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**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>JOEL BLAKESLEE, individually and as Trustee of the Blakeslee Family Living Trust, the BLAKESLEE FAMILY LIVING TRUST, and JOHN DOES 1-5,</p> <p style="text-align: center;">Defendants.</p>	<p style="text-align: center;">COMPLAINT</p> <p style="text-align: center;">(Ancillary to Case No. 2:12-cv-00591)</p> <p style="text-align: center;">Civil No. _____</p>
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R. Wayne Klein, the Court-Appointed Receiver (the “Receiver” or “Plaintiff”) of National Note of Utah, LC (“National Note”), its subsidiaries and affiliates (collectively, unless otherwise stated, National Note and all subsidiaries and affiliated entities are referred to herein as “NNU”), and the assets of Wayne LaMar Palmer (“Palmer”), in the case styled as *Securities and Exchange Commission v. National Note of Utah, LC et al.*, Case No. 2:12-cv-00591 (D. Utah) (Jenkins, J.) (the “SEC Civil Enforcement Case”), hereby files this Complaint against Joel

Blakeslee (“Blakeslee”), the Blakeslee Family Living Trust (the “Trust”), and John Does 1-5 (“Defendant Does”) (collectively, “Defendants”), and states, alleges and avers as follows:

STATEMENT OF THE CASE

1. NNU was operated as an enterprise with all of the characteristics of a Ponzi scheme through which money was solicited from investors.¹ Upon information and belief, Defendants received monies from NNU, and the Receiver seeks to avoid the transfers and/or recover the value of the transfers from Defendants for the benefit of the receivership estate established in the SEC Civil Enforcement Case discussed in greater detail below.

PARTIES

2. Pursuant to an Order Appointing Receiver and Staying Litigation entered on June 25, 2012 in the SEC Civil Enforcement Case (the “Receivership Order”),² Plaintiff is the duly-appointed Receiver for National Note and Palmer “together with any and all subsidiaries and affiliated entities of National Note and Palmer. . . .”³

3. Upon information and belief, Blakeslee is a resident of or is domiciled in the State of Nevada and is the trustee of the Trust.

4. Upon information and belief, the Trust was established for the benefit of Blakeslee.

5. Upon information and belief, Defendant Does are currently unknown parties who

¹ See SEC Civil Enforcement Case, Docket No. 1 (Complaint).

² SEC Civil Enforcement Case, Docket No. 9.

³ *Id.* (Receivership Order, pp. 1-2).

have received monies or property from NNU, or are persons to whom Blakeslee or the Trust has transferred monies or property received from NNU.

JURISDICTION AND VENUE

6. Subject matter jurisdiction is proper in this Court pursuant to 28 U.S.C. §1367.
7. The Court has personal jurisdiction over Defendants.
8. Venue is proper in this Court pursuant to 28 U.S.C. § 754.

FACTS

The Ponzi Scheme

9. Since at least 1994 until the commencement of the SEC Civil Enforcement Case, NNU raised capital by soliciting investors to purchase promissory notes, which typically promised to pay interest at a rate of interest above market rates.

10. Upon information and belief, investors understood that they were investing in an enterprise that, among other things, bought and sold mortgage notes, underwrote and made loans, or bought and sold real estate assets through National Note, or one of many affiliated entities subject to the Receivership Order, all of which are referred to herein collectively as “NNU.”

11. Typically, investment funds were deposited in a commingled bank account controlled by NNU. NNU would then transfer such investor funds to another bank account (the “Investor Account”).

12. Monies on deposit in the Investor Account were commingled, and transfers to investors by NNU were made from the commingled funds on deposit in that Investor Account.

13. At all times relevant hereto, NNU was insolvent.

The Commission Payments to the Defendant

14. NNU transferred a total of \$503.67 to Blakeslee, which, upon information and belief, were commissions or remuneration for Blakeslee bringing investors to NNU (the “Commissions”).

Defendant’s Investment and the Transfers

15. On or about 2008, Blakeslee and the Trust commenced investing with NNU. A history of Blakeslee and the Trust’s investments is attached hereto as Exhibit A.

16. Blakeslee and the Trust paid NNU cash in the total amount of \$100,000.00 on or about 2008 (the “Principal Cash Investment”).

17. As set forth on Exhibit A, NNU transferred a total of \$124,689.36 in cash to Blakeslee and the Trust (the “Total Transfers”).

18. Of the Total Transfers, \$24,689.36 is an amount that is over and above Blakeslee and the Trust’s Principal Cash Investment (the “False Profit Transfers”) (collectively, the Commissions, the Total Transfers, and the False Profit Transfers are the “Transfers”).⁴ The Transfers equal \$125,193.03.

The SEC Civil Case and the Receiver’s Appointment

19. On June 25, 2012, the SEC Civil Enforcement Case was filed, alleging that NNU is a Ponzi scheme, and seeking, among other things, orders (a) restraining and enjoining NNU and Palmer from continuing to violate federal securities laws, (b) freezing assets and prohibiting NNU from transferring, changing, wasting, dissipating, converting, concealing, or otherwise

⁴ See Exh. A.

disposing of assets, (c) prohibiting NNU from destroying, mutilating, concealing, transferring, altering, or otherwise disposing of NNU's books and records, (d) imposing civil money penalties against NNU and Palmer, and (e) requiring the disgorgement by NNU and Palmer of all ill-gotten gains received by them pursuant to the scheme.⁵

20. Also on June 25, 2012, as a result of the filing of the SEC Civil Enforcement Action, the Court entered a Temporary Restraining Order and Order to Show Cause against the defendants⁶ and the Receivership Order appointing the Receiver.⁷ Since that time, both National Note and Palmer have stipulated to a Preliminary Injunction Order that prohibits National Note and Palmer from committing any further acts in furtherance of the Ponzi scheme and that prohibits National Note and Palmer from withdrawing, transferring, selling, buying, pledging, encumbering, assigning, dissipating, concealing, or otherwise disposing of any of their assets.⁸

21. On or about May 21, 2013, the Court entered an Order authorizing the Receiver to commence legal proceedings for the benefit of and on behalf of the receivership estate.⁹

FIRST CLAIM FOR RELIEF

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

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

⁵ SEC Civil Enforcement Case, Docket No. 1 (Complaint).

⁶ *Id.*, Docket No. 7.

⁷ *Id.*, Docket No. 9.

⁸ *Id.*, Docket Nos. 45 and 46.

⁹ *Id.*, Docket No. 315.

23. NNU was engaged in an enterprise with all of the characteristics of a Ponzi scheme.

24. NNU made the Transfers to Blakeslee and the Trust in furtherance of the Ponzi scheme.

25. At all relevant times hereto, NNU had at least one creditor.

26. The Transfers were made and any obligations to Blakeslee and the Trust were incurred with actual intent to hinder, delay or defraud a creditor of NNU.

27. Pursuant to Utah Code Ann. §§ 25-6-5(1)(a) and 25-6-8, the Receiver may avoid and recover the Transfers to Blakeslee and the Trust, or in the event such Transfers were transferred, from the Defendants.

28. Alternatively, to the extent that Blakeslee and the Trust took in good faith and for a reasonably equivalent value, the Receiver may avoid and recover the False Profit Transfers from Blakeslee and the Trust, or in the event such False Profit Transfers were transferred, from the Defendants.

SECOND CLAIM FOR RELIEF

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

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

30. NNU was engaged in an enterprise that has all of the characteristics of a Ponzi scheme.

31. NNU made the Transfers to Blakeslee and the Trust in furtherance of the Ponzi scheme.

32. At all relevant times hereto, NNU had at least one creditor.

33. The Transfers were made or the obligations to Blakeslee and the Trust were incurred by NNU without receiving a reasonably equivalent value in exchange for the Transfers or obligations.

34. At the time the Transfers were made, NNU (a) was engaged or was about to be engaged in a business or transaction for which the remaining assets of NNU 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.

35. Pursuant to Utah Code Ann. §§ 25-6-5(1)(b) and 25-6-8, the Receiver may avoid and recover the Transfers to Blakeslee and the Trust, or in the event such Transfers were transferred, from the Defendants.

36. Alternatively, to the extent that Blakeslee and the Trust took in good faith and for a reasonably equivalent value, the Receiver may avoid and recover the False Profit Transfers from Blakeslee and the Trust, or in the event such False Profit Transfers were transferred, from the Defendants.

THIRD CLAIM FOR RELIEF

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

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

38. NNU was engaged in a Ponzi scheme.

39. NNU made the Transfers to Blakeslee and the Trust in furtherance of the Ponzi

scheme

40. NNU had at least one creditor at the time that the Transfers were made or the obligation to Blakeslee and the Trust was incurred.

41. The Transfers were made or the obligation to Blakeslee and the Trust was incurred by NNU without NNU receiving a reasonably equivalent value in exchange for the Transfer or obligation.

42. NNU was insolvent at the time the Transfers were made or the obligation was incurred, or became insolvent as a result of the Transfers or the obligation incurred.

43. Pursuant to Utah Code Ann. §§ 25-6-6(1) and 25-6-8, the Receiver may avoid and recover the Transfers to Blakeslee and the Trust, or in the event such Transfers were transferred, from the Defendants.

44. Alternatively, to the extent that Blakeslee and the Trust took in good faith and for a reasonably equivalent value, the Receiver may avoid and recover the False Profit Transfers from Blakeslee and the Trust, or in the event such False Profit Transfers were transferred, from the Defendants.

FOURTH CLAIM FOR RELIEF
(Constructive Trust)

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

46. The Transfers to Defendants were comprised of property of NNU and were made by NNU in furtherance of the Ponzi scheme.

47. Allowing Defendants to retain the Transfers would unjustly enrich Defendants

and would be inequitable.

48. The Transfers can be traced to wrongful behavior.

49. An injustice would result if Defendants were allowed to keep the Transfers.

50. A constructive trust for the benefit of the receivership estate must be imposed for the benefit of the receivership estate in the amount of the Transfers made by NNU to Defendants, or in the alternative if Blakeslee and the Trust acted in good faith, for the False Profit Transfers.

FIFTH CLAIM FOR RELIEF

(Unjust Enrichment)

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

52. The Transfers to Defendants were comprised of property of NNU and were made by NNU in furtherance of the Ponzi scheme.

53. The Transfers conferred a benefit upon Defendants.

54. The Defendants knowingly benefitted from the Transfers.

55. Allowing Defendants to retain the Transfers would unjustly enrich Defendants and would be inequitable.

56. Absent return of the Transfers, the receivership estate will be damaged by Defendants' unjust enrichment and may have no adequate remedy at law.

57. Defendants must disgorge the amount of the Transfers, or if Blakeslee and the Trust acted in good faith, the False Profit Transfers, for the benefit of the receivership estate.

SIXTH CLAIM FOR RELIEF

(Disgorgement)

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 made as part of and in furtherance of a Ponzi scheme.

60. The Transfers were ill-gotten by Defendants.

61. Defendants have no claim to the Transfers made by NNU, or derivatively, from NNU's investors.

62. All Transfers made to Defendants, or if Blakeslee and the Trust acted in good faith, the False Profit Transfers, should be disgorged to the Receiver for the benefit of the receivership estate.

PRAYER FOR RELIEF

WHEREFORE, the Receiver prays for Judgment against Defendants as follows:

A. Pursuant to the Receiver's First Claim for Relief, judgment against Defendants avoiding the Transfers under Utah Code Ann. §§ 25-6-5(a)(1) and 25-6-8, and permitting Plaintiff's recovery of the value of the Transfers in the total amount of \$125,193.03, or alternatively, the amount of the False Profit Transfers, in the total amount of \$24,689.36.

B. Pursuant to the Receiver's Second Claim for Relief, judgment against Defendants avoiding the Transfers under Utah Code Ann. §§ 25-6-5(a)(2) and 25-6-8, and permitting Plaintiff's recovery of the value of the Transfers in the total amount of \$125,193.03, or alternatively, the amount of the False Profit Transfers, in the total amount of \$24,689.36.

C. Pursuant to the Receiver's Third Claim for Relief, judgment against Defendants avoiding the Transfers under Utah Code Ann. §§ 25-6-6(1) and 25-6-8, and permitting Plaintiff's recovery of the value of the Transfers in the total amount of \$125,193.03, or alternatively, the amount of the False Profit Transfers, in the total amount of \$24,689.36.

D. Pursuant to the Receiver's Fourth Claim for Relief, judgment against Defendants imposing a constructive trust for the benefit of the receivership estate on any and all Transfers, or alternatively, the False Profit Transfers.

E. Pursuant to the Receiver's Fifth Claim for Relief, judgment against Defendants for unjust enrichment, and requiring Defendants to disgorge the Transfers in the total amount of \$125,193.03, or alternatively, the amount of the False Profit Transfers, in the total amount of \$24,689.36.

F. Pursuant to the Receiver's Sixth Claim for Relief, entry of an Order requiring Defendants to disgorge the Transfers in the total amount of \$125,193.03, or alternatively, the amount of the False Profit Transfers, in the total amount of \$24,689.36.

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

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

DATED this 6th day of June, 2013.

DORSEY & WHITNEY LLP

/s/ Peggy Hunt

Peggy Hunt
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Attorneys for Receiver