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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

SECURITIES AND EXCHANGE
COMMISSION,

and

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiffs,

v.

DAREN L. PALMER and TRIGON
GROUP, INC.

Civ. No. 09-075-E-EJL (dks)

Civ. No. 09-076-E-EJL (dks)

The Honorable Edward J. Lodge

**MEMORANDUM IN SUPPORT OF
RECEIVER'S MOTION FOR
APPROVAL TO PAY SECOND
INTERIM DISTRIBUTION**

R. Wayne Klein, the Court-Appointed Receiver (the "Receiver") of Trigon Group, Inc. ("Trigon") and all the assets of Daren L. Palmer (the "Receivership Entities" and/or "Palmer"), hereby moves for Court permission to make a second interim distribution of Receivership funds to allowable claimants ("Claimants").

BACKGROUND

This case began on February 26, 2009 with companion lawsuits filed by the SEC and CFTC. (Dkt. No. 1) On the same day, the Court appointed the Receiver to take control of Trigon and the assets of Palmer. (Dkt. No. 8)

On January 21, 2010, the Court granted the Receiver's Motion for Approval of Proof of Claim Form. (Dkt. Nos 53, 54). The SEC filed a proposed Plan of Partial Distribution on June 9, 2010. (Dkt. No. 72) On December 6, 2010, the Court issued an order approving the Plan of Partial Distribution. (Dkt. No. 111) After a number of objections were filed, the Receiver reached a settlement agreement with objectors and other claimants. (Dkt. No. 126). On March 7, 2011, the Court approved the settlements with the objectors and the final distribution plan. (Dkt. No. 130).

On March 10, 2011, the Receiver paid \$2,000,000.00 to 24 Claimants. An additional \$1,018,252.33 was paid to objectors and other claimants who otherwise would not have received payments as part of the first distribution. The settlements with the objectors and others claimants included the objectors and other claimants relinquishing any claims to future distributions from the Receivership Estate. This leaves the 24 Claimants as the only remaining beneficiaries of the Receivership Estate.

FUNDS IN THE RECEIVERSHIP ESTATE

Currently, the Receiver is holding approximately \$548,000.00 in the bank accounts of the Receivership Estate. The Receiver believes that amount is more than is needed to pay for ongoing operational expenses of the Receivership, litigation costs, and fees for the Receiver and

his attorneys. Accordingly, the Receiver believes that a second interim distribution of \$300,000.00 would deliver additional funds to the victims of this Ponzi scheme without impairing the Receiver's ability to continue managing the Receivership Estate.

ELIGIBLE CLAIMANTS, EFFECT OF THE INTERIM DISTRIBUTION

There are 24 remaining Claimants who are eligible to receive distributions from the Receivership Estate. Their claims show the following aggregate totals:

Verified investment amounts	\$10,633,717.90
Distributions from Trigon	-\$624,917.50
"Allowable Claim Amount"	\$9,991,300.40
First interim distribution	-\$2,000,000.00
Remaining allowable claim amount	\$7,991,300.40

A \$300,000.00 distribution represents 3.75% of the remaining allowable claim amount. Additional distributions are anticipated in the future. The Receiver had hoped to make a larger second interim distribution that would include proceeds from the sales of some of the real estate owned by the Receivership Estate and funds from lawsuits that have been filed by the Receiver. However, none of the properties have sold and the lawsuits seeking the larger recoveries are being strongly resisted. In the past few months, several of the Claimants have requested that the Receiver make an additional interim distribution without waiting for additional monies. In light of these factors, the Receiver is seeking approval for a second interim distribution.

LEGAL ANALYSIS

The Order Appointing Receiver ("Order") (Dkt. No. 8) provides that the Court retains the authority to determine when distributions are to be made, requiring the Receiver to hold

Receivership funds “pending further order of this Court.” Order at 3. In making a determination such as this, the Ninth Circuit has recognized that a primary purpose of equity receiverships “is to promote the orderly and efficient administration of the estate by the district court for the benefit of creditors.” SEC v. Universal Fin., 803 F.2d 1034, 1038 (9th Cir. 1986).

District courts have broad power and wide discretion to determine the appropriate relief in an equity receivership. SEC v. Lincoln Thrift Ass’n, 577 F.2d 600, 606 (9th Cir. 1978); SEC v. American Capital Invs., Inc., 98 F.3d 1133, 1143 (9th Cir. 1996); SEC v. Black, 163 F.3d 188, 199 (3d Cir. 1998); SEC v. Elliott, 953 F.2d 1560, 1569-70 (11th Cir. 1992). Plans for distribution of funds will be reviewed for abuse of discretion. CFTC v. Topworth Int’l, Ltd., 205 F.3d 1107, 1115-16 (9th Cir. 1999); SEC v. Certain Unknown Purchasers of the Common Stock of & Call Options for the Common Stock of Santa Fe Int’l Corp., 817 F.2d 1018, 1020 (2d Cir. 1987). Under the broad discretion afforded district courts, a plan generally will be upheld if it serves to orderly and efficiently distribute funds to investors. Topworth, 205 F.3d at 1115.

In this case, the plan of distribution has already been approved by the Court. All objections have been resolved. (Dkt. No. 130) This second interim distribution will be made to the particular group of Claimants whose claims have already been verified and the payments will be made to Claimants using the same pro-rata basis that was approved and used in the first interim distribution. This makes the proposed interim distribution “fair and reasonable.” See SEC v. Wang, 944 F.2d 80, 85 (2d Cir. 1991).

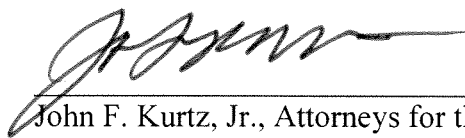
CONCLUSION

A second interim distribution will aid the Claimants without impairing the Receiver's ability to continue carrying out his duties. A \$300,000.00 distribution to victims using the same methodology as the first interim distribution is fair and reasonable.

DATED this 21st day of February, 2012.

HAWLEY TROXELL ENNIS & HAWLEY LLP

By



John F. Kurtz, Jr., Attorneys for the
Receiver, R. Wayne Klein

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 21st day of February, 2012, I electronically filed the foregoing MEMORANDUM IN SUPPORT OF RECEIVER'S MOTION FOR APPROVAL TO PAY SECOND INTERIM DISTRIBUTION with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following persons:

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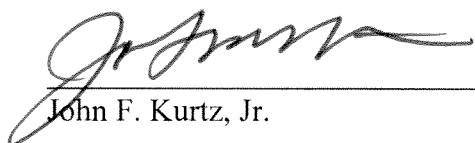
AND, I HEREBY CERTIFY that I have served the foregoing document to the following non-CM/ECF Registered Participants (list names and addresses):

Daren L. Palmer
Register #13952-023
Mini-Cassia Justice Center Jail
1415 Albion Avenue
Burley, ID 83318
Defendant

- U.S. Mail, Postage Prepaid
- Hand Delivered
- Overnight Mail
- E-mail
- Telecopy

Alan Conilogue
Deputy Attorney General
State of Idaho
PO Box 83720
Boise, ID 83720-0031
Local Counsel for Plaintiffs

- U.S. Mail, Postage Prepaid
- Hand Delivered
- Overnight Mail
- E-mail
- Telecopy



John F. Kurtz, Jr.