Exhibit YY

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CLERK, U.S. DISTRICT COURT
DISTRICT OF NEVADA
BY _____ DEPUTY

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UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

-oOo-

UNITED STATES OF AMERICA, Plaintiff, vs. WILLIAM S. REED, Defendant.	2:11-CR-247-PMP-CWH PLEA MEMORANDUM

The United States, by and through Daniel G. Bogden, United States Attorney; and J. Gregory Damm, Assistant United States Attorney; and Defendant, WILLIAM S. REED; and Defendant's attorney, Krystallin D. Hernandez, Esq., submit this plea memorandum under Federal Rules of Criminal Procedure 11(c)(1)(A) and (B).

I.

PLEA AGREEMENT

The United States and Defendant have reached the following plea agreement, which is not binding upon the Court:

. . .

A. The Plea

Defendant will plead guilty to Count One of the Indictment, charging him with Conspiracy to Defraud the United States, in violation of Title 18, United States Code, Section 371; Count Thirty-One of the Indictment, charging him with Aggravated Identity Theft, in violation of Title 18, United States Code, Section 1028A(a)(1); and to a Criminal Information, charging him with Attempt to Evade or Defeat Tax, in violation of Title 26, United States Code, Section 7201.

B. Additional Charges

The United States Attorney's Office for the District of Nevada (hereinafter "The United States") will bring no additional charge or charges against Defendant arising out of the investigation that culminated in this Plea Memorandum except that the United States expressly reserves the right to prosecute Defendant for any crime of violence, as defined by Title 18, United States Code, Section 16, in which Defendant may have participated if Defendant commits such a crime after the execution of this Agreement, or for any such crime committed before the execution of this Agreement if the United States had no knowledge of the facts underlying the crime through its investigation, or Defendant did not disclose the crime before the execution of this Agreement.

C. Sentencing Guideline Calculations

Defendant understands that the Court is required to consider United States Sentencing Guidelines ("U.S.S.G." or "Sentencing Guidelines") among other factors in determining Defendant's sentence. Defendant understands that the Sentencing Guidelines are advisory, and that after considering the Sentencing Guidelines, the Court may be free to exercise its discretion to impose any reasonable sentence up to the maximum set by statute for the crimes of conviction.

1. Defendant and the United States agree that the following sentencing

guideline factors apply:

2. Count One - Conspiracy to Defraud the United States in violation of Title 18, United States Code, Section 371; and Criminal Information - Attempt to Evade or Defeat Tax in violation of Title 26, United States Code, Section 7201:

Base Offense Level -	28	U.S.S.G. §§ 2T1.1(a)(1) & 2T4.1(L) - (intended tax loss of more than $20,000,000)
Role Adjustment -	04	U.S.S.G. § 3B1.1(a) - (leader / organizer)
Sophisticated Means -	02	U.S.S.G. § 2T1.1(b)(2)
Adjusted Offense Level -	34	

3. Count Thirty-One - Aggravated Identity Theft in violation of Title 18, United States Code, Section 1028A(a)(1):

Consecutive two (2) year sentence - U.S.S.G. § 2B1.6; 18 U.S.C. § 1028A.

4. The United States will recommend that Defendant receive a two-level adjustment for acceptance of responsibility unless Defendant (a) fails to make a complete factual basis for the guilty plea at the time it is entered; (b) is untruthful with the Court or probation officers; (c) denies involvement in the offense or provides conflicting statements regarding Defendant's involvement; (d) attempts to withdraw the guilty plea; (e) engages in criminal conduct; (f) fails to appear in Court; or (g) violates the conditions of Defendant's pretrial release conditions.

5. If Defendant's offense level, before any decrease for acceptance of responsibility, is 16 or higher, under U.S.S.G. §3E1.1(b), the United States will in its sole discretion, make a motion for an additional one-level adjustment for acceptance of responsibility before sentencing, if Defendant timely notifies the United States of Defendant's intention to plead guilty thereby permitting the United States to avoid preparing for trial and allowing for the efficient allocation of resources.

6. Defendant's Criminal History Category will be determined by the

Court under chapter Four of the U.S.S.G.

D. Other Sentencing Matters.

1. The United States remains free to recommend any applicable sentence within the advisory guideline range as determined by the parties.

2. The parties stipulate that no other enhancements or reductions, except those described herein, should apply in calculating the total offense level.

3. Defendant agrees that the Court may consider any counts dismissed under this agreement, along with all other relevant conduct whether charged or uncharged, in determining the applicable sentencing guidelines range, the propriety and extent of any departure from that range, and the determination of the sentence to be imposed after consideration of the sentencing guidelines and all other relevant factors.

4. The stipulations in this agreement do not bind either the United States Probation Office or the Court. Both Defendant and the United States are free to: (a) supplement the facts by supplying relevant information to the United States Probation Office and the Court, and (b) correct any and all factual misstatements relating to the calculation of the sentence.

5. The parties understand that the stipulated Guideline calculations are based upon information now known and could change upon investigation by the United States Probation Office. It is possible that factors unknown or unforeseen by the parties to the plea agreement may be considered in determining the offense level, specific offense characteristics, and other related factors. In that event, Defendant will not withdraw Defendant's plea of guilty.

E. Fines and Special Assessment

1. Defendant agrees that the Court may impose a fine due and payable immediately upon sentencing regardless of whether or not Defendant has the

money to pay the fine. Defendant reserves the right to argue the appropriate fine that should be imposed by the Court.

2. Defendant will pay the special assessment of $100.00 per count of conviction at the time of sentencing.

F. Restitution

Defendant will make restitution to the IRS in the amount of $34,408,751. Defendant also agrees to make restitution to the Federal Trade Commission (FTC) in the amount of $5,752,093.77. As of July 30th, 2008, in the matter of *FTC v. Neiswonger*, 4:96-CV-2225-SNLJ, REED was ordered to pay a contempt judgment in the sum of $5,752,09.77 to the Federal Trade Commission ["FTC"]. This judgment remains outstanding. Defendant understands that any restitution imposed by the Court may not be discharged in whole or in part in any present or future bankruptcy proceeding.

G. Waiver of Appeal

1. In exchange for the concessions made by the United States in this Plea Agreement, Defendant knowingly and expressly waives the right to appeal any sentence that is imposed within the applicable Sentencing Guideline range as determined by the Court, further waives the right to appeal the manner in which that sentence was determined on the grounds set forth in Title 18, United States Code, Section 3742, and further waives the right to appeal any other aspect of the conviction or sentence. Defendant also waives all collateral challenges including any claims under 28 U.S.C. § 2255, to his conviction, sentence and the procedure by which the Court adjudicated guilt and imposed sentence, except non-waivable claims of ineffective assistance of counsel.

H. Result of Vacatur, Reversal or Set-Aside

Defendant agrees that if any count of conviction is vacated, reversed, or set

aside, the United States may: (a) ask the Court to re-sentence Defendant on any remaining counts of conviction, with both the United States and Defendant being released from any stipulations regarding sentencing contained in this agreement, (b) ask the Court to void the entire plea agreement and vacate Defendant's guilty plea on any remaining counts of conviction, with both the United States and Defendant being released from all of their obligations under this agreement, or (c) leave Defendant's remaining convictions, sentence, and plea agreement intact. Defendant agrees that the choice among these three options rests in the exclusive discretion of the United States.

I. Additional Promises, Agreements, and Conditions

1. In exchange for the United States entering into this agreement, Defendant agrees that, upon Defendant's signing of this agreement, (a) the facts set forth in Section IV of this Plea Agreement shall be admissible against Defendant under Fed. R. Evid. 801(d)(2)(A) in any subsequent proceeding, including a trial, in the event Defendant does not plead guilty or withdraws the guilty plea to the charges in the Indictment and Information, and (b) Defendant expressly waives any and all rights under Fed. R. Crim. P. 11(e)(6) and Fed. R. Evid. 410 with regard to the facts set forth in Section IV of the Plea Agreement in such subsequent proceeding.

2. The parties agree that no promises, agreements, and conditions have been entered into other than those set forth in this plea memorandum.

J. Limitations

This Plea Agreement is limited to the United States Attorney's Office for the District of Nevada and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authority. However, this Plea Memorandum does not prohibit the United States through any agency thereof, the United States Attorney's

office for the District of Nevada, or any third party from initiating or prosecuting any civil proceeding directly or indirectly involving Defendant including, but not limited to proceedings under the False Claims Act relating to potential civil monetary liability or by the Internal Revenue Service relating to potential tax liability.

K. Forfeiture

1. The parties agree that there is no known property subject to forfeiture in this case.

L. Cooperation

1. Defendant agrees, if requested by the United States, to provide complete and truthful information and testimony concerning his knowledge of all other persons who are committing or have committed offenses against the United States, and agrees to cooperate fully with the United States in the investigation and prosecution of such persons. Defendant agrees that the information he provides can be used against him to establish relevant conduct. Defendant understands that his cooperation is based on the following terms and conditions:

(a) Defendant shall cooperate truthfully, completely and forthrightly with the United States Attorney's Office for the District of Nevada (this Office) and other Federal, state and local law enforcement authorities identified by this Office in any matter as to which the Government deems the cooperation relevant.

(b) Defendant shall promptly turn over to the Government or other law enforcement authorities or direct such law enforcement authorities to any and all evidence of crime, all contraband and proceeds of crime, and all assets traceable to such proceeds of crime; any and all of which may be subject to forfeiture under relevant statutes, and Defendant shall not file a claim in any such

forfeiture action.

(c) Defendant shall submit a full and complete accounting of all his financial assets, whether such assets are in his name or in the name of a third party. Assets identified in a preliminary accounting prepared by defendant as provided to the IRS on September 9, 2011, are to be made available to the IRS prior to sentencing as voluntary payment(s) and will be applied to the balance due from defendant to the IRS included in restitution.

(d) Defendant shall testify fully and truthfully before any Grand Jury in the District of Nevada, and elsewhere, and at all trials of cases or other Court proceedings in the District of Nevada and elsewhere, at which his testimony may be deemed relevant by the Government.

(e) Defendant agrees not to commit any criminal violation of local, state or federal law during the period of his cooperation with law enforcement authorities pursuant to this Agreement or at any time prior to the sentencing in this case. The commission of a criminal offense during the period of his cooperation or at any time prior to sentencing will constitute a breach of this plea agreement and will relieve the Government of all of its obligations under this agreement. However, Defendant acknowledges and agrees that such a breach of this Agreement will not entitle him to withdraw his plea of guilty. Defendant further understands that, to establish a breach of this agreement, the Government need only prove Defendant's commission of a criminal offense by a preponderance of the evidence.

2. Defendant acknowledges and understands that during the course of the cooperation outlined in this agreement, Defendant will be interviewed by law enforcement agents and/or Government attorneys and that Defendant has the right to have defense counsel present during these interviews. However, after

consultation with counsel, and with counsel's concurrence, Defendant hereby knowingly and voluntarily waives this right and agrees to meet with law enforcement agents and Government prosecutors outside of the presence of counsel. If at some future point counsel or Defendant desires to have counsel present during interviews by law enforcement agents and/or Government attorneys, the Government will honor such request, and this change will have no effect on any other terms and conditions of this Agreement.

3. Defendant knowingly and voluntarily waives or gives up all of Defendant's constitutional and statutory rights to a speedy trial and speedy sentence, and agrees that the plea of guilty pursuant to this agreement will be entered at a time decided upon by the Government with the concurrence of the Court. Defendant also agrees that the sentencing in this case may be delayed until Defendant's cooperation has been completed, as determined by the Government, so that the Court will have the benefit of all relevant information before a sentence is imposed. Defendant understands that the date for sentencing will be set by the Court.

4. Defendant understands that the sentence in this case will be imposed in accordance with Title 18, United States Code, Section 3553, and the sentencing guidelines set out in the United States Sentencing Commission's Guidelines Manual, which are advisory. Defendant further understands that the sentence to be imposed is a matter solely within the discretion of the Court. Defendant acknowledges that the Court is not obligated to follow any recommendation of the Government at the time of sentencing or to grant a downward departure based on Defendant's substantial assistance to the Government, even if the Government files a motion pursuant to 18 U.S.C. § 3553 (e)(1) and/or Section 5K1.1 of the Federal Sentencing Guidelines and/or Rule 35 of the Federal Rules of Criminal Procedure.

5. Defendant understands that even if this United States informs the Court of Defendant's cooperation, substantial or otherwise, the United States reserves its full right of allocution for purposes of sentencing in this matter. In particular, the United States reserves its right to recommend a specific period of incarceration and fine up to the maximum sentence of incarceration and fine permitted by the terms of this plea agreement. In addition, if in this plea agreement the Government has agreed to recommend or refrain from recommending to the Court a particular resolution of any sentencing issue, the Government reserves its right to full allocution in any post-sentence litigation in order to defend the Court's ultimate decision on such issues. Defendant further understands that the Government retains its full right of allocution in connection with any post-sentence motion which may be filed in this matter and/or any proceeding(s) before the Bureau of Prisons. In addition, Defendant acknowledges that the Government is not obligated to file any pre- or post-sentence downward departure motion in this case pursuant to Section 5K1.1 of the Sentencing Guidelines or Rule 35 of the Federal Rules of Criminal Procedure.

6. Defendant understands and agrees that Defendant will not be allowed to withdraw the guilty plea entered under this agreement solely because of the harshness of the sentence imposed. Such a motion to withdraw shall constitute a breach of this agreement.

7. In the event the United States Attorney decides in his sole discretion that the assistance provided by Defendant amounts to "substantial assistance" pursuant to Section 5K1.1 of the Sentencing Guidelines and Title 18, United States Code, Section 3553(e), or Rule 35 of the Federal Rules of Criminal Procedure, the United States will file a motion with the Court to allow the Court to consider a downward departure.

8. It is understood and agreed that a motion for departure based on substantial assistance shall not be made under any circumstances unless Defendant's cooperation is deemed to be substantial assistance by the United States Attorney. The United States has made no promise, implied or otherwise, that Defendant will be granted a departure for substantial assistance. Further, no promise has been made that a motion will be made for departure even if Defendant complies with all of the terms of this plea agreement in all respects, but has been unable to provide substantial assistance as determined in the sole discretion of the United States Attorney.

9. The United States agrees to consider the totality of the circumstances including, but not limited to the following factors in determining whether, in the sole discretion of the United States Attorney, Defendant has provided substantial assistance which would merit a motion by the United States for a downward departure from the applicable guidelines sentencing range:

(a) The United States' evaluation of the significance and usefulness of Defendant's assistance;

(b) The truthfulness, completeness, and reliability of any information or testimony provided by Defendant;

(c) The nature and extent of Defendant's assistance; and

(d) Any injury suffered, or any danger or risk of injury to Defendant or Defendant's family resulting from Defendant's assistance;

(e) The timeliness of Defendant's assistance.

10. It is understood and agreed that in the event a motion for downward departure is made by the United States based upon Defendant's perceived substantial assistance, the United States reserves the right to make a specific recommendation to the Court regarding the extent of the substantial assistance

departure; however, the final decision as to how much, if any, reduction in sentence is warranted because of that assistance rests solely with the Court. Defendant specifically acknowledges that he has been advised that in any event, the United States will not recommend probation, but will in fact recommend a prison term.

II.

PENALTIES

1. The maximum penalty for violating Title 18, United States Code, Section 371 is not more than 5 years imprisonment, a fine of not more than two-hundred fifty thousand dollars ($250,000), or both. 18 U.S.C. § 3571(b)(3).

The maximum penalty for violating Title 18, United States Code, Section 1028A(a)(1), is a two year consecutive sentence. A term of imprisonment imposed on a person for a violation of this section may, in the discretion of the court, run concurrently, in whole or in part, only with another term of imprisonment that is imposed by the court at the same time on that person for an additional violation of this section, provided that such discretion shall be exercised in accordance with any applicable guidelines and policy statements issued by the Sentencing Commission.

The maximum penalty for violating Title 26, United States Code, Section 7201, is not more than 5 years imprisonment, a fine of not more than two-hundred fifty thousand dollars ($250,000), or both.

2. Defendant is subject to supervised release for a term not exceeding three (3) years. Supervised release is a period of time following imprisonment during which Defendant will be subject to various restrictions and requirements. Defendant understands that if Defendant violates one or more of the conditions of any supervised release imposed, Defendant may be returned to prison for all or

part of the term of supervised release, which could result in Defendant serving a total term of imprisonment greater than the statutory maximum stated above.

3. Defendant must pay a special assessment of one-hundred dollars ($100) for each count of conviction.

4. Defendant is required to pay for the costs of imprisonment, probation, and supervised release, unless Defendant establishes that Defendant does not have the ability to pay such costs, in which case the Court may impose an alternative sanction such as community service.

III.

ELEMENTS

1. To convict Defendant of Conspiracy to Defraud the United States, in violation of Title 18, United States Code, Section 371, the United States must prove each of the following elements beyond a reasonable doubt:

(1) two or more persons agreed to defraud the United States by obstructing the lawful functions of a government agency by deceitful or dishonest means;

(2) the defendant became a member of the conspiracy knowing of at least one of its objects and intending to help accomplish it; and

(3) one of the members of the conspiracy performed at least one overt act for the purpose of carrying out the conspiracy.

2. To convict Defendant of Aggravated Identity Theft, in violation of Title 18, United States Code, Section 1028A(a)(1), the United States must prove each of the following elements beyond a reasonable doubt:

(1) the defendant knowingly used another person's means of identification without legal authority;

(2) the defendant knew that the means of identification belonged to a real

person; and

(3) the defendant did so during and in relation to a specified felony violation as outlined in Counts 10 and 11 of the Indictment in this case.

3. To convict Defendant of Attempt To Evade Or Defeat Payment of Tax, in violation of Title 26, United States Code, Section 7201, the United States must prove each of the following elements beyond a reasonable doubt:

(1) the defendant had a tax deficiency and owed additional federal income taxes;

(2) the defendant knew that he had a tax deficiency and owed more federal income taxes;

(3) the defendant made an affirmative attempt to evade payment of the federal income taxes he owed; and

(4) in attempting to evade the payment of such taxes owed, the defendant acted willfully.

IV.

FACTS

Defendant is pleading guilty because Defendant is guilty of the offenses charged in Counts One and Thirty-One of the Indictment and the offense charged in the Information. In pleading to those offenses, Defendant acknowledges that if Defendant elected to go to trial instead of entering this plea, the United States could prove facts sufficient to establish Defendant's guilt beyond a reasonable doubt. Defendant specifically admits the following facts, and declares under penalty of perjury that these facts are true and correct:

1. In 1996, RICHARD NEISWONGER (NEISWONGER) was involved, along with others, in a business venture known as Medical Recovery Systems, Inc. (MRS). The Federal Trade Commission (FTC) filed a complaint in

the United States District Court for the Eastern District of Missouri (4:96-CV-2225-SNLJ) alleging that NEISWONGER and others promoted, marketed, and sold a business opportunity with false and misleading income claims in violation of section 5(a) of the FTC Act. Specifically, the FTC alleged that NEISWONGER and others deceptively marketed business training programs for upwards of $10,000, which purportedly equipped members of the general public to become well-paid business consultants in the areas of finance and expense reduction. In 1997, NEISWONGER, along with his co-defendants, stipulated to an entry of Permanent Injunction prohibiting them from making any such future sales, and paid $425,000 in redress to the FTC. The United States Department of Justice charged NEISWONGER with several counts of financial crimes arising out of his involvement with MRS. In September 1997, NEISWONGER pled guilty to one count of wire fraud and two counts of money laundering. NEISWONGER was sentenced to 18 months in federal prison and ordered to pay $2,750,000 in restitution to the consumer victims.

2. On or about October 23, 1998, as NEISWONGER was preparing to enter federal prison to serve his term of imprisonment, NEISWONGER joined WILLIAM S. REED (REED) in forming the first Board of Directors of ASSET PROTECTION GROUP, INC. (APG). REED is a former Colorado attorney whose license to practice was suspended by the Supreme Court of the State of Colorado in 1997 for "engag[ing] in misrepresentations and dishonesty." On or about November 4, 1998, NEISWONGER and REED signed an "Agreement" which outlined the APG business opportunity and delineated NEISWONGER's and REED's respective duties and responsibilities. The APG venture was, in essence, a carbon copy of the very scheme for which NEISWONGER had recently pled guilty and for which he was awaiting entry into federal prison.

3. While NEISWONGER was in prison, REED initiated and developed the APG business plan. REED visited NEISWONGER in prison to coordinate their planning of APG operations. During this time, REED authored a book entitled "Bulletproof Asset Protection" which purported to advise readers on how to "hide" their assets from potential creditors, government agencies, receivers, and the courts.

4. APG was incorporated in Nevada in late 1998. From 1999 to mid-2006, APG operated with its sole office located in Las Vegas Nevada. APG offered and sold its business opportunity program (the APG program) to consumers nationwide. Consumers would purchase the APG "asset protection" program for typically $9,800 and become APG "consultants." So authorized by APG, these "consultants" would sell APG "asset protection" services to clients who wished to conceal assets from potential litigants and creditors, as well as government agencies. In turn, APG "consultants" received a portion of the fees tendered by clients who purchased APG services.

5. APG's "asset protection" services allowed clients to place funds in bank accounts that could never be traced back to the clients themselves. APG effectuated this process by creating and using Nevada corporations which employed APG as resident agent and nominee officer, via REED. The vast majority of the Nevada corporations listed REED as the nominee officer. The majority of bank accounts established by APG for these newly formed Nevada corporations were opened at Nevada First Bank, which was purchased by Bank of Nevada in 2006. Because REED was the sole officer and director of the Nevada corporations created by APG, REED was usually the sole signor on the Bank of Nevada nominee bank accounts. To allow APG clients to access funds deposited in the nominee accounts, REED would either issue checks on the nominee bank

accounts at the direction of the APG clients, or he would send blank, pre-signed, checks to the customers to use at their discretion. The APG clients had complete control of the Nevada corporations and the nominee bank accounts associated with the corporations.

6. In addition to creating nominee bank accounts in Nevada, APG formed and maintained offshore international business companies (IBCs) in order to provide an additional layer of secrecy for clients wishing to conceal their assets. Like the Nevada corporations formed by APG, the IBCs created by APG were constructed to obscure the beneficial ownership of APG clients who in fact controlled the companies' accounts. APG touted these corporations as "COMPLETE PROTECTION AGAINST ASSET SEIZURE BY THE IRS or other government agencies." Through Lines Overseas Management (LOM), a Caymen Islands brokerage firm, APG created offshore brokerage accounts for its IBC clients to control. As an additional measure of secrecy, APG offered its clients access to APG-controlled escrow accounts. APG clients would wire money into an escrow account and subsequently instruct APG, often via telephone or email, on where to disburse the deposited funds.

7. Another product promoted and sold by APG to its clients was the so-called "friendly lien." Prepared by APG office personnel, termed "paralegals," for a fee, these friendly liens enabled APG clients to falsely protect equity in their real estate holdings against bona fide creditors, such as the IRS, which might seek to execute a claim on the real estate. Through a nominee corporation formed by APG on his or her behalf, an APG client would execute a trust deed in favor of the corporation against the client's property without any consideration. APG prepared friendly liens in any amount requested by clients, which in some cases exceeded $1,000,000. Regarding its friendly lien service, APG advised clients: "If any

subsequent liens are recorded against your property, you can foreclose on your "friendly lien" and wipe out any subsequent liens." APG offered its clients lien releases, in order for clients to remove the friendly liens whenever so desired. APG charged clients an additional fee for lien releases, which APG created and sold contemporaneously with the friendly lien itself. After APG prepared and mailed the friendly liens and lien releases, APG clients themselves were responsible for recording the documents with their respective county recorders' offices. These liens were deceptive and done without consideration and there was no legitimate purpose for the "friendly liens."

8. NEISWONGER, REED and WAITE formed a "strategic alliance" to market Tax Savings Nevada Corporations through APG's network of national consultants. The Tax Savings Nevada Corporation was designed to "shift income" from a business outside of Nevada to a Nevada corporation formed by APG for the specific purpose of evading state and federal taxes. WAITE was a key figure in promoting this product to and advising APG clients on the details of the Tax Savings Nevada Corporation. According to the brochure for the Tax Savings Nevada Corporation, APG clients who desired a Tax Savings Nevada Corporation were promised complete privacy and total anonymity, access to APG corporate "paralegals," a referral to the firm of WAITE & Associates, Inc. for up to a two hour consultation on strategic tax planning, a free three-year tax refund review, and other benefits. When this product was first offered, APG would pay WAITE $300 for every Tax Savings Nevada Corporation that APG would establish for clients. After a while, REED notified WAITE that APG would no longer be paying WAITE because APG had already supplied him with so much business.

9. On July 17, 2006, the FTC brought a civil contempt action against NEISWONGER, REED, and APG. In its filings, the FTC alleged that

NEISWONGER and REED had violated the 1997 Permanent Injunction by promoting, marketing, and selling a business opportunity scheme with misrepresentations and by failing to disclose material facts. After finding that NEISWONGER, REED and APG had violated the 1997 Permanent Injunction, the United States District Court for the Eastern District of Missouri entered a Temporary Restraining Order freezing APG's assets and providing for the appointment of a receiver. Upon taking control of APG and its operations, the receiver determined that APG's services were either improper or illegal. Effective January 4, 2007, the Receiver determined that APG could no longer operate profitably and ceased operations.

10. On April 4, 2007, the Internal Revenue Service (IRS) filed a Complaint in Intervention in the FTC case. Based upon the receiver's findings and reports, the IRS discovered that over 70 of the APG clients for whom APG established nominee bank accounts in REED's name had outstanding federal tax liabilities. The receiver froze approximately 1,000 accounts created by APG for its clients which in the aggregate held approximately $10,000,000, and worked to return the money from these corporate accounts to the beneficial owners, or to the IRS upon court order. At this time, the IRS worked to seize approximately $1,000,000 out of accounts held for clients who had outstanding federal tax assessments. Federal tax liabilities assessed against the beneficial owners of these accounts totaled in the millions, although the amount assessed understated the actual amount of taxes due and owing because many of the accounts were owned by clients who did not file tax returns. Nevertheless, over 70 APG clients who used the APG system had collective IRS liabilities totaling approximately $14 million.

11. According to a financial review conducted by the court-appointed

receiver, APG's accounting records indicate that, between January 2000, and July 2006, REED and NEISWONGER amassed more than $19,000,000 from APG business opportunity sales. Data entry for gross sales began in 2000, and for a period of five years, from 2001 to 2005, the recorded gross sales for the APG program were in excess of $3 million per year. During this period, NEISWONGER logged over $2,800,000 in "personal" expenses which were paid out of APG proceeds. The APG court-appointed receiver identified a list of NEISWONGER's "personal" expenses which included many credit account payments and payments on Mercedes-Benz and Lexus automobiles. In total, payments made to, or on behalf of, NEISWONGER out of APG program proceeds equaled more than $3,200,000. For his part, REED obtained income from the proceeds of the APG program both by making cash withdrawals out of APG's account and by appropriating payments made by APG to concealed entities controlled by REED, to which APG paid millions of dollars. In total REED received a benefit of over $5,700,000 from the APG scheme.

12. Both REED and NEISWONGER actively participated in promoting and marketing the APG program. REED served as APG's Director and President from late 1999 until mid-July 2006. In APG promotional materials, REED described APG as an asset protection services "factory" which he "personally supervised." According to NEISWONGER, REED was APG's Chief Executive and "would review almost everything." NEISWONGER contributed to APG's written promotional materials; NEISWONGER stated that REED reviewed the text of printed promotional materials before they were finalized, and that REED joined NEISWONGER in approving written promotional materials such as the Special Free Report sales letter. NEISWONGER stated during his FTC deposition that text attributed to REED in APG promotional materials, and other

APG documents and writings, consists of REED's actual statements. When FTC counsel asked REED whether he reviewed drafts of APG promotional materials and approved them, REED pled the Fifth Amendment. NEISWONGER himself actively participated in promoting and marketing the APG program. He promoted the APG program to prospective purchasers, both in person and over the phone. NEISWONGER's name, statements, and signature appeared in promotional materials for the APG program. REED and NEISWONGER actively marketed the APG program as partners.

13. On or about September 30, 2010, REED stipulated to a tax deficiency exceeding $13,000,000 in United States Tax Court. The court decision reflecting this stipulation between REED and the IRS was entered in REED's tax case on November 2, 2010. This deficiency equates to a current federal tax liability of over $30,000,000 including interest and penalties.

14. On December 14, 2010, instead of making payments on his outstanding tax liability, REED made a $49,975 transfer from one of his secret offshore accounts to a trust account controlled by REED and held in the name of his late father (James S. Reed).

15. From December 2010 through at least May of 2011, instead of making payments on his outstanding tax liability, REED agreed with his son, Jack Reed, to deposit at least $2,000 into Jack's bank account on a monthly basis.

16. On April 20, 2011, Revenue Officer Greg Yarborough had a phone conversation with REED. During that conversation, REED lied to Yarborough by stating he (REED) had no assets or income. REED also lied to Yarborough by stating he (REED) had no fixed address, when in truth and fact he was residing at 555 E. Arrellaga Street in Santa Barbara, CA.

17. On July 17, 2011, REED was arrested by agents from IRS-CI in a

motel room that REED was renting under a false name (Larry Launer). Unbeknownst to the agents, REED had over $70,000 in cash in his possession which he had hidden in his vehicle. While in custody over the next few days, REED placed concealed phone calls using his cell-mate's telephone account from the Los Angeles Metropolitan Detention Center to his ex-wife, Cynthia Reed. REED instructed her to pick up his vehicle and belongings, including his cash, from the hotel where he was arrested. The cash in REED's vehicle was in sealed envelopes, each labeled with "9g." On July 18, 2011, Cynthia Reed mailed several of REED's belongings, including the cash, to an attorney.

18. On September 9, 2011, REED disclosed to IRS-CI that he had offshore accounts in Lichtenstein, Luxembourg, and Turks & Caicos. REED stated that these three account balances totaled over $1,000,000 as of September 9, 2011. REED's own records show that after he stipulated to his tax deficiency in September 2010, REED maintained activity in these investment accounts, (buying, selling, depositing, withdrawing, transferring, etc) without disclosing their existence to the IRS.

19. On September 9, 2011, REED disclosed to IRS-CI that he had a storage unit located at Sahara Mini Storage in Las Vegas, NV. On September 9, 2011, IRS-CI agents searched the storage unit and found a piece of carry-on luggage containing $427,900 in cash. The cash was in 48 sealed envelopes, 47 labeled with "9g"and 1 labeled with "5g." Records show REED signed a rental agreement under a false name (Jim Brooks) for the 5 X 5 storage unit on May 22, 2007. This unit was rented and maintained by REED until September 9, 2011, when REED gave IRS-CI agents consent to search the unit. Records also show REED accessed this unit numerous times. On October 13, 2010, within two weeks of signing his stipulated agreement with the IRS, REED accessed this storage unit.

On April 18, 2011, two days before REED lied to Yarborough by stating he (REED) had no assets or income, REED accessed this storage unit. REED knew that he had access to funds with which he could pay down his tax liability, but instead chose to lie to the IRS and keep his assets concealed.

20. In 2002 and/or 2003, Timothy J. Savage and David C. Kruger set up or caused to be set up Nevada corporations through APG. On approximately December 14, 2004 and January 4, 2005, REED applied for E-Trade accounts in the names of David C. Kruger and Timothy J. Savage, respectively. REED applied for these accounts on-line using E-Trade's on-line account application. In those applications, REED provided the names, dates of birth, and Social Security numbers that belonged to both Kruger and Savage without their permission. On both account applications, the mailing address is listed as 4601 W. Sahara, Suite #I, and the phone numbers are both (702) 596-7031. This address was the address for the office of APG, and the phone number belonged to REED.

21. As part of the application process, a request to obtain an E-Trade ATM check card was submitted to E-Trade bearing David C. Kruger's purported signature, and was dated with the same date as that of the online application, December 14,2004. The same was done with a request bearing Timothy J. Savage's purported signature, dated the same day as that of the Savage online application, January 4, 2005.

22. On May 9, 2006, REED wrote a letter to E-Trade stating the following in regards to the E-Trade accounts for Savage and Kruger:

> "I opened the aforementioned accounts for my clients in 2004 and 2005, respectively, and have managed them since that time. Attached are separate signed and notarized Power of Attorney forms for each account so you can remove the restrictions."

Attached to that letter were Power of Attorney forms for both Savage and Kruger that bear their purported signatures as well as the signature of REED. The POA's are dated May 5, 2006 and May 8, 2006, respectively.

23. In an interview conducted with Kim Toy by IRS-CI special agents on October 31, 2008, Toy stated that she knew that REED or JOY ROY, at REED's direction, picked through APG client files to find photocopies of someone's I.D. in order for REED to set up E-Trade accounts in someone's name other than his own. Any APG client that wanted to be a signor on their nominee corporate bank account would have to provide APG with a copy of their I.D. and Social Security number. This is how REED was able to obtain names and identifications for Kruger and Savage. Toy further stated that at the time that these accounts were set up, Kruger and Savage had no idea that REED had set-up these accounts in their names.

24. Toy has seen REED's handwriting and signature thousands of times. The signatures of Kruger and Savage on the E-Trade documents appear to Toy to have been signed by REED because they appear to have the same REED signature traits and handwriting characteristics. REED's numbers and handwriting are unique and Toy can identify these characteristics.

25. Neither David Kruger, nor Timothy Savage ever gave APG/REED permission to use their identities to open up E-Trade accounts, and both have stated that the signatures on the E-Trade documents are not their own.

26. The deposits into these E-Trade accounts were funded by wire transfers from US Bank account #153790360439, which was a bank account held in the name of APG Inc., and referred to as the APG "Escrow Account." According to check and wire information as well as account statements from E-Trade, well over $250,000 was wired from the US Bank account into the

E-Trade accounts.

27. On July 13, 2006, two wire transfers were conducted from E-Trade to the APG Escrow Account: one for $110,761.93 and another for $130,488.63. These wires represented the E-Trade funds for the Kruger and Savage accounts, respectively.

28. On November 1, 2006, REED sent an e-mail to the court appointed FTC receiver, Robb Evans & Associates, informing them that E-Trade had deposited approximately $240,000 into the APG "Escrow Account." This money stemmed from E-trade accounts that APG opened up in David Kruger's and Timothy Savage's name. REED explained that this money did not belong to Savage and Kruger, but to APG.

V.

ACKNOWLEDGMENT

1. Defendant acknowledges by his signature below that he has read this Memorandum of Plea Agreement, that he understands the terms and conditions, and the factual basis, set forth herein, that he has discussed these matters with his attorney, and that the matters set forth in this Memorandum, including those facts which support a plea of Guilty, are true and correct. The undersigned Defendant acknowledges that he has been advised, and understands, that by entering a plea of Guilty he is waiving, that is, giving up, certain rights guaranteed to him by law and by the Constitution of the United States. Specifically, he is giving up:

a. The right to proceed to trial by jury on the original charges, or to a trial by a judge if he and the United States both agree;

b. The right to confront the witnesses against him at such a trial, and to cross-examine them;

c. The right to remain silent at such trial, with such silence not to be

used against him in any way;

d. The right, should he so choose, to testify in his own behalf at such a trial;

e. The right to compel witnesses to appear at such a trial, and to testify in his behalf; and

f. The right to have the assistance of an attorney at all stages of such proceedings.

2. The undersigned Defendant, his attorney, and the attorney for the United States acknowledge that this Memorandum of Plea Agreement is the entire agreement negotiated by and agreed to by and between the parties, and that no other promise has been made or implied by either Defendant, his attorney, or the attorney for the United States.

DANIEL G. BOGDEN
United States Attorney

1-26-2012
DATED

J. GREGORY DAMM
Assistant United States Attorney

1/24/2012
DATED

WILLIAM S. REED, Defendant

1/24/12
DATED

KRYSTALLIN D. HERNANDEZ
Counsel for Defendant