



For Release: May 8, 2007

Repeat Offender Permanently Banned from Telemarketing, Selling Business Programs

A scammer, who boasted that consumers could earn a six-figure income if they purchased and used his \$10,000 “asset protection service” business program, is banned for life from telemarketing and from selling any type of business program in the future. The Federal Trade Commission previously charged that the scam artist falsely claimed consumers would make a substantial income, and that he failed to disclose that his company’s “references” were paid to give favorable reviews. An FTC order entered in 1997 barred those deceptive practices, but the scammer has violated the order by using the same deceptive business practices in his most recent scheme. In addition, he failed to disclose significant facts to consumers, especially his time spent in federal prison for money laundering and wire fraud – a violation of the FTC order.

Richard C. Neiswonger, based in Las Vegas, Nevada, his business partner, William S. Reed, and their firm, Asset Protection Group, Inc., told consumers with no sales experience that by purchasing their “APG Program” they would become well-paid business consultants selling APG’s “asset protection” services. For \$9,800, consumers received training materials, a one-day training session, and a business affiliation with APG, which defendants claimed would provide consumers with carefully-screened “qualified prospective clients.” Consumers were supposed to make money by selling APG’s asset protection services to clients who wanted financial privacy and wanted to make their assets less obvious to potential litigants or creditors. These services involved guidance on forming Nevada corporations and creating offshore corporations. The defendants promised consumers that they would readily make a six-figure income; the company even provided references that consumers could call who would back up their claims.

In fact, consumers paid thousands of dollars for cold call lists, rather than pre-screened clients. Not only were they unable to achieve six-figure incomes, according to the receiver appointed to oversee the business, approximately 94 percent of the consultants failed to earn back their initial purchase fee for the program. Only one person ever earned a six-figure income, while hundreds of consumers lost money. The company’s references were, in fact, paid to deliver positive reviews of their experience. In addition, the 1997 order required that Neiswonger provide written proof to the FTC of a \$100,000 performance bond to the Commission before marketing any program, which he failed to do while continuing to market his business opportunity program.

The court ruled that Neiswonger’s new deceptive business practices violated the previous order entered against him. The court also ruled that William S. Reed and APG were bound by the order, along with Neiswonger, because they were aware of the order and acted in concert with him and his deceptive business practices.

Specifically, the 1997 order:

- prohibited promoting any program with misrepresentations of material fact, including any claim that consumers using the program “will earn a six-figure income... or words of similar import”;
- prohibited promoting any program without disclosing to consumers all material facts, including the amount of payment to any references whose names are provided to them; and
- required written proof of a \$100,000 performance bond to the Commission before marketing any program, and to promptly report any new business affiliations with programs to the Commission.

Senior United States District Court Judge Stephen N. Limbaugh found the defendants in civil contempt of the previous order. The judge entered a second permanent injunction against Neiswonger, which permanently bans him from advertising, marketing, promoting, offering for sale, selling, or otherwise inducing participation in any program and bans him from telemarketing. The judge also scheduled a hearing on June 25, 2007, for Reed and APG to defend why they should not be subject to a similar injunction. In addition, the judge rejected Neiswonger’s offer of \$140,000 as “a drop in the bucket in rectifying the situation perpetrated by the defendants’ fraudulent conduct” and instructed the court-appointed receiver to calculate how much the defendants had gained from the scheme before he orders a final monetary judgment against the defendants. The civil contempt order was entered in United States District Court for the Eastern District of Missouri on April 23, 2007.

Copies of the documents are available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint in

English or Spanish or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov/ftc/complaint.shtm>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to more than 1,600 civil and criminal law enforcement agencies in the U.S. and abroad.

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