise with all of the characteristics of a fraud scheme.

30. The Receivership Entities made the Transfers to LaGrand Johnson in furtherance of the fraud scheme.

31. At all relevant times hereto, each Receivership Entity that made payments to LaGrand Johnson had at least one creditor.

32. At all relevant times hereto, LaGrand Johnson was an insider of RaPower, Cobblestone, IAS, and other Receivership Entities.

33. At all relevant times hereto, Receivership Entities were insolvent.

34. The Transfers were paid and any obligations to LaGrand Johnson incurred with actual intent to hinder, delay or defraud a creditor of the Receivership Entities.

35. Pursuant to Utah Code Ann. §§ 25-6-5(1)(a) and 25-6-8 or Utah Code Ann. §§ 25-6-202(1)(a) and 25-6-303, the Receiver may avoid and recover the Transfers paid to LaGrand Johnson.

SECOND CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under Utah Code Ann. §§ 25-6-5(1)(b) and 25-6-8 or Utah Code Ann. §§ 25-6-202(1)(b) and 25-6-303)

36. The Receiver re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

37. The Receivership Entities were engaged in an enterprise that has all of the characteristics of a fraud scheme.

38. The Receivership Entities paid the Transfers to LaGrand Johnson in furtherance of the fraud scheme.

39. At all relevant times hereto, each Receivership Entity making transfers to LaGrand Johnson had at least one creditor.

40. The Transfers were paid or the obligations to LaGrand Johnson were incurred by the Receivership Entities without receiving a reasonably equivalent value in exchange for the Transfers or obligations.

41. At the time the Transfers were paid, the Receivership Entities (a) were engaged or was about to be engaged in a business or transaction for which the remaining assets of the Receivership Entities were unreasonably small in relation to the business or transaction; or (b) intended to incur, or believed or reasonably should have believed that it would incur, debts beyond its ability to pay as such debts became due.

42. Pursuant to Utah Code Ann. §§ 25-6-5(1)(b) and 25-6-8 or Utah Code Ann. §§ 25-6-202(1)(b) and 25-6-303, the Receiver may avoid and recover the Transfers paid to LaGrand Johnson.

THIRD CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under Utah Code Ann. §§ 25-6-6(1) and 25-6-8 or Utah Code Ann. §§ 25-6-203(1) and 25-6-303)

43. The Receiver re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

44. The Receivership Entities were engaged in a fraud scheme.

45. The Receivership Entities paid the Transfers to LaGrand Johnson in furtherance of the fraud scheme.

46. Each Receivership Entity had at least one creditor at the time that the Transfers were made or the obligation to LaGrand Johnson was incurred.

47. The Transfers were paid or the obligation to LaGrand Johnson was incurred by the Receivership Entities without the Receivership Entities receiving a reasonably equivalent value in exchange for the Transfers or obligation.

48. The Receivership Entities were each insolvent at the time the Transfers were paid or the obligation was incurred, or became insolvent as a result of the Transfers or the obligation incurred.

49. Pursuant to Utah Code Ann. §§ 25-6-6(1) and 25-6-8 or Utah Code Ann. §§ 25-6-203(1) and 25-6-303, the Receiver may avoid and recover the Transfers to LaGrand Johnson.

FOURTH CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under Utah Code Ann. §§ 25-6-6(2) and 25-6-8 or Utah Code Ann. §§ 25-6-203(2) and 25-6-303)

50. The Receiver re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

51. The Receivership Entities were engaged in a fraud scheme.

52. The Transfers were made as part of and in furtherance of a fraud scheme.

53. Each Receivership Entity had at least one creditor at the time that the Transfers from that Receivership Entity were made.

54. LaGrand Johnson was an insider of the Receivership Entities.

55. The Transfers were not made to the LaGrand Johnson for an antecedent debt.

56. The Receivership Entities were insolvent at the time the Transfers were made and, on information and belief, LaGrand Johnson had reasonable cause to believe that the Receivership Entities were insolvent.

57. Pursuant to Utah Code Ann. §§ 25-6-6(2) and 25-6-8 or Utah Code Ann. §§ 25-6-203(2) and 25-6-303, the Receiver may avoid and recover the Transfers made to the LaGrand Johnson.

FIFTH CLAIM FOR RELIEF
(Unjust Enrichment)

58. The Receiver re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

59. The Transfers were comprised of property of Receivership Entities and were made by Receivership Entities in furtherance of the fraud scheme.

60. The Transfers conferred a benefit upon LaGrand Johnson.

61. LaGrand Johnson knowingly benefitted from the Transfers.

62. Allowing LaGrand Johnson to retain the Transfers would unjustly enrich him and would be inequitable.

63. Absent return of the Transfers, the Receivership Estate will be damaged by LaGrand Johnson's unjust enrichment and may have no adequate remedy at law.

64. LaGrand Johnson must disgorge the amount of the Transfers.

PRAYER FOR RELIEF

WHEREFORE, the Receiver prays for Judgment against LaGrand Johnson as follows:

A. Pursuant to the Receiver's First Claim for Relief, judgment against LaGrand Johnson avoiding the Transfers under Utah Code Ann. §§ 25-6-5(a)(1) and 25-6-8 or §§ 25-6-202(1)(a) and 25-6-303, and permitting Plaintiff's recovery of the value of the: (1) Transfers in the total amount of \$2,388,527.84; and (2) payments made under the Trust Deed Note by Receivership Entities in an amount to be determined at trial.

B. Pursuant to the Receiver's Second Claim for Relief, judgment against LaGrand Johnson avoiding the Transfers under Utah Code Ann. §§ 25-6-5(a)(2) and 25-6-8 or Utah Code Ann. §§ 25-6-202(1)(b) and 25-6-303, and permitting Plaintiff's recovery of the value of the: (1) Transfers in the total amount of \$2,388,527.84; and (2) payments made under the Trust Deed Note by Receivership Entities in an amount to be determined at trial.

C. Pursuant to the Receiver's Third Claim for Relief, judgment against LaGrand Johnson avoiding the Transfers under Utah Code Ann. §§ 25-6-6(1) and 25-6-8 or Utah Code Ann. §§ 25-6-203(1) and 25-6-303, and permitting Plaintiff's recovery of the value of the: (1) Transfers in the total amount of \$2,388,527.84; and (2) payments made under the Trust Deed Note by Receivership Entities in an amount to be determined at trial.

D. Pursuant to the Receiver's Fourth Claim for Relief, judgment against LaGrand Johnson avoiding the Transfers under Utah Code Ann. §§ 25-6-6(2) and 25-6-8 or Utah Code Ann. §§ 25-6-203(2) and 25-6-303, and permitting Plaintiff's recovery of the value of the: (1) Transfers in the total amount of \$2,388,527.84; and (2) payments made under the Trust Deed Note by Receivership Entities in an amount to be determined at trial.

E. Pursuant to the Receiver's Fifth Claim for Relief, judgment against LaGrand Johnson permitting Plaintiff's recovery of the value of the: (1) Transfers in the total amount of \$2,388,527.84; (2) payments made under the Trust Deed Note by Receivership Entities in an amount to be determined at trial; (3) imposition a constructive trust for the benefit of the receivership estate on any and all Transfers; and (4) disgorgement of the value of the Transfers.

F. Judgment for pre-judgment interest, costs, and fees, including reasonable attorney's fees, as may be allowed by law.

G. For such other and further relief as the Court deems just and proper.

DATED this 9th day of September, 2019.

PARR BROWN GEE & LOVELESS, P.C.

/s/ Jeffery A. Balls

Jonathan O. Hafen

Jeffery A. Balls

Michael Lehr

Attorneys for R. Wayne Klein, Receiver

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 9th day of September, 2019 a true and correct copy of the foregoing AMENDED COMPLAINT was sent via electronic mail to:

Denver C. Snuffer, Jr., Esq.

dcsnuff@aol.com

Steven R. Paul, Esq.

spaul@nsdplaw.com

Daniel B. Garriott, Esq.

dbgarrriott@msn.com

NELSON, SNUFFER, DAHLE & POULSEN

10885 South State Street

Sandy, Utah 84070

/s/ Jeffery A. Balls

Jeffery A. Balls