

THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE)
COMMISSION,)

Plaintiff,)

v.)

CIVIL ACTION FILE

NO.: 1:06-CV-1801-RWS

ARCHIE PAUL REYNOLDS a/k/a)

DR. A. PAUL REYNOLDS, and)

SUCCESS TRUST AND HOLDING)

LLC,)

Defendants.)

JUDGE RICHARD W. STORY

RECEIVER'S FINAL REPORT AND MOTION TO (A) APPROVE
ACCOUNTING; (B) ESTABLISH RESERVE & MAKE A FINAL
DISTRIBUTION; (C) ABANDON REMAINING RECORDS & ASSETS; AND
(D) DISCHARGE AND RELEASE RECEIVER

COMES NOW, Pat Huddleston, II, the duly authorized and acting Receiver herein (the "Receiver"), and files his Final Report and Motion to Approve Accounting; Establish Reserve and Make a Final Distribution; Abandon Remaining Records and Assets; and Discharge and Release the Receiver (the "Motion") and shows as follows:

I. SUMMARY

The Receiver is pleased to report to the Court that he has successfully completed his final administration of this Case. All outstanding claims and disputes have been resolved, the vast majority of funds collected by the Receiver have been disbursed to investors, and the Receiver has completed all of the tasks assigned to him by this Court. Barring any objections to the Receiver's plan for the Final Distribution, approved claimants will receive 50.53% of the principal amounts of their investments. At this point, the Receiver believes that he has collected all amounts that he can economically collect. The Receiver accordingly requests authority to complete his administration, to make a final distribution to investors, and to be discharged as Receiver.

II. PROCEDURAL AND FACTUAL BACKGROUND

1. On August 2, 2006, the U.S. Securities and Exchange Commission ("SEC") filed an application for a temporary restraining order and other equitable relief, alleging that what defendant Archie Paul Reynolds ("Reynolds") marketed as a legitimate investment in private placement programs was actually a type of Ponzi scheme known as a "prime bank scam." The details of the scheme are included in the Receiver's Third Interim Report, which is posted in the dedicated Success Trust section of the Receiver's website available at: (www.huddestonfirm.com).

2. On the same day, this Court granted that application and entered an order freezing assets and prohibiting the destruction of documents.
3. On August 23, 2006, this Court granted a preliminary injunction against the defendants, continuing the asset freeze with limited exceptions.
4. Thereafter, the defendants consented to the appointment of the Receiver, without admitting or denying the facts in the SEC's complaint (except as to jurisdiction). The defendants waived their right to appeal from that Order.
5. On January 5, 2007, this Court appointed Pat Huddleston, II of The Huddleston Law Firm as Receiver.
6. The January 5, 2007 Receivership Order (the "Order") allows the Receiver to employ attorneys, accountants, consultants, and others necessary to properly administer the Receivership Estate.
7. The Receiver has acted through his law firm, The Huddleston Law Firm, in pursuing the investigation and the accounting ordered by the Court. All references to the Receiver, therefore, include The Huddleston Law Firm.
8. The Receiver has hired Investor's Watchdog, LLC ("IW"), an investor protection company owned by the Receiver, to handle the substantial bookkeeping accounting, financial, investigative, and administrative services necessary to completing the tasks ordered by the Court.

9. The Receiver filed the Preliminary Report on February 20, 2007, his Second Interim Report on July 3, 2007, his Third Interim Report on October 30, 2007, his Fourth Interim Report on December 11, 2008, and his Fifth Interim Report on July 7, 2010. Those reports describe the Receiver's progress toward completing the accounting ordered by the Court, his efforts to bring additional assets into the receivership estate, and his plans to distribute \$1,000,000 to defrauded investors while continuing to pursue collection of additional receivership assets. They can be reviewed in the dedicated Success Trust section of the Receiver's website available at:

www.huddlestonfirm.com/huddleston/success/index.cfm.

10. On May 3, 2007, the Receiver filed his motion to set a bar date and approve a claim form and claims procedure.

11. On May 11, 2007, the Court granted that motion, setting a bar date for claims of July 6, 2007.

12. Thereafter, the Receiver sent that claim form to 958 prospective claimants.

13. The Receiver posted the claim form to the Success Trust dedicated portion of his website at www.huddlestonfirm.com/huddleston/success/index.cfm.

14. The Receiver processed all claims received, investigated and verified, where possible, each claim, categorized each claim by the purpose of the investment,

accounted for all payments received by claimants and adjusted the claimants' Allowed Claim accordingly, and prepared a Proposed Plan of Distribution.

15. On January 23, 2008, the Court held a hearing on the Receiver's Motion to Approve the Receiver's Plan of Distribution.

16. The Court considered each of four objections filed to the Receiver's Plan of Distribution.

17. The Court overruled the objections and entered an Order Approving the Receiver's Plan of Distribution.

18. The Receiver moved \$1 million from the money market account, in which it had been earning interest, to an account appropriate for writing checks.

19. On March 21, 2008, the Receiver began sending out the distribution checks and posted notice of that fact on his website.

20. Pursuant to the plan approved by the Court, the initial distribution checks represented a recovery of more than 35% of approved claims.

21. On December 11, 2008, the Receiver filed a Motion to Approve Second Interim Distribution to return another \$300,000 to approved claimants.

22. On December 16, 2008 the Court approved the Receiver's Motion to Approve Second Interim Distribution. With approval of the second distribution, the rate of recovery to the approved claimants was increased from 35.73% to 46.44%.

23. Rather than repeat all of the items which were reported in his prior reports with this Court, the Receiver will update the Court on those issues which were unresolved at the time he filed his last report or which require further reporting at this time. To the extent investors require additional information about prior reports, they are available on the Receiver's website and are incorporated into this report by reference.

Claims Against Reynolds

24. On March 15, 2007, the Receiver filed a motion asking the Court to discontinue periodic support payments to Mr. Reynolds as those payments were further depleting the Receivership Estate.

25. In open court on May 22, 2007, the Court granted that motion. The written Order to that effect is dated June 12, 2007.

26. On March 16, 2007, the SEC filed a motion asking that Defendant Reynolds be held in civil contempt for violating the Court's asset freeze of August 2006 by selling a Mercedes automobile that he bought with \$57,000 in investor funds.

27. In open court on May 22, 2007, the Court granted the SEC's motion, finding that Reynolds was guilty of civil contempt.

28. The Receiver's investigation revealed that Reynolds used investor funds to purchase a 2005 Toyota Sequoia SUV and several other valuable items.

29. At the May 22, 2007 hearing, the Court ordered that Reynolds turn over that car and several other items of personal property to the Receiver. The Receiver sold the Sequoia and some of the computer equipment and deposited the proceeds of those sales into the receivership accounts.

30. The Receiver attempted to sell the remaining computer equipment, but was unsuccessful due to the obsolescence of that equipment.

31. Because additional efforts to sell that equipment would have likely consumed more receivership assets than they have would generated, the Receiver abandoned those efforts and disposed of the computer equipment.

32. Early in his investigation, the Receiver discovered that Reynolds owned a single family home in Webster, New York and that he used at least \$66,040 in investor funds to make mortgage payments and pay the property taxes on that home.

33. On March 12, 2007, upon learning of the existence of the property, the Receiver filed a lis pendens in Monroe County, New York, thus restricting Reynolds's ability to sell that asset without the Receiver's consent.

34. The Receiver obtained an appraisal on the property and information about the mortgage balance.

35. On May 21, 2009, counsel for the Receiver secured \$15,000 from Wells Fargo Bank, N.A. for release of the lis pendens on that property.
36. On July 30, 2010, the SEC filed a motion for summary judgment against Reynolds, seeking payment of disgorgement.
37. On October 5, 2010, the Court entered a Judgment in favor of the SEC against Defendants Reynolds and Success Trust, granting a permanent injunction against Defendants from future violations of the securities laws, ordering disgorgement in the amount of \$834,717.88 plus prejudgment interest of \$36,907.39, and imposing civil penalties of \$2,000,000 and \$2,000,000 against Success Trust.
38. The Receiver performed an extensive asset search on Reynolds and explored all other options of recovery against him. Based on this analysis, the Receiver concluded that the cost of pursuing these avenues of collection would likely exceed any possible recovery.
39. The Receiver is convinced that any further efforts to bring additional assets into the receivership estate will only further deplete resources better spent giving investors a higher return in the Final Distribution.

Claims Against Third Parties

40. On July 20, 2007, the Receiver Moved for Reappointment, preparatory to commencing actions against third parties.

41. On July 23, 2007, the Court granted the Motion for Reappointment.

42. Between August 1, 2007, and August 3, 2007, the Receiver filed Notice of Reappointment pursuant to 28 U.S.C. § 754 in the United States District Courts for the Districts of Central California, Eastern California, Southern California, Northern California, Western Texas, Northern Texas, Delaware, Connecticut, New Jersey, and Southern New York.

Claims Against Amy Allen and WF USA, LLC

43. On August 28, 2007, through counsel, the Receiver filed an action to recover more than \$1.5 million from Amy Allen and her company, WF USA, LLC.

44. On December 24, 2007, the Court granted the Receiver's Motion for Default Judgment against Allen and WF USA, LLC, and entered judgment in the amount of \$1,520,055. Counsel for the Receiver seized \$1,458 from bank accounts previously held by Allen.

45. The Receiver went to extensive efforts to locate Amy Allen.

46. The Receiver searched courthouse records and searched multiple investigative databases in an effort to locate Allen.

47. The Receiver ultimately sought the help of a private investigator in Texas. He was unable to locate Allen.

48. The Receiver subpoenaed William Robert Allen, Amy Allen's father, for deposition.

49. Two days before the scheduled deposition, an attorney representing Allen and her father called the Receiver to report that Allen's father would not be able to attend the deposition on the date scheduled. The attorney stated that Amy Allen would agree to produce the documents and would sit for deposition.

50. Amy Allen's attorney stated that at her deposition, Allen would likely assert her Fifth Amendment right to refuse to answer questions on the grounds that her answers may tend to incriminate her.

51. On May 14, 2010, the Receiver filed a motion to compel the promised documentation from Allen.

52. This Court issued an Order granting the Receiver's motion to compel documentation from Allen on June 21, 2010.

53. Amy Allen's attorney subsequently produced some, but not all, of the requested documents. The Receiver then threatened to file a motion for contempt if the remainder of the documents were not produced.

54. Amy Allen's attorney then produced more of the requested documents. The documents revealed that Amy Allen does not own any significantly valuable assets. The Receiver independently confirmed the veracity of this information through other means.

55. The Receiver believes that the cost of continuing to pursue this avenue of recovery would exceed any likely recovery.

56. The Receiver is, therefore, abandoning pursuit of this line of potential recovery.

57. The second lead to significant assets is Venture Partners Advisors, to which Allen transferred \$1,520,055 in investor funds. The Receiver made efforts to obtain evidence of any substantially equivalent value that VPA may have given for those payments, but those responsible for VPA refused to cooperate.

58. After careful review of Venture Partners Advisors bank records, the Receiver believes that the cost of continuing to pursue this avenue of recovery would exceed any likely recovery.

59. The Receiver is, therefore, abandoning pursuit of this line of potential recovery.

Ray Bailey

60. The Receiver also made a demand on a man named Ray Bailey and his company, The Bailey Group, who wrongfully received investor money. A bank holding a portion of those funds cooperated and forwarded to the Receiver \$129,146 from accounts held by The Bailey Group. Those funds have been deposited into the money market account held by the Receivership.

61. The Receiver is convinced that any continued pursuit of this line of recovery would only further deplete resources better spent giving investors a higher return in the Final Distribution.

III. FINAL ACCOUNTING

62. Attached as Exhibit "A" is the Final Receivership Summary Funds Statement. This Report includes all asset recoveries. As set forth therein, total recoveries in this case, including the initial bank accounts, have totaled \$1,971,120.67. Total funds currently available for the final distribution to investors total \$112,462.92.

IV. MOTION TO ESTABLISH RESERVE AND MAKE DISTRIBUTIONS

63. The Receiver, his attorneys, his accountants, and his financial consultants last filed applications seeking compensation in this case on October 22, 2010. The Receiver, his accountants, and his financial consultants have incurred additional

expenses since that time in concluding their administration of this receivership and will likely incur additional expenses in the future in the Final Distribution and in closing out the receivership.

64. At this time, the Receiver asks the Court's permission to make a Final Distribution in the amount of \$112,463 to approved claimants to the Receivership Estate. Those payments represent an averaged percentage of return to approved claimants of 50.53%.

65. The Receiver anticipates that there will be additional work necessary to close out the receivership and make the Final Distribution. In addition, the Receiver will likely incur costs in making the Final Distribution. Accordingly, the Receiver requests a reserve in the amount of \$10,000 and the authority to pay such funds for such expenses as he determines necessary. The Receiver asserts that the requested professional fees will be necessary for the final administration and distribution of the Receivership Estate, and are not only in line with the prevailing market rates in this community for similar services by attorneys and professional employees of reasonably comparable skill, experience, and reputation, but are discounted rates, charged for the benefit of investors. The Receiver and his professionals each further represent that these hourly rates are comparable to rates actually billed and paid to attorneys and professional employees of comparable

skill, experience, and reputation in cases of like nature before this Court, and have been consistently approved by other courts, including the United States Bankruptcy Court for the Northern District of Georgia.

V. MOTION TO ABANDON AND SHRED RECORDS AND ASSETS

66. At present, the Receiver is in possession of voluminous records from the defendants in this case, including bank account records and other information procured by the Receiver pursuant to the Order. The Receiver asserts that the continued storage and retention of these documents is not only unnecessary and burdensome but could also potentially harm the investors should it fall into the wrong hands. As a result, the Receiver proposes to abandon and shred these records. Also, to the extent the Receiver still holds any equipment or personal property which has no value, the Receiver requests authority to abandon same. The Receiver accordingly requests authority to abandon and properly dispose of these records and assets.

VI. MOTION TO DISCHARGE AND RELEASE RECEIVER

67. Upon completion of the Final Distribution and payment of any necessary, associated costs, the Receiver will file a report with the court indicating that the Final Distribution has been made. The Receiver requests, that subject to the terms and conditions set forth herein, that he be released and discharged as Receiver in

this case. The Receiver further requests that he be released and discharged from any and all claims and causes of action which might be brought against him for matters arising from his administration of the assets turned over to him and, to the extent that any person or entity nevertheless seeks to pursue and claim or action against the Receiver arising out of his duties as Receiver herein, the Receiver requests that this Court retain jurisdiction to hear any such claim.

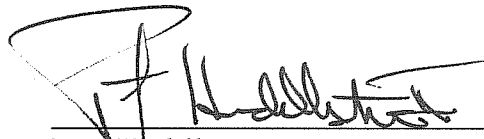
68. In order to complete his administration and to close this case, the Receiver requests that this Court enter an Order releasing and discharging him as Receiver and authorizing and directing him to do the following:

- (a) Establish a reserve and authorize the Receiver to distribute the reserve at his discretion;
- (b) Make the Final Distribution;
- (c) To abandon the records and assets set forth above; and
- (d) File a report with this Court certifying that the Final Distribution has been made.

WHEREFORE, the Receiver requests that his Final Report be approved, that he be granted the relief requested herein, and for such other and further relief as may be just and proper.

Respectfully submitted this 13th day of December, 2010.

THE HUDDLESTON LAW FIRM

A handwritten signature in black ink, appearing to read "Pat Huddleston, II", written over a horizontal line.

Pat Huddleston, II
Georgia Bar No. 373984
Receiver

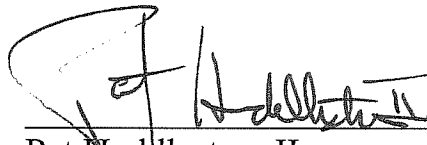
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CERTIFICATE OF SERVICE

I certify that the foregoing was prepared with one of the font and point selections approved by the Court in LR 5.1B. I further certify that I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notice of electronic filing to counsel of record.

This 13th day of December, 2010.

THE HUDDLESTON LAW FIRM

A handwritten signature in black ink, appearing to read 'Pat Huddleston, II', written over a horizontal line.

Pat Huddleston, II
Georgia Bar No. 373984
Receiver

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