

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE
KNOXVILLE DIVISION

STATE OF TENNESSEE, *ex rel.*)
JOHNATHAN SKRMETTI, ATTORNEY)
GENERAL and REPORTER, and)
COMMONWEALTH OF KENTUCKY,)
ex rel. DANIEL CAMERON, ATTORNEY)
GENERAL)

Plaintiff,)

v.)

IDEAL HORIZON BENEFITS, LLC)
d/b/a SOLAR TITAN USA, et. al.)

Defendants.)

No. 3:23-cv-00046-DCLC-JEM

NOTICE OF FILING FIRST STATUS REPORT

Richard F. Ray, as Receiver and pursuant to the terms and provisions of the Memorandum and Order entered on February 7, 2023 [Doc. 21], files this 1st Status Report attached to this notice as Exhibit 1.

Respectfully submitted,

/s/ Ryan E. Jarrard

Ryan E. Jarrard, Esquire BPR 024525

QUIST, FITZPATRICK & JARRARD PLLC

2121 FIRST TENNESSEE PLAZA

KNOXVILLE, TN 37929-2121

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Notice of Appearance have been served by operation of the Court's ECF System on or about February 24, 2023 as indicated on the electronic filing receipt. Parties may access this filing through the Court's electronic filing system.

/s/ Ryan E. Jarrard

ATTORNEY

UNITED STATES DISTRICT COURT
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STATE OF TENNESSEE, *ex. rel.*)
JONATHAN SKRMETTI, ATTORNEY)
GENERAL and REPORTER, and) 3:23-CV-00046-DCLC-JEM
COMMONWEALTH OF KENTUCKY, *ex rel.*)
DANIEL CAMERON, ATTORNEY GENERAL)
Plaintiffs)
v.)
IDEAL HORIZON BENEFITS, LLC d/b/a)
SOLAR TITAN USA, et al.,)
Defendants)


IDEAL HORIZON BENEFITS, LLC d/b/a/ SOLAR TITAN USA
INITIAL OPERATING REPORT AS OF FEBRUARY 23, 2023

COMES NOW, Richard F. Ray, Receiver, and herby submits his Initial Monthly Operating Report since his appointment by Order entered February 7, 2023. This report contains the following Schedules:

- 1 Actions at Case Inception
 - 2 Bank Account Summary
 - 3 Income Tax Return Summary
 - 4 Consumer Complaint Summary
- Receiver Bank Account Activity follows Schedule 4

I declare under penalty of perjury that this report and all attachments are true and correct to the best of my knowledge and belief. I also hereby certify that the original Monthly Operating Report was filed through counsel with the US District Court in accordance with my Order.

Date 23-Feb-23

By: 
Richard F. Ray, Receiver

Actions at Case Inception

1. I participated in the service of the Case Opinion and Order on February 7, 2023 at 10306 Yellow Pine Rd. One defendant, Sarah Kirkland was present to accept service. 23 employees completed Employee Information Forms providing building and system security information. Approximately five employees did not complete the information
2. I secured the Yellow Pine Rd warehouse and Hall Rd shop with locksmith services. The call center at 9111 Cross Park Drive, Knoxville remains under landlord access but has minima furniture and call center computers locked out from the Company system. I control the post office box at the Cedar Bluff Branch.
3. Our IT team secured the company website and operating systems including salesforce.com and company email. We (1) posted a notice regarding US District Court directed action at www.solartitanusa.com, (2) established the solarreceiver@gmail.com email addresss primarily for consumer communication purposes, (3) customized the "contact us" website page to accept new consumer complaints and (4) established an electronic vendor claim form (separate from consumer claims) on the solar titan website.
4. I arranged for Ideal Horizon Benefits LLC Bank account balances at USA Bank totaling \$49,321.71 to be transferred to my Receiver Account with details at Schedule 2.
5. I paid the Solar Titan payroll for period ending 2/5/23 through the ADP system including 23 employees having a \$22,430.68 total cost, then paid the final \$9,406.87 payroll for the two days ending 2/7/23. Those 23 employees were terminated as of February 7 except for the Operations Manager who will continue on payroll until February 28. I plan to transition to independent contracting consultants while the case remains active.
6. I obtained a list of inventory on hand at 10306 Yellow Pine Rd., and assigned an associate to validate the majority items on hand at February 7. The computer generated inventory list totals \$834,736 with a manual list of add-on inventory which, when extended, will likely increase the total inventory value to over \$1 million at cost.
7. I obtained a list of 36 vehicles described as owned by Ideal Horizon Benefits with an estimated market value of \$1.8 million and estimated loan payoff of \$1.3 million. I plan to engage a contractor to recover vehicles located in multiple locations in Kentucky and Tennessee and controlling recovered vehicles at the Yellow Pine warehouse or Hall Shop location.
8. I obtained the Ideal Horizon Benefits LLC Federal Income Tax Returns for 2019-2021. See summary at Schedule 3. The 2021 return identifies a \$2,746,144 "Other Receivable" which is based on a ledger account "ST Charter Receivable" which in turn may relate to Solar Titan Charters, LLC dba Titan Charters. I will further investigate in March.
9. I received listings and consumer complaint documents from Tennessee Consumer Protection Division Office and Kentucky Office of Consumer Protection via respective Offices of Attorneys General, and those filed with the Better Business Bureau. Those complaints currently total 449 at this preliminary stage. See summary at Schedule 4. In addition, there are a number of projects internally tracked that require final inspection, and consumer complaints accumulated through the SolarReceiver email account.
10. Consolidated Electrical Distributors, Inc. through counsel presented a claim for \$589,494.88 secured by a UCC1 lien on all assets including inventory. I have not assessed the claim but through counsel am working towards a product return for credit in March.
11. I have directed my attorney Ryan Jarrard to coordinate communication with plaintiffs counsels involving various state actions against Ideal Horizon Benefits LLC towards referral to this US District Court Action. I am organizing those actions into a claims log to be included in future receiver reports.
12. I have received notices of cancellation (nonpayment of premiums) on Ideal Horizon Benefits LLC commercial vehicle, workers compensation, and general liability insurance policies. I intend to allow the workers compensation and commercial vehicle coverage to terminate, as I will be utilizing contractors as needed for related services including vehicle recovery. I have directed my attorney Ryan Jarrard to provide the Stay of Actions Order to the general liability insurance provider.
13. Solar Titan USA leased a facility owned by New Horizon Ventures LLC (with common ownership) located at 121 Industry Rd., Richmond, KY. I am told that the warehouse is empty bu for racks and a forklift. The warehouse is listed for sale at \$800,000. I will arange an on-site visit in March.
14. I conducted interviews with the Plaintiffs and Defendants and will include those interview notes in my February 28, 2023 receiver report.

Summary Cash Movement

Name of Bank Account Ref	<u>Receiver</u> USA Bank <u>*0376</u>	<u>Pre-Receiver Subject to Asset Freeze</u>			<u>Total</u>
		<u>*6416</u>	<u>*6408</u>	<u>*7530</u>	
Beginning balance Feb 7	\$ -	\$ 43,701.65	\$ 1,996.22	\$ 3,623.84	\$ 49,321.71
Add: Deposits	36,025.00	0.00	0.00	0.00	\$ -
Less: Disbursements	(33,460.17)	0.00	0.00	0.00	\$ -
Net Transfers	49,321.71	(43,701.65)	(1,996.22)	(3,623.84)	\$ (49,321.71)
Ending balance Feb 23	\$ 51,886.54	\$ -	\$ -	\$ -	\$ -

Court Ordered Special Payments

<u>Paid to</u>	<u>Date</u>
None	

Disbursements Detail

<u>Account</u>	<u>Receiver *0376</u>
Payroll	32,752.71
Administrative Expense	327.33
Property	380.13
	\$ 33,460.17

1. Balances Reported in Income Tax Return

	<u>2019</u>	<u>2020 (Amended)</u>	<u>2021</u>	<u>Three Yr Cum</u>
<u>Results from Operations</u>				
Revenue	134,825	10,711,341	41,618,526	52,464,692
Guaranteed Payments to Partners	16,700	192,273	623,712	832,685
Ordinary Business Income (Loss)	(5,059)	3,699,550	8,306,394	12,000,885
Distributions	-	2,453,015	4,895,164	7,348,179
<u>Balance Sheet</u>				
<u>Assets</u>				
Cash		425,474	2,461,003	
Accounts Receivable		-	3,272,236	
Inventories		338,905	2,272,805	
Prepaid Expenses (Analysis below)			1,101,687	
Other Receivables (Analysis below)		13,970	2,752,634	
Fixed Assets (net)		152,754	1,204,742	
Other Assets		37,948	45,925	
	-	969,051	13,111,032	
<u>Liabilities & Partners Capital</u>				
Accounts Payable		-	791,438	
Debt		545,960	509,842	
Customer Deposits		-	6,161,727	
Other Liabilities		9,658	1,475,833	
Partners Capital (book basis)		413,433	4,172,192	
	-	969,051	13,111,032	
<u>Partners Capital (Tax Basis)</u>				
Beginning Capital	299	(5,234)	413,433	299
Net Income	(5,234)	2,871,682	7,845,044	10,711,492
Adjustments to Capital			(537,115)	(537,115)
Cash Distributions	(299)	(2,453,015)	(4,895,164)	(7,348,478)
Ending Capital	\$ (5,234)	\$ 413,433	\$ 2,826,198	\$ 2,826,198

Source: Ideal Horizon Benefits LLC US Partnership Income Tax Returns as referenced

2. Accounting Record Analysis of Prepaid Expense and Other Receivables at December 31, 2021

Prepaid Expense Summary Analysis at December 31, 2021

Prepaid Expenses	717,927
Prepaid Inventory Credit	383,760
	<u>\$ 1,101,687</u>

The Prepaid Expense balance mainly arises from December 6, 2021 postings described as "One Time Vendor" amounting to \$395,625 and a December 31, 2021 undescribed posting amounting to \$219,689.92. Together these positngs comprise \$515,315 of the total \$717,927 balance

Other Receivables Summary Analysis at December 31, 2021

Employee Receivable	6,490
ST Charter Receivable	2,746,144
	<u>\$ 2,752,634</u>

The S-T Charter Receivable balance consists of \$50,000 recorded on Dec 7, 2021 and \$2,696,143 reclassified from the account Partners Capital-Capital Withdrawals - Solar Titan One

<u>State</u>	<u>Project Status per Internal Records</u>		
	<u>Incomplete</u>	<u>In Production</u>	<u>Total</u>
Alabama	7	5	12
Georgia	29	9	38
Kentucky	129	51	180
Tennessee	175	40	215
Unknown Location	4	-	4
	<u>344</u>	<u>105</u>	<u>449</u>

Source: Complaints filed with State Agencies or Better Business Bureau, internally classified

Note 1: The number of complaints could increase based on internal Solar Titan Records showing projects as incomplete and not included above.

Note 2: The SolarReceiver@Gmail.com has received 137 messages. These messages are being crossreferenced to complaints listed above, with an expectation of about 10% new complaints.

Date	Ref	Received From/Paid To	Description	Account	Deposit	Withdrawal	Balance
2/7/2023		Balance					\$ -
2/8/2023	Transfer	From Solar Titan USA Acct 6416	Transfer per Receiver Order	Transfer	\$43,701.65		43,701.65
2/8/2023	Transfer	From Solar Titan USA Acct 6408	Transfer per Receiver Order	Transfer	1,996.22		45,697.87
2/8/2023	Transfer	From Solar Titan USA Acct 7530	Transfer per Receiver Order	Transfer	3,623.84		49,321.71
2/17/2023	Deposit	Partners V LLC	Office Lease Deposit Return - 414 N Peters Rd	Return Deposit	36,025.00		85,346.71
2/17/2023	Bank Wire	ADP	Gross Pay W/E Feb 4, 2023	Payroll & Related		22,430.68	62,916.03
2/18/2023	ACH	State of Tennessee Secretary of State	Update Annual Report incl Reg Agent	Administrative		327.33	62,588.70
2/21/2023	ACH	ADP	Final Gross Payroll W/E Feb 11, 2023	Payroll & Related		9,406.87	53,181.83
2/21/2023	ACH	Internal Revenue Service	Employer Taxes W/E Feb 11, 2023	Payroll & Related		915.16	52,266.67
2/21/2023	ACH	First Utility District of Knox County	Yellow Pine Rd Water Service	Property		380.13	51,886.54
					\$ 85,346.71	\$ 33,460.17	\$ 51,886.54