

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE)
COMMISSION,)

Plaintiff,)

v.)

ARCHIE PAUL REYNOLDS a/k/a)
DR. A. PAUL REYNOLDS, and)
SUCCESS TRUST AND HOLDING)
LLC,)

Defendants.)

CIVIL ACTION FILE
NO.: 1:06CV1801-RWS

JUDGE RICHARD W. STORY

BRIEF IN SUPPORT OF RECEIVER’S MOTION
TO VACATE ORDER ALLOWING DEFENDANT REYNOLDS
A PERSONAL EXPENSE ALLOWANCE

In the Order of January 5, 2007 Appointing a Receiver (“Order”), this Court empowered the Receiver to apply to the Court for such “other orders as may be necessary and appropriate in order to carry out the mandate of the Court.” Order at ¶18. The Receiver asks for such an Order now to protect the investors in the defendants’ schemes from further unnecessary loss.

The Receiver's investigation thus far has brought him to the conclusion that Reynolds operated Success Trust as his personal piggy bank, spending thousands of dollars on luxuries like a Mercedes-Benz automobile and purchases from an art gallery. Reynolds has not denied the SEC's allegations, asserting his Fifth Amendment right against self-incrimination. The effect of that assertion in this civil case is to allow the Court to take an adverse interest against Reynolds. United States v. Two Parcels of Real Property Located in Russell County, Alabama, 92 F.3d 1123, 1129 (11th Cir. 1996). Although the Court has taken constructive custody of those funds and all other assets purchased with proceeds from investors, Reynolds has been slow to cooperate in providing the Receiver access to them. Under Court protection, he is collecting \$5,000 per month from the people he defrauded, while hindering the Court-appointed Receiver's efforts to return some measure of justice to those people. The Court should not countenance that behavior, and should, therefore, stop the personal allowance payments.

Reynolds is far from destitute. In December 2006, he contracted to buy a \$430,000 house in Simpsonville, South Carolina. His monthly principal and interest payments on that house will be \$2,647.58, exclusive of taxes and insurance. The purchase of a luxury home belies any claim that Reynolds needs

the expense allowance just to survive, and asking the investors in Reynolds's scheme to contribute to his acquisition of a luxury home is unreasonable. Those investors unknowingly funded a lavish lifestyle for Reynolds for many months before the SEC shut his scheme down.

It has been six months since the Court ordered that Reynolds receive the personal expense allowance. Whether he has spent that time seeking gainful employment, the Receiver cannot know because of Reynolds's refusal to talk. Regardless, he has had ample time to seek employment. Halting the personal expense allowance now, therefore, should not work any injustice on Mr. Reynolds. Allowing him to continue to receive it, though, most definitely works an injustice on the innocent investors who took Reynolds at his word. It is time for Reynolds to provide for himself in a style that his labor will support rather than in a style that stolen money will allow.

The Receiver therefore respectfully asks that the Court vacate that portion of its Order of August 23, 2006 granting Reynolds a personal expense allowance, and issue an Order that he shall receive no further payments.

Respectfully submitted this 15th day of March, 2007.

THE HUDDLESTON LAW FIRM

/s/ Pat Huddleston, II
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