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## CFTC Charges Idaho Resident Daren L. Palmer with Operating \$40 Million Ponzi Scheme

### Idaho District Court Issues Restraining Order Freezing Assets and Preserving Records

**Washington, D.C.** – The U.S. Commodity Futures Trading Commission (CFTC) announced today that it charged **Daren L. Palmer** of Idaho Falls, Idaho, with operating a Ponzi scheme involving approximately \$40 million in connection with the unregistered **Trigon Group, Inc.** commodity futures pool.

The CFTC's complaint, filed on February 26, 2009, charges Palmer with solicitation fraud and misappropriation of pool funds for personal use and for use in running a Ponzi scheme. In addition, Palmer is charged with sending customers false account statements and failing to register with the CFTC as a commodity pool operator. In conjunction with the CFTC's filing, the Honorable Edward J. Lodge of the United States District Court for the District of Idaho issued a restraining order freezing defendants' assets and preserving records. Judge Lodge set a hearing on the CFTC's motion for preliminary injunction on April 23<sup>rd</sup> at 9:30 a.m.

The CFTC complaint alleges that, from at least September 2000 through present, Palmer fraudulently solicited approximately \$40 million from dozens of individuals and entities to participate in a commodity futures pool to trade commodity futures or options on commodity futures contracts. In soliciting prospective and existing participants, Palmer allegedly claimed that he was a successful commodity futures trader, that his pool had a successful track record, and that the pool achieves positive returns of as much as 7 percent monthly and 20 percent annually.

**“This is another unfortunate example of the maxim, ‘If it appears too good to be true, it probably is.’ Investors must carefully scrutinize any investment opportunity that claims to be consistently profitable. This case shows that the CFTC, working in tandem with other federal authorities, continues to pursue corrupt commodity professionals who treat investor’s hard earned money as their own,”** according to CFTC Acting Director of Enforcement Stephen J. Obie.

The complaint alleges that, in reality, Palmer was neither successfully trading nor making an effort to do so. As alleged, despite taking in at least \$40 million in participant funds since September 2000, Palmer only placed \$4.5 million in his trading accounts. Moreover, Palmer admitted in sworn testimony that he used participants' funds to pay principal and purported profitable returns to existing pool participants in a manner typical of a Ponzi scheme. He also admitted that he misappropriated pool funds for his personal use for the construction of a new home, to pay credit card bills, and purchase snowmobiles. From the outset, Palmer also paid himself purported fees based on the falsified earnings and increased value of the pool. Contrary to Palmer's claim that he would be compensated only after pool participants earned a certain rate of return, during the course of Trigon's operation, Palmer compensated himself with monthly fees ranging from \$25,000 to \$35,000 per month, regardless of the profitability of Trigon's futures trading.

According to complaint, Palmer concealed the fraud by failing to register with the CFTC and providing fabricated quarterly account statements to pool participants, which showed consistently profitable pool returns. The account statements reported that as late as 2008, the pool had increased in value to over \$65 million.

Efforts are ongoing to account for and locate pool participant funds.

In its continuing litigation, the CFTC seeks restitution, disgorgement of ill-gotten gains, civil monetary penalties, and permanent injunctions against further violations of the federal commodities laws and against further trading.

The CFTC appreciates the assistance of the Idaho Department of Finance and the Securities and Exchange Commission (SEC). The SEC filed a related action against Palmer and Trigon.

The following CFTC Division of Enforcement staff members are responsible for this case: John W. Dunfee, Mary Kaminski, Alison Wilson, Paul G. Hayeck, and Joan Manley.

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