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

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 ACCOUNTING,
RECOMMENDATION ON
PUBLICLY-TRADED STATUS OF
INTERNATIONAL AUTOMATED
SYSTEMS, AND LIQUIDATION PLAN**

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

District Judge David Nuffer

R. Wayne Klein, the Court-Appointed Receiver (the “Receiver”) of RaPower-3, LLC (“RaPower-3”), International Automated Systems, Inc. (“IAS”), and LTB1, LLC, as well as certain other affiliated subsidiaries and entities, and the assets of Neldon Johnson (“Johnson”) and R. Gregory Shepard (“Shepard”), hereby submits this report (“Report”) to the Court containing:

- I. An accounting of assets and liabilities of the Receivership Estate;¹
- II. A summary of information the Receiver has learned regarding compliance IAS on its public reporting obligations, a report on actions the Receiver has taken regarding IAS, and the Receiver's recommendation on the disposition of IAS;² and
- III. The Receiver's proposed plan for the recovery and liquidation of Receivership Estate Assets.³

I. ACCOUNTING OF ASSETS AND LIABILITIES

A. Receivership Assets. Assets of the Receivership Estate that the Receiver has been able to identify to date can be broadly grouped in seven categories: 1) cash, 2) securities, 3) real estate, 4) aircraft, vehicles, and equipment, 5) intellectual property, 6) accounts receivable, and 7) voidable conveyance recoveries. Each is discussed below.

1. Cash. The assets of the Receivership Defendants were frozen by the Court on August 22, 2018 in its *Memorandum Decision and Order Freezing Assets and to Appoint a Receiver* ("Asset Freeze Order").⁴ The asset freeze was reaffirmed in the *Corrected Receivership Order* ("Order"), which appointed the Receiver to take control of assets subject to the Asset Freeze Order.⁵

The Receiver believes that counsel for the United States served the Asset Freeze Order on financial institutions thought to hold funds belonging to Receivership Defendants. The Receiver has served the Order on financial institutions where Receivership Defendants are believed to

¹ See [Corrected Receivership Order, Docket No. 491](#) at ¶ 84.

² *Id.* at ¶ 85.

³ *Id.* at ¶ 83.

⁴ [Docket No. 444](#).

⁵ [Order](#) at ¶¶ 4, 11-13.

have had bank accounts. The Receiver requested turnover of funds that had been frozen and copies of all records of banking transactions by Receivership Defendants. The banks have begun producing those records to the Receiver.

To date, the Receiver recovered the following funds:⁶

Source of Funds	Receivership Entity	Amount
Bank of American Fork	International Automated Syst.	\$1,353,811.57
	Cobblestone Centre	\$29,910.60
	Cobblestone Centre	\$43,637.42
	XSun Energy ⁷	\$224,093.73
	Solco I	\$265.11
	RaPower-3	\$76,758.02
	Neldon Johnson ⁸	\$2,972.18
Better, Faster Stronger	Greg Shepard	\$2,000.00
Nelson, Snuffer, Dahle	Greg Shepard	\$27,126.06
Total		\$1,760,574.69

The Receiver believes that Cyprus Credit Union is holding funds from an account owned by Defendant Shepard, but has not yet received funds or documents from Cyprus Credit Union. Defendants' attorneys, Nelson, Snuffer, Dahle and Poulson, have disclosed that they are holding \$735,202.22 in the law firm's retainer account.⁹ The Court has clarified that those funds are subject to the Asset Freeze Order and the Order.¹⁰

2. Securities. The Receiver believes RaPower-3 is the owner of shares of IAS.¹¹ In

⁶ These funds have been deposited into a bank account established in the name of the Receiver at Wells Fargo Bank. See [Order](#) at ¶¶ 52-53.

⁷ Defendants' moved to lift the asset freeze as to XSun Energy and Solco I, including these funds, in their *Motion to Lift Asset Freeze as to Solco I and XSun Energy*, [Docket No. 509](#). The Court denied Defendants' motion without prejudice pending the completion of Receiver's investigation, [Docket No. 550](#).

⁸ The Receiver originally recovered \$4,358.18 from Johnson's personal account, \$1,386 however, was determined to be from a Social Security payment and not subject to the asset freeze. The remaining balance, \$2,972.18, is subject to the asset freeze. See [Docket No. 549](#). The Receiver has paid over those funds to Johnson's counsel.

⁹ [Docket No. 509](#).

¹⁰ [Docket No. 550](#).

¹¹ Johnson deposition, Jun. 29, 2017 at 38:23-24. See also IAS Form 10-K ("[Annual Report](#)" or "[Form 10-K](#)") at Item #5 ("Plan of Operation").

addition, Neldon Johnson is the owner, or beneficial owner, of shares of millions of shares of IAS stock.¹² Those shares are assets of the Receivership Estate. The value and recommended disposition of these securities are discussed in Part II, below.

3. Real Estate. The Order identifies 31 real property parcels that are at least temporarily included in the Receivership Estate. The Receiver has caused the Order to be recorded with the county recorder or county clerk offices for each county in which property listed in the Order is located. These properties are in the following locations:

State	County	# of Properties
Utah	Millard	24
	Utah	2
	Salt Lake	1
California	San Bernardino	1
	Los Angeles	1
Texas	Howard	2
Total		31

The real estate identified in the Order is titled in the names of various owners, none of which is in the name of Defendants Johnson or Shepard:

Owner	Number	Assessed Value
Johnson, Glenda	18	\$1,992,487
International Automated Systems	6	\$322,424
N.P. Johnson Family Lim. Partn.	2	\$654,630
Diana C. Shepard Revocable Trust	1	\$570,800
Howard and Glenda Johnson Trust ¹³	4	\$191,971
Totals	31	\$3,732,312

While the Receiver's investigation is ongoing, he has learned the following:

a. Glenda Johnson. The majority of the real property and the majority of the assessed value of the real property identified in the Order are titled in the name of Glenda

¹² This is discussed in more detail in Part II.B, below.

¹³ Based on the Receiver's investigation and motion, the Court has released the properties owned by the Howard and Glenda Johnson Trust. See [Docket No. 548](#). This is discussed in more detail in Part I.A.3.d, below.

Johnson. Two of these properties were transferred to Glenda Johnson by Neldon Johnson. All of the properties in Millard County Utah identified in the Order which have improvements are titled in the name of Glenda Johnson. The warehouse in which the plastic solar sheets are stored is owned by Glenda Johnson. The original (tall) solar towers were installed on land owned by IAS. However, the new solar towers appear to be on property owned by Glenda Johnson. In addition, Johnson testified that the towers on IAS land belong to Glenda Johnson.¹⁴ In addition to four residences in Millard County, Glenda Johnson owns two residences in Utah County.¹⁵

b. N.P. Johnson Family Limited Partnership. The two Texas properties are titled in the name of the N.P. Johnson Family Limited Partnership (“NPJFLP”). However, Defendants dispute this ownership and the NPJFLP’s status is clouded. David Nelson, from the Nelson Snuffer law firm, provided documents to the Receiver indicating that on October 23, 2012, the NPJFLP transferred its ownership of these Texas properties to Black Night Enterprises and Starlight Enterprises, two Nevis-based foreign companies.¹⁶ Notwithstanding that documents were executed purporting to transfer property title Black Night and Starlight, the deeds were not recorded with the Texas counties where the properties are located. A further complication arises because the NPJFLP’s status with the Utah Division of Corporations expired on March 3, 2015, casting doubt on the

¹⁴ Johnson Deposition, Jun. 29, 2017 at 39:11-40. The Receiver finds it incongruous that solar lenses sold to purchasers were installed in towers located on property that is not in the name of RaPower-3 or IAS or in towers belonging to Glenda Johnson. In this situation, RaPower-3 and IAS lack control over the land where the purchasers’ solar lenses are located, putting at risk RaPower-3 and IAS’s ability to fulfill their obligations to lens purchasers.

¹⁵ The Receiver posted notices of the receivership on the doors of the two Utah County residences. Counsel for Defendants reported that one of the Millard County homes is uninhabitable.

¹⁶ Additional assets, including intellectual property and stock and options in IAS also were transferred in the same transaction.

NPJFLP's control over these properties.

In addition, Johnson has not caused these properties to be repatriated as required by paragraph 30 of the Order. Johnson has asserted that he has no control over Black Night Enterprises and Starlight Enterprises, but Johnson's two sons (along with their trusts) own 60% of the stock of these entities and Roger Hamblin, a close associate of Johnson, controls the remaining 40%.¹⁷

c. Diana Shepard Trust. The Shepard home is titled in the name of the Diana C. Shepard Revocable Trust. Testimony at the November 15, 2018 contempt hearing involving Greg Shepard revealed that Greg Shepard transferred his interest in their marital home to his wife for no consideration in 1998 and that in March 2017, the home was briefly put back into the names of Greg and Diana Shepard in order to obtain a loan secured by the home. Because both transfers to the Diana Shepard trust appear to be without contemporaneous, equivalent consideration and because Diana Shepard's trust is revocable, the Receiver expects to treat at least half the equity in this property as a Receivership Estate Asset.

d. Glenda and Howard Johnson. The Receiver learned that four properties listed in the Order (¶ 20 (f) – (i)) are owned by a Glenda Johnson who is not related to Neldon Johnson and appears to have no ties to Receivership Defendants. The Receiver moved to release these properties from the Receivership Estate.¹⁸ The Court granted the

¹⁷ Johnson reports that he sold his interests in NPJFLP and DCA-16A to Hamblin on January 14, 2011. Johnson testified that the transfers to Hamblin were "in conjunction with [Johnson's] personal bankruptcy filing. [Johnson Declaration, Nov. 16, 2018 ([Docket No. 510](#)) at ¶ 5.] In fact, Johnson's personal bankruptcy was filed February 3, 2011, three weeks after this transfer to Hamblin. See Johnson personal bankruptcy filing, [Case No. 11-20679, Statement of Financial Affairs](#) at item 10. Hamblin has so far failed to provide information requested by the Receiver. Despite this supposed receipt of \$74,000 in cash from Hamblin on January 14, 2011, Johnson's February 3, 2011 bankruptcy petition listed only \$100 in cash. See *Id.* at Schedule B-Personal Property, item 2.

¹⁸ [Docket No. 536](#).

motion and released the properties from the Receivership Estate.¹⁹ The Receiver has instructed the Millard County Recorder to release the properties from the Receivership Estate as directed in the Court's December 26, 2018 *Order Authorizing Release of Receivership Properties*.²⁰

e. Neldon Johnson Timeshare. Johnson's 2011 personal bankruptcy petition listed as an asset a timeshare interest in "WorldMark by Windham."²¹ The petition noted that on December 7, 2010 Johnson's "Spouse Paid Off Timeshare."²² The timeshare was not listed in Johnson's December 3, 2018 declaration as an asset, so the Receiver does not know if he transferred the asset to his wife or has otherwise disposed of it.

4. Aircraft, Vehicles, and Equipment. The Order identifies two aircraft (Cessna 172 and Mooney M20C) as being assets of the Receivership Estate.²³ Because the aircraft were believed to be at the Spanish Fork Airport, the Receiver interviewed the airport manager and the fixed-base operator ("FBO") of the Spanish Fork Airport in early November. The airport manager and FBO confirmed the aircraft were not at the Spanish Fork Airport at that time. The airport manager provided the name of the Spanish Fork Airport-based mechanic who he believed had worked on one or both aircraft. The mechanic was not at the airport at that time and has ignored subsequent phone calls, emails, and letters from the Receiver requesting information. The airport manager indicated he believed a Cessna had been damaged at the airport in May 2017 when it was struck by one of two cars racing on the runway.

Based on a tip that one of the aircraft might have been flown to Skypark Airport in

¹⁹ [Docket No. 548](#).

²⁰ [Id.](#)

²¹ [Case No. 11-20679, Statement of Financial Affairs](#), Schedule A.

²² [Id.](#) at 2.

²³ [Order](#) at ¶ 19.

Bountiful, Utah, the Receiver went to the Skypark Airport and interviewed the FBO and also exchanged emails with the airport manager. The Receiver learned neither plane had been at Skypark. The Receiver inspected the airport in Fillmore, Utah, but found neither aircraft there. At the Fillmore Airport, a pilot told the Receiver the pilot had seen a Mooney at the Delta Airport.

The Receiver went to Delta on November 7, 2018 and found the Mooney at the Delta Airport. The aircraft had not been flown in some time and does not currently appear to be airworthy. The Receiver is working with a company that specializes in selling used aircraft to get the Mooney flying and sell it.²⁴ Johnson subsequently informed the Receiver that the Cessna had been destroyed in the May 2017 collision at the Spanish Fork Airport and the insurer had paid off the liquidation value of the aircraft.²⁵ Johnson reported the Mooney is not currently insured.

The Receiver has identified a third aircraft under Johnson's control, a Cessna Model 414. When asked about the aircraft, counsel for Defendants reported that the airplane had been damaged when it was taken for a joyride, and the airplane was "in the shop." Counsel claimed that Johnson did not know who owned the aircraft and that the damages were likely not repairable. Counsel did not identify which "shop" had the aircraft or indicate how Johnson was so familiar with the status of the aircraft when he claimed not to know who owned the aircraft.²⁶ The Receiver's investigation revealed that this Cessna is owned by U-Check, Inc., a dissolved Utah corporation whose registered agent was Neldon Johnson.²⁷ This aircraft is likely the most

²⁴ Key to the value of the airplane is obtaining the log books for the aircraft. The Receiver made a special request to Defendants' counsel on December 20, 2018 for the log books. To date, the log books have not been delivered.

²⁵ See Johnson's December 3, 2018 compliance verification declaration at [Docket No. 528](#).

²⁶ The Receiver has asked Johnson's counsel to identify the shop where the aircraft is located but has not yet received a response.

²⁷ Johnson listed himself a "Director" of U-Check, Inc. in his 2011 bankruptcy disclosures. See [Docket No. 510](#) at Ex. 3.

valuable of the three. It is a twin-engine, pressurized aircraft that is also the newest. An airplane broker informed the Receiver this plane may be worth up to \$250,000 in good condition.

The Receiver has been unsuccessful to date in identifying vehicles that should be in the Receivership Estate. During a visit by the Receiver to tower sites in Delta, the Receiver identified a significant number of trucks, tractors, boom lifts, and semi-truck trailers. The only vehicles that Johnson identified as belonging to him were two trucks, a 2003 GMC and a 2009 Ford.²⁸ No other vehicles of any type were identified by Johnson as Receivership Estate Assets. This raises the issue of who owns these vehicles.

In its bankruptcy petition, RaPower-3 stated it had no inventory, furniture, fixtures, equipment, machinery, vehicles, or other assets.²⁹ IAS also claims not to own vehicles or equipment. IAS's June 30, 2016 financial statements claim as an asset \$283,685 in property and equipment, but the notes to the financial statements indicate this amount represents the value of land.³⁰ Based on Johnson's declarations, the RaPower-3 bankruptcy petition, and the IAS Form 10-K, it appears no Receivership Defendant owns any of the equipment or vehicles at the tower sites or used in their construction. The Receiver has requested, but has not received, a list of equipment owned by the Receivership Entities.³¹ As a result, the Receiver does not yet know whether the vehicles and equipment are owned by one of the Receivership Entities or whether

²⁸ Johnson Declaration, Dec. 3, 2018 ([Docket No. 528](#)) at Exhibit 1. The Receiver notes this information is inconsistent with prior statements under oath by Johnson. In his personal bankruptcy filing, he stated that the 2009 Ford truck was owned by IAS and the 2003 GMC truck was owned by his son Randale. *See* [Case No. 11-20679, Statement of Financial Affairs](#) at item 14. However, in Schedule B – Personal Property, Johnson lists these trucks and two other vehicles as his personal property. The Receiver expects that the forensic accounting will reveal whether these vehicles—and others used by family members—were purchased with Receivership Estate funds.

²⁹ [Case No. 18-24865, Docket No. 11](#) at 14-15.

³⁰ A total of \$528 in computers and equipment is reflected on the books, but these are fully depreciated, leaving a value of zero on the books for computers and equipment.

³¹ In his December 3, 2018 compliance verification, Johnson said all information regarding IAS assets has not changed since 2006 other than the cash. ([Docket No. 528](#)) at n. 3. Defendants' counsel provided information to the Receiver on December 28, 2018 regarding assets, but that information arrived too late to be reflected in this Report.

they are claimed to be assets of Glenda Johnson or one of Johnson's sons. Further investigation needs to be conducted. The investigation would be easier with cooperation from Defendants.

5. Intellectual Property. Part of Johnson's pitch to lens purchasers was the number of patents he had obtained relating to solar lenses. It appears that the patents that Johnson obtained were assigned to the NPJFLP. Counsel for Defendants provided the Receiver a list of patents that NPJFLP transferred to Black Night Enterprises and Starlight Enterprises on October 23, 2012. Counsel also indicated that Johnson subsequently transferred other patents to Black Night Enterprises. These assets have not been repatriated despite Black Night Enterprises and Starlight Enterprises being controlled by Johnson's sons and his associate Roger Hamblin. In light of the Court's ruling that the entire solar lens scheme was a fraud, the value of these patents will require analysis by qualified experts.

6. Accounts Receivable.

a. RaPower-3. The RaPower-3 bankruptcy petition identified \$1,890.00 in accounts receivable less than 90 days old, the payment of which was considered doubtful, so the petition listed a net receivable of zero.³² The petition also lists \$13.8 million in receivables from lens purchasers and provided a list of purchase amounts still owed.³³ The petition also listed these as "doubtful or uncollectible."³⁴ In light of the Order's requirement that the Receiver refuse and return any future payments from lens purchasers, the Receiver does not consider this "receivable" to be an asset of the Receivership Estate. Johnson has not provided the Receiver with any of the business records of RaPower-3, so at this point, the Receiver does not know whether the company

³² [Case No. 18-24865, Docket No. 11](#) at Schedule A/B, Part 3, lines 10-12.

³³ *Id.*

³⁴ *Id.*

has any other receivables. The Receiver expects that when the forensic reconstruction of RaPower-3's financial records is completed, he will have an independent and sufficient basis to evaluate whether other receivables are owed to RaPower-3.

b. IAS. The June 30, 2016 audited financial statements for IAS identify only cash and "property and equipment" as assets. No receivables are identified. Johnson has provided no business records of IAS to the Receiver, so the Receiver does not yet know whether receivables exist. The forensic reconstruction of the IAS financial records are expected to reveal whether there are receivables owed to this company that were not identified in the audited financial statements or which have accrued since June 30, 2016.³⁵

c. Johnson. Johnson has not identified to the Receiver any receivables owed to him, other than Social Security payments he is receiving. The Receiver is not treating those monthly income streams as Receivership Estate Assets.

d. Shepard. Shepard identified to the Receiver Social Security payments he is receiving. The Receiver is not treating these payments as Receivership Estate Assets. Shepard is owed \$1,000 monthly payments by his former company, Bigger, Faster Stronger ("BFS"). On November 29, 2018, BFS paid \$2,000 to the Receiver. The Receiver has instructed BFS to make all future payments to the Receiver. Shepard subsequently disclosed this receivable in his December 3, 2018 compliance declaration. That compliance declaration also identified a \$431 monthly annuity payment due to Shepard from Allianz Financial (until June 2019). The Receiver has notified Allianz that these payments should be made to the Receiver, not Shepard.

³⁵ Johnson testified that there have been not changes since 2016. ([Docket No. 528](#)) at n. 3.

7. Voidable Conveyance Recoveries. The Receiver expects there may be significant voidable conveyances that he might seek to recover. The Receiver expects to rely on the forensic accounting analysis to identify payments made by RaPower-3 and IAS (and perhaps Johnson and Shepard) that should be returned to the Receivership Estate. Expenses paid by Receivership Entities that may be in this category include fees paid by RaPower-3 or IAS to attorneys who have represented Johnson and Shepard individually and who have represented taxpayers before the U.S. Tax Court and tax preparers who have prepared returns for other than RaPower-3 and IAS. In response to the Receiver's requests for information, Nelson, Snuffer, Dahle and Poulson initially refused to disclose what payments they received from Receivership Entities, but after a second demand by the Receiver, on December 26, 2018, the law firm provided records showing its receipt of \$1.96 million from RaPower-3 and IAS since 2009. The RaPower-3 bankruptcy petition identifies \$593,626 that RaPower-3 paid to that law firm since July 2017.³⁶ Neither of these amounts appears to include the more than \$735,000 that this firm is holding in its retainer account. Large amounts also have been paid by RaPower-3 to Paul Jones of Hale & Wood, Donald Reay, Heideman & Associates, and Snell & Wilmer.³⁷

The Receiver also will be analyzing transfers from Receivership Entities to family members and close affiliates of Johnson including Glenda Johnson, Randale Johnson, LaGrand Johnson, Roger Hamblin, and others. Finally, the Receiver has begun investigating charitable donations made by Johnson and Shepard that might be recoverable.

B. Liabilities. The liabilities of the Receivership Entities appear to be minimal. Johnson's December 3, 2018 compliance verification indicates that there are no employees of RaPower-3,

³⁶ [Case No. 18-24865, Docket No. 11](#) at ¶13.

³⁷ Snell & Wilmer has paid to the Court registry funds it was holding in its retainer account (which funds it claims were provided by Glenda Johnson). The Receiver expects the forensic accounting will identify the sources of the funds Glenda Johnson used to make these payments.

IAS, or LTB1.³⁸ The Receiver does not yet know if there have been employees in the past and whether there are liabilities to former employees. Johnson has provided no records to the Receiver regarding prior employees.³⁹ The 2016 financial statements for IAS disclose \$5,767 owed in accounts payable. The Receiver does not know if these liabilities were paid off after June 30, 2016 and whether IAS has any still-unpaid liabilities that accrued after 2016. The IAS financial statements also reflect \$149,198 as a “related party payable.” The notes to the financial statements indicate this debt is owed to Neldon Johnson. It is “non-interest bearing, unsecured and due upon demand.”⁴⁰ The Receiver does not yet know whether IAS paid off some or all of the debt to Johnson after June 2016.⁴¹

Since being appointed, the Receiver has learned of one trade debt owed by IAS. The Receiver directed the U.S. Postal Service to forward mail addressed to RaPower-3 and IAS to the Receiver. He received a bill from Rocky Mountain Power for electrical service and some non-electric services provided to IAS. The electrical services are for properties titled in the name of Glenda Johnson. The Receiver will investigate why IAS has been paying utility expenses for real estate supposedly owned by Glenda Johnson.⁴²

C. Additional Investigation Needed. As described above, the Receiver needs to conduct

³⁸ See [Docket No. 528](#).

³⁹ In his June 29, 2017 deposition, Johnson testified that the towers were constructed by employees of IAS, rather than contractors. [63:24 – 64:1] This indicates that IAS has had employees in the past. Justin Horton, the husband of Johnson’s granddaughter, identified himself to the Receiver on November 7, 2018 as RaPower-3’s foreman, overseeing construction of the towers. He reported that his salary that was due a few days before his discussions with the Receiver (which was after the asset freeze had been reaffirmed) had not been made on time and when he asked about getting paid, funds were transferred to him from Glenda Johnson.

⁴⁰ IAS Form 10-K, note 3 to financial statements.

⁴¹ Johnson’s sworn statement that nothing has changed at IAS, other than cash, appears to reflect an affirmation that IAS has made no payments to him on this debt since 2016. [Docket No. 528](#) at n. 3.

⁴² The Receiver notes the irony that the only trade liability he has found for IAS is for the provision of electrical power—when IAS (and its sister company, RaPower-3) claimed to have invented a system for generating electrical power.

significant additional efforts to be able to provide to the Court a full accounting of Receivership Estate Assets. These efforts will include:

1. Forensic Accounting. Obtaining copies of additional bank records and performing a forensic accounting of the sources of all revenues and the uses of all expenditures of funds by Receivership Entities, including affiliates and subsidiaries. The Receiver also expects to obtain and review financial records of Glenda Johnson and other entities related to Johnson that are not listed in the Order. This financial analysis also will: a) determine the extent to which the Receivership Entities were insolvent and, if so, during what time periods (to facilitate future efforts by the Receiver to recover voidable conveyances), b) determine the sources of funds used by Glenda Johnson to purchase real estate and pay retainer fees to Snell & Wilmer, and c) identify the existence of additional bank accounts (including foreign bank accounts) whose transactions should be analyzed.

2. Business Records. Obtaining and analyzing the business records of the Receivership Entities. The Receiver expects these records will assist in understanding the forensic accounting analysis and in locating and selling assets.⁴³ None of these records have yet been delivered to the Receiver.

3. Real Property. Determining whether real property in the name of Glenda Johnson, the NPJFLP, and the Diana C. Shepard Revocable Trust should be Receivership Estate Assets.⁴⁴ The Receiver also will need to investigate assertions that Black Night Enterprises, Starlight Enterprises, and Roger Hamblin own direct or indirect interests in real estate identified in the Order. Prior transfers of real property will be investigated to determine whether real property or

⁴³ For example, the value of aircraft owned by the Receivership Estate will be enhanced greatly by obtaining the aircraft log books, which show the results of inspections and whether all required maintenance has been performed.

⁴⁴ This includes evaluating why towers were built on land titled in the name of Glenda Johnson.

other assets were transferred without the Receivership Estate having received reasonably equivalent value.

4. Aircraft, Vehicles, and Equipment. Identifying aircraft, vehicles, and equipment that belong to the Receivership Estate, so the Receiver can take possession of the assets and liquidate them. This will include evaluating whether prior transfers of assets resulted in the Receivership Estate receiving reasonably equivalent value.

5. Affiliates and Subsidiaries. Determining whether to recommend that the twelve subsidiaries and affiliates listed in the Order should be included permanently in the Receivership Estate.⁴⁵ The Receiver will also determine whether additional affiliated entities he has identified should be Receivership Entities. As part of this investigation, the Receiver will evaluate transfers with affiliated foreign entities to determine whether Receivership Estate Assets are located overseas that have not been repatriated as required by the Order. Investigations of affiliated entities will need to include an evaluation of the legal effects of the expirations of their entity existences.

6. Voidable Conveyances. Evaluating the forensic accounting reconstruction to identify payments to persons or entities where the Receivership Estate did not receive reasonably equivalent value. The Receiver also needs to investigate transfers of assets to insiders, such as the transfer of interests in the NPJFLP and DCL-16A to Roger Hamblin, transfers of interests in NPJFLP, Black Night Enterprises, and Starlight Enterprises to LaGrand Johnson and Randal Johnson, and transfers to Glenda Johnson. Issuances of stock by IAS to insiders for less than reasonably equivalent value will also be investigated. This is discussed next.

7. IAS Stock Ownership. Determining the extent to which Johnson owns or controls

⁴⁵ [Order](#) at ¶¶ 5-6. This report is due by the end of February 2019.

stock of IAS and evaluating prior transfers of shares under his control, including transfers to foreign entities. This investigation also will analyze prior sales of stock by Johnson and family members, particularly sales after November 23, 2015.

II. RECOMMENDATION ON PUBLICLY TRADED STATUS OF IAS

A. Background. IAS was organized as a Utah corporation on September 26, 1986. In April 1988, IAS filed a “registration statement” with the Securities and Exchange Commission (“SEC”) to be able to sell IAS securities to the public and to become a public company.

The initial stock offering by IAS consisted of 1,074,000 “units,” made up of stock and warrants. Two hundred thousand units were sold, yielding proceeds of \$100,000 for IAS.⁴⁶ With the registration of these securities, IAS became a publicly traded company. IAS has sold additional shares since its initial offering.⁴⁷ The Receiver expects, but has not verified, that the number of shares outstanding has also increased as a result of the exercise of warrants and options issued by the company. By June 30, 2016, IAS had 995 shareholders who held 75.2 million shares in the company.

As a public company, IAS is required to file quarterly and annual reports (which must contain the company’s audited financial statements) and notify the SEC of significant developments affecting its operations. The reports filed with the SEC are all public information and serve to inform shareholders and the public about the company’s financial condition and results of operations.

IAS’s securities are traded on the NASDAQ Bulletin Board.⁴⁸ Because Bulletin Board

⁴⁶ The units were sold at \$0.50 each. The warrants expired without being exercised.

⁴⁷ The 2016 Annual Report disclosed the sale of 2.5 million shares of stock in August 2015 for \$800,000 and 11.8 million shares of stock issued in June 2015 for \$3.1 million. June 30, 2016 Form 10-K, Item 5 “Recent Sales of Unregistered Securities.”

⁴⁸ Stocks traded on the NASDAQ Bulletin Board were formerly known as “Pink Sheet” stocks.

company securities are not traded on regulated exchanges, trading volume may be thin and sporadic. Most Bulletin Board companies' shares are traded by "market makers" who stand ready to buy and sell the shares at disclosed prices.⁴⁹ The difference between the buy and sell prices is called the "spread."⁵⁰ The spreads for Bulletin Board companies are often wide. Share prices of Bulletin Board companies often fluctuate widely because there is limited float of the securities⁵¹ and limited information about the companies' operations.⁵²

B. Insider Control, Insider Transactions. Neldon Johnson owns a controlling share of IAS stock. The 10-K reports that as of June 2016, Johnson has 76% of the voting control of the company and his two sons together have an additional 10% voting control.⁵³ Despite the transfer of shares to the NPJFLP, Johnson still owns an undetermined number of shares in his own name.⁵⁴

The Receiver believes that as of January 2011, the NPJFLP owned 10 million shares of IAS preferred stock and also owned warrants to purchase 100 million shares of IAS stock. On January 14, 2011, the NPJFLP sold a 20% interest in the NPJFLP to Roger Hamblin, giving

⁴⁹ The Receiver sent a letter to IAS's transfer agent, asking the transfer agent to identify all market makers for IAS stock. The transfer agent failed to respond. The Receiver has issued a subpoena to the transfer agent, Pacific Stock Transfer Company, to obtain this information.

⁵⁰ The buy and sell prices are known as the "bid" and "ask" prices.

⁵¹ Float indicates the number of public share available for trading.

⁵² It is for these and other reasons that the SEC warns investors of the heightened risks of investing in Bulletin Board and penny stocks.

⁵³ The IAS Annual Report indicates that Johnson owns (or controls) 94.3 million shares, which includes warrants to purchase 93.3 million shares. These numbers do not include 2 million shares of preferred stock owed by Johnson and 2.3 million shares of preferred stock owned by Johnson's sons. Half of Johnson's preferred stock has 100 votes per share; the remainder of the preferred stock has 10 votes per share.

⁵⁴ Johnson Declaration, Dec. 3, 2018 ([Docket No. 528](#)) at Ex. 1. The exhibit does not identify the number of shares Johnson admits owning. Johnson's undated compliance verification that required disclosure of entities in which Johnson has an interest, provided this response as to Johnson's interest in IAS: "International Automated Systems, Inc. is a publicly held corporation. It is impossible to identify every shareholder . . ." (Undated Compliance Verification required by [Docket No. 467](#) at I.5.) Using this excuse, Johnson failed to disclose his ownership in the company. Johnson's counsel has so far refused the Receiver's request for information about the number and types of securities Johnson owns in IAS.

Hamblin an interest in those IAS shares. The following year, on October 23, 2012, the shares were transferred to Black Night Enterprises and Starlight Enterprises, with each receiving half the shares. In exchange, Black Night and Starlight each gave 30% of their shares to LaGrand Johnson and his trust, 30% to Randale Johnson and his trust, and 40% to Roger Hamblin. This 2012 transfer had the effect of transferring the preferred shares and warrants out of the NPJFLP into Black Night and Starlight—and putting the shares and warrants into two foreign corporations.

Because the Receiver has not received any of the corporate records of IAS and the transfer agent has refused to respond to requests by the Receiver for information, the Receiver does not yet know what securities trades have been made by Johnson, Shepard, their family members or other insiders. The Receiver intends to investigate these issues, but does not yet have the information needed to make any findings. For similar reasons, the Receiver does not know the shares of IAS stock owned by Johnson, Shepard, their family members, and affiliated entities other than as described above.

C. IAS Compliance with Reporting Obligations. The last annual report filed by IAS—indeed the last regulatory filing by IAS—was the June 30, 2016 annual report (“Annual Report”). The company has filed no subsequent quarterly or annual reports, as is required by the 1933 Securities Act, nor has it filed reports of extraordinary events, such as the Court’s entry of an Asset Freeze Order and the Court’s *Findings of Fact and Conclusions of Law*. The company has often been delinquent in its reporting obligations. In at least 39 instances since 1996, IAS notified the SEC that it would be unable to timely file its quarterly or annual reports.

D. Trading and Pricing History. The trading price and volume of IAS stock has varied considerably over the years, ranging from a high of \$57 per share in 1996 to its current price of

less than \$0.01. The table below shows the annual price range and trading volumes.

Year	High	Low	Average Monthly Trading Volume
1995	22.00	1.50	136,950
1996	57.00	4.00	361,925
1997	6.50	1.00	357,633
1998	5.00	1.38	521,083
1999	3.09	0.88	475,516
2000	9.84	0.63	742,625
2001	1.85	0.65	606,508
2002	0.80	0.26	600,941
2003	1.01	0.13	769,708
2004	0.95	0.28	486,150
2005	0.95	0.28	996,333
2006	1.30	0.41	1,595,633
2007	1.24	0.42	1,551,258
2008	0.65	0.17	1,167,025
2009	0.71	0.22	859,641
2010	0.41	0.09	710,758
2011	0.35	0.06	677,616
2012	0.41	0.06	512,783
2013	0.32	0.09	387,433
2014	0.61	0.03	403,550
2015	0.50	0.10	246,916
2016	0.25	0.12	311,566
2017	0.21	0.12	275,325
2018	0.19	0.01	574,754

As shown by the table, there was a huge spike in the price in 1996 when the high jumped to \$57 per share. \$57 is nearly triple the high price in 1995 and over five times greater than any high price in a subsequent year. After the United States filed its civil suit in November 2015, the stock price ranged from \$0.10 to \$0.30 per share. After the Court issued its initial asset freeze in late August 2018, the stock price ranged from \$0.04 to \$0.10 per share. By November, after the Receiver had been appointed, the price ranged from \$0.01 to \$0.04. But, the question must be asked why the stock is trading at any price and why the average monthly volume of trading since August 22, 2018 has been 596,625. The Receiver intends to try and answer those questions.

E. Disclosures to the Market. During the timeframe of key events in the civil litigation, message boards and blogs discussed the IAS stock and reported on trial proceedings and the Court's orders, including issuance of the October 4, 2018 *Findings of Fact and Conclusions of Law*. Despite this information being available to investors, the stock still traded and retained some value.

To ensure that current shareholders and potential buyers of the stock had accurate information about IAS, the Receiver filed a Form 8-K with the SEC on November 21, 2018, giving notice of the Court's August 22, 2018 *Memorandum Decision and Order Freezing Assets* and the October 31, 2018 *Receivership Order*.

F. Operating History. For many years, IAS has been telling shareholders and the market that it was developing a variety of products. Yahoo's finance website distilled information from the company's Annual Report, saying:

International Automated Systems, Inc. focuses on designing, producing and marketing technology products. It develops alternate solar energy thermal system [sic] to generate power; and automated self service check-out system and management software that allows retail customers to ring up their purchases without a cashier or clerk. The company also develops automated fingerprint identification machine (AFIM), which verifies an individual's identify. Its AFIM applications would include products for employee time-keeping and security; access control; and check, debit, or credit card verification. In addition, the company develops digital wave modulation technology that would transmit information and data using various wave patterns, configurations, and timing in the electromagnetic spectrum. Further, it has a production model of a patented turbine that uses the expansion of steam to create a rotational force. International Automated Systems, Inc. was founded in 1986 and is headquartered in American Fork, Utah.⁵⁵

While this information, taken from the company's SEC filings, sound impressive, it appears to be all hype and no substance. Those who bother to read the Annual Report

⁵⁵ <https://finance.yahoo.com/quote/IAUS/profile?p=IAUS>. Last visited Dec. 21, 2018.

will find—near the end of the report—the statement: “*The Company has not generated a profit since its inception.*”⁵⁶ Thus, despite the company touting its “exclusive rights to patents” and its “leading edge technology products” (which include: 1) patented bladeless turbine, 2) patented solar lens, 3) alternate solar energy thermal system, 4) automated self-service check-out system and management software, 5) automated fingerprint identification machine, and 6) digital wave modulation technology), the company has never had a product that generated revenue. The Annual Report also discloses that the company has no market share for any of its products. Moreover, the company has a \$40.1 million accumulated deficit, meaning the company is unlikely ever to become solvent—even if it earned operating revenues.

As one investor told the Receiver, IAS touted the prospects of its fingerprint system, then moved to proclaiming the potential benefits of its grocery store check-out system, then to promoting its solar lenses—but without any of the technologies becoming successful.⁵⁷

G. Receiver Recommendation. The independent auditors of the IAS financial statements noted that because the company had no revenue and no operating income, “the Company may be unable to continue as a going concern.”⁵⁸ The auditors summarized the company’s activities as having “consisted of developing a business plan, raising capital through the issuance of debt and equity instruments, developing power generation equipment and obtaining the rights to certain technology related to

⁵⁶ Annual Report, Item 7, “Operating Revenues.” (emphasis added).

⁵⁷ By 2016, the company disclosed that its sole business focus was on its solar lens technology.

⁵⁸ Form 10-K, Jun. 30, 2016, note 1 to the financial statements.

electronic security and communication equipment.”⁵⁹

These activities, however, appear illegitimate. The Court has already found that the power generation efforts was a complete fraud. The company had already abandoned the technology related to electronic security and communications. That leaves development of business plans and raising capital as focuses of the company. Notably, the research and development efforts of the company have been minimal in recent years. As the table below shows, the company has been spending a hugely disproportionate amount of its funds on overhead—not on research and development. That means whatever funds were borrowed or came in as proceeds from stock sales were used to pay salaries, not conduct research.

Year	Research & Development	General & Administrative
2015	\$5,435	\$92,426
2016	\$2,805	\$121,568

Moreover, in 2016, the company disposed of all depreciable assets. In light of this, one must wonder what assets are being used to conduct what little research and development is occurring. After being a public company for more than 30 years, IAS has failed to generate any operating revenue or demonstrate that any technology it was developing was feasible. Thirty years of research and development should have revealed whether the technology being developed was viable. This history of failure indicates that the trading of its securities has been based entirely on hopes, not results. The lack of operating revenue also means that if the company were to continue, it would have a continuing need for new sources of revenue to continue its research and development—revenue that would have to come from new investors because it is not coming from operating profits. While the Receiver is sensitive to the losses

⁵⁹ *Id.*

suffered by existing shareholders, he believes a greater duty is to prevent future investors from losing money through the continuation of IAS.

The succession of different failed business ventures, the lack of operating profits, the high fluctuations in stock prices and trading volume, and Johnson's complete voting control over IAS lead the Receiver—as a former securities regulator—to believe the trading in IAS stock is all hype and speculation but no substance. The Receiver believes the company has functioned as: 1) an instrument to instill false hopes among potential investors willing to provide additional funding to Johnson's ventures, 2) a vehicle for Neldon Johnson and his sons to pitch non-functioning technology so they can receive salaries, 3) a means of having IAS pay funds to Johnson or to pay Johnson's personal expenses (such as power bills for his residence), and 4) likely a device for Johnson and his sons to receive income by selling their shares to gullible investors.⁶⁰ As such, the Receiver's recommendation is that IAS should not remain a publicly traded company.

Despite coming to this opinion, the Receiver has refrained from taking action to halt trading in IAS stock because he understands that counsel for the Receivership Defendants have indicated an intent to propose a settlement offer to the United States involving IAS, in connection with ongoing Tenth Circuit mediation efforts. If such a settlement were to be achieved, it likely would require that IAS's public company status be preserved.

In light of the Receiver's recommendation that IAS's operations should not continue and that the public shell should not be sold as an asset of the Receivership Estate, the Receiver has not estimated what effort would be required to bring IAS into compliance with its reporting

⁶⁰ It is possible the Receiver's beliefs will change when he has received the company's financial records and has reviewed the forensic accounting of the company's operations.

obligation under the federal securities laws. At a minimum, it would require engaging a qualified auditor to prepare audited financial statements for all periods since June 30, 2016. At this point, the Receiver lacks the financial records necessary to engage an auditor.

III. PROPOSED PLAN FOR RECOVERY AND LIQUIDATION OF ASSETS

Most equity receiverships have five stages: asset recovery, financial analysis, legal actions to recover voidable transfers, asset disposition, and distribution of net proceeds. In this receivership, the first four of these stages are proving (or are likely to prove) significantly more difficult than usual.

A. Asset Recovery. A notable difficulty the Receiver faces in this first stage is the superficial appearance of a lack of non-cash assets.

- RaPower-3, in its bankruptcy petition, claimed almost no assets.⁶¹ The exception was accounts receivable representing payments due from customers on the sales of solar lenses from a now-judicially-declared fraud scheme. The company said it has no inventory, furniture, fixtures, machinery, equipment, vehicles, or real property.
- IAS's financial statements identify its assets as only cash and land; it too has no inventory, furniture, fixtures, machinery, equipment, or vehicles.⁶²
- Johnson admits to owning few assets, just two vehicles, an airplane that is not airworthy, and a small amount of cash—which he now asserts should be released from the Receivership Estate as the proceeds from Social Security benefits payments. Even the enormous stock holdings identified in the IAS 10-K may have been moved out of Johnson's direct ownership.

So where are the assets? The Receiver believes there has been a deliberate effort to hide

⁶¹ See [Case No. 18-24865, Docket No. 11](#).

⁶² See, e.g., Form 10-K, Jun. 30, 2016.

or shield assets.

- Much of the intellectual property was transferred to the NPJFLP and from there to two foreign companies, Black Night Enterprises and Starlight Enterprises. Johnson transferred additional intellectual property directly to Black Night Enterprises after 2012.
- Johnson transferred his ownership interest in NPJFLP to an associate, Roger Hamblin, as well as his ownership interest in DCL-16A, which is the general partner of NPJFLP.
- The NPJFLP transferred its assets to Black Night and Starlight Enterprises, which are controlled by Johnson's sons and Hamblin.
- Most of Johnson's shares in IAS may have been transferred to the NPJFLP or others.
- Most of the real estate identified in the Order is titled in the name of Glenda Johnson—including real estate on which Johnson may have constructed the new solar towers.
- Two real estate parcels in Texas were put into the name of NPJFLP and then transferred to Black Night and Starlight.
- Significant proceeds from the sale of lenses were put into bank accounts of XSun Energy and Solco I, which Johnson's attorneys have argued should not be Receivership Estate Assets.⁶³
- \$735,202.22 of XSun Energy and Solco I funds were put into a "non-refundable" retainer account at Nelson Snuffer, Defendants' attorneys.⁶⁴
- A third airplane (not identified in the Order) is titled in the name of U-Check, a now-expired company controlled by Johnson. Johnson informed the Receiver this airplane is in an unidentified "shop" and that it suffered significant damage—but Johnson will not

⁶³ [Docket No. 509](#). The Court has denied Johnson's motion without prejudice pending completion of the Receiver's investigation into XSun and Solco I. *See* [Docket No. 550](#).

⁶⁴ The Court has clarified that these funds are subject to the Asset Freeze Order and the Order. *See* [Id.](#)

reveal the location of the shop. Johnson claims ignorance about who owns the aircraft.

The existence of multiple subsidiaries and affiliates—some listed in the Order and some not—into which funds and assets were transferred makes the Receiver’s work much more difficult. It will require substantial effort to trace each transfer and determine whether the transfer is voidable. The Receiver must conduct sufficient investigation to determine whether the entities themselves should be Receivership Estate Assets.

One of the significant assets of the Receivership Estate is the publicly-traded company, IAS. However, the controlling interest shares held by Johnson may have been transferred. The value of the company itself may be greatly diminished by the (laudable) policy decision not to sell the publicly-traded shell as an asset. The existence of this company as a Receivership Entity requires the Receiver spend time managing this entity, including filing the 8-K notice and communicating with existing shareholders.

The widespread stonewalling by Johnson and others is hindering the Receiver’s work.

- Johnson has provided no company records to the Receiver. Johnson has so far rebuffed the Receiver’s request for the aircraft log books, whose absence greatly diminishes the value of the aircraft.
- He has agreed to be deposed by the Receiver (along with his wife), but requested the deposition occur in early January, instead of December thereby delaying the Receiver’s investigation.
- Roger Hamblin has refused to provide information requested by the Receiver.
- The mechanic who worked on Johnson’s airplanes has refused to respond to calls, emails and letters from the Receiver.
- David Nelson, one of Johnson’s attorneys, only belatedly—and after a second demand—

told the Receiver what funds were paid to his firm by RaPower-3 or IAS—despite the Receiver being the holder of any legal privileges that might apply.

- The transfer agent for IAS has refused to respond to requests by the Receiver for information.
- There has been no repatriation of assets and no explanation of any attempts by Johnson, his sons, or Hamblin to repatriate assets held outside the U.S.

In light of this, the Receiver's plan is to move forward, but he will have to obtain this information in a laborious manner that is likely to take significantly more time and require substantial work by outside legal counsel, including issuing subpoenas, taking depositions, and litigating over ownership of entities and assets. The Receiver believes he can learn what he needs to know and can accomplish recovery of assets belonging to the Receivership Estate, but it will require additional effort that would not be incurred were Defendants cooperating and urging others to cooperate.

B. Financial Analysis. Reconstructing the financial records of Defendants is an essential component of accomplishing the objectives of this Receivership. This project will be more difficult than most for at least five reasons:

- First is the length of time these companies have been operating. There is a high volume of records to analyze.
- Second is the large amount of money that the Receiver expects has flowed through these accounts. If \$30 million has flowed through bank accounts of Receivership Defendants, it will be a major task to identify where those funds have gone. Unlike Ponzi scheme receiverships, where large amounts of outgoing funds went to early investors, the Receiver expects the recipients of funds from IAS and RaPower-3 will be diverse and

require substantial investigation to determine the reasons for the payments. At the same time, the Receiver needs to pay close attention to whether transfers indicate the existence of other bank accounts or transfers to overseas accounts.

- Third, the Receiver expects there will have to be several rounds of subpoenas to obtain bank records. He expects he will need to issue subpoenas to obtain bank records of Glenda Johnson, Neldon's two sons, Roger Hamblin, U-Check, and others. If the Receiver finds additional bank accounts, subpoenas may need to be issued for those account records—and analysis of those account records may reveal yet additional accounts.
- Fourth, the presence of twelve affiliated entities, along with others discovered by the Receiver—along with the transfers between these entities—will necessitate additional forensic accounting analysis.
- Fifth, the Receiver's work will be more difficult because Defendants have failed to cooperate by providing financial and accounting records, bank statements, stock transfer records, asset lists, construction records, or property records.

The Receiver believes that Lone Peak Valuation Group will be able to reconstruct the financial records of the Receivership Defendants for at least the past seven years. This will provide the basis for decisions by the Receiver on recoveries to seek and as evidence in support of litigation the Receiver expects to bring.

C. Recovery of Voidable Transfers. The number of affiliated entities, the transfers of funds and assets between entities, and the prevalence of asset ownerships held in the names of non-Receivership Defendants indicates the Receiver will likely need to initiate litigation to recover assets that belong to the Receivership Estate. The Receiver will seek Court approval before

initiating voidable transfer litigation.

D. Asset Disposition. Disposition of assets—once recovered—is expected to be challenging for multifarious reasons:

- Johnson claims one airplane was already damaged beyond repair, but has not yet provided information showing the amount of insurance proceeds he recovered. The Mooney aircraft is in a state of disrepair and, unless the log books are delivered to the Receiver, that aircraft will have a substantially diminished or negative value. The twin-engine Cessna, if it is a Receivership Estate Asset, is damaged (according to Johnson).
- The enormous land holdings in Millard County, Utah as well as holdings of undeveloped land in California and Texas may not have great values inasmuch as they appear to have been chosen in part for their desolateness.
- The patents are of questionable value in light of the Court's finding that the entire solar scheme was fraudulent.
- Many of the solar towers, built by Receivership Entities, may be on property titled in the name of Glenda, making the assets less valuable if it turns out that Glenda's properties are not properly Receivership Estate Assets. Glenda Johnson may own even those towers constructed on IAS property.
- If IAS is liquidated, rather than sold as a publicly-traded shell, its value is likely to be a small fraction of what value might otherwise be achieved.⁶⁵
- The fact that some of the entities owning assets (such as U-Check and the NPJFLP) are expired are expected to make disposition of those assets more difficult.

⁶⁵ This should not be interpreted as any disagreement by the Receiver as to the wisdom of the decision not to sell IAS as a publicly-traded shell. The Receiver wholeheartedly endorses this decision. The comment here is only to note the financial effects of that decision.

E. Distribution to Beneficiaries. This last stage is expected to be easier than in other types of receiverships. The Court has already identified the priority for distributions and authorized the Receiver to pay funds towards the first and second priority recipients without the need for a claims process or separate motion to the Court. In addition, the Order relegates all trade claims and potential claims from non-purchasers to a priority where they will not be paid. This decision saves the Receiver from having to investigate and track information about these potential claimants. With this guidance provided by the Order, this stage will be markedly simpler and more efficient than most receivership cases.

In the unlikely—but happy—event, however, that the Receiver expects to recover greater than a net \$14.2 million, he will seek Court approval to conduct a claims process for distribution of the amounts in excess of what is required to pay the first and second priority payments.

IV. CONCLUSION

The Receiver believes he has a fair sense of the assets that will need to be evaluated to determine whether they should be assets of the Receivership Estate. There appear to be no liabilities of significance. The Receiver expects he will have to perform substantial work to determine what assets belong in the Receivership Estate and to bring them into the Estate.

The Receiver believes that IAS should not remain a public company and should be liquidated, although IAS appears to have no assets other than real estate and proceeds from frozen bank accounts.

DATED this 31st day of December, 2018.

PARR BROWN GEE & LOVELESS

/s/ Jonathan O. Hafen
Jonathan O. Hafen
Joseph M.R. Covey
Cynthia Love

Michael S. Lehr
Attorneys for Receiver

CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the above **RECEIVER'S ACCOUNTING, RECOMMENDATION ON PUBLICLY-TRADED STATUS OF INTERNATIONAL AUTOMATED SYSTEMS, AND LIQUIDATION PLAN** was filed with the Court on this 31st day of December, 2018, and served via ECF on all parties who have requested notice in this case.

/s/ Michael S. Lehr _____