

ROBB EVANS
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Federal Trade Commission v. Asset Protection Group, Inc., et al.
CASE No. 4:96 CV02225 SNL

Receiver's Accounting of Proceeds Obtained by
Richard Neiswonger and William Reed from APG Marketing, Inc. and
Asset Protection Group, Inc.

Filed May 25, 2007

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No. 4:96CV02225 SNL
)	
RICHARD C. NEISWONGER, et al.,)	
)	
Defendants,)	

**RECEIVER'S ACCOUNTING OF PROCEEDS OBTAINED BY RICHARD
NEISWONGER AND WILLIAM REED FROM APG MARKETING, INC. AND ASSET
PROTECTION GROUP, INC.**

The Court's Order filed April 23, 2007 (Document 123) required that the Receiver file, on or before May 25, 2007, a "final accounting of Defendants Neiswonger and Reed's proceeds, each obtained from the advertising, marketing, promotion and sales of the APGI Program". The Court noted, at footnote 20 of its Memorandum Opinion (also Document 123) that the amount which Neiswonger and Reed obtained according to the Receiver's initial analysis, \$3,089,031.10 and \$4,932,831.86, respectively, may not be accurate since the Receiver was still in the process of ascertaining the assets of Asset Protection Group, Inc. ("APGI") and the monies in numerous bank accounts accessible to the Defendants. The Court has requested a final computation from the Receiver in order to modify the Contempt Order to include a compensatory sanction to be levied against the Defendants.

While the Receiver has been able to substantially update his initial analysis of the payments to Neiswonger and Reed, including payments to Reed's related entities, unfortunately the Receiver has not yet been able to make a final calculation as requested by the Court. A correct copy of the original preliminary analysis is attached hereto as Exhibit 1 and an updated, but still preliminary, analysis is attached hereto as Exhibit 2. The updated analysis, Exhibit 2 hereto, keeps Neiswonger's payments at \$3,089,031.10 and sets Reed's payments at

\$4,902,656.74. The reasons why this analysis remains preliminary and the modifications from the initial analysis are discussed below.

There are several reasons why the Receiver is not able to provide the Court with a final computation at this time. At the time the Receiver took over APGI, virtually no bank statements whatsoever were turned over. Reed claimed that no bank records were retained by APGI. Consequently, the Receiver has had to obtain, and then reconstruct, over six years' worth of banking records as well as records from other financial institutions. Through demand and through subpoena, the Receiver has obtained thousands of pages of banking records and other financial records, including bank statements, as well as copies of checks, wire transfers and deposits. Only after reviewing all deposit and withdrawal activity will the Receiver be able to make a full reconstruction and final determination of how much money was received by the Defendants. To date, approximately 70-80% of all of the records have been obtained from the banks and other financial institutions with whom APGI did business, including E-Trade, A.G. Edwards & Sons, U.S. Bank, Nevada State Bank, and Wells Fargo Bank. For example, the Receiver has yet to obtain approximately one and one-half years worth of outgoing wire transaction records as part of the reconstruction process.

In addition, because of Reed's access to customer accounts and because Reed has apparently improperly used the identity of his customers to transact personal business (see Special Report of Temporary Receiver dated November 2, 2006, Document 79, at pp. 5-6), it is necessary for the Receiver to not only review all of the deposit and withdrawal activity in APGI's operating and escrow accounts, but to compare those transactions to thousands of client files to determine whether in fact the funds transferred represent surreptitious payments to Reed or the proper transfer of funds as directed by customers.

The Receiver estimates that it will take not more than an additional six months to obtain the balance of the records needed from financial institutions and to complete the reconstruction process. Therefore, at the present time, the analysis of payments to Neiswonger and Reed remains preliminary.

As to Neiswonger, the additional review of APGI banking records to date discloses no new or additional payments to him. However, until the Receiver completes his reconstruction of all banking records, he is not able to definitively conclude that payments to or for Neiswonger are limited to \$3,089,031.10.

As to Reed, despite the fact that the total number is substantially similar to the amount reflected in the original preliminary analysis, in fact the components making up that total have been substantially adjusted and refined from the original preliminary analysis. All of the payments originally included in Reed's compensation described as payments to "Asset Protection Group (Training)" in the amount of \$1,674,689.45 have been deleted. These were payments from APG Marketing, Inc. to APGI and the Receiver originally treated them as compensation to Reed, because Reed was the sole owner of APGI. However, because many of those payments were subsequently then paid to Reed's companies, or withdrawn in cash from APGI by Reed, or were paid for Reed's benefit, the Receiver believed that including payments from APG Marketing to APGI would cause a double counting. However, in the current analysis, substantial additional payments to Reed are reflected in the line items identified as personal payments and cash withdrawals, although as to the latter category it is believed that some of

these payments might include cash paid to employees for payroll based on, among other things, the deposition testimony of Kimberly Toy. Also, the Receiver has discovered additional payments to Reed's company Powell Media Group, Inc. in the approximate amount of \$32,000.

DATED: May 25, 2007

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 25th day of May 2007, the foregoing document was filed electronically with the Clerk of the Court, to be served by operation of the Court's electronic filing system upon the following:

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EXHIBIT 1

**Robb Evans & Associates LLC
 Temporary Receiver of Asset Protection Group, Inc., et al.**

Preliminary - Payments to Richard Neiswonger, William Reed and Related Entities

	Richard Neiswonger	William Reed	Note
Personal	\$ 3,089,031.10	\$ 20,774.95	1
Cash withdrawals	-	1,223,195.78	
Asset Protection Group (Training)	-	1,674,689.45	
AMG Marketing Group (Training)	-	670,997.92	
Great Lakes Funding Inc. (Training)	-	635,452.78	
Powell Media Group Inc. (Training)	-	504,818.50	
Sound Marketing Inc. (Training)	-	200,902.48	
Prime Marketing Inc. (Training)	-	<u>2,000.00</u>	
Total	<u>\$ 3,089,031.10</u>	<u>\$ 4,932,831.86</u>	2

Notes:

1. For William Reed, the two personal items included were payments to Saint Francis Gardens Owner and Meadows School.
2. The Temporary Receiver believes this amount to be understated because APG's bank accounts have not yet been reconstructed.

EXHIBIT 2

**Robb Evans & Associates LLC
 Temporary Receiver of Asset Protection Group, Inc., et al.**

Preliminary - Payments to Richard Neiswonger, William Reed and Related Entities

	Richard Neiswonger	William Reed	Note
Personal	\$ 3,089,031.10	\$ 1,202,297.40	
Cash withdrawals	-	1,654,027.66	1
AMG Marketing Group (Training)	-	670,997.92	
Great Lakes Funding Inc. (Training)	-	635,452.78	
Powell Media Group Inc. (Training)	-	536,978.50	
Sound Marketing Inc. (Training)	-	200,902.48	
Prime Marketing Inc. (Training)	-	<u>2,000.00</u>	
Total	<u>\$ 3,089,031.10</u>	<u>\$ 4,902,656.74</u>	2

Notes:

1. The Temporary Receiver believes this amount might include cash paid to employees as payroll.
2. The Temporary Receiver believes this amount to be understated because APG's bank accounts have not yet been fully reconstructed.