

John F. Kurtz, Jr., ISB No. 2396
Matthew Gordon, ISB No. 8554
Hawley Troxell Ennis & Hawley LLP
877 Main Street, Suite 1000
P.O. Box 1617
Boise, ID 83701-1617
Telephone: 208.344.6000
Facsimile: 208.954.5232
Email: jkurtz@hawleytroxell.com
mgordon@hawleytroxell.com

Attorneys for Receiver, R. Wayne Klein

UNITED STATES DISTRICT COURT
DISTRICT OF IDAHO

SECURITIES AND EXCHANGE)
COMMISSION,)
)
Plaintiff,)
)
and)
)
COMMODITY FUTURES TRADING)
COMMISSION,)
)
Plaintiff,)
)
vs.)
DAREN L. PALMER and TRIGON GROUP,)
INC., a Nevada Corporation,)
)
Defendants.)

Case No.: CV 09-075-E-EJL

Case No.: CV 09-076-E-EJL

The Honorable Edward J. Lodge

TENTH REPORT OF R. WAYNE
KLEIN, RECEIVER (FOR PERIOD
ENDING JUNE 30, 2011)

R. Wayne Klein, the Court-Appointed Receiver (the "Receiver") of Trigon Group, Inc.
("Trigon") and the assets of Daren L. Palmer (the "Receivership Entities" and/or "Palmer"),

hereby submits this Tenth Report for the period of April 1, 2011 through June 30, 2011 (the "Reporting Period").

I. PROCEDURAL HISTORY

The regulatory enforcement actions by the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) were commenced on February 26, 2009. That same day, the Court entered orders imposing an asset freeze and appointing Wayne Klein as Receiver. On October 23, 2009 the Court entered an order finding Mr. Palmer in contempt of previous orders of the Court. On July 19, 2010, the Court entered final judgment against Mr. Palmer and Trigon in the SEC matter, based on the consent of the defendants. On October 4, 2010, the Court granted final summary judgment against Palmer in the CFTC action. On May 18, 2011, Palmer was charged with two criminal counts: wire fraud and money laundering. On May 24, 2011, Palmer pled guilty to the two criminal counts. Copies of these orders and judgments are posted on the Receiver's website.

II. SETTLEMENTS DURING THE REPORTING PERIOD

Two of the lawsuits filed by the Receiver were settled between April 1 and June 30, 2011:

1. On June 9, 2011, the Receiver filed with the Court a notice of settlement with Ken and Julie Smith. The Receiver had filed suit against the Smiths, along with others, on May 12, 2010. The Smiths ended up holding title to the commercial property in Meridian, Idaho that Palmer had obtained from Sight & Sound by Design and then used as collateral for a loan. Pursuant to the settlement, the Receiver paid \$50,000.00 to the Smiths and received title to the property. The Smiths also assigned to the Receiver their claims against the other defendants and

will assist the Receiver in his litigation against the lender and others. The property has an assessed value of over \$120,000.00.

2. Trial of the Receiver's lawsuit against Piano Gallery was scheduled for June 2011 in Pocatello, Idaho. On June 8, 2011, Piano Gallery and the Receiver agreed on a settlement. Under the settlement, the piano was released to the Receiver and the lawsuit was dismissed. The Receiver arranged to have the piano picked up and it is being sold on consignment by a music store in Salt Lake City.

III. SALES OF RECEIVERSHIP ASSETS

During the Reporting Period, the Receiver sold the following assets of the Receivership:

1. Faberge Egg. The Faberge Egg was sold at an auction in Salt Lake City on June 11, 2011. The Egg had been on consignment at OC Tanner jewelers in Salt Lake City, but the highest offer the Receiver had received was \$15,000.00. At auction, the jeweled egg sold for \$24,000, less a 10% commission, for a net recovery of \$21,600.00. A pair of earrings also sold at the same auction for a total net recovery of \$22,185.00.
2. Other Jewelry. Several other items of jewelry were purchased by OC Tanner for net proceeds of \$6,090.00. The Receiver has not yet received payment for these items.
3. Printer. A printer that had been left over from the Idaho Falls auction of Palmer assets was sold for \$75.00.
4. Pinnacle Receivership. Palmer had been receiving payments from the receiver of an entity called Pinnacle Investments. On April 11, 2011, the Pinnacle receiver sent \$3,500.00 to the Trigon Receivership. This represents the last distribution from the Pinnacle case.
5. Dividend Capital Real Estate Investment Trust. Palmer had purchased a \$5,000.00 interest in a real estate investment trust called Dividend Capital. After he was sued by

the SEC and CFTC, he redeemed some of the shares of this investment. This led the SEC to seek and obtain a finding from the Court that he was in contempt for violating the Court's asset freeze order. The Receiver accepted a tender offer by an investment firm to purchase the remaining shares for approximately \$1,600.00. This is about half of what Dividend Capital says is the book value of the shares. However, because there is no liquidity or trading at that price, the Receiver decided to sell the shares in the tender offer. Payment has not yet been received for these shares.

IV. STATUS OF PROPERTY OWNED BY THE RECEIVERSHIP

The Receivership owns the following properties:

1. Idaho Falls Mansion. The nearly-completed mansion in Idaho Falls is still being marketed by a real estate agent. There have been no offers received on the property. At the recommendation of the listing agent, the Receiver agreed to reduce the listing price to \$2,999,000.00. This home will take time to sell, in light of the lingering effects of the recession. The Receiver understands that no properties in the multi-county area around Idaho Falls have sold for \$1 million or more in several years. The real estate agent and the Receiver believe that the home is priced at a very attractive level in light of the size and quality of the home. The Receiver believes that so long as the Receivership remains open to complete litigation, there is no reason to sell the home at a distressed price.

In the meanwhile, the Receiver continues to preserve and maintain the home and property. During the Reporting Period, this has included getting weeds cut on the property, repairs of sensors that are part of the security system, installation of a security fence around the property and the swimming pool, paying utility bills, and repairs to the rear deck of the home to prevent deterioration and mold.

2. Meridian Commercial Lot. This property was transferred back to the Receivership in June 2011 as part of the settlement with Ken and Julie Smith. The Receiver will seek to sell the property.

3. Ammon Road Commercial Lot. This 2.13 acre property remains listed for sale. There have been no offers on the property.

4. Timberline Real Estate Subdivision. The Receiver holds title to one building lot in the Timberline Estates subdivision in Idaho Falls. It is listed for sale. There have been no offers on the property.

5. Pheasant Grove Building Lot. The Receiver holds title to a residential building lot in the Pheasant Grove subdivision in Idaho Falls. There have been no offers on this property during the past quarter. On June 13, 2011, the Receiver received a report from a national property management company, NAI Global Corporate Solutions, saying that if this property needed to be sold immediately, the likely recovery would be \$23,000.00. The Receiver believes that waiting for a buyer in the ordinary course of business will yield a higher price, since the costs for the Receiver to hold this property are small.

6. Building Lot in St. George, Utah. The Receiver holds title to a building lot in the Sand Hollow Resort Subdivision, near St. George, Utah. The Receiver pays monthly homeowner dues on this property. The report from NAI Global Corporate Solutions said this property has a current value of \$40,000.00, but if sold in a distress sale would likely yield only \$30,000.00. (The property originally cost \$160,000.00.) The Receiver believes a higher value can be obtained from this property by holding it until economic conditions improve.

V.
ONGOING LITIGATION

Litigation efforts continue in the lawsuits filed by the Receiver that have not yet settled.

Developments include:

1. Cases in Bankruptcy. In two of the cases where the Receiver filed suit, the defendants have filed for bankruptcy protection. In one of those, the case against Dean Palmer, the Receiver is seeking a ruling that the debts to the Receivership Estate are not discharged in bankruptcy due to the role Dean Palmer played as an officer of Trigon. The Receiver and his counsel track developments in these cases.

2. Doyle Beck. Substantial effort was required during the quarter in the Receiver's suit against Beck. The Receiver responded to Beck's motion for summary judgment and filed his own motion for summary judgment. The Receiver responded to discovery requests by Beck, providing copies of thousands of additional pages of documents. On May 10, the Receiver was deposed by Beck in Idaho Falls. Beck has filed two different motions with the court, seeking to exclude the Receiver's report showing that Trigon operated as a Ponzi scheme and was insolvent. The court has denied both those motions, ruling that the Receiver's report can be introduced at trial.

3. Jeff Struchen. The Receiver has provided discovery materials to Struchen and requested information and documents from Struchen. The Receiver has learned that Struchen received \$40,000.00 more in distributions than had been known previously, increasing the amount that the Receiver will seek from Struchen.

4. Sight & Sound, Beacon, Smiths. Three different groups of defendants in the Sight & Sound litigation filed summary judgment motions. The Receiver filed briefs in opposition to

those motions. The suit against the Smiths has been settled. For Sight & Sound and Beacon, the summary judgment motions are before the court for decision.

5. Piano Gallery. Before this case settled, significant effort was undertaken in preparation for trial including responding to their motion to exclude the Receiver's report (that was denied by the Court), preparing exhibit and witness lists, and submitting proposed jury instructions.

6. George Heffernan. This trial is set to begin July 25, 2011. The Receiver and counsel have been preparing for trial, including identifying witnesses and exhibits and filing pre-trial briefs. Heffernan has filed motions to dismiss the lawsuit and the Receiver has responded.

7. Capital One Bank. This credit card issuer filed a motion to dismiss the case against it. The Receiver filed a brief in opposition. This motion is awaiting a ruling by the Court.

8. Other Litigation Efforts. The Receiver and his counsel also have been active in other cases in litigation including settlement discussions, discussions on legal strategy, making arrangements for witnesses at trial, scanning and producing documents to defendants, evaluating the assets of defendants, and otherwise moving cases forward.

VI. ASSISTING GOVERNMENT AGENCIES

During the Reporting Period, the Receiver provided assistance to various government agencies as part of their regulatory and enforcement efforts. This assistance included:

1. Federal Criminal Prosecutors. Now that criminal charges have been filed against Palmer, the Receiver can acknowledge that he has spent substantial time over the past year (and during the most recent quarter) providing information, documents, and assistance to prosecutors

of the U.S. Attorney's Office that have been investigating Palmer. The Receiver has also provided information to Palmer's criminal defense attorney.

2. Idaho Department of Finance. The Securities Bureau of the Idaho Department of Finance filed civil suit against Palmer and Duane Yost. On March 4, 2011, the Securities Bureau obtained a default judgment against Yost in the amount of \$27,270,784.00. The judgment requires Yost to pay this amount to the Receiver for distribution to investors. On June 2, 2011, the Securities Bureau obtained a default judgment against Daren Palmer in the amount of \$29,226,399.79. The judgment requires that Palmer pay this amount to the Receiver for the benefit of investors. The Receiver does not believe either Yost or Palmer has the ability to pay either of these judgments but should assets be discovered, these judgments provide an additional basis for the Receiver to recover funds from Yost and Palmer. The payment obligations under these judgments will expire when the Receivership is terminated.

3. Other Agencies. The Receiver has provided information and assistance to other state and federal law enforcement agencies who have been investigating matters related to this case.

VII. COMMUNICATIONS WITH INVESTORS

The Receiver has continued to update the website he created for this receivership, posting copies of court orders and other filings that might be of interest to investors. The Receiver has also spoken with and corresponded with a number of investors.

VIII. FINANCIAL ACTIVITIES OF THE RECEIVER

Funds Recovered and Paid Out. During this Reporting Period, the Receiver received \$32,942.89, which has been deposited into bank accounts controlled by the Receiver:

| FUNDS PAID TO THE RECEIVER | | | |
|-----------------------------------|--------------------|-----------------------|---|
| Date | Amount | Source | Purpose |
| 4/11/11 | \$3,500.00 | Receiver for Pinnacle | Final payout on Ponzi scheme |
| 5/5/11 | \$2,150.00 | Borrower | Payment on promissory note owed to D. Yost |
| 5/27/11 | \$2,150.00 | Borrower | Payment on promissory note owed to D. Yost |
| 6/24/11 | \$22,185.00 | Olson Auctioneers | Proceeds from sale of Faberge Egg, earrings |
| 6/29/11 | \$75.00 | Purchaser | Sale of HP Printer from Trigon offices |
| 6/30/11 | \$2,150.00 | Borrower | Payment on promissory note owed to D. Yost |
| 6/30/11 | \$732.89 | Zions Bank | Interest on savings account |
| Total | \$32,942.89 | | |

The Receiver paid out \$2,652.73 from these accounts for operating expenses of the Receivership, \$50,000.00 for the settlement with the Smiths to recover the Meridian commercial property, and \$143,890.01 in payment of fees and expenses for the Receiver and his attorneys.

These fees were for the six month period from October 2010 to March 2011:

| FUNDS PAID OUT BY THE RECEIVER | | | |
|---------------------------------------|---------------------|----------------------|--|
| Date | Amount | Recipient | Purpose |
| 4/25/11 | \$347.67 | Intermountain Gas | Natural gas for mansion |
| 4/25/11 | \$50.11 | City of Idaho Falls | Electricity for mansion |
| 5/2/11 | \$42.00 | Sand Hollow HOA | Homeowners Dues for St. George property |
| 5/23/11 | \$207.50 | Intermountain Gas | Natural gas for mansion |
| 5/23/11 | \$35.08 | City of Idaho Falls | Electricity for mansion |
| 5/23/11 | \$42.00 | Sand Hollow HOA | Homeowners Dues for St. George property |
| 5/26/11 | \$67,029.25 | Klein & Associates | Receiver fees for October 2010 to March 2011 |
| 5/26/11 | \$76,860.76 | Hawley Troxell | Legal fees for October 2010 to March 2011 |
| 5/27/11 | \$678.17 | T&T Reporting | Transcript of depositions of Klein and Beck |
| 6/1/11 | \$861.98 | Ada County Treasurer | Property taxes for Meridian property |
| 6/17/11 | \$27.00 | City of Idaho Falls | Electricity for mansion |
| 6/17/11 | \$54.22 | Intermountain Gas | Natural gas for mansion |
| 6/17/11 | \$50,000.00 | Ken & Julie Smith | Settlement payment for return of property |
| Total | \$196,542.74 | | |

Payments for Fees and Expenses of the Receiver and Legal Counsel. The Court approved the Receiver's Fifth Application for Approval of Fees and Expenses on May 24, 2011. The \$67,029.25 in fees and expenses for the Receiver and \$76,860.76 in fees and expenses for Hawley Troxell (counsel for the Receiver) were paid on May 26, 2011.

Bank Account Balances. Bank accounts maintained by the Receiver had the following balances as of June 30, 2011:

| Bank | Type | Balance |
|--------------|----------|---------------------|
| Wells Fargo | Checking | \$27,972.99 |
| Zions Bank | Checking | \$1,104.13 |
| Zions Bank | Savings | \$506,812.27 |
| Total | | \$535,889.39 |

IX. CONCLUSION

The Receiver respectfully submits this Tenth Report for the period from April 1, 2011 through June 30, 2011.

The Receiver verifies under penalty of perjury that the foregoing is true and correct.

DATED THIS 12TH day of July, 2011.



 R. Wayne Klein

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 12th day of July, 2011, I electronically filed the foregoing TENTH REPORT OF R. WAYNE KLEIN, RECEIVER (FOR PERIOD ENDING JUNE 30, 2011) with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following persons:

Karen L. Martinez
Thomas M. Melton
Tanya Beard
Securities and Exchange Commission
15 West South Temple, Suite 1800
Salt Lake City, UT 84101
martinezk@sec.gov
himesm@sec.gov
*Counsel for Plaintiff Securities and Exchange
Commission*

Alison B. Wilson
John W. Dunfee
Division of Enforcement
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, D.C. 20581
jdunfee@cftc.gov
awilson@cftc.gov
*Counsel for Plaintiff Commodity Futures
Trading Commission*

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

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

Daren L. Palmer
949 N. 12th W.
Rexburg, ID 83440
208-716-3737

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

/s/ John F. Kurtz, Jr.
John F. Kurtz, Jr.