

FILED  
U.S. DISTRICT COURT

2016 SEP 19 A 10:41

DISTRICT OF UTAH

BY: \_\_\_\_\_  
DEPUTY CLERK

Sarah Blackwell  
457 E. View Drive  
Alpine UT, 84004

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

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SECURITIES AND EXCHANGE	)	
COMMISSION,	)	
	)	
Plaintiff,	)	<b>OBJECTION TO COURTS APRIL 11, 2016 ORDER</b>
	)	<b>GRANTING RECEIVER'S MOTION SEEKING</b>
	)	<b>ALLOWANCE OF RECOMMENDED ALLOWED</b>
vs.	)	<b>CLAIM; AND TO RECIEVERS MOTION FOR</b>
	)	<b>APPROVAL OF PROPOSED DISTRIBUTION AND</b>
	)	<b>INITIAL DISTRIBUTION.</b>
NATIONAL NOTE OF UTAH, LC, a Utah	)	
Limited Liability Company and WAYNE	)	Civil No. 2:12-00591
LaMAR PALMER, an individual	)	
	)	
Defendants.	)	The Honorable Bruce S. Jenkins
	)	
	)	

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COMES NOW SARAH BLACKWELL, holder of an allowed claim in the above mentioned matter, and files this objection to the courts April 11<sup>th</sup> order, an objection to receiver's motion for approval of proposed distribution and initial distribution, an amended claim, and an explanation in support.

**BACKGROUND**

Claim holder Sara Blackwell had an investment of \$17,748.94 with the defendant National Note of Utah (Exhibit A). The Defendant has been placed in Receivership and certain recovered monies are set to be distributed to their investors. Due to confusion caused by American Pension Services (APS) reporting to the IRS a distribution from National Note to Sarah Blackwell of \$23,023.72 in 2015, Sarah errantly claimed \$0 dollars on her Proof of Claim with the receivership (Exhibit B).

**EXPLANATION**

The IRS had been attempting to collect an additional \$4500 dollars from Sarah and her husband from their 2013 tax return. This was the result of APS errantly reporting a \$23,023.72 distribution to Sarah from the subject IRA. After several months of working with the IRS to show that they had received \$0, the receiver sent the Blackwell's a letter they could forward on to the IRS to show that they hadn't received a distribution from the IRA (exhibit C). This all occurred about the same time that the proof of claim was sent to Sarah. Because the urgent concern at the time was to avoid the errant tax liability, Sarah incorrectly thought the proof of claim was related to that issue. She placed zero dollars (\$0) on the proof of claim form (Exhibit B) believing she was telling the IRS how much money she had received in 2015 from the account. It wasn't until she saw the receiver's motion for approval of the proposed distributions Methodology and plan of distribution that she realized her mistake.

Sarah has been in contact with the receivership since realizing the error and has filed an Amended Proof of Claim with the receiver (exhibit D).

This was an honest mistake made by the claimant as she was under the stress of trying to resolve a Tax issue created by APS. Not allowing this objection and the attached amended proof of claim would be a gross miscarriage of Justice. The mistake was not one of missing deadlines or ignoring warnings, it was one of misunderstanding as a result of errors made by other parties.

**EFFECT ON OTHER CLAIMANTS**

According to the receiver's motion filed on 8/24/2016 "[a]llowed claims are in the total amount of \$47,594,478.47. Sarah's claim is only .04% of total amount. Allowing her amended proof of claim will have a minimal effect on the other claimant's distributions.

**POTENTIAL FOR OTHER CLAIMANTS TO FILE OBJECTIONS OR AMENDMENTS**

According to exhibit A of the receiver's motion filed on 8/24/2016 Sarah was the only claimant who claimed \$0. Her situation stands alone. Allowing the amended proof of claim will not set a precedent for allowing future amended proof of claim's nor will it encourage future objections as no other claimant sits in this same situation.

RESPECTUFLY submitted by

Sarah Blackwell



Date 9-18-16

Squires, Sarah C	10729/2009 Split Deposit	72754	Squires, Sarah [AFS]	11073877	First Utah Bank	124802613	May	\$17,746.94	\$210.52	\$17,536.42
5954	5/17/2011 Check	50407	Squires, Sarah C, AFS For		First Utah Bank	124802613		\$17,746.94		

281 B

<b>UNITED STATES DISTRICT COURT, DISTRICT OF UTAH</b>  Securities and Exchange Commission  v.  National Note of Utah, LC and Wayne LaMar Palmer  And  Bonneville Minerals, LLC; Centennial Aviation, LLC; The Corner Corporation; DPLM, LLC; Elkhorn Ridge, LLC; Expressway Business Park, LLC; Farrell Business Park, LLC; Freedom Minerals I, LLC; Freedom Minerals II, LLC; Homeland Development I, LLC; Homeland Development II, LLC; Homeland Funding Corp.; Homeland Holding Corp.; Homeland Minerals, LLC; Homeland Mortgage, Inc.; Homeland Mortgage L.C.; Indian Canyon, LLC; Koala T. Investments LLC; Land Utah, LC; Made Art Licensing, LLC; Montana One, LLC; ND I, LLC; NPL America, LLC; Network Leisure Shoppes, Inc.; Note Systems, Inc.; Old Glory Minting Company, LLC; Ovation 106, LLC; Passport Properties, L.C.; Pedigree Properties; Presidential Utah Properties, LC; Prime Wave I, LLC; The Property Company, LLC; Real Estate Finance Institute, Inc.; Riverbend Estates LC; Spanish Fork Development, LLC; Territory Land Company, Inc.; Top Flight, LLC; Traditions in Timber; Twin Pines Property, LC; and Vision Land, LLC.		<b>PROOF OF CLAIM</b>           <b>RECEIVER USE ONLY:</b>  Date Form received: <div style="text-align: center; font-size: 1.2em;">11/3/2015</div> Claim Number: <u>1375</u>  <input type="checkbox"/> Backup documents needed  <input type="checkbox"/> Documents received		
<b>CLAIMANT (The person or entity owed money by an entity listed above)</b>				
Names(s): Street: City, State, Zip: Telephone Number: Email:	Sarah Squires Blackwell 457 EAST VIEW DR ALPINE UTAH 84004 801.634.5651 BLACKWELLSARAH@gmail.com	<input type="checkbox"/> Check box if this claim is related to other claims  <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:20%; padding: 2px;">List related claims</td> <td style="width:80%;"></td> </tr> </table>	List related claims	
List related claims				
<b>TOTAL AMOUNT CLAIMED: \$</b>				
<b>BASIS FOR CLAIM (Check the boxes below for each category of claim you are making)</b>				
<input checked="" type="checkbox"/> <b>PROMISSORY NOTE.</b> Check this box if you loaned money to or invested money with any of the companies listed above. Please provide the following information, if known: Account number(s): _____ Total amount paid to companies: \$ _____ Total amount received back: \$ _____ <b>Total Claimed:</b> \$ <u>0</u>				
<input type="checkbox"/> <b>PRECIOUS METALS PURCHASE.</b> Check this box if you purchased precious metals from Old Glory Mint and did not receive any or all the metals ordered. <i>Attach supporting documents.</i>  <b>Total Claimed:</b> \$ _____				
<input type="checkbox"/> <b>OTHER BASIS.</b> Check this box if you are owed money by any of the companies listed above for any reason other than on account of a promissory note or precious metal purchase. Describe reason for claim: <u>IRA Account</u> <i>Attach supporting documents.</i>  <b>Total Claimed:</b> \$ _____				

**DISTRIBUTIONS:** Distributions, if any, will be made to the Claimant identified above at the address listed. Please fill in this section only if you would like all or a part of any distribution made to a retirement custodian or another entity. If this portion is completed, all distributions will be made as directed unless instructed otherwise in writing.

Payee/Acct. No. (if applicable)	Address	% of Distribution

**ADDITIONAL INFORMATION:** If there is additional information the Receiver needs to know, please provide an explanation here.

**SIGNATURE & VERIFICATION:**

This Form must be signed by each person making the claim to be valid, or by an authorized agent of the claimant(s). *I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information and reasonable belief.*

Print Name: Sarah Squires Blackwell  
 Signature: *Sarah Blackwell*  
 Title: \_\_\_\_\_ Date: Nov 2 2015

Print Name: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Title: \_\_\_\_\_ Date: \_\_\_\_\_

**SUBMITTING YOUR COMPLETED FORM TO THE RECEIVER**  
DO NOT FILE YOUR FORM WITH THE COURT

*This Form may be completed and submitted via U.S. Mail, overnight mail, or hand delivery addressed to the following: Claims c/o Klein & Associates, 10 E. Exchange Place, Suite 502, Salt Lake City, Utah 84111; or submitted by email at: [Claims@kleinutah.com](mailto:Claims@kleinutah.com)*

**COMPLETED FORM MUST BE RECEIVED BY THE RECEIVER ON OR BEFORE NOVEMBER 3, 2015.**

*[Questions? See Attached Instructions]*

**WAYNE KLEIN, RECEIVER FOR  
NATIONAL NOTE OF UTAH, LC**

10 E. Exchange Place, Suite 502, Salt Lake City, UT 84111, USA (801) 456-4591

[wklein@kleinutah.com](mailto:wklein@kleinutah.com)

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November 24, 2015

**Via Electronic Mail Only**

Sarah Squires Blackwell  
c/o [DavidKBlackwell@gmail.com](mailto:DavidKBlackwell@gmail.com)

Re: National Note of Utah, LC  
*SEC v. National Note of Utah and Wayne L. Palmer*, Case No. 2:12CV000591

Dear Mrs. Blackwell:

I understand that the IRS is seeking the payment of taxes and/or penalties tied to your IRA account holding a promissory note from National Note of Utah, L.C. I further understand that American Pension Services (APS) reported to the IRS (via a Form 1099) that you had taken a distribution of approximately \$23,023.72—the amount that APS showed as the value of the investment it was holding in your name with National Note of Utah.

I am providing the following information that may be useful as you communicate to the IRS why the Form 1099 sent to the IRS by APS was abusive and an incorrect depiction of what happened:

1. National Note Receivership. On June 25, 2012, the U.S. Securities and Exchange Commission filed suit against National Note and Wayne Palmer, accusing them of operating a \$100 million Ponzi scheme. At the request of the SEC, the U.S. District Court of Utah appointed me as Receiver for National Note and approximately 40 other entities controlled by National Note or Palmer. A copy of the SEC's complaint, the Court order appointing me as Receiver, and other documents relating to this litigation can be found on a website we have created relating to the receivership:  
<http://www.kleinutah.com/index.php/receiverships/national-note-of-utah-lc>.
2. Investment Valuation. The discovery that National Note was operating as a Ponzi scheme means that the investments you had with National Note are likely to be worth only a fraction of the amount that National Note reported to you and other investors. That also means that the valuation that APS had listed for your investment account is many times greater than the expected actual value of your investment with National Note. As of February 1, 2012, National Note was reporting the value of your retirement account investment as \$23,023.72. I am enclosing an account statement that National Note prepared that shows this \$23,023.72 account balance. In reality, the actual valuation of your investment with National Note cannot be known at this time, although it is expected



to be only 5-15% of the net principal investment amount that you sent to National Note.<sup>1</sup> The final valuation will depend on how much we succeed in collecting, the costs of administering the receivership estate, and how many valid claims are submitted as part of the claims process we expect to administer.

3. APS Accounts. In the investigation of National Note records and analysis of financial transactions with National Note, we found that a high number of the National Note investors, along with you, had sent their investment funds to National Note through APS. It appears that National Note targeted retirement accounts as sources of funds that National Note needed to keep its Ponzi scheme operating. National Note encouraged investors to liquidate their other retirement holdings and send the proceeds to APS, where the funds could be used to purchase promissory notes from National Note.
4. APS Threats to its Customers. Shortly after I was appointed as Receiver, I became aware that American Pension Services was demanding that its customers pay annual account maintenance fees based on the “face value” of the National Note investments (in your case, \$23,023.72), rather than the expected true value of the investment when the Receivership Estate is liquidated. APS told its customers that if they did not pay the fees based on the face value of the account, APS would close the retirement account and report the face value of the investment to the IRS as a distribution—even though no money was or could be distributed. In fact, the only way you can receive a distribution on your retirement account is when the Receivership completes the claims process that recently began and the Court allows me to make a distribution. Even when that time comes, there is no assurance that your retirement account will qualify for a distribution.
5. Receiver Response to APS Threats. In response to APS’s threats to its clients, I caused a notice to be posted on the Receivership website in August 2012 encouraging victims to consult with their tax advisors relating to APS accounts. I am enclosing a copy of the notice that we prepared. The posting of this information on the website made APS angry and it filed a motion in the Receivership litigation, seeking to intervene so that APS could sue me for supposedly giving bad advice to National Note investors and for causing APS to lose revenue. The Court allowed APS to intervene and gave it a short deadline to file the lawsuit it intended to file, but APS never filed its lawsuit against me.
6. SEC Lawsuit Against APS. In April 2014 the SEC sued APS, accusing it of using more than \$25 million of client funds for APS’s own investments. According to the SEC, this money was lost in failed investments and APS subsequently issued fraudulent account statements to cover up its own defalcations. The Court appointed a receiver to take control of the operations of APS. That receiver has set up a website at

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<sup>1</sup> The net principal amount of your investment account is \$17,538.42, which is the amount of your original investment of \$17,784.94 less \$210.52 actually paid by National Note to APS. See the attached spreadsheet showing the actual funds transferred to and from National Note for your account. We suspect this \$210.52 payment to APS was used to pay account maintenance fees to APS. National Note records show another \$5,485.30 in interest that was reinvested into National Note—without ever being sent to APS or you.

[www.apsreceiver.com](http://www.apsreceiver.com) . The owner of APS was criminally charged in February 2015, accused of misappropriating \$25 million.

The bottom line is that there was no cash distribution to you. APS may have closed out your retirement account, but the \$23,023.72 distribution it reported has no current value. All that APS sent you was a worthless promissory note; a note that cannot be enforced and will have value only if the Receivership recovers sufficient funds to make a distribution. The value of your investment—if any—is expected to be a small percentage of that reported value and that value will be known only after the Receivership makes distributions from funds it is in the process of recovering.

You are welcome to share this letter with the IRS and to encourage them to visit the Receivership website or to call me if they have questions or would like additional information.

Sincerely,

WAYNE KLEIN  
Receiver

Enc. National Note account statement  
Spreadsheet showing actual money transfers  
Receiver website notice on APS fees



UNITED STATES DISTRICT COURT, DISTRICT OF UTAH  Securities and Exchange Commission  v.  National Note of Utah, LC and Wayne LaMar Palmer  And  Bonneville Minerals, LLC; Centennial Aviation, LLC; The Corner Corporation; DPLM, LLC; Elkhorn Ridge, LLC; Expressway Business Park, LLC; Farrell Business Park, LLC; Freedom Minerals I, LLC; Freedom Minerals II, LLC; Homeland Development I, LLC; Homeland Development II, LLC; Homeland Funding Corp.; Homeland Holding Corp.; Homeland Minerals, LLC; Homeland Mortgage, Inc.; Homeland Mortgage L.C.; Indian Canyon, LLC; Koala T. Investments LLC; Land Utah, LC; Made Art Licensing, LLC; Montana One, LLC; ND I, LLC; NPL America, LLC; Network Leisure Shoppes, Inc.; Note Systems, Inc.; Old Glory Minting Company, LLC; Ovation 106, LLC; Passport Properties, L.C.; Pedigree Properties; Presidential Utah Properties, LC; Prime Wave I, LLC; The Property Company, LLC; Real Estate Finance Institute, Inc.; Riverbend Estates LC; Spanish Fork Development, LLC; Territory Land Company, Inc.; Top Flight, LLC; Traditions in Timber; Twin Pines Property, LC; and Vision Land, LLC.		<p style="text-align: center;"><del>PROOF OF CLAIM</del></p> <p style="text-align: center;">AMENDED PROOF OF CLAIM</p> <hr/> <p><b>RECEIVER USE ONLY:</b></p> <p>Date Form received: _____</p> <p>Claim Number: _____</p> <p><input type="checkbox"/> Backup documents needed</p> <p><input type="checkbox"/> Documents received</p>		
<b>CLAIMANT (The person or entity owed money by an entity listed above):</b>				
Names(s): Street: City, State, Zip: Telephone Number: Email:	SARAH BLACKWELL 457 EAST VIEW DR ALPINE UT 84004 801.634.5651      BLACKWELL SARAH C	<p><input type="checkbox"/> Check box if this claim is related to other claims</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">List related claims</td> <td style="width: 50px;"></td> </tr> </table>	List related claims	
List related claims				
<b>TOTAL AMOUNT CLAIMED: \$</b> 17,748.94				
<b>BASIS FOR CLAIM (Check the boxes below for each category of claim you are making):</b>				
<p><input checked="" type="checkbox"/> <b>PROMISSORY NOTE.</b> Check this box if you loaned money to or invested money with any of the companies listed above. Please provide the following information, if known:</p> <p>Account number(s): _____</p> <p>Total amount paid to companies:      \$ _____</p> <p>Total amount received back:      \$ _____</p> <p style="text-align: right;">Total Claimed:      \$ 17,748.94</p>				
<p><input type="checkbox"/> <b>PRECIOUS METALS PURCHASE.</b> Check this box if you purchased precious metals from Old Glory Mint and did not receive any or all the metals ordered. <i>Attach supporting documents.</i></p> <p>Total Claimed:      \$ _____</p>				
<p><input type="checkbox"/> <b>OTHER BASIS.</b> Check this box if you are owed money by any of the companies listed above for any reason other than on account of a promissory note or precious metal purchase.</p> <p>Describe reason for claim: _____</p> <p><i>Attach supporting documents.</i></p> <p>Total Claimed:      \$ _____</p>				

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Payee/Acct. No. (if applicable)	Address	% of Distribution

**ADDITIONAL INFORMATION:** If there is additional information the Receiver needs to know, please provide an explanation here:

**SIGNATURE & VERIFICATION:**

This Form must be signed by each person making the claim to be valid, or by an authorized agent of the claimant(s). *I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information and reasonable belief.*

Print Name: Sarah Blackwell  
 Signature: *Sarah Blackwell*  
 Title: \_\_\_\_\_ Date: 9/15/16

Print Name: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Title: \_\_\_\_\_ Date: \_\_\_\_\_

**SUBMITTING YOUR COMPLETED FORM TO THE RECEIVER,  
 DO NOT FILE YOUR FORM WITH THE COURT**

*This Form may be completed and submitted via U.S. Mail, overnight mail, or hand delivery addressed to the following: Claims c/o Klein & Associates, 10 E. Exchange Place, Suite 502, Salt Lake City, Utah 84111; or submitted by email at: Claims@kleinutah.com*

**COMPLETED FORM MUST BE RECEIVED BY THE RECEIVER ON OR BEFORE NOVEMBER 3, 2015.**

*[Questions? See Attached Instructions]*