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8 **UNITED STATES BANKRUPTCY COURT**
9 **DISTRICT OF ARIZONA**

10 In re:

11 RICHARD L. PRIDDIS,

12 Purported Debtor,

Chapter 7

Case No. 2:20-bk-09735-PS

13 **MEMORANDUM IN**
14 **OPPOSITION TO MOTION TO**
15 **QUASH SUBPOENA**

16 Petitioning Creditors, Sony Music Publishing (US) LLC, *et al.*, by and through
17 counsel, James B. Ball, Ball, Santin & McLeran, PLC, hereby submit their
18 **MEMORANDUM IN OPPOSITION TO MOTION TO QUASH SUBPOENA**
19 (“Opposition”). This Opposition is in response to the MOTION TO QUASH SUBPOENA
20 filed by International School of Temple Arts (“ISTA”) (Dkt. No. 288). Filed concurrently
21 herewith and in support hereof is the **DECL. OF JAMES B. BALL** and **DECL. OF PAUL**
22 **H. STACEY** and Exhibits thereto.

23 **Procedural History**

24 Pursuant to a duly filed Application for Rule 2004 Document Production from ISTA
25 (Dkt. No. 275), the court entered an Order Granting Petitioning Creditors’ Application on
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1 April 22, 2024 (Dkt. No. 278). The Respondent, ISTA, timely filed its MOTION TO QUASH
2 SUBPOENA on May 29, 2024 (Dkt. No. 288). For all the foregoing reasons, principles, and
3 authorities, ISTA’s MOTION TO QUASH SUBPOENA is without merit, should be denied,
4 and an order should enter compelling ISTA to comply with the document production sought
5 pursuant to the subpoena within 14 days.
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7 **Argument**

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9 ISTA seeks to quash the subpoena for the following purported reasons, to wit:

- 10 1. “Few, if any, of the documents sought have any connection to the Debtor Richard
11 L. Priddis and are not relevant to any inquiry relating to Mr. Priddis’ bankruptcy”
12 (Dkt. No. 288, p. 1);
- 13 2. The subpoena is “procedurally improper as a 2004 application and should be
14 brought as a subpoena in [the] adversary proceeding” (Dkt. No. 288, p. 3, ¶ 2);
- 15 3. The information sought is not “. . . information that could benefit the bankruptcy
16 estate . . .” (Dkt. No. 288, p. 3, ¶ 2);
- 17 4. The “ISTA Subpoena . . . subjects ISTA to undue burden and expense . . .” (Dkt.
18 No. 288, p. 3, ¶ 3);

19 ISTA’s arguments are conspicuously without merit as more fully set forth below and the
20 MOTION TO QUASH SUBPOENA should be denied. Correspondingly, an order should
21 enter compelling ISTA to comply with the document production sought in the subpoena
22 within 14 days.
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24 **i. The Subpoena is Procedurally Proper**

25 As noted, the subpoena in question was issued pursuant to an Order granting
26 Petitioners’ Application for Rule 2004 Document Production to ISTA. As set forth in detail
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1 below, the documents clearly relate to “acts, conduct, or property or to the liabilities and
2 financial condition of the debtor, or . . . matter[s] which may affect the administration of the
3 debtor’s estate or the debtor’s right to discharge” (Fed. R. Bankr. P. 2004(b)). ISTA’s
4 assertion that the subpoena should be brought “as a subpoena in [the] adversary proceeding”
5 is erroneous because the only issue in the adversary proceeding is whether the judgment for
6 damages for willful copyright infringement also arose from “willful and malicious” conduct
7 as those terms are used within the context of 11 U.S.C. 523(a)(6). In effect, ISTA seeks to
8 quash the subpoena by setting up a false premise (namely, that it should have been issued in
9 the adversarial proceeding case) in order to make the false argument that the documents
10 sought are irrelevant. Both assertions are erroneous.

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14 **ii. Priddis is “Substantially Connected” to ISTA; Priddis is ISTA and ISTA is Priddis**

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16 **Preface**

17 ISTA’s argument that the documents sought in the Subpoena have no “connection” to
18 Priddis is conspicuously without merit. ISTA was founded by Priddis on January 18, 2018
19 (Stacey Decl., Exhibit 1). The IRS granted tax exempt status pursuant to 501(c)(3) of the
20 Internal Revenue Code in 2019.¹ According to ISTA’s IRS Form 990 filing for the year 2019,
21 its mission is “TO EXPAND CONSCIOUSNESS AND SEXUALITY ACROSS THE
22 GLOBE.” (Ball Decl., Exhibit “1-A,” Part I, “Summary”) However, a less cryptic description
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¹ Guidestar.org/profile/61-1888116

1 of ISTA’s core activity is that it is a sex cult. The Israeli Center for Victims of Cults recently
2 described ISTA as follows:

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4 “Workshops (such as ones discussed here) ...exhibit... cultic conduct as
5 explained above: promise of healing, personal/spiritual advancement in
6 exchange for cooperation; a leader (“lead facilitator”) gaining control of the
7 group using different psychological means; attribution of superior qualities for
8 the leader (for example: the leader’s penis can be referred to as a “wand of
9 light”, a teacher claiming that penetration is done for healing or that the “hand
10 of God” touches whoever the teacher has sexual intercourse with); ... lack of
11 transparency and secrecy – participants are not informed about activities when
12 signing up and even while the workshop takes place there is not enough
13 information about what is going to happen at every step.”

14 (A Statement by the Israeli Center for Cult
15 Victims regarding ISTA (“International
16 School of Temple Arts”), 09.08.23; Stacey
17 Decl., Exhibit “2” (full text of Statement)

18 Priddis has previously stated to the Court (when he sought conversion to Chapter 11
19 Subchapter V) that he “manages” ISTA as a non-profit corporation. But ISTA is, without
20 question, a *for profit business* that is under Priddis’ control and from which he derives
21 substantial undeclared income. The documents sought pursuant to the subpoena seek
22 materials bearing on whether ISTA is maintained as a corporation and lawfully entitled to
23 and in compliance with the regulations of § 503(c) of the Internal Revenue Code.

24 **A. ISTA is One of Priddis’ *For- Profit* Businesses**

25 The significance of ISTA in relation to the current bankruptcy proceedings (and the
26 documents sought by the Subpoena) is substantial because Priddis has profited from diverting
27 ISTA proceeds to *for profit* investments over which he has total control. Those investments
28 have been made to *disappear* from the ISTA financial records by Priddis denying their

1 existence in perjured IRS Form 990 filings and non-disclosure in Priddis' personal tax
2 returns. Priddis has further received income from his role as an officer and director of ISTA,
3 which does not appear on any of his tax returns. Priddis has made hundreds of thousands of
4 dollars of cash withdrawals from the ISTA account(s) which raise the inference that he has
5 unlawfully used the proceeds of a purported 503(c) organization for his own personal use.
6 The subpoena also seeks production of documents to shed light on the cash withdrawals, as
7 well as monies paid to Priddis' sole proprietorship business "Happy Valley Workshops and
8 Events," all of which are evidence, at a minimum, of self-dealing. As outlined below, there
9 is already a great deal of substantial evidence that ISTA is a sham 501(c)(3) entity and, in
10 actuality, just one of Priddis' *for-profit* businesses; Priddis *is* ISTA and ISTA *is* Priddis. The
11 documents sought from ISTA seek to evidence *all* the ways in which ISTA is merely the
12 *alter ego* of Priddis and a sham 503(c) entity. The consequence of being able to obtain and
13 present all the relevant evidence on this issue is the likely resulting Involuntary Dissolution
14 of ISTA by the Arizona Secretary of State; substantial assets will become part of the estate
15 for the Trustee to liquidate (if not already in the form of cash deposits) for the benefit of the
16 creditors.

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ISTA is actually a *for profit* entity which charges "registration fees," "tuition" and
event participation fees in the thousands of dollars; these fees are the price of admission for
participants to attend sexual gatherings (frequently described as "training" classes) in exotic
places throughout the world. In short, the events are *fee based*. The ISTA "Organizers" and
"facilitators" of the events receive compensation for overseeing such events, but ISTA retains

1 20%-25% the net profits from each event. (Stacey Decl., Exhibit “3”) ISTA props up the
2 purported non-profit status by referring to the registration/tuition payments as “donations.”
3
4 (Ball Decl., Exhibit “2”) The profits and how the profits are spent are very much the focus
5 of the subpoena because of the offshore investments made by Priddis with funds from the
6 ISTA bank account, but which have been effectively diverted to Priddis’ own use and benefit.
7
8 The following are some examples.

9 **B. Highden Manor**

10 On March 18, 2020, Priddis made a transfer of \$200,000.00 from the Wells Fargo
11 ISTA account to an entity known as Highden Manor Estate (Ball Decl., Exhibit 3). The
12 Companies Office of New Zealand identifies Highden Manor as a for profit limited
13 partnership (Stacey Decl., Exhibit 3). However, the 990 filings for 503(c) corporations
14 require definitive disclosure of whether or not the reporting entity has any interest in any
15 foreign investment or partnership. The pertinent text of the of the 990 Form filed by ISTA
16 for the calendar year 2020 asks:
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20 “5 Did the organization have an ownership interest in a foreign
21 partnership during the tax year? *If “yes,” the organization may be*
22 *required to file Form 8855, Return of U.S. Persons with Respect to*
Certain Foreign Partnerships (see Instructions for Form 8865).”

23 Ball Decl., Exhibit “1-B” and Exhibit “4”
24 Schedule F (Form 990) 2020
25 Part IV, ¶ 5, **Foreign Forms, page 4**
(emphasis in original)

26 In response to the aforementioned inquiry, Priddis, as President of ISTA, checked the
27 box for “No.” *Id.* Priddis signed the applicable 990 Form for the 2020 calendar year for ISTA
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1 under oath. Ball Decl., Exhibit “1-B,” p.1 Priddis also falsely indicated that ISTA had no
2 interest in any foreign investment or partnership on the 2021 and 2022 filings (Ball Decl.,
3 Exhibit “4”). Petitioners submit that the ISTA funds used to purchase the interest in the
4 Highden Manor partnership in New Zealand demonstrate that Priddis has complete power
5 and authority to use such funds as he deems appropriate, *not* in the manner required by the
6 corporate charter and applicable I.R.S. rules. Priddis also has not disclosed any personal
7 interest in the Highden Manor Partnership on his personal tax returns; nor has he disclosed
8 the Highden Partnership interest on any of his bankruptcy schedules. Most telling is that there
9 appear to be no monies from the Highden Partnership investment that have been deposited
10 back in the ISTA accounts at either Wells Fargo or Chase, a further indication that the
11 profits/distributions are going to Priddis in some undisclosed bank account concealed from
12 the Court, the Trustee, and the Creditors. The business of the Highden Manor Partnership
13 is the operation of “Highden Temple,” (another sex cult), that conducts events and “training”
14 similar to ISTA.
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20 The actions by Priddis in connection with the acquisition of the Highden Manor
21 partnership interest implicate tax fraud, bankruptcy fraud, wire fraud, bank fraud and self-
22 dealing. Such conduct justifies the Involuntary Dissolution of the corporation by the Arizona
23 Secretary of State and the distribution of the assets to the bankruptcy Trustee by the Attorney
24 General. Contrary to the arguments of ISTA, the document production sought by the
25 Subpoena to ISTA will be a benefit to the estate.
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C. LUA Connect Pty Ltd.

A similar transaction to the Highden investment occurred when Priddis caused \$50,000.00 (total) to be paid from the Wells Fargo ISTA account to purchase stock in a *for profit* Australian corporation identified as LUA Connect Pty Ltd. (“LUA”). The wire transfers from the Wells Fargo ISTA account were made on August 24, 2020, August 25, 2020, and August 27, 2020, in the amounts of \$10,000.00, \$10,000.00, and \$30,000.00 respectively (Ball Decl., Exhibit 5). LUA operates an online dating service via the LUA App for Android and Apple devices. (Stacey Decl., Exhibit 4).

The Australian Securities and Investments Commission confirms ISTA as a stockholder in the company (Stacey Decl., Exhibit 5). Once again, however, ISTA *denied* any ownership in a foreign corporation on its IRS form 990 filing. The IRS Form 990 for the 2020 year filed by ISTA asked:

“3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If “Yes,” the organization may be required to file a form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)”*

Ball Decl., Exhibit “6;”
Schedule F (Form 990) 2020
Part IV, ¶ 3, **Foreign Forms, page 4**
(**emphasis in original**)

Priddis checked the box for “No” in response. *Id.* But it is inarguable that the transfer of cash for the issuance of shares of stock in LUA required a different answer and additional information/form to be filed; ISTA did not. Thus, the money to pay for the stock of LUA

1 from the ISTA account and the existence of the investment itself were made to disappear by
2 Priddis' conduct and perjury. The fact that the stock shares were issued in the name of ISTA
3 is merely further proof that ISTA *is* Priddis and Priddis *is* ISTA, because ISTA disavowed
4 ownership in the 990 filings and Priddis has full *control* of the shares.
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6 Priddis also has not disclosed any interest in LUA on his personal tax returns. Once
7 again, the most telling aspect of the investment having being made for Priddis' benefit is that
8 there is no indication of any profits, dividends, and or other distributions coming back to the
9 Wells Fargo or Chase ISTA accounts. Thus, the subpoenaed documents have every
10 "connection" to Priddis and can only serve to provide evidence regarding, at a minimum, the
11 acquisition of the LUA stock which should be an asset of the Bankruptcy estate, subject to
12 liquidation for the benefit of the creditors. Contrary to the arguments of ISTA, the document
13 production sought by the Subpoena to ISTA will be a benefit to the estate. The documents
14 sought by the subpoena will provide further details of bad faith regarding the tax fraud,
15 bankruptcy fraud, wire fraud, bank fraud and self-dealing by Priddis with respect to a
16 purported 503(c) corporation over which he presides.
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21 **D. Cryptocurrency Disappearance**

22 In January of 2021, just a few months after the Involuntary Petition was filed, Priddis
23 caused more than \$100,000.00 (aggregate) to be transferred from the Wells Fargo ISTA
24 account to Silvergate Bank. The transfers occurred on January 13, January 14, and January
25 22, 2021 in the amounts of \$5,000.00, \$25,000.00, and \$70,020.00, respectively (Ball Decl.,
26 Exhibit "7"). At the time, Silvergate Bank was the banking front for Coinbase, Inc., a crypto
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1 currency exchange. Petitioning Creditors acknowledge that the transfers were made a few
2 months after the filing of the Involuntary Petition, but the money used to purchase the crypto
3 currencies was in the Wells Fargo ISTA account on the date the Involuntary Petition was
4 filed. (Wells Fargo records indicate an ISTA checking account balance at Wells Fargo as of
5 the date of filing the Involuntary Petition, August 26, 2020, in the amount of \$732,699.53.)
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8 Based upon records subpoenaed from Coinbase, Inc., three crypto currencies were
9 purchased with the \$100,020.00 investment, Ethereum, Bitcoin, and Litecoin. On May 23,
10 2022, the three wallets containing Ethereum, Bitcoin, and Litecoin appear to have been
11 liquidated and the corresponding U.S. dollar amounts were transferred (Ball Decl., Exhibit
12 “8”). Even of the crypto currency itself was not liquidated, only transferred, it is unclear from
13 an examination of the Coinbase document production where the money was sent. But what
14 is clear is that the total amounts for each crypto currency at the time of the transfers was as
15 follows: Ethereum = \$115,818.21; Bitcoin = \$57,494.81; Litecoin = \$12,229.45 (*Id.*). The
16 total amount realized at the time of the liquidation/transfer was **\$185,542.47**. Petitioning
17 Creditors suspect that not unlike the Highden Manor Partnership interest and LUA stock
18 purchase, the \$185,542.47 of crypto currency investments went to another account controlled
19 by Priddis. The subpoena seeks documents which would identify the disposition of the
20 \$185,542.47, which is information that would be potentially beneficial to the estate. Given
21 the fact that there are multiple instances of perjury in three of the IRS 990 Filings, logic
22 suggests that the proceeds inured to the benefit of Priddis and should be recovered for the
23 estate and the benefit of the Creditors.
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1 **E. Cash Withdrawals by Priddis from ISTA Accounts**

2 A review of the Wells Fargo and Chase bank records produced thus far only cover the
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4 timeframe up to mid-October 2023, seven months ago.² The records reveal multiple cash
5
6 withdrawals by Priddis from both accounts. Both the amounts and timing of the withdrawals
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8 are concerning. *Before the filing of the Involuntary Petition* in August of 2020, Priddis had
9
10 only made two withdrawals from the Wells Fargo ISTA checking account, indicated as
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12 “Withdrawal from Branch Store,” totaling **\$5,500.00**. During the pendency of the bankruptcy
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14 case from its inception, up to the decision from the Ninth Circuit reversing the dismissal of
15
16 the Involuntary Petition (2 ½ years), zero cash withdrawals were made. *After the Ninth*
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18 *Circuit reversed* and just in the 7 months of records already produced up to October of 2023,
19
20 multiple branch store withdrawals were made totaling **\$551,880.00**. Priddis also wired
21
22 himself **\$10,000.00** on May 1, 2023 (Stacey Decl., ¶ 9).

23 When questioned about the withdrawals by counsel for the Trustee (Mr. Dake), the
24
25 explanations provided by counsel and in their papers before the court, raised more questions
26
27 than they answered. One specific example was a cash withdrawal by Priddis for **\$51,880.00**
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29 on May 31, 2023 from the Wells Fargo ISTA account, with respect to which Priddis stated
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31 in one of his memoranda during the attempted Chapter 11 conversion briefing: “ISTA
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33 purchased assets with these funds” (Dkt. No. 169, p. 8, ¶ 5). The notion of withdrawing

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² Additional Applications for 2004 Document Production are being pursued to “fill the gap” between October 2023 and the present.

1 almost \$52,000.00 in cash from a purported not-for-profit bank account to “purchase assets”
2 is patently nonsensical.
3

4 The subpoena seeks detailed information about the disposition of *all* of the cash
5 withdrawals, subsequent large payments to individuals that are otherwise inexplicable in the
6 context of the operation of a sex cult, and, in particular, the nature of the assets purchased
7 with the \$51,880.00 withdrawn by Priddis from the account. Here, given the pattern of
8 Priddis’ self-dealing and purchase of assets overseas, which were made to disappear from the
9 books of ISTA, it is not hard to imagine that the assets purchased with the \$51,880.00 have
10 been similarly hypothecated by Priddis. Once again, *ISTA is Priddis and Priddis is ISTA*. To
11 the extent that post-Petition transfers have been made, the evidence pertaining thereto is also
12 probative of the Debtor’s bad faith.
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14

15 **F. ISTA and “Happy Valley Workshops” Self-Dealing**

16 Priddis has also engaged in self-dealing with ISTA assets as an “Organizer” of events
17 via his sole proprietorship business known as “Happy Valley Workshops and Events” (See
18 evidence here: [https://web.archive.org/web/20201126212213/https://ista.life/events/oracle-](https://web.archive.org/web/20201126212213/https://ista.life/events/oracle-arizona-u-s-a-ista-level-1-apr-2021)
19 [arizona-u-s-a-ista-level-1-apr-2021](https://web.archive.org/web/20201126212213/https://ista.life/events/oracle-arizona-u-s-a-ista-level-1-apr-2021). The promotional content for the “ORACLE ARIZONA
20 USA LEVEL 1 SSSEX” contained at the URL directed registrants for the event to make their
21 payments to “paypal.me/DicksHappyValley.” (*Id.*). Registrants were told:
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24 *"The payment will be shown on your records as paid to "Happy Valley Workshops &
25 Events" - Organizer Rich Priddis. Please send the payment as "Friends &
26 Family". If you check the box "for Goods and Services" there will be extra fees."*
27

28 *Id.* Once again, *ISTA is Priddis and Priddis is ISTA*.

1 Another highly suspicious transaction involving “Happy Valley” and Priddis’ use of
2 PayPal , was a **\$56,600.00** withdrawal from the “Happy Valley” PayPal account through the
3 Happy Valley account at Chase, on April 6, 2018. The entire amount was withdrawn from
4 the Chase account the same day. (Ball Decl., Exhibit 9). Petitioners submit discovery with
5 regard to whether the withdrawal is associated with ISTA funds or, in the alternative, was
6 simply done to hide assets from creditors is appropriate.
7
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9 **G. ISTA IRS Form 990 Filings and Corporate Record Book**

10 From a documentary standpoint, the two most crucial types of documents to establish
11 and maintain the not-for-profit status and corporate identity of ISTA are the annual IRS Form
12 990 filings and the corporate record book. It is clear that ISTA Form 990 filings were
13 falsified with respect to the Highden Manor Partnership acquisition and the LUA stock
14 purchase. If ISTA also failed to conduct itself in a manner consistent with corporate form,
15 including holding regular meetings, maintaining proper minutes, and observing customary
16 corporate record keeping, it would be strong evidence that the 503(c) status should be
17 dissolved.³ Such evidence would be compelling in a determination that ISTA is merely a
18 *personal for-profit business of Priddis* and that the ISTA assets, including the Highden
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23 ³ ***“The corporate fiction will be disregarded when the corporation is the alter ego or business***
24 ***conduit of a person, and when to observe the corporation would work an injustice.*** The alter-ego
25 status is said to exist when there is such unity of interest and ownership that the separate personalities
26 of the corporation and owners cease to exist. *Employer's Liability Assurance Corporation v. Lunt*,
27 *supra*; *Cooper v. Industrial Commission*, 74 Ariz. 351, 249 P.2d 142 (1952). See also, 18 Am.Jur.2d,
28 *Corporations* §§ 13--16 (1965); and *Fletcher*, 1 *Cyclopedia Corporations* §§ 41.--41.3
(1963).” *Dietel v. Day*, 16 Ariz. App. 206, 492 P.2d 455, 457 (1972) (***emphasis added***)

1 Manor partnership, the LUA stock, and the Wells Fargo and the Chase accounts should be
2 deemed property of the estate for the benefit of the creditors.

3
4 **ii. The Document Production Sought by the Subpoena is Not Unduly Burdensome**

5 ISTA argues in its Motion to Quash that the documents sought to be produced are
6 unduly burdensome and an undue expense. However, the scope of the document requests has
7 been necessitated by the sheer number and complexity of the inappropriate transactions and
8 business dealings of ISTA and Priddis themselves. One can say of any document production
9 request that it is burdensome in some measure. But whether it is “unduly burdensome” or not
10 should be measured by the nature of the conduct to be probed and whether the documents
11 sought are relevant, material, and probative. Here, all of the document requests go to the issue
12 of whether ISTA is a sham 503(c) corporation and whether it has conducted itself in a manner
13 that would justify treating it as Priddis’ personal business instead of a freestanding legitimate
14 *not-for-profit* corporation. Petitioning Creditors submit that there has been so much evidence
15 adduced thus far that ISTA is in fact a sham 503(c) corporation and Priddis has merely used
16 it for his own personal benefit in so many instances that those transactions deserve to be
17 fleshed out in a comprehensive manner. All of the requests are probative of these issues and
18 the benefit to the bankruptcy estate if all of the evidence supports the Petitioners’ legal
19 analysis of the relationship between Priddis and ISTA; the evidence will likely benefit the
20 estate in excess of \$1 million in additional assets.

21
22 It is solely because of the labyrinthine and pervasive misconduct of ISTA and Priddis
23 that the discovery is necessarily large in scope and detailed. Of course, if ISTA and Priddis
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1 wanted to avoid the supposedly undue burden and expense of complying with the subpoena,
2 all they have to do is stipulate that ISTA is a sham 503(c) corporation and the assets of ISTA
3 and assets purchased by Priddis with ISTA funds should be property of the estate. Petitioning
4 Creditors are not unreasonable.
5

6 **CONCLUSION**

7
8 For all the foregoing reasons, principals and authorities, Petitioners respectfully
9 request the court for entry of an order *denying* the MOTION TO QUASH SUBPOENA and
10 providing such other and further relief as to the court seems appropriate in the circumstances.
11

12 Respectfully submitted this 11th day of June, 2024.

13 **BALL, SANTIN & MCLERAN, PLC**

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17 Efiled this 11th day of June, 2024.
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