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UNITED STATES DISTRICT COURT
DISTRICT OF IDAHO

SECURITIES AND EXCHANGE COMMISSION,)	Case No.: CV 09-075-E-EJL
)	
Plaintiff,)	
)	
and)	
)	
COMMODITY FUTURES TRADING COMMISSION,)	Case No.: CV 09-076-E-EJL
)	
Plaintiff,)	The Honorable Edward J. Lodge
)	
vs.)	THIRD REPORT OF R. WAYNE KLEIN, RECEIVER (FOR PERIOD ENDING SEPTEMBER 30, 2009)
)	
DAREN L. PALMER and TRIGON GROUP, INC., a Nevada Corporation,)	
)	
Defendants.)	

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 Third Report for the period of July 1, 2009 through September 30, 2009 (the "Reporting Period").

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 May 26, 2009 and May 28, 2009, the Court entered preliminary injunctions against Daren Palmer and Trigon Group, Inc., based on the consent of the defendants. The Receiver consented to the entry of the preliminary injunctions on behalf of Trigon Group, Inc. As a result of the consents to entry of preliminary injunctions, the Court has not yet held any evidentiary hearings on this case.

REAL ESTATE

Since the date of the Second Report of the Receiver, the following developments have taken place regarding real estate that is, or should be, under the control of the Receiver:

1. **3995 Canterbury Way:** This was the primary residence of the Palmers. On May 28, 2009 this property was sold for \$332,000. The net proceeds paid to the Receivership were \$321,372.86. The proceeds from this sale are still being held in a bank escrow account until the claims of a lien holder are resolved. Significant progress is being made towards getting these funds released from escrow.

2. **Heyrend Warehouse:** Mr. Palmer owned a warehouse on Heyrend Drive in Idaho Falls. This property also is subject to liens by a private lender to Mr. Palmer. The Receiver has entered into an agreement to sell this property for its full appraised value of

\$600,000. The Receiver has received a \$30,000 earnest money deposit, which is being held in escrow. The sale of this property is scheduled to be finalized in January 2010. In the meanwhile, the Receiver has been responsible for the maintenance and protection of this property. The Receiver has paid property taxes and continues to pay utility bills for this property. A construction lien had been placed on this property before the Receiver was appointed and the Receiver's counsel is evaluating the validity of that lien.

3. **Rental Apartments in Rigby, Idaho:** The Receiver has taken over control of two four-plex apartment buildings in Rigby, Idaho that were owned by Daren Palmer and others. These two buildings are also subject to liens by the lien holder mentioned above. The Receiver has listed these properties for sale with a real estate broker who is actively marketing them for sale. During the turmoil following the lawsuits filed against Mr. Palmer, most of the tenants moved out of these apartments. Only two of the eight units were occupied. The Receiver has hired a property manager. The Receiver provided funds to the property manager to pay for repairs to these units and cleaning the apartments. The property manager is actively seeking to rent the unoccupied units. The Receiver has expended significant funds for the cleanup of these units and to refund security deposits by tenants who had moved out before the Receiver was appointed. A new insurance policy had to be obtained after the existing insurance on the apartments was canceled after a claim had been made. The Receiver paid costs of this new insurance policy and has been paying property taxes, utility bills, and lawncare maintenance costs. A defect in the title to one of the four-plexes has been discovered along with a lien filed against the property before the Receiver was appointed. Attorneys for the Receiver are working on curing the title defect and determining whether the lien can be challenged or a claim can be made against the title company.

4. **330 Sheffield Circle:** This is the partially-constructed mansion in Idaho Falls. As noted previously, approximately \$6.9 million was spent in construction of this home. The Receiver has hired a real estate broker to market this home. It is listed at a price of \$4 million. Significant publicity was obtained from television and newspaper media regarding the listing, including a tour of the home for the news media. This has helped the marketing of the home. The real estate broker has reported expressions of interest from a handful of prospective buyers, but properties at this price level are less attractive in the current economic environment. The Receiver is paying the expenses of the maintenance of this home, including property taxes, utility bills, weed removal, and insurance costs. Utility expenses are expected to be significant during the winter as minimum temperature levels will have to be maintained in the home to protect against cracking and separation of construction materials. This property also is subject to liens filed by the private lender. Other construction liens placed against the home were previously exonerated by the private lender.

5. **Coeur d'Alene Lake House:** The Palmers purchased two lakefront building lots on Lake Coeur d'Alene, near Harrison, Idaho. The lots cost \$1.6 million. Another \$1.6 million was reportedly spent on construction of a large home on one of the lots. The home was being built to resell – in the expectation that property values in the resort areas of North Idaho would continue to appreciate. The home needs more than another \$1 million in construction to be completed. The Receiver received an indication of interest for \$1.4 million for the home and two lots. He countered with an offer of \$2 million, but the buyer was not interested. The Receiver has inspected the home and property. He has hired a contractor to finish the roofing over the main part of the home, install a protective covering over the unfinished garage roof, and enclose

openings in the building. In addition, the Receiver has arranged for winter storage of the boat dock.

6. **Undeveloped Commercial Lot in Meridian, Idaho:** As reported in the Second Report, the Receiver discovered that an undeveloped lot in a commercial development in Meridian, Idaho had been transferred to another entity in May, 2009 to satisfy a debt claimed by Daren Palmer. The Receiver believes that this property is an asset belonging to the Receivership Estate. The Receiver provided information to the SEC and CFTC concerning these transactions and has participated in depositions to gather more information regarding the property transfer, loan, and subsequent transfers of funds. On July 17, 2009, the SEC filed a motion seeking to hold Mr. Palmer in contempt of court for these transactions and to require a repayment of these funds to the Receivership. On August 26, the CFTC filed a motion for contempt relating to these and other transactions. The Court has scheduled a hearing on October 23, 2009 to consider these motions.

7. **Undeveloped Residential Property in Idaho Falls:** As described in the Receiver's Notice to the Court on May 18, 2009, the Receiver had identified a parcel of undeveloped residential real estate property that might be subject to claim by the Receiver. Pursuant to a settlement agreement involving two other parties, the Receiver released any claim to this property in exchange for releases of claims totaling \$800,000 against the Receivership Estate. That settlement agreement has now been finalized.

8. **Hawaii Time Share:** The Receiver has listed this time-share interest for sale with a real estate broker in Hawaii. A management fee of approximately \$1,700 is owed and will need to be deducted from any sales proceeds.

9. **Airplane Hangars:** The California airplane hangar that was purchased in part with funds from Trigon has been sold and is in the final process of closing. The first \$125,000 in proceeds from this sale will be paid to the Receiver. As noted previously, there are two smaller hangars at this airport that were being purchased by the same person (a relative of Daren Palmer). These other hangars are being repossessed by the bank that provided funding for their purchase. The Receiver has found no indication that monies from Trigon or the Palmers were used to purchase these small hangars, so the Receiver has notified the bank that the Receiver will not be claiming any interest in these hangars.

10. **Other Properties:** The Receiver continues to investigate whether there are other properties in which Mr. Palmer has an interest and that should be transferred to the Receivership.

AGREEMENTS BY THE RECEIVER

As noted in the Second Report, the Receiver had entered into two agreements relating to assets of the Receivership. Pursuant to those agreements, the Receiver has received the second quarterly payment of \$5,000 from an employee of a commodities broker in California and continues to make \$2,000 monthly assistance payments to Michelle Palmer.

During the past three months, the Receiver has entered into a number of additional settlement agreements with holders of assets belonging to the Receiver:

1. **Duane Yost:** The Receiver has conducted significant investigation into assets owned by Duane Yost, a relative of Palmer. Yost was a conduit for the collection of at least \$18 million forwarded to Trigon, including substantial amounts of his own money. The Receiver has obtained what he believes is a correct accounting for all real estate and other assets owned by Mr. Yost. While the vast majority of his assets are subject to prior bank liens that appear to have priority over claims the Receiver might make, Yost has agreed to deliver to the Receiver his

interests in the first \$125,000 in proceeds from the California airplane hangar described above, his ownership of notes receivable from others, his interest in two time shares in Hawaii, and retirement account funds.

2. **Horses:** The Receiver identified two horses owned by the Palmers. One had already been sold and \$9,517.28 in proceeds were delivered to the Receiver by Michelle Palmer. The other horse is currently being boarded. The equestrian center has entered into an agreement to take responsibility for the care of the horse and to sell it, giving proceeds to the Receiver. In return, the Receiver has agreed to permit the equestrian center to retain some horse-related items stored at the center.

3. **GMC Denali:** A late-model GMC Denali owned by the Palmers had been repossessed by the credit union that had loaned funds for its purchase. The Receiver reached an agreement with the credit union that the vehicle would be sold and any net proceeds, after satisfaction of the credit union lien, would be delivered to the Receiver. On July 13, 2009, the Receiver was paid \$8,861.78 by the credit union as a result of the sale.

4. **Personal Services Bonus:** A person who was paid several thousand dollars from the Palmers for personal services entered into an agreement with the Receiver in September to repay most of the amount received as bonuses. Payments are being received by the Receiver pursuant to this agreement.

OTHER ASSETS

The Receiver has taken action to recover and sell other assets of the Receivership Estate.

This includes:

1. **Furniture and Household Items:** In July, the Receiver discovered that furniture and other assets owned by Palmer were being stored at another location. The Receiver took

possession of these items and moved them to a storage unit. Most of these items were later sold at auction.

2. **Auction:** On September 25, 2009, an auction was held at the warehouse previously owned by Palmer. The auction was well advertised as a result of stories in the news media. Over 500 people attended the auction, bidding on furniture, jewelry, shelving, and household items. The auction netted approximately \$22,000.

3. **Jewelry:** Over a dozen pieces of expensive jewelry, including a jeweled Faberge egg, have been delivered to a high-end jeweler in Salt Lake City for sale on consignment and sale at wholesale. No estimate can be given at this time of the net proceeds from the sale of this jewelry.

4. **Real Estate Investment Trust:** The Receiver discovered that Palmer owned a \$5,000 interest in a real estate investment trust. However, the Receiver also discovered that Palmer had sold some of the interests in the trust before the investment company was aware of the asset freeze. Palmer's action in taking money from this trust is the subject of the contempt motions by the SEC and CFTC. This investment interest has now been transferred into the name of the Receiver and he has requested redemption of the investment.

5. **Piano and Painting:** The Receiver has made demand on the merchants who had taken money from Trigon for the purchase of a grand piano and an expensive painting for the return of monies advanced for these items. The retail merchants have refused to return the funds and the Receiver expects to file suit against the merchants.

6. **Stocks:** Bank records reviewed by the Receiver gave hints that Palmer owned stock in a number of well-known companies including Disney, General Electric, and Microsoft. Palmer did not deliver these stocks to the Receiver as required by Court order. Obtaining

information about these stock holdings was difficult because the Receiver had such limited information about the holdings. The Receiver eventually obtained information confirming these holdings, but discovered that in each case the Palmers owned fewer than five shares. The Receiver has abandoned efforts to obtain possession of these stocks because of their limited value.

7. **Nigerian Connection:** One of the bank accounts included in the Court orders freezing assets was a bank account in Florida that had been identified in Trigon documents relating to an expected receipt of funds from Nigerian banks. The Receiver was contacted by the owner of that account, seeking to have the freeze on the account released. After substantial investigation, the Receiver concluded that no money from Trigon (or from Nigeria) had been deposited into this account and that the account owner had no relationship with Trigon or Palmer. The Receiver recommended to the SEC that the funds be released to the owner.

ONGOING EFFORTS TO RECOVER FUNDS

The Receiver is continuing his efforts to identify and recover other assets and funds belonging to the Receivership Estate. During this Reporting Period, this has included:

1. **Depositions:** A number of depositions have been taken of people who engaged in transactions with Palmer and Trigon or who are knowledgeable about those transactions and assets.

2. **Investigation:** The Receiver has continued to send hundreds of letters seeking information about transactions with Trigon and payments by Trigon. In many instances, the other companies no longer appear to exist. In other cases, they fail to respond. As a result, attorneys for the Receiver have sent subpoenas requiring information. As this information is obtained by the Receiver, it is analyzed to determine whether assets or funds can be recovered.

Efforts continue to find copies of missing records and tax and accounting records that may have been created for Trigon and Palmer.

3. **Negotiations:** Substantial progress has been made in negotiations with the private lender who has liens on the real estate previously owned by Palmer. The Receiver expects to reach an agreement with this lender in the near future. The Receiver also is negotiating with other persons regarding claims being made by the Receiver against them.

4. **Lawsuit:** A lawsuit has been filed by the Receiver against Dean Palmer and his company, Tri-Steel Construction Company, Inc. The lawsuit alleges that Dean Palmer and his company received payments from Trigon substantially in excess of what was owed to them and that, as an officer and director of Trigon, Dean Palmer was responsible for the fraud committed by the company. The suit seeks \$1,543,629.90 in excess payments and \$25 million as recovery for the fraudulent activities of Trigon. Other lawsuits are expected to be filed in the near future.

5. **Demand Letters:** Attorneys for the Receiver have sent final demand letters to a number of other recipients of funds in anticipation of filing lawsuits against these recipients. In some cases, negotiations have ensued that may lead to agreements. In other cases, the Receiver expects to file suit, requesting Court assistance in recovering these funds.

6. **Tax Returns:** The Receiver obtained information from the IRS indicating that Trigon filed no tax returns for the period 2004 to 2007. This eliminated a potential source of information for the Receiver about transactions during that period.

FINANCIAL ACTIVITIES OF THE RECEIVER

Expenses of the Receiver and Attorneys: The Receiver has expended significant sums to date in carrying out his responsibilities. These include expenses relating to travel, deposition transcripts, paying for property appraisals, property taxes, utility expenses, insurance costs, and

paying for bank records, as well as paying expenses of analysts and other assistants. In addition, the law firm hired by the Receiver has incurred expenses that have not yet been reimbursed for travel, subpoenas, depositions, service of process, copying, and filing fees. In August, the Receiver and the law firm submitted a request for Court approval for reimbursement of these expenses and payment of their professional fees. The Court has granted this request, subject to the condition suggested by the Receiver that only up to 25% of funds recovered be used to pay the fees awarded pursuant to this order.

Funds Recovered and Paid Out: During this Reporting Period, the Receiver has received \$55,879.06, which has been deposited into bank accounts controlled by the Receiver.

These receipts are:

FUNDS PAID TO THE RECEIVER			
Date	Amount	Source	Purpose
7/8/09	\$350.00	Lienholder	To refund a rental apartment security deposit.
7/13/09	\$8,861.78	Idaho Central C.U.	Balance of proceeds on sale of GMC Denali.
7/15/09	\$30,000.00	Specialty Supply	Earnest money deposit for warehouse purchase.
7/22/09	\$9,517.28	Michelle Palmer	Proceeds from prior sale of horse.
8/11/09	\$5,000.00	Commodities broker	Second payment on settlement agreement.
8/31/09	\$1,000.00	Personal trainer	First payment on settlement agreement.
9/17/09	\$150.00	Debtor to D. Yost	Interest payment (amount will increase in Nov.)
9/29/09	\$1,000.00	Personal trainer	Second payment on settlement agreement.
Total	\$55,879.06		

The Receiver also has paid out \$23,400.83 from these accounts. This is in addition to other expenditures that have been paid by the Receiver from his funds and for which reimbursement will be sought. The attorneys also have incurred expenses that have not been reimbursed. These expenditures are:

FUNDS PAID OUT BY THE RECEIVER			
Date	Amount	Recipient	Purpose
7/2/09	\$350.00	Rental tenant	Refund of security deposit for rental apartment.
7/8/09	\$350.00	Phillips Appraising	Real estate appraisal of warehouse.
7/14/09	\$2,000.00	Michelle Palmer	Assistance payment #1 of 8.

FUNDS PAID OUT BY THE RECEIVER			
Date	Amount	Recipient	Purpose
7/22/09	\$2,257.11	Carlsmith Ball, LLC	Legal fees for filing asset notices in Hawaii.
7/30/09	\$325.90	Furniture mover	Payment for storage unit and labor for furniture.
8/5/09	\$7.00	Wells Fargo Bank	Bank fee.
8/17/09	\$2,000.00	Michelle Palmer	Assistance payment #2 of 8.
8/18/09	\$4,552.70	Bonneville Tax Coll.	Property tax for Heyrend warehouse.
8/20/09	\$1,564.12	Bonneville Tax Coll.	Property tax for Sheffield home in construction.
8/20/09	\$1,000.00	Reliable Prop. Mgr.	Funding for cleaning rental apartments.
9/8/09	\$2,494.00	Western Comm. Ins.	Insurance payment for warehouse, apartments.
9/16/09	\$2,000.00	Michelle Palmer	Assistance payment #3 of 8.
9/21/09	\$4,000.00	Lakeside Roofing	Construction costs for Coeur d'Alene roof.
9/23/09	\$500.00	Tenant	Refund of security deposit for rental tenant.
Total	\$23,400.83		

Interest is being earned on the escrow account at Zions bank, but not the checking accounts at Wells Fargo and Zions Bank. Bank accounts held by the Receiver had the following balances as of September 30, 2009:

Bank	Type	Balance
Wells Fargo	Checking	\$4,559.94
Zions Bank	Escrow	\$352,166.25
Zions Bank	Checking	\$100.00
Total		\$356,826.19

OTHER ACTIVITIES

Other activities of the Receiver have included analysis of additional bank records obtained (relating to affiliated persons); calls, correspondence, and interviews with investors; negotiations with entities with claims against the Receivership entities and against whom the Receivership is asserting claims; commenting on litigation drafts; and assisting government agencies with their investigations (including providing information, documents, and analysis, drafting declarations, and identifying assets).

NOTICE OF CHANGE IN AFFILIATION BY THE RECEIVER

On September 30, 2009, the Receiver ceased his affiliation with the firm Lewis B. Freeman & Partners, Inc., of Miami, Florida. The Receiver has formed a firm named Klein & Associates, PLLC, which employs the same persons who have been providing support services to the Receivership in this case. The Receiver does not expect this change to have any impact on the work being done by the Receiver or the services being provided by the professionals who are assisting him.

CONCLUSION

The Receiver respectfully submits this Initial Report for the period from July 1, 2009 through September 30, 2009.

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

DATED THIS 26TH day of October, 2009.

By Wayne Klein
R. Wayne Klein, Receiver