

FOR THE DISTRICT OF IDAHO

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

DAREN L. PALMER and TRIGON
GROUP, INC.

Civ. No. 09-075-S-EJL

The Honorable Edward J. Lodge

**DECLARATION OF
R. WAYNE KLEIN, RECEIVER**

R. WAYNE KLEIN, hereby makes this declaration under penalty of perjury and affirms the following:

BACKGROUND

1. I was appointed by this Court on February 26, 2009 as the Receiver for Defendant Trigon Group, Inc. and the assets of Defendant Daren L. Palmer, including his other companies Blackrock Limited, LLC, Palmer Trading & Investments, LLC, Pinnacle Company, LLC, and Canterbury Court Properties, LLC (the “Receivership Entities”).
2. At the request of the Securities and Exchange Commission, I conducted an analysis of the patterns – by groups of investors – of investments made, distributions received to date, and proposed distributions for those investors who are allowable claimants of funds recovered by the Receiver to date. The methodology and results are described below.

3. The Receiver has identified 32 investors who have allowable claim amounts. These claims total \$21,366,009.69.¹ *Receiver's Notice of Final List of Allowable Claims*, Docket No. 77, July 12, 2010.
4. In light of the distribution plan proposed by the SEC, these 32 claimants can be divided into three groups.
 - a. Six of the claimants have filed objections. None of these objectors would receive funds from the initial distribution under the distribution plan proposed by the SEC. This group will be labeled "**Objectors**."
 - b. Two other claimants would receive no payments in the initial distribution under the distribution plan proposed by the SEC. Neither of these claimants filed an objection to the distribution plan. This group is labeled "**Non-Objectors**."
 - c. Twenty-four claimants would receive funds in the initial distribution under the distribution plan proposed by the SEC. None of the twenty-four are objecting to the proposed distribution. This group is labeled "**Recipients**."
5. I analyzed how each of these three groups fared under each of the following five criteria:
 - a. Source of Funds: Of the total amount invested in Trigon by all 32 allowable claimants, I determined the amount and percentage of money given to Trigon that derived from investors in each of the three groups.

¹ One of these claimants is not an "investor"; this claim relates to a construction lien. The total allowable claim on Attachment F is \$85,000.00 higher than the amount in Docket No. 77 because when distributions are paid, Claim No. 2010 will be reduced by \$85,000.00. This claimant agreed to waive \$85,000.00 of his claim to assist another investor.

- b. Prior Distributions: Of the total amount previously paid out in distributions to the 32 claimants (before the Receiver was appointed), I determined the amount and percentage of those payments that went to the members of each group.
- c. Allowable Claim Amount: Of the total amount of allowable claims, I determined the amount and percentage of claims that came from members of each group.
- d. Effect of SEC Proposal: If the SEC's proposed distribution plan were adopted, I determined how this distribution, added to prior distributions, would affect the amount and percentage of distributions to members of each group.
- e. Effect of Pro-Rata Distribution: If the \$2 million proposed to be distributed were distributed on a straight pro-rata basis (without the use of any benchmarks), I determined how this distribution, added to prior distributions, would affect the amount and percentage of distributions to members of each group.

RESULTS OF ANALYSIS

- 6. Source of Funds: As shown by the chart attached as Attachment A:
 - a. The "**Recipients**" provided 29.16% of the total investment amount recognized by the Receiver. (\$10,621,217.90)
 - b. The "**Objectors**" provided 65.83% of the invested capital. (\$23,980,000.00)
 - c. The "**Non-Objectors**" provided 5.01%. (\$1,825,000.00).
- 7. Prior Distributions: The chart at Attachment B shows how prior payments of profits and withdrawals of principal were distributed among the three groups:
 - a. The "**Recipients**" received 4.21% of prior distributions. (\$629,917.90)
 - b. The "**Objectors**" received 84.98% of prior distributions. (\$12,725,707.71)

- c. The “**Non-Objectors**” received 10.82% of prior distributions. (\$1,619,583.00)
8. Allowable Claim Amount: Because the Objectors and Non-Objectors received prior distributions greater than their proportionate share of funds invested, their proportionate shares of the total allowable claim amount (Attachment C) are significantly smaller than their percentage shares of the Source of Funds (Attachment A):
 - a. The “**Recipients**” represent 46.58% of the Allowable Claim Amount.
(\$9,991,300.40)
 - b. The “**Objectors**” represent 52.47% of the Allowable Claim Amount.
(\$11,254,292.29)
 - c. The “**Non-Objectors**” represent .96% of the Allowable Claim Amount.
(\$205,417.00)
9. Effect of SEC Distribution Plan: The distribution plan proposed by the SEC would pay all funds from the initial distribution to the “Recipient” group. When these funds are added to the amounts paid out as distributions by Trigon and Yost (before appointment of the Receiver), each group’s total distribution share would be as shown on Attachment D:
 - a. The “**Recipients**” would have received 15.49% of the total distributions.
(\$2,629,917.90)
 - b. The “**Objectors**” would have received 74.97% of the total distributions.
(\$12,725,707.71)
 - c. The “**Non-Objectors**” would have received 9.54% of the total distributions.
(\$1,619,583.00)

10. Effect of Pro-Rata Plan: If the initial distribution amount were to be paid to all claimants on a pro-rata basis, without any benchmark as sought by the SEC, the total distribution amounts received by each groups would be as shown on Attachment E:

- a. The “**Recipients**” would have received 9.20% of the total distributions paid.
(\$1,561,463.43)
- b. The “**Objectors**” would have received 81.15% of the total distributions paid.
(\$13,775,009.58)
- c. The “**Non-Objectors**” would have received 9.65% of the total distributions paid.
(\$1,638,735.20).

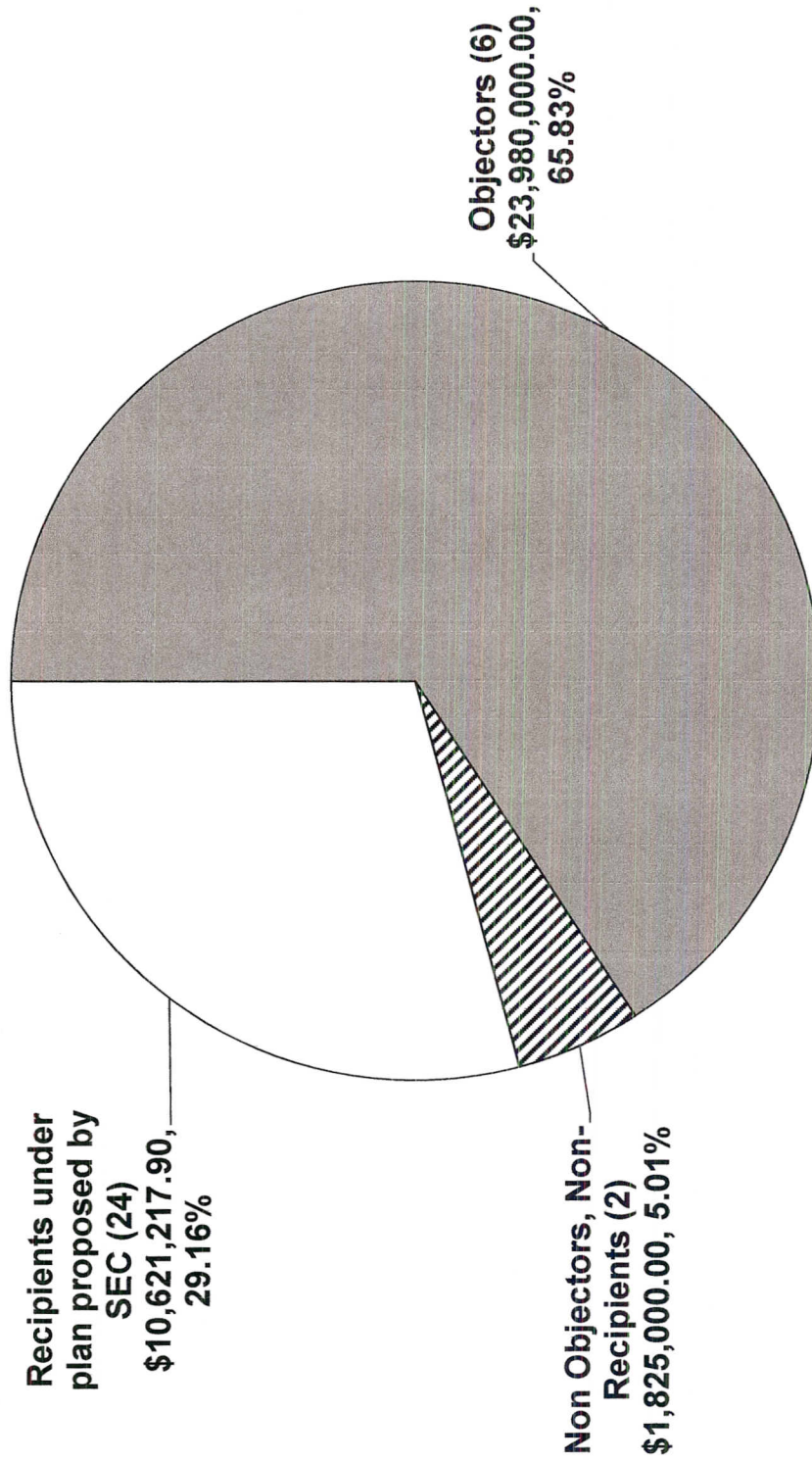
11. Attachment F is the spreadsheet showing the breakdown for each investor, by claim number, divided into categories. This detailed information is the source of the data used to create the pie charts in Attachments A – E.

Signed under penalty of perjury this 23rd day of November, 2010.



R. WAYNE KLEIN, Receiver

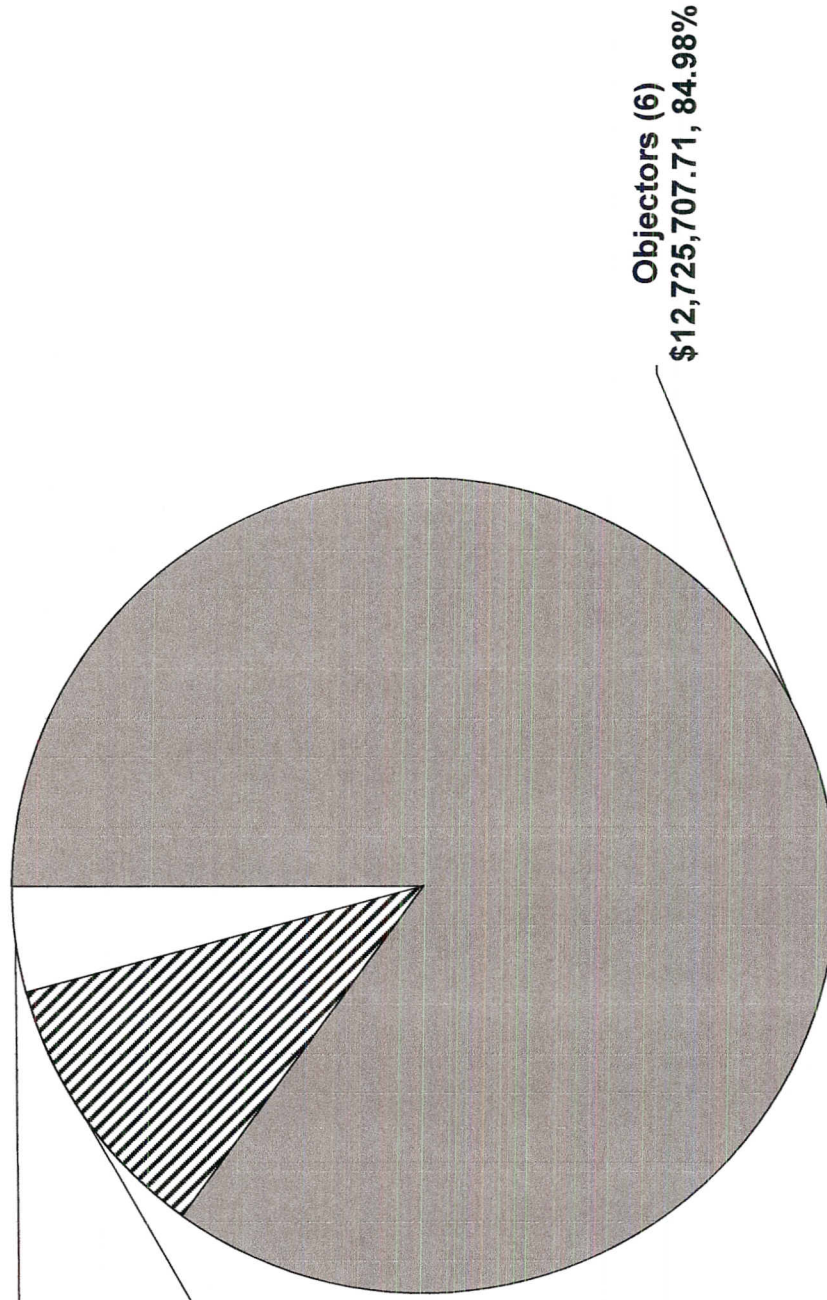
TRIGON: SOURCE OF FUNDS PAID TO TRIGON AND YOST ENTITIES
(Based on Allowable Claims)



FUNDS PAID TO INVESTORS BEFORE ANY DISTRIBUTIONS BY RECEIVER

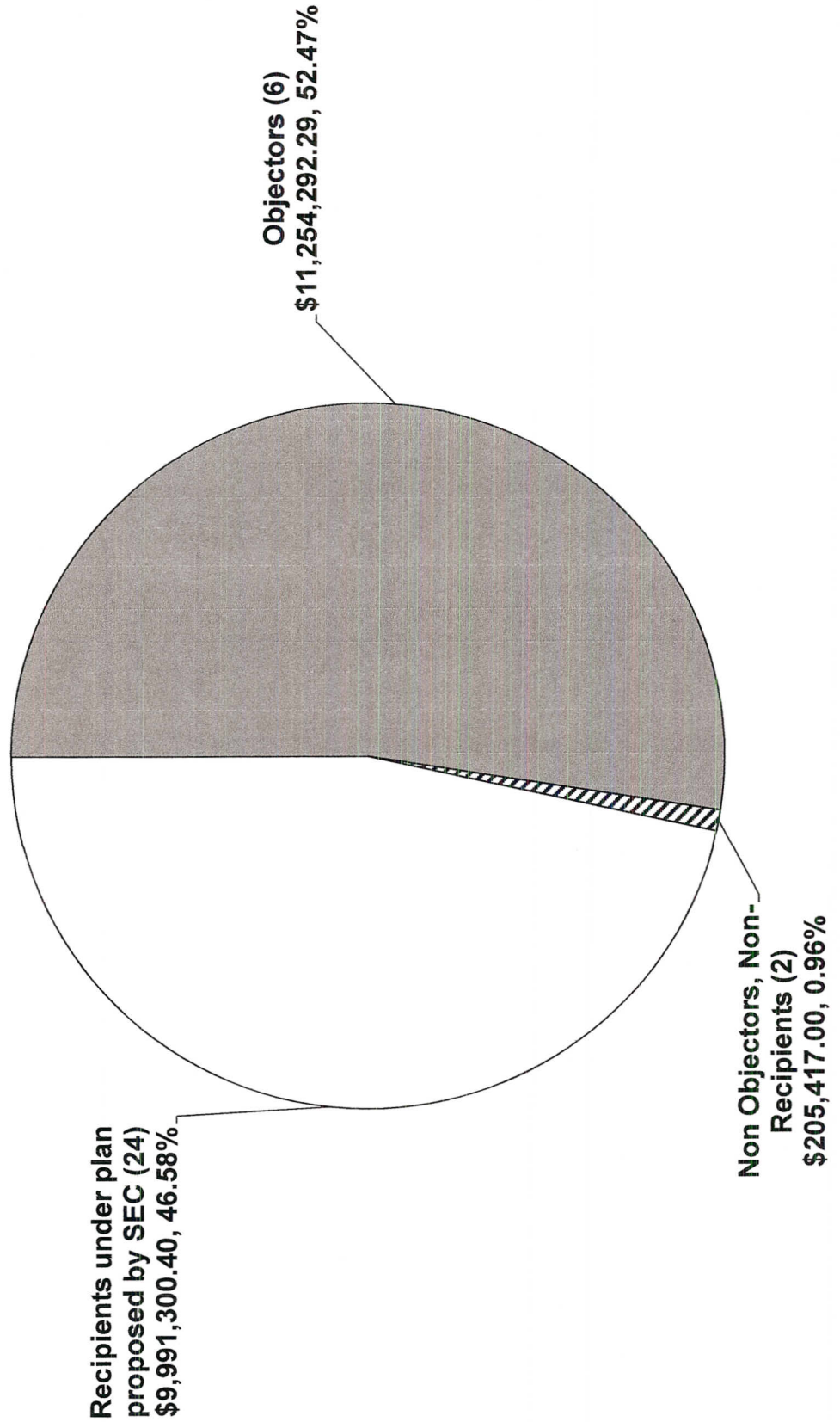
Recipients under plan
proposed by SEC (24)
\$629,917.90, 4.21%

Non Objectors, Non-
Recipients (2)
\$1,619,583.00, 10.82%

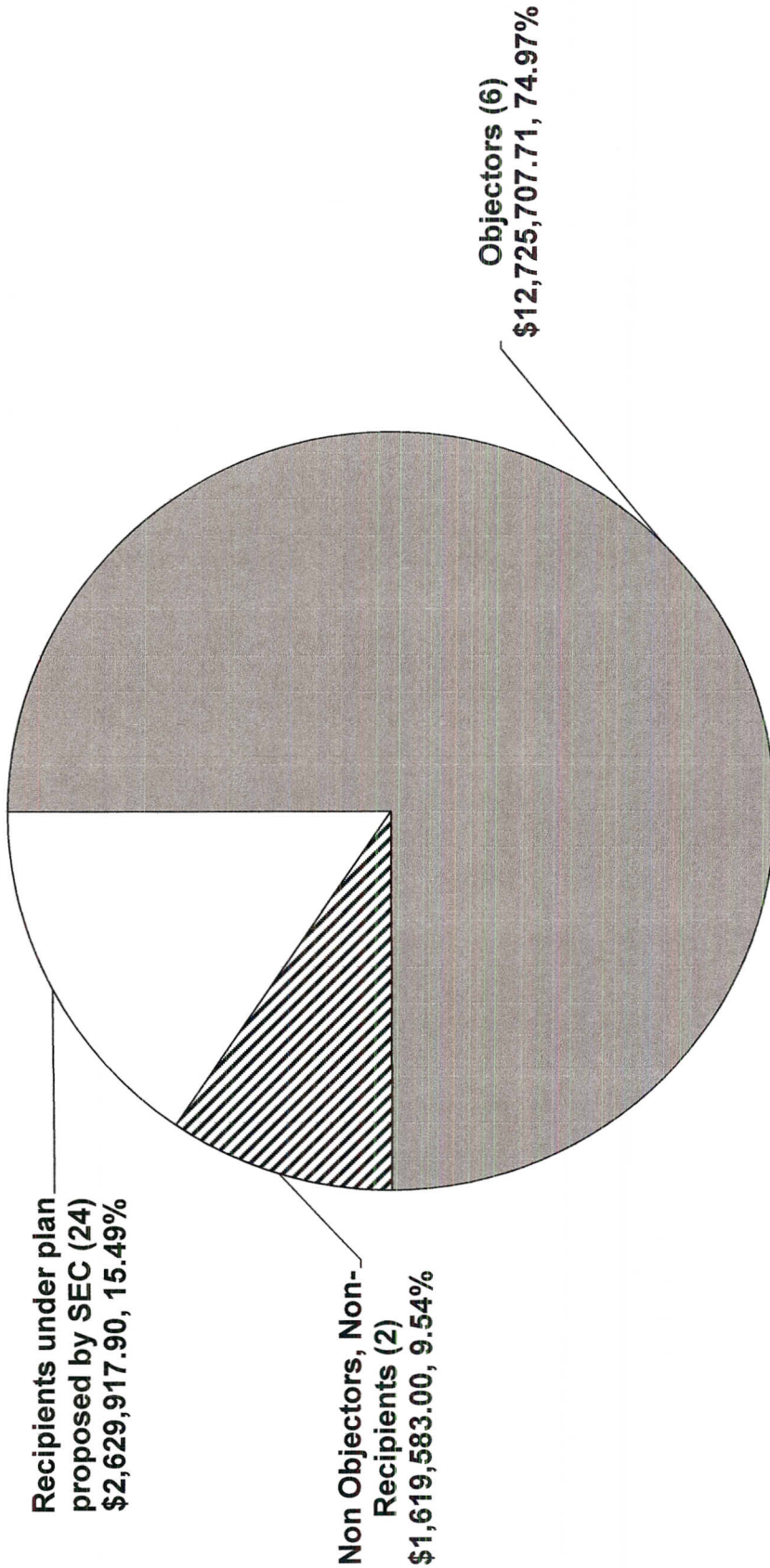


Objectors (6)
\$12,725,707.71, 84.98%

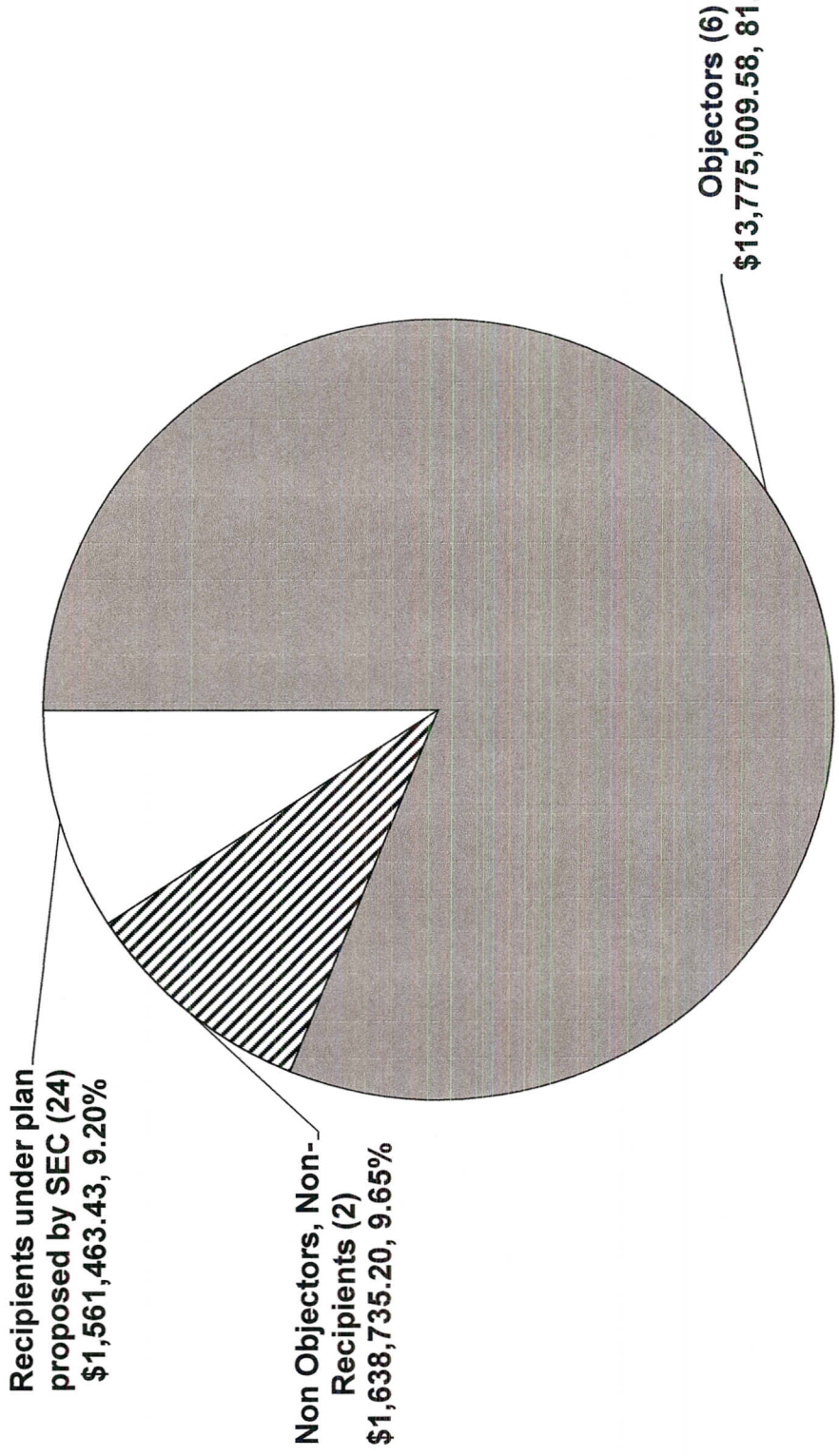
ALLOWABLE CLAIM AMOUNT



FUNDS PAID TO INVESTORS AFTER DISTRIBUTIONS ARE MADE TO INVESTORS (Under the Plan Proposed by SEC)



FUNDS PAID TO INVESTORS AFTER INITIAL DISTRIBUTION (Under Pro-Rata Plan)



PROPOSED TRIGON PAYOUT PLAN

A	C	D	E	F	G	H	I	J	K	L
#	Investment Proven	Prior Distributions	Allowable Claim Amount	Pro-Rata Distribution	Total Received After Pro Rata Dist	Dist. As % of Investment Before	% Received After Pro Rata	SEC Distribution	Total Received After Dist SEC Plan	% Received SEC Plan
Objectors										
2005	\$150,000.00	\$137,786.00	\$12,214.00	\$1,138.78	\$138,924.78	91.86%	92.62%	\$0.00	\$137,786.00	91.86%
2014	\$705,000.00	\$621,930.71	\$83,069.29	\$7,745.02	\$629,675.73	88.22%	89.32%	\$0.00	\$621,930.71	88.22%
2020	\$9,430,000.00	\$5,205,156.00	\$4,224,844.00	\$393,906.31	\$5,599,062.31	55.20%	59.37%	\$0.00	\$5,205,156.00	55.20%
2034	\$5,045,000.00	\$2,200,353.00	\$2,844,647.00	\$265,222.67	\$2,465,575.67	43.61%	48.87%	\$0.00	\$2,200,353.00	43.61%
2015	\$8,400,000.00	\$4,495,482.00	\$3,904,518.00	\$364,040.49	\$4,859,522.49	53.52%	57.85%	\$0.00	\$4,495,482.00	53.52%
2011	\$250,000.00	\$65,000.00	\$185,000.00	\$17,248.61	\$82,248.61	26.00%	32.90%	\$0.00	\$65,000.00	26.00%
	\$23,980,000.00	\$12,725,707.71	\$11,254,292.29	\$1,049,301.87	\$13,775,009.58				\$12,725,707.71	
Non Objectors										
2010	\$1,625,000.00	\$1,455,000.00	\$170,000.00	\$15,850.07	\$1,470,850.07	89.54%	90.51%	\$0.00	\$1,455,000.00	89.54%
2021	\$200,000.00	\$164,583.00	\$35,417.00	\$3,302.13	\$167,885.13	82.29%	83.94%	\$0.00	\$164,583.00	82.29%
	\$1,825,000.00	\$1,619,583.00	\$205,417.00	\$19,152.20	\$1,638,735.20				\$1,619,583.00	
Recipients										
2001	\$2,700,000.00	\$537,500.00	\$2,162,500.00	\$201,622.21	\$739,122.21	19.91%	27.37%	\$131,046.42	\$668,546.42	24.76%
2030	\$124,000.00	\$19,000.00	\$105,000.00	\$9,789.75	\$28,789.75	15.32%	23.22%	\$11,703.61	\$30,703.61	24.76%
2017	\$340,000.00	\$27,417.50	\$312,582.50	\$29,143.85	\$56,561.35	8.06%	16.64%	\$56,769.83	\$84,187.33	24.76%
2032B	\$100,000.00	\$6,000.00	\$94,000.00	\$8,764.16	\$14,764.16	6.00%	14.76%	\$18,760.98	\$24,760.98	24.76%
2003	\$2,778,700.00	\$40,000.00	\$2,738,700.00	\$255,344.62	\$295,344.62	1.44%	10.63%	\$648,033.32	\$688,033.32	24.76%
2035	\$37,500.00	\$0.00	\$37,500.00	\$3,496.34	\$3,496.34	0.00%	9.32%	\$9,285.37	\$9,285.37	24.76%
2002	\$1,000,000.00	\$0.00	\$1,000,000.00	\$93,235.70	\$93,235.70	0.00%	9.32%	\$247,609.79	\$247,609.79	24.76%
2004	\$25,000.00	\$0.00	\$25,000.00	\$2,330.89	\$2,330.89	0.00%	9.32%	\$6,190.24	\$6,190.24	24.76%
2006	\$200,000.00	\$0.00	\$200,000.00	\$18,647.14	\$18,647.14	0.00%	9.32%	\$49,521.96	\$49,521.96	24.76%
2007	\$50,000.00	\$0.00	\$50,000.00	\$4,661.79	\$4,661.79	0.00%	9.32%	\$12,380.49	\$12,380.49	24.76%
2008	\$55,500.00	\$0.00	\$55,500.00	\$5,174.58	\$5,174.58	0.00%	9.32%	\$13,742.34	\$13,742.34	24.76%
2009	\$420,000.00	\$0.00	\$420,000.00	\$39,159.00	\$39,159.00	0.00%	9.32%	\$103,996.11	\$103,996.11	24.76%
2012	\$100,000.00	\$0.00	\$100,000.00	\$9,323.57	\$9,323.57	0.00%	9.32%	\$24,760.98	\$24,760.98	24.76%
2013	\$250,000.00	\$0.00	\$250,000.00	\$23,308.93	\$23,308.93	0.00%	9.32%	\$61,902.45	\$61,902.45	24.76%
2016	\$160,000.00	\$0.00	\$160,000.00	\$14,917.71	\$14,917.71	0.00%	9.32%	\$39,617.57	\$39,617.57	24.76%
2022	\$250,000.00	\$0.00	\$250,000.00	\$23,308.93	\$23,308.93	0.00%	9.32%	\$61,902.45	\$61,902.45	24.76%
2023	\$378,000.00	\$0.00	\$378,000.00	\$35,243.10	\$35,243.10	0.00%	9.32%	\$93,596.50	\$93,596.50	24.76%
2024	\$500,000.00	\$0.00	\$500,000.00	\$46,617.85	\$46,617.85	0.00%	9.32%	\$123,804.89	\$123,804.89	24.76%
2025	\$125,000.00	\$0.00	\$125,000.00	\$11,654.46	\$11,654.46	0.00%	9.32%	\$30,951.22	\$30,951.22	24.76%
2026	\$35,000.00	\$0.00	\$35,000.00	\$3,263.25	\$3,263.25	0.00%	9.32%	\$8,666.34	\$8,666.34	24.76%
2027	\$898,787.00	\$0.00	\$898,787.00	\$83,799.04	\$83,799.04	0.00%	9.32%	\$222,548.46	\$222,548.46	24.76%
2028	\$11,000.00	\$0.00	\$11,000.00	\$1,025.59	\$1,025.59	0.00%	9.32%	\$2,723.71	\$2,723.71	24.76%
2029	\$20,000.00	\$0.00	\$20,000.00	\$1,864.71	\$1,864.71	0.00%	9.32%	\$4,952.20	\$4,952.20	24.76%
2033	\$62,730.90	\$0.00	\$62,730.90	\$5,848.76	\$5,848.76	0.00%	9.32%	\$15,532.78	\$15,532.78	24.76%
	\$10,621,217.90	\$629,917.50	\$9,991,300.40	\$931,545.93	\$1,561,463.43			\$2,000,000.00	\$2,629,917.50	
	\$36,426,217.90	\$14,975,208.21	\$21,451,009.69	\$2,000,000.00	\$16,975,208.21		9.32%	\$2,000,000.00	\$16,975,208.21	24.76%