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

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SECURITIES AND EXCHANGE COMMISSION,

PLAINTIFF,

v.

THE COMPANIES (TC), LLC, a Utah limited liability  
company, KRISTOFFER A. KROHN, an individual,  
STEPHEN R. EARL, an individual, and MICHAEL K.  
KROHN, an individual,

DEFENDANTS.

**COMPLAINT**

Civil No. 2:12-cv-00765-DN

Judge David Nuffer

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Plaintiff, Securities and Exchange Commission (the “Commission”), for its  
Complaint against Defendants alleges as follows:

**INTRODUCTION**

1. This matter involves the fraudulent offer and sale of unregistered securities by The Companies (TC), LLC (“The Companies”) and its principals, Kristoffer A. Krohn (“Kris Krohn”), Stephen R. Earl (“Earl”), and former officer, Michael K. Krohn (“Mike Krohn”).

2. The Companies, organized in July 2008, is owned and controlled by Kris Krohn, its President and Manager, and Earl, its Chief Executive Officer (“CEO”) and Manager. Among other things, the Companies purchases distressed real estate for investment. Mike Krohn was the Chief Financial Officer (“CFO”) for the Companies from February 2009 until June 2011.
3. To raise money to purchase real estate, The Companies or its subsidiary, Alpha Real Estate Holdings, L.P. (“Alpha LP”), initiated four unregistered offerings of securities from January 2009 to June 2011.
4. Kris Krohn, Earl, and Mike Krohn participated in the offerings by providing content for and approval of the private placement memoranda (“PPMs”) used to solicit investors and by directly offering the securities to investors.
5. The four offerings raised a total of approximately \$11.9 million from approximately 169 investors.
6. The PPMs contained material misrepresentations and omissions related to, among other things, the value of properties to be purchased or that were owned by the Companies or Alpha LP.
7. The PPMs represented that the current market value of certain properties was \$15 million, but the actual market value was as low as \$2.9 million or \$12.2 million at most, depending on the valuation used.
8. The PPMs did not disclose that the \$12.2 million value was based on Internet-based valuations that were not supported by documentation, nor did they disclose that The Companies had also obtained other valuations totaling \$2.9 million for the same properties.

9. Each of the four offerings relied on the exemption to registration under Regulation D, Rule 506.
10. The offerings did not qualify for the Rule 506 exemption because Defendants solicited investors through general solicitation at meetings that were open to the public.
11. By conduct detailed in this Complaint, Defendants violated Sections 5(a), 5(c) 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]. Unless enjoined, Defendants are likely to commit such violations again.

#### **JURISDICTION AND VENUE**

12. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77t and 77v].
13. Defendants, directly and indirectly, singly and in concert, have made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, which have occurred within the District of Utah.
14. Venue for this action is proper in the District of Utah under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] because the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district and because the defendants reside in and transact business in this district.

**DEFENDANTS**

15. **The Companies (TC), LLC** (“The Companies”) is a Utah limited liability company, organized on July 25, 2008, with its principal place of business in Orem, Utah. The Companies operates through various affiliates and subsidiaries, including a real estate investment education club, a real estate brokerage, a mortgage brokerage, a property management firm, an insurance and financial education firm and partially-owned subsidiaries that acquire, manage and sell bank-owned and other distressed properties. In January 2009, December 2009, and June 2011, The Companies made offerings of membership interests, relying on the exemption from registration promulgated under Regulation D, Rule 506, of the Securities Act.
16. **Kristoffer A. Krohn** (“Kris Krohn”), age 32, and a resident of Orem, Utah, is a Manager, President, and majority shareholder of The Companies. Kris Krohn is a founding member of The Companies and its related entities. Kris Krohn participated in producing The Companies’ and Alpha LP’s PPMs and solicited investors.
17. **Stephen R. Earl** (“Earl”), age 43, and a resident of Orem, Utah, is a Manager and CEO of The Companies. Earl is a founding member of The Companies and some of its related entities. Earl is a licensed real estate broker and participated in producing The Companies’ and Alpha LP’s PPMs and solicited investors.
18. **Michael K. Krohn** (“Mike Krohn”), age 36, and a resident of Round Rock, Texas, was the CFO of The Companies from February 2009 until June 2011.

Mike Krohn is the brother of Kris Krohn and is a CPA licensed in Arizona.

Mike Krohn participated in producing The Companies' and Alpha LP's PPMs and in soliciting investors.

#### **Related Entities**

19. **Real Estate Investors Club, L.L.C.** ("REIC"), is a Utah limited liability company, organized on October 26, 2007, with its principal place of business in Orem, Utah. REIC solicits the public to purchase memberships in REIC in order to learn how to invest in residential real estate. REIC is a wholly-owned subsidiary of The Companies and is controlled by Kris Krohn and Earl.
20. **Alpha Real Estate Holdings, L.P.** ("Alpha LP") is a Delaware limited partnership formed March 26, 2009, with its principal place of business in Orem, Utah. Alpha LP was formed for the purpose of purchasing distressed properties for investment. In April 2009, Alpha LP made an offering of limited partnership interests, relying on the exemption from registration promulgated under Regulation D, Rule 506, of the Securities Act. Alpha LP is controlled by Kris Krohn and Earl.
21. **Alpha Holding Companies, LLC** ("Alpha LLC") is a Utah limited liability company formed March 26, 2009, with its principal place of business in Orem, Utah. Alpha LLC is a wholly-owned subsidiary of The Companies and is the general partner and 51% owner of Alpha LP. Alpha LLC is controlled by Kris Krohn and Earl.

## **FACTS**

### **Background**

22. Beginning around 2006, Kris Krohn became involved in purchasing and selling homes for investment and profit.
23. Earl had separately been involved in purchasing and selling real estate and held a real estate license. Earl met Kris Krohn through his real estate business and began to help Kris Krohn find and purchase properties.
24. In October 2007, Kris Krohn founded REIC as a business to teach others how to purchase single family homes for income and investment purposes.
25. REIC requires interested individuals to pay a membership fee (currently about \$8,000), which entitles members to instruction and assistance in locating and purchasing properties, preparing the properties for rent, renting out the properties for cash flow, and later selling the properties at a profit.
26. Earl, as a real estate broker, assisted REIC members in finding homes to purchase.
27. In early 2008, Kris Krohn and Earl started a real estate brokerage firm together. They formed The Real Estate Firm, L.L.C. (“TREF”), a Utah limited liability company.
28. Initially, Earl was not involved with REIC, but he worked with REIC members through TREF, assisting members with real estate purchases.
29. As time went on, Earl contemplated getting involved with REIC and other related businesses in a full partnership with Kris Krohn.

**Earl and Kris Krohn Form The Companies (TC), LLC**

30. On July 25, 2008, Kris Krohn and Earl formed The Companies to be a holding company that would ultimately become the umbrella over various business enterprises, including REIC, TREF, a mortgage company, a property management company, and others.
31. REIC is and has been The Companies' flagship entity.
32. The Companies' various subsidiaries assist REIC members with brokering purchases, obtaining financing, locating tenants, and managing properties. Each of the entities is a profit center and generates fees as various transactions in this process are completed.
33. As the holding company over all the entities, The Companies earns revenues from each of them.
34. As of November 2011, The Companies had been operating at a net loss. According to an unaudited consolidated profit and loss statement, The Companies lost \$1,773,472 in 2009 and \$1,129,810 in 2010.
35. The amount of The Companies' total loss cannot be confirmed because the Companies does not and has not maintained audited financial statements for itself or any of its entities.
36. Although Kris Krohn and Earl have shared in management and decisions, Kris Krohn has final decision-making authority, because he is the founder of REIC and majority shareholder of The Companies.

**Kris Krohn Purchases REOs (Bulk Properties)**

37. After starting TREF with Earl, Kris Krohn continued to be separately involved with other partners in real estate investment.
38. In early 2008, Kris Krohn and his partners believed they could purchase properties in bulk (real estate owned properties or “REOs”) and re-sell them to other real estate investors for a profit.
39. REOs consist of portfolios of homes that have been foreclosed upon and packaged together to be re-sold by a bank or lending institution. Banks pool homes together as REO packages and make them available as-is for purchase as one unit. REO homes are generally considered distressed properties and are often in depressed markets, in disrepair, or have other problems, such as liens or back-taxes owing on them.
40. Kris Krohn and his partners, through two separate entities, purchased two REO packages of homes in the Midwest for approximately \$2.3 million.
41. After purchasing the properties, Kris Krohn and his partners attempted to sell the properties for \$2.8 to \$2.9 million but were unsuccessful.

**The Companies Forms Alpha LP and Alpha LLC**

42. Because Kris Krohn and Earl were working together with TREF, Earl was aware that Kris Krohn had purchased the REOs and had been unable to re-sell them.
43. Earl began to consider a long-term strategy of purchasing REOs, then donating or selling off the homes that were in complete disrepair, repairing

those homes that were worth repairing, renting the repaired homes for a steady cash flow, and later selling the homes at a profit when the homes appreciated in market value.

44. By late 2008, Kris Krohn and Earl had decided that The Companies should purchase REOs and incorporate Earl's long-term strategy into its business.
45. Kris Krohn proposed selling his entities' REOs to The Companies.
46. In March 2009, Kris Krohn and Earl formed Alpha LLC and Alpha LP to purchase and own REOs. Alpha LLC is the general partner of Alpha LP and owns 51% of its ownership interest. Alpha LLC is a fully-owned subsidiary of The Companies.
47. By March 2009, Mike Krohn had become CFO of The Companies and was in charge of maintaining The Companies' accounting records and preparing accounting and financial reports for use and review by Kris Krohn and Earl.
48. Kris Krohn and Earl reviewed accounting and financial records and reports with Mike Krohn on a regular basis. These records and reports included financial statements, property transactions, and valuations of properties.

#### **Valuation of Kris Krohn's Entities' REO Properties**

49. In April 2009, The Companies obtained valuations of the individual properties in Kris Krohn's entities' REOs. To obtain these valuations, The Companies hired Capstone Asset Solutions ("Capstone"), a third party real estate evaluation company.
50. Capstone, through its affiliated national real estate brokerage, hired real estate agents in the local market to inspect and evaluate each property and provide a

“broker price opinion” or “BPO,” which was the agent’s best estimate of the price at which a specific property could realistically be sold within 30 to 90 days, based on the condition of the property and the local real estate market.

51. According to Capstone’s BPOs, at or around April 14, 2009, the total BPO value for all the Kris Krohn REO properties came to a total of \$2,861,997.
52. The Companies contends that it also obtained property valuations in April 2009 from RealQuest, an Internet search engine for real property data and analytics.
53. For a fee, RealQuest permits the user to obtain a valuation of a specific property based on the property address. Users of RealQuest’s services can enter the address of the property into the website, and a value will be calculated and displayed. The valuation is calculated, using public information, among other things, and proprietary analysis software. Public information may include the last sale price of the home and comparable sale prices of homes in the vicinity. Valuations are not available for all homes, such as when public information is not available or when there have been no recent sales in the area.
54. RealQuest makes no physical inspection of the property, thus RealQuest valuations do not consider condition of the property, including damage, neglect, or disrepair. The RealQuest software may not consider the number of homes for sale in the neighborhood and other local conditions. Furthermore, the RealQuest valuations do not consider liens, back-taxes, or other encumbrances.

55. Defendants knew or should have known of the limitations of RealQuest valuations.
56. Defendants believed that BPO values are a more accurate reflection of current market value than RealQuest valuations.
57. The Companies assert that April 2009 RealQuest valuations for the Kris Krohn properties totaled \$12,272,986, approximately \$9.4 million more than the total of the BPO values.

**Sale of REOs from Kris Krohn's Entities to Alpha LP**

58. As Kris Krohn's entities were in the process of evaluating and obtaining market values for their REO properties, the entities were also inspecting the REO properties they had purchased, changing titles, performing repairs and maintenance on the properties, and attempting to sell properties, both in bulk and individually.
59. By mid-2009, Defendants had determined that many of the REO properties were in partial or substantial disrepair and had been vacant and neglected for some time. Many of the REO properties had significant liens or other encumbrances that exceeded the value of the properties, thereby giving the properties negative equity.
60. Defendants knew or should have known of the condition of the properties and the encumbrances attached to them by mid-2009 or earlier.
61. In August 2009, Alpha LP purchased the REOs from Kris Krohn's entities. Alpha LP paid approximately \$2.9 million (the same amount at which the

BPOs valued the properties) for the two REOs and received 167 individual properties.

62. Since August 2009, Alpha LP and The Companies have sold many of the properties at a loss, they have purchased other properties, and they have repaired and rented properties.
63. By December 2009, Alpha LP had sold at least 31 of the properties it purchased from Kris Krohn's entities. Those properties were purportedly valued at \$2,150,221 by RealQuest and were sold for a total price of \$80,423, which amounts to just 3.7% of the purported RealQuest value of those properties.
64. In its accounting records, Alpha LP valued its properties at purchase price (less depreciation). Based on these "book values," Alpha LP had a total net loss of \$363,137 on the disposal of properties sold by December 2009. These were the same properties that had a purported RealQuest value of \$2,150,221.
65. As properties were sold, Defendants knew or should have known of the condition of the properties, and the prices at which homes sold and their corresponding losses in Alpha LP's accounting records.
66. As of December 31, 2010, Alpha LP had approximately 110 properties remaining on its books. RealQuest valuations for Alpha LP's properties at the time totaled less than \$4.6 million, meaning The Companies' 51% share would have been under \$2.3 million, if based on RealQuest valuations. Defendants knew or should have known of these RealQuest valuations by that time.

### **The Companies and Alpha LP Private Offerings**

67. In order to raise money for the purchase of REOs, The Companies and Alpha LP initiated four private offerings, pursuant to private placement memoranda, relying on the exemption to registration under Regulation D, Rule 506.
68. Earl and Kris Krohn participated in drafting and/or providing content for each PPM, and Earl and Kris Krohn reviewed and approved the contents of the four PPMs.
69. Mike Krohn provided content, including accounting and financial information and property values, for the offerings by Alpha LP in April 2009 and by The Companies in December 2009 and June 2011.
70. The Companies' and Alpha LP's offerings were offered and sold to REIC members at weekly meetings, which discussed the securities offered and the PPMs.
71. The Companies also solicited investors at its annual "Wealth Summit" seminars, held in May 2010 and June 2011.
72. Defendants invited Wealth Summit attendees to learn more about the stock through additional meetings and the PPMs. If people were interested, they were given a PPM for the particular offering.
73. Kris Krohn, Earl, and Mike Krohn all solicited investors by drafting and providing content for the PPMs, presenting the investment opportunity at meetings and seminars, and/or by answering questions and talking to investors about the investment and the PPMs.

## **Misrepresentations and Omissions in the PPMs**

### **The Companies January 2009 Private Placement**

74. The Companies' first PPM was dated January 13, 2009 and offered up to \$2 million in ownership interest in The Companies.
75. The PPM described the business strategy of purchasing REOs. Investors in The Companies would be partial owners of the REOs eventually purchased by The Companies and were to share in future profits of the various subsidiaries of The Companies.
76. The offering raised approximately \$1.8 million.
77. The PPM contained a "Supplemental Asset Listing," showing an estimated value of The Companies' various holdings, which at the time included: REIC, TREF, The Property Management Company ("TPMC"), and Strategic Lending. The total estimated value of The Companies was stated to be \$1 million.
78. The PPM also represented that there was an "Anticipated Asset Gain to the Company based on existing REO Purchase Agreements (using money from this offering)" of \$15 million. This representation is false and misleading because The Companies had no purchase agreements in place and no specific purchase agreements were being contemplated at that time. The misrepresentation is material.
79. Furthermore, The Companies had no basis for the value of the anticipated asset gain of \$15 million. This number was merely an estimate and was not

based on any specific properties or appraisals. These material disclosures were omitted from the PPM.

**Alpha LP April 2009 Private Placement**

80. The Alpha PPM was dated April 16, 2009 and offered up to \$4.9 million in interests.
81. The offering raised approximately \$4.7 million from investors.
82. The PPM disclosed that Alpha LP contemplated using the proceeds of the offering to purchase bulk REOs, either from Kris Krohn's entities or other parties.
83. The PPM represented that Kris Krohn's entities owned approximately 200 properties combined, and that the purchase price would be approximately \$2.3 million.
84. By the date of the PPM, The Companies had already obtained the BPOs for these properties, but the PPM did not disclose or discuss the BPOs.
85. The PPM failed to disclose that Defendants already knew that Kris Krohn's REO properties had substantial problems and encumbrances, that BPOs indicated the market value of the properties was \$2.9 million, and that Kris Krohn's entities had been trying and had been unable to sell these particular REOs at a price of \$2.9 million or less, the same price that Alpha LP eventually paid for the properties. These were material omissions in the PPM.

**The Companies December 2009 Private Placement**

86. The Companies' December 1, 2009 PPM offered up to \$3.9 million in membership interests in The Companies.

87. The offering raised approximately \$3.8 million.
88. Among other things, the PPM stated: “As of October 31, 2009, the Company believes that the real estate owned by [Alpha LP] would be valued at approximately \$15 million, with its 51% share approximately equal to \$7.5 million. The Company has estimated the value of these properties based on appraisals of similarly situated properties. However, the value of such properties provided by a professional appraiser could vary from those estimated by the Company.”
89. The representation that properties were worth \$15 million is false and misleading because there is no evidentiary basis for the stated \$15 million value. The Companies did not receive appraisals for similarly situated properties. Rather, The Companies based the \$15 million value on purported RealQuest valuations, but the purported RealQuest valuations cannot be corroborated by valid evidence. The purported RealQuest valuations were not a fair representation of the market value of the properties and were highly inflated, as evidenced by the prices at which homes actually sold. These misrepresentations and omissions were material.
90. The PPMs did not disclose the significant limitations to RealQuest valuations in determining current market value. This was a material omission in the PPM.
91. The PPM did not disclose that The Companies had obtained BPOs, which indicated total market value of the properties was \$2,861,997. The PPM did not disclose that BPOs are a more accurate gauge of current market value.

The PPM did not disclose that actual prices of properties already sold were around or below the BPO values. These were material omissions.

### **The Companies June 2011 Private Placement**

92. The Companies' June 1, 2011 PPM offered up to \$4.7 million in membership interests in The Companies.
93. As of November 2011, the PPM had raised approximately \$1.6 million. This offering is currently still open.
94. The PPM includes unaudited financial statements that purport to represent all activities of The Companies and its subsidiaries on a consolidated basis as of December 31, 2010.
95. The Companies' unaudited Consolidated Balance Sheet states that "Net Real Estate Holdings" equal \$7,408,728.82. The Management Discussion & Analysis of the financial statements states the following: "Gross real estate holdings is approximately \$7.5 Million in terms of today's market value (obtained valuation statements as of Jan 2011 per Real Quest to derive current market value) and book value (purchase price) is approximately \$3.2 million." This is a material misrepresentation of market value because it is purportedly based on RealQuest valuations for Alpha LP's properties, which totaled less than \$4.6 million at the time. The Companies' 51% share would have been under \$2.3 million, if based on RealQuest valuations.
96. The June 2011 PPM failed to disclose the limitations of RealQuest valuations. By this time, Alpha LP had already sold or transferred a

number of individual properties at substantial losses, thus demonstrating that the purported RealQuest values were highly inflated. Defendants knew or should have known of the losses and the prices at which homes were actually sold. These were material omissions in the PPM.

**Misrepresentations and Omissions Were Material**

97. The misrepresentations and omissions in the PPMs significantly altered the total mix of information available to investors and were material to a reasonable investor because a reasonable investor would consider them important in making an investment decision.

**The Companies and Alpha LP Offerings Were Not Exempt from Registration**

98. None of the offerings by The Companies and Alpha LP were registered with the Commission.
99. Defendants relied on the exemption to registration available pursuant to Regulation D, Rule 506.
100. The Wealth Summits, at which Defendants solicited investors for The Companies, were open to the public.
101. The Wealth Summits were held at a local Marriott hotel ballroom and were attended by several hundred people.
102. Most of the Wealth Summit attendees may have been REIC members, but the REIC members were encouraged to bring guests and family members to the Wealth Summits.

103. The Companies advertised the Wealth Summits through direct e-mail to REIC members and through its websites.
104. E-mails sent to REIC members indicated that friends and family were welcome to the Wealth Summits, and there was nothing in the emails to indicate that attendance was restricted to REIC members. Emails encouraged individuals to register and indicate how many others would be attending. There was no requirement that names of attendees be given, so there was no way to track whether registrants were REIC members.
105. Registration was publicized on REIC's website, where anyone could register. There was no indication on the website or registration form that attendance was restricted to REIC members.
106. There was no announcement or posting at the Wealth Summits restricting attendance to REIC members. There was no sign-in procedure at the Wealth Summits, so there was no way to determine who attended and which attendees were REIC members and which were not.
107. The offerings do not qualify for the Rule 506 exemption because Defendants offered the securities through general solicitation.

**FIRST CAUSE OF ACTION**  
**FRAUD IN THE OFFER AND SALE OF SECURITIES**  
**Violations of Sections 17(a)(2) and (17)(a)(3) of the Securities Act**  
**[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

108. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 107, above.
109. Defendants, and each of them, by engaging in the conduct described in Paragraphs 1 through 107, above, directly and indirectly, in the offer and sale

of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

110. By reason of the foregoing, Defendants, and each of them, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

**SECOND CAUSE OF ACTION**  
**OFFER AND SALE OF UNREGISTERED SECURITIES**  
**Violation of Sections 5(a) and 5(c) of the Securities Act**  
**[15 U.S.C. §§ 77e(a) and 77e(c)]**

111. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 107, above.
112. Defendants, and each of them, by engaging in the conduct described in paragraphs 1 through 107, above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold securities, directly or indirectly, or carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.
113. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

114. The securities were not eligible for exemption from registration pursuant to Regulation D, Rule 506 because the offering did not meet all the requirements of the exemption because the securities were offered for sale through general solicitation.
115. The securities were not eligible for any other exemption from registration under the federal securities laws.
116. By reason of the foregoing, Defendants, directly or indirectly violated, and unless enjoined will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court:

**I.**

Issue findings of fact and conclusions of law that Defendants committed the violations charged herein.

**II.**

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that preliminarily and permanently enjoin Defendants and their officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a), 5(c), 17(a)(2), and 17(a)(3) of the Securities Act.

**III.**

Enter an order directing Defendants, and each of them, to pay civil money penalties pursuant to Section 20(d) of the Securities Act.

**IV.**

Grant such further equitable relief as this Court deems just, appropriate and necessary.

**V.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

Dated the 6th day of August 2012.

Respectfully submitted,

/s/ Daniel J. Wadley

Daniel J. Wadley

Thomas M. Melton

Cheryl M. Mori

Attorneys for Plaintiff

Securities and Exchange Commission

JS 44 (Rev. 09/11)

**CIVIL COVER SHEET**

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

<p><b>I. (a) PLAINTIFFS</b> Securities and Exchange Commission</p> <p><b>(b)</b> County of Residence of First Listed Plaintiff _____ <i>(EXCEPT IN U.S. PLAINTIFF CASES)</i></p> <p><b>(c)</b> Attorneys (Firm Name, Address, and Telephone Number) Daniel J. Wadley; Thomas M. Melton; Cheryl M. Mori Securities and Exchange Commission 15 W. South Temple, Ste 1800, SLC, UT 84101</p>	<p><b>DEFENDANTS</b> The Companies (TC), LLC; Kristoffer A. Krohn; Stephen R. Earl; Michael K. Krohn</p> <p>County of Residence of First Listed Defendant <u>Salt Lake County</u> <i>(IN U.S. PLAINTIFF CASES ONLY)</i></p> <p>NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.</p> <p>Attorneys (If Known) Brent R. Baker Clyde Snow 201 S. Main Street, Ste 1300, SLC, UT 84111</p>
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**II. BASIS OF JURISDICTION** (Place an "X" in One Box Only)

<input checked="" type="checkbox"/> 1 U.S. Government Plaintiff	<input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party)
<input type="checkbox"/> 2 U.S. Government Defendant	<input type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES** (Place an "X" in One Box for Plaintiff and One Box for Defendant)

	<b>PTF</b>	<b>DEF</b>		<b>PTF</b>	<b>DEF</b>
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

**IV. NATURE OF SUIT** (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<p><b>PERSONAL INJURY</b></p> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury - Med. Malpractice	<p><b>PERSONAL INJURY</b></p> <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <p><b>PERSONAL PROPERTY</b></p> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157
<p><b>REAL PROPERTY</b></p> <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<p><b>CIVIL RIGHTS</b></p> <input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 448 Education	<p><b>PRISONER PETITIONS</b></p> <input type="checkbox"/> 510 Motions to Vacate Sentence <p><b>Habeas Corpus:</b></p> <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition <input type="checkbox"/> 560 Civil Detainee - Conditions of Confinement	<p><b>LABOR</b></p> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<p><b>PROPERTY RIGHTS</b></p> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark
			<p><b>SOCIAL SECURITY</b></p> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g))	<input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 896 Arbitration <input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input type="checkbox"/> 950 Constitutionality of State Statutes
			<p><b>IMMIGRATION</b></p> <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus - Alien Detainee (Prisoner Petition) <input type="checkbox"/> 465 Other Immigration Actions	<p><b>FEDERAL TAX SUITS</b></p> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609

**V. ORIGIN** (Place an "X" in One Box Only)

<input checked="" type="checkbox"/> 1 Original Proceeding	<input type="checkbox"/> 2 Removed from State Court	<input type="checkbox"/> 3 Remanded from Appellate Court	<input type="checkbox"/> 4 Reinstated or Reopened	<input type="checkbox"/> 5 Transferred from another district (specify)	<input type="checkbox"/> 6 Multidistrict Litigation
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**VI. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):  
15 U.S.C. §§ 77q(a)(2) and 77q(a)(3); 15 U.S.C. §§ 77e(a) and 77e(c)

Brief description of cause:  
Securities Fraud

**VII. REQUESTED IN COMPLAINT:**

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

**DEMAND \$** \_\_\_\_\_

CHECK YES only if demanded in complaint:  
**JURY DEMAND:**  Yes  No

**VIII. RELATED CASE(S) IF ANY** (See instructions):

JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

DATE 8/6/12 SIGNATURE OF ATTORNEY OF RECORD Cheryl M. Mori

**FOR OFFICE USE ONLY**

RECEIPT # \_\_\_\_\_ AMOUNT \_\_\_\_\_ APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ MAG. JUDGE \_\_\_\_\_