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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

SECURITIES AND EXCHANGE COMMISSION,

Civil No.

PLAINTIFF,

Judge

v.

DAREN L. PALMER and TRIGON GROUP, INC., a
Nevada Corporation,

DEFENDANTS.

**MEMORANDUM IN
SUPPORT OF MOTION
FOR PRELIMINARY
INJUNCTION AND EX
PARTE MOTIONS FOR
APPOINTMENT OF
RECEIVER, AN ASSET
FREEZE ORDER AND
OTHER RELIEF**

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Plaintiff, Securities and Exchange Commission (the “Commission”), respectfully submits this Memorandum in Support of Its Motion for Preliminary Injunction and Ex Parte Motions for Appointment of Receiver, An Asset Freeze Order and Other Relief. The Commission seeks this emergency relief to protect its ability to recover some of the millions of dollars misappropriated by Defendants in a brazen Ponzi scheme. The Commission respectfully requests this Court to enter a preliminary injunction against Defendants to preliminarily enjoin them from further violations of the federal securities laws. In addition, the Commission requests the Court to enter an Ex Parte Order freezing Defendants’ assets, expediting discovery and preventing the destruction of documents.

I. STATEMENT OF FACTS

1. **Trigon Group, Inc.** (“Trigon”) is a Nevada corporation headquartered in Idaho Falls, Idaho. Trigon claims to be an investment business, specializing in helping clients generate high annual returns of approximately 20-25 percent. Palmer is the sole owner of Trigon. See Articles of Organization, attached hereto as Exhibit 1 (“Ex. 1”); Testimony of Daren L. Palmer (“Palmer Test.”), attached hereto as Exhibit 2 (“Ex. 2”) at pp. 9-10, 22.
2. Trigon has not registered any offering of its securities under the Securities Act or a class of Securities under the Exchange Act. See Declaration of Norman Korb (“Korb Decl.”), attached hereto as Exhibit 3 (“Ex. 3”) at ¶ 3.
3. **Daren L. Palmer**, age 40, is an Idaho resident living in Idaho Falls, Idaho. Palmer is the President and sole owner of Trigon. Ex. 2 at pp. 9-10

4. Palmer has never been registered with the Commission in any capacity and has never been licensed to sell securities. Ex. 2 at pp. 51-52; Ex. 3 at ¶ 3; Declaration of Tim Martin (“Martin Decl.”), attached hereto as Exhibit 13 (“Ex. 13”).
5. Beginning in 1996 and continuing through at least October 2008, Trigon and Palmer sold securities in the form of promissory notes and investment contracts to over 55 investors in unregistered, non-exempt transactions raising at least \$40 million. Ex. 2 at pp. 26-32, 100; Ex. 3 at ¶ 3; Declaration of Jay Lane Butler (“Butler Decl.”), attached hereto as Exhibit 4 (“Ex. 4”) at ¶ 6; Declaration of Kevin Taggart (“Taggart Decl.”), attached hereto as Exhibit 5 (“Ex. 5”) at ¶¶ 3, 6; Testimony of David K. Swenson (“Swenson Decl.”), attached hereto as Exhibit 6 (“Ex. 6”) at ¶ 8; Declaration of Darryl Harris (“Harris Decl.”), attached hereto as Exhibit 7 (“Ex. 7”) at ¶ 5; Declaration of David Taylor (“Taylor Decl.”), attached hereto as Exhibit 8 (“Ex. 8”) at ¶¶ 4-5, 9; Declaration of Jack Larsen (“Larsen Decl.”), attached hereto as Exhibit 9 (“Ex. 9”) at ¶ 4; Declaration of Paul Ramsey (“Ramsey Decl.”), attached hereto as Exhibit 10 (“Ex. 10”) at ¶ 7.
6. Palmer marketed himself and Trigon to investors by representing that he had learned a complex trading strategy through which he invested in indexes, S&P 500 options or futures, currency futures and stocks in a way that generated consistent annual returns of 20 percent or greater. Ex. 2 at pp. 22-24; Ex. 7 at ¶ 4; Ex. 8 at ¶ 4; Ex. 9 at ¶ 4; Ex. 10 at ¶ 4.

7. Palmer touted his reputation in the Idaho Falls community as an honest family man who had a long track record of producing high returns for investors. Ex. 4 at ¶ 2; Ex. 5 at ¶ 2; Ex. 7 at ¶ 3; Ex. 8 at ¶ 3; Ex. 9 at ¶ 2; Ex. 10 at ¶ 3.
8. Palmer explained to investors that his trading program was difficult to understand, but that it essentially operated like a hedge fund. Ex. 2 at pp. 22-24; Ex. 7 at ¶ 4; Ex. 8 at ¶ 4; Ex. 9 at ¶ 4; Ex. 10 at ¶ 4.
9. Palmer told investors that their funds would be combined with the funds of other investors and traded as one fund. Ex. 6 at ¶ 5; Ex. 7 at ¶ 4; Ex. 8 at ¶ 5;
10. Palmer told investors that there were no risks to their principal and that high returns were guaranteed. Ex. 2 at p. 48; Ex. 4 at ¶ 3; Ex. 5 at ¶ 4; Ex. 6 at ¶ 5; Ex. 7 at ¶ 5; Ex. 10 at ¶ 4.
11. Palmer told many investors that he had been generating 20 percent or greater annual returns for more than twelve years. Ex. 2 at p. 33; Ex. 4 at ¶ 3; Ex. 5 at ¶ 4; Ex. 6 at ¶ 7; Ex. 7 at ¶ 5; Ex. 8 at ¶ 6; Ex. 9 at ¶ 4.
12. Palmer advised investors to place monies with him and Trigon in part because, under his trading strategy, he could earn high returns regardless of what the market did. Ex. 4 at ¶ 3; Ex. 7 at ¶ 5; Ex. 8 at ¶ 4; Ex. 10 at ¶ 4.
13. Palmer told investors that his compensation would be in the form of retaining a portion of the profits he made in his trading program. Ex. 5 at ¶ 4; Promissory Notes, attached hereto as Exhibit 12 (“Ex. 12”).

14. Palmer told investors that he was licensed to sell securities. Ex. 5 at ¶ 5.
15. Palmer evidenced some of the investment monies he received with a Promissory Note (“Note”). Ex. 12. Palmer signed the Notes individually or as the President of Trigon. Id.
16. The Notes to individual investors are not identical. However, the Notes commonly state that Palmer owes the investor the principal plus interest of 20 to 25 percent annually. Ex. 12. In some instances, Palmer’s Notes stated that the investor would be paid with interest “at the rate per performance from Trigon.” Id.
17. Palmer also entered into verbal investment contracts in which he told investors he would pay them annual returns of 20 percent or more. Ex. 3 at ¶ 3; Ex. 7 at ¶ 6.
18. The Notes Palmer signed state “No collateral will be provided”. Ex. 12.
19. On December 15, 2008, a group of Idaho Falls investors organized a meeting to discuss rumors and concerns about Trigon and Palmer. Palmer attended the meeting and told investors that through his trading program, he had lost almost all the principal his investors had given him. Ex. 4 at ¶ 9; Ex. 5 at ¶ 11-12; Ex. 8 at ¶ 12; Ex.9 at ¶ 9; Ex. 10 at ¶ 8.
20. In or around January 2009, Palmer admitted to investors that he had no money to give them. Palmer admitted that he had been running a Ponzi scheme for many years. Ex. 2 at pp. 47, 66; Ex. 5 at ¶¶ 11-13; Ex. 8 at ¶¶ 9, 13.

21. Palmer also admitted that he was building a new, expensive home in order to keep up an image of success that would allow him to bring in additional investor funds. Ex. 5 at ¶ 14.
22. Palmer admitted that although he gave investors payments accompanied by statements showing trading profits, the payments were actually from investments made by later investors. Ex. 2 at pp. 35, 66; Ex. 6 at ¶ 9; Ex. 10 at ¶ 8.
23. Palmer admitted that the later investors were not told that he would use their principals to pay returns to other, earlier investors. Ex. 2 at pp. 48-49.
24. Palmer also admitted to using investor funds to pay his “salary,” his personal credit cards and to purchase snowmobiles. Ex. 2 at pp. 47-48, 64-66, 68-101; Check Register, attached hereto as Exhibit 11 (“Ex. 11”). Palmer paid himself approximately \$25-35,000 per month. Ex. 2 at p. 99.
25. In late 2008, Palmer provided his wife with a cashier’s check for \$411,710 from investor funds. Ex. 2 at pp. 79-80; Ex. 11.
26. Palmer gave the last \$500,000 of investor funds to an African man and a Middle Eastern man, whose names he does not know, in what appears to be an advance fee scam. Ex. 2 at p. 82.
27. Although Palmer raised at least \$40 million of investor funds, Palmer has admitted to placing only a fraction of investor funds into trading accounts and to using investor funds to pay personal expenses and to pay bogus returns to earlier investors. Ex. 2 at pp. 46-48.

28. Palmer admitted owing investors \$35-45 million. Ex. 2 at p. 100. Palmer claims investor funds are completely lost. Id. at 92; Ex. 5 at ¶ 12; Ex. 8 at ¶ 13; Ex. 9 at ¶ 9; Ex. 10 at ¶ 12.

ARGUMENT

II. DEFENDANTS VIOLATED THE ANTIFRAUD PROVISIONS OF THE FEDERAL SECURITIES LAWS

A. A Preliminary Injunction is Necessary to Protect Investors and the Public Interest

Section 20(b) of the Securities Act [15 U.S.C. § 77(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] empower the Court to grant injunctive relief where it appears that a person is engaged in or about to engage in violations of the federal securities laws. Under these sections, the Commission is required to make a "proper showing" of violative activity in order to obtain injunctive relief.

When a federal agency charged by statute with safeguarding the public interest brings an action for injunctive relief, irreparable injury may be presumed. See, e.g., United States v. Odessa Union Warehouse Co-Op, 833 F.2d 172, 174-75 (9th Cir. 1987). In order to obtain preliminary relief or a permanent injunction the Commission needs to prove: (1) a prima facie case of previous violations; and (2) a reasonable likelihood that the wrong will be repeated. See e.g. SEC v. Unifund Sal, 910 F.2d 1028, 1036-37 (2d Cir. 1990); SEC v. Mgmt. Dynamics, Inc., 515 F.2d 801, 807 (2d Cir. 1975); SEC v. Manor Nursing Ctrs., Inc., 458 F.2d 1082, 1100 (2d Cir. 1972). The Commission faces a lower burden than a private litigant when seeking a temporary restraining order or preliminary injunction. Hecht Co. v. Bowles, 321 U.S. 321, 331 (1944); Mgmt. Dynamics, Inc., 515 F.2d at 808; SEC v. Int'l Loan Network, Inc., 770 F. Supp. 678, 688 (D.D.C. 1991). For example, unlike private litigants, the Commission is not required to show irreparable

injury or a balance of equities in its favor in order to make the statutory "proper showing" to obtain a preliminary injunction. Unifund Sal, 910 F.2d at 1036; SEC v. Torr, 87 F.2d 446, 450 (2d Cir. 1937); SEC v. Musella, 578 F. Supp. 425, 434 (S.D.N.Y. 1984).

B. The Commission Has Established Its Prima Facie Case

i. Defendants Made False Statements and Material Omissions in Connection with the Purchase or Sale of Securities

Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] prohibits persons, in the offer or sale of a security, from employing any device, scheme or artifice to defraud; obtaining money or property through materially false or misleading statements or omitting to state material facts; or engaging in any transaction, practice, or course of business which operates as a fraud or deceit. United States v. Naftalin, 441 U.S. 768, 773 (1979). Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit similar conduct in connection with the purchase or sale of a security. Section 10(b) was designed to prevent all manner of fraudulent practices. Chiarella v. U.S., 445 U.S. 222, 226 (1980); Ernst & Ernst v. Hochfelder, 425 U.S. 185, 201 (1976); Affiliated Ute Citizens of Utah v. U.S., 406 U.S. 128, 153 (1972); SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180, 186 (1963).

Defendants made numerous misrepresentations and omissions to investors. Defendants told investors that their funds would be placed in a proprietary trading program that would generate riskless returns in excess of 20% per year. Defendants did not place the majority of investors' funds in any type of trading program. Instead, Palmer used investors' money for personal purposes or to pay back earlier investors in a classic Ponzi scheme. Palmer failed to inform investors that their quarterly payments did not come from investment activity but instead came from newly invested funds. Palmer claimed to be a licensed securities professional. Palmer is not licensed to sell securities.

ii. Defendants' Misrepresentations and Omissions Were Material

Information is material if a substantial likelihood exists that the facts would have assumed actual significance in the investment deliberations of a reasonable investor. Basic, Inc. v. Levinson, 485 U.S. 224 (1988). Defendants' misrepresentations regarding the use of investors' funds are material. See SEC v. Cochran, 214 F.3d 1261, 1268 (10th Cir. 2000) ("information implicating the fair market value would be material to a reasonable investor"); Everest Sec., Inc. v. SEC, 116 F.3d 1235, 1239 (8th Cir. 1997) ("It would be material to an investor to know that the offering company's existing project had been abandoned, that none of its asset value was to be recouped."). Similarly, investors would consider it important to know their funds were being misappropriated by Defendants and Defendants operated a Ponzi scheme. SEC v. TLC Invs. & Trade Co., 179 F. Supp. 2d 1149, 1153 (C.D. Cal. 2001); see also SEC v. Smith, 2005 U.S. Dist. LEXIS 21427, at *15 (S.D. Ohio Sept. 27, 2005) ("it is obvious that a reasonable investor would consider it important to know that his money would not be invested in bank stock but would instead be used for other purposes, such as to pay for [Defendant's] American Express bill, car washes, dating services, and the expenses of [Defendant's] other companies").

Here, Palmer used investor funds to buy snowmobiles, pay his credit card bills, and build a \$12 million home. Palmer also misappropriated investor funds to pay himself a salary of \$25-35,000 per month. Palmer failed to invest the funds as he represented to investors and paid quarterly returns from newly-invested funds. Finally, Palmer misused investor funds by losing the last dollars invested in an off-shore advance fee scam.

iii. Defendants Acted With Scienter

Scienter is an element of violations of Section 17(a)(1) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder but is not a required element of a violation of Sections 17(a)(2) or 17(a)(3) of the Securities Act. Aaron v. SEC, 446 U.S. 680, 696-97 (1980). The Supreme Court has defined scienter as "a mental state embracing intent to deceive, manipulate, or defraud." Ernst & Ernst, 425 U.S. at 193. Reckless conduct has been held to satisfy the scienter requirement. Edward J. Mawod & Co. v. SEC, 591 F.2d 588, 595-597 (10th Cir. 1979).

Here, Defendants acted with the requisite scienter. Palmer knew how investor funds were used, because he controlled the accounts into which investors transferred funds. He knew that he used money from new investors rather than trading profits to pay investors their quarterly returns. Palmer's check register demonstrates that he made the Ponzi payments to investors, misappropriated investor funds for personal purposes and made large transfers to members of Palmer's family.

iv. Defendants' Fraud Occurred In Connection With the Purchase or Sale of Securities

As the Supreme Court recently reaffirmed, the "in connection with" requirement is to be construed broadly and flexibly to effectuate its remedial purposes. SEC v. Zandford, 535 U.S. 813, 819 (2002). Thus, the "in connection with" requirement is satisfied when someone utilizes a device "that would cause reasonable investors to rely thereon" and "so relying, cause them to purchase or sell a corporation's securities." In re Carter-Wallace, Inc. Sec. Litig., 150 F.3d 153, 156 (2d Cir. 1998) (citing SEC v. Tex. Gulf Sulphur Co., 401 F.2d 833, 860-62 (2d Cir. 1968) (Section 10(b) applies "whenever assertions are made ... in a manner reasonably calculated to influence the investing public."); SEC v. Savoy Indus., Inc., 587 F.2d 1149, 1171 (D.C. Cir. 1978) (The "in

connection with” requirement is satisfied when it can reasonably be expected that a publicly disseminated document will cause reasonable investors to buy or sell securities “regardless of the motive or existence of contemporaneous transactions by or on behalf of the violator.”); see also In re Ames Dep’t Stores, Inc. Stock Litig., 991 F.2d 953, 966 (2d Cir. 1993) (“[S]tatements which manipulate the market are connected to resultant stock trading.”); SEC v. Rana Research, Inc., 8 F.3d 1358, 1362 (9th Cir. 1993).

Defendants’ conduct in this case coincided with the sale of securities. Defendants sold promissory notes and investment contracts, which are securities. The misrepresentations regarding the use of funds occurred in the course of the sale of those securities.

v. Defendants Used the Means and Instrumentalities of Interstate Commerce

Defendants used the requisite jurisdictional means to affect the fraud. In Pereira v. U.S., 347 U.S. 1, 8-9 (1954), the United States Supreme Court noted that it is sufficient if a defendant knows that the use of mail or of wire services was a reasonably foreseeable consequence of a scheme to satisfy the “jurisdictional means” element. “All that is required to establish a violation of [Section 17(a), Section 10(b) or Rule 10b-5] is a showing that a means, instrumentality or facility of a kind described in the introductory language of th[e] section was used, and that in connection with that use an act of a kind described . . . occurred.” Matheson v. Armbrust, 284 F.2d 670, 673 (9th Cir. 1960); accord, United States v. Tallant, 547 F.2d 1291, 1297 (5th Cir. 1977).

Here, Defendants made use of the mails, of the Internet and of the telephone to solicit investments. Investors wired funds to Palmer’s accounts. Trigon and Palmer transferred funds to brokerage and trading accounts. Defendants used the telephone and email to communicate with investors. That is all that is required.

III. THE INVESTMENTS DEFENDANTS SOLD ARE SECURITIES

A. The Promissory Notes And Investment Agreements Are Securities

The Notes and investment agreements Defendants sold are securities. In assessing whether an investment is a security, the United States Supreme Court has noted that the fundamental purpose of the Securities Act is “to eliminate serious abuses in a largely unregulated securities market.” United Housing Found., Inc. v. Forman, 421 U.S. 837, 849 (1975). In defining the scope of the products Congress wished to regulate, Congress painted with a broad brush. It realized the virtually unlimited scope of “human ingenuity, especially in the creation of ‘countless and variable schemes devised by those who seek the use of the money of others on the promise of profits.’” Reves v. Ernst & Young, 494 U.S. 56, 60-61 (1990) (quoting SEC v. W.J. Howey Co., 328 U.S. 293, 299 (1946)).

i. Promissory Notes Are Securities

According to the United States Supreme Court, notes are presumed to be securities unless the notes fall into certain judicially created categories that are plainly not securities or the notes bear a family resemblance to the notes in those categories. Reves, 494 U.S. at 62. The Reves Court identified four facts to consider in determining whether a particular note is a security.

These four elements are:

(1) the motivations that would prompt a reasonable seller and buyer to enter into [the transaction]. If the seller’s purpose is to raise money for the general use of a business enterprise or to finance substantial investments and the buyer is interested primarily in the profit the note is expected to generate, the interest is likely to be a “security” . . . (2) the “plan of distribution” of the instrument . . . (3) . . . the reasonable expectations of the investing public . . . [and] (4) . . . whether some factor such as the existence of another regulatory scheme significantly reduces the risk of the instrument, thereby rendering application of the Securities Acts unnecessary.

Id. at 60-61. None of the four factors is crucial, and the failure of one will not automatically result in a Court's concluding that the note in question is not a security. Rather, Courts take a balancing approach to determine whether, on the whole, the note looks more like a security than not. In re NBW Commercial Paper Litig., 813 F. Supp. 7, 10 n.7 (D. D.C. 1992) (holding commercial paper was a security).

ii. The Motivation of Investors

The first factor under Reves is an objective inquiry into the “motivations that would prompt a reasonable seller and buyer to enter into [the transaction].” SEC v. J.T. Wallenbrock and Assocs., 313 F.3d 532, 538 (9th Cir. 2002). A note is more like a security “if the seller’s purpose is to raise money for the general use of a business and the buyer is interested primarily in the profit the note is expected to generate.” Reves, 494 U.S. at 66; see also Pollack v. Laidlaw Holdings, Inc., 27 F.3d 808, 812 (2d Cir. 1994) (“The inquiry is whether the motivations are investment (suggesting a security) or commercial or consumer (suggesting a non-security).”). Alternatively, a promissory note that “is exchanged to facilitate the purchase and sale of a minor asset or consumer good, to correct for the seller’s cash-flow difficulties, or to advance some other commercial or consumer purpose” will “less sensibly [be] described as a security. Reves, 494 U.S. at 66.

The first factor puts the Notes involved in this matter comfortably in the category of a security. Palmer raised money by telling people that their funds would be put into his trading program and earn high annual returns. Further, Palmer represented to investors that the monies they gave were an investment and that the interest guaranteed under the Notes was to be paid by the profit Palmer made by investing their monies in his trading program. Further, the investors were not provided any information regarding any assets that purportedly backed up the Notes.

See Wallenbrock, 313 F.3d at 538 (lack of information regarding assets backing loan indicated investment for general business purposes). In fact, the Notes indicated on their face that “[n]o collateral will be provided.”

In addition, the attractive interest rate offered to investors suggests the Notes are securities. See id. (a promised interest rate above market rates suggested a security). Here, the Notes offered an interest rate of 20 percent per year or more, indicating the Notes are securities. Moreover, the fact that Defendants offered a fixed rather than variable rate of return does not affect the investments’ status as a security. See SEC v. Edwards, 540 U.S. 389, 397 (2004) (analyzing Howey and holding “an investment scheme promising a fixed rate of return can be an ‘investment contract’ and thus a ‘security’ subject to the federal securities laws”); Stoiber v. SEC, 161 F.3d 745, 750 (D.C. Cir. 1998) (holding fixed rate notes are securities); Pollack, 27 F.3d at 813 (noting fixed rate bonds are regulated as securities). Under these facts, the first factor of Reves is met.

iii. The Plan of Distribution

The second Reves factor requires an examination of the plan of distribution of the promissory notes to determine whether the instrument has “common trading for speculation or investment.” Reves, 494 U.S. at 66. If the promissory notes are sold to a broad segment of the general public, then common trading has been established. Id. at 68. Here, Palmer gave Notes to a large group of investors, more than 55, with investors coming from at least three states.

iv. Expectations of the Investing Public

The third Reves factor requires a consideration of “whether a reasonable member of the investing public would consider these notes as investments.” McNabb v. SEC, 298 F.3d 1126, 1132 (9th Cir. 2002). The opinions of individual investors as to whether the notes are securities

are irrelevant. Id. Such admissions add little, if anything, to the analysis. Id. (citing Stoiber, 161 F.2d at 751). The verbal and written representations Palmer made to investors indicate that a reasonable investor would view the Trigon Notes as an investment. Palmer admits that he raised money, evidenced by the Notes, by convincing investors verbally that their money would earn high profits when invested in his trading program. Also, the Notes specifically state that the principal will be returned with interest of 20 percent per year or more or, in some cases, that the interest will accrue “at the rate per performance from Trigon.” The investors reasonably understood, based on Palmer’s representations, that payments under the Notes would be paid from the proceeds of the investment they made in the trading program operated by Trigon and Palmer. Palmer told investors their funds would be used to purchase securities, futures and currencies. A reasonable investor would view such a transaction as a security purchase.

v. Risk-Reducing Factors

The final factor for a Court to assess is whether there are adequate risk-reducing factors such as an alternative regulatory scheme that would “significantly reduce the risk of the instrument” to the lender, “thereby rendering the application of the Securities Acts unnecessary.” Reves, 494 U.S. at 67. Here, there are no risk-reducing factors or alternative regulatory schemes that would reduce the risk to the investors in this case. First, Trigon’s Notes are unsecured, offering no protection to investors. They specifically state that “[n]o collateral will be provided.” Where notes are uninsured and uncollateralized, courts conclude such notes are securities. See SEC v. Cross Fin. Servs., Inc., 908 F. Supp. 718 (C.D. Cal. 1995). Thus, under a Reves analysis, the Notes Trigon and Palmer issued are securities and are required to be registered absent an exemption from registration.

B. INVESTMENT CONTRACTS ARE SECURITIES

For the investors who did not receive a Note, their investments are securities, because they are investment contracts. An investment contract is a security if it involves “(1) investments of money; (2) in a common enterprise; (3) with profits derived from others’ efforts.” SEC v. Howey, 328 U.S. 293, 301 (1946).

The elements of Howey are satisfied when applied to the facts surrounding the investment agreements Trigon and Palmer made with investors. The first element of Howey is met, because Trigon investors unquestionably invested money with Defendants from at least 1996 through October 2008.

The second element of Howey, a “common enterprise,” is also met. It requires “either an enterprise common to an investor and the seller, promoter, or some third party (vertical commonality) or an enterprise common to a group of investors (horizontal commonality).” See SEC v. R.G. Reynolds Enters., Inc., 952 F.2d 1125, 1130 (9th Cir. 1991). Palmer has admitted that investor funds went into a common fund. Investor declarations also confirm that Palmer consistently told investors their funds would be pooled into one fund through which he traded various securities. “Horizontal commonality” is satisfied, because Palmer pooled investor funds received from at least 55 investors into a single account. See id. at 1131. The “vertical commonality” test is also satisfied, since the “fortunes of all investors are inextricably tied to the efficacy of the promoter.” Revak v. S.E.C. Realty Corp., 18 F.3d 81, 87 (2d Cir. 1994) (internal citations omitted).

Finally, Howey’s third element is established, since the profits from the investment were to be derived solely from the efforts of Defendants, who were to invest the funds investors put into the program. Palmer told investors that he was able to pay annual returns of 20 percent or

more because his trading program generated profits exceeding that level of returns. Trigon investors had no role in investment decisions and provided nothing beyond their principal investment. Thus, the Notes and investment agreements in this case are securities and are subject to federal securities laws.

IV. TRIGON AND PALMER VIOLATED THE REGISTRATION PROVISION OF SECTION 5(a) AND (c) OF THE SECURITIES ACT

In order to establish a violation of the registration requirements of the Securities Act, the Commission must demonstrate that Defendants, directly or indirectly, offered or sold securities without a registration statement having been filed or in effect. See SEC v. Int'l Chem. Dev. Co., 469 F.2d 20, 27 (10th Cir. 1972). "The elements of [an] action for violation of Section 5 are (1) lack of a registration statement as to the subject securities; (2) the offer or sale of the securities; and (3) the use of interstate transportation or communication and the mails in connection with the offer or sale." Europe & Overseas Commodity Traders, S.A. v. Banque Paribas London, 147 F.3d 118, 124 (2d Cir. 1998) (quoting In re Command Credit Corp., No. 3-8674, 1995 SEC LEXIS 989, at *2 (S.E.C. Apr. 19, 1995)).

Scienter is not an element of a Section 5 violation. See Aaron, 446 U.S. at 714 n.5; SEC v. Johnston, No. 90-4189, 1992 U.S. App. LEXIS 17626 (10th Cir. July 28, 1996); SEC v. Universal Major Indus. Corp., 546 F.2d 1044, 1046 (2d Cir. 1976); SEC v. Lybrand, 200 F. Supp. 2d 384, 392 (S.D.N.Y. 2002); SEC v. Alpha Telecom Inc., 187 F. Supp. 2d 1250, 1258 (D. Or. 2002). In fact, Section 5 imposes strict liability on anyone who directly or indirectly violates its plain terms. See SEC v. Friendly Power Co., 49 F. Supp. 2d 1363, 1367 (D.D.C. 1997) (citing SEC v. Tuchinsky, 1992 U.S. Dist. LEXIS 13650 (S. D. Fla. 1992)); SEC v. Alliance Leasing Corp., 98-CV-1810-J(CGA), 2000 U.S. Dist. LEXIS 5227, at * 20 (S.D. Cal. Mar. 20, 2000) (concluding that a Section 5 violation does not require evidence of a specific intent to violate

the statute); SEC v. DCI Telecomms., 122 F. Supp. 2d 495, 501 (S.D.N.Y. 2000) (“regardless of intent defendants violated Section 5”); SEC v. Current Fin. Servs., 100 F. Supp. 2d 1, 5 (D.D.C. 2000) (Section 5 of the Securities Act imposes strict liability).

As set forth above, the notes and investment contracts Trigon and Palmer sold are securities. No registration statement has been filed as to those securities. Thus, Defendants violated Sections 5(a) and (c).

V. PALMER VIOLATED SECTION 15(a) OF THE EXCHANGE ACT

Section 3(a)(4) of the Exchange Act defines “broker” as “any person engaged in the business of effecting transactions in securities for the account of others.” The phrase “engaged in the business” connotes regular participation in securities transactions. Among the activities that indicate a person may be a broker are: solicitation of investors to purchase securities, involvement in negotiations between the issuer and the investor, and receipt of transaction-related compensation. See e.g. SEC v. Hansen, [1984 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 91,426 (S.D.N.Y. 1984). Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from making use of the mails or any means or instrumentality of interstate commerce to effect or attempt to induce transactions in securities unless registered with the Commission in accordance with Section 15(b). SEC v. United Monetary Servs., Inc., [1990 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 95,284 at 96,302 (S.D. Fla. 1990). Scienter is not required in order to prove a violation of Section 15(a). See id.; SEC v. Nat’l Executive Planners, Ltd., 503 F. Supp. 1066, 1073 (M.D.N.C. 1980).

Palmer was in the business of selling securities in the form of Notes and investment contracts, held himself out as a licensed securities professional and was engaged in the repeated sale of securities over a significant period of time. Palmer told investors he would be paid from

profits earned through his trading in excess of the 20 percent promised to investors. Palmer therefore is a “broker” as defined under the Exchange Act. Palmer is not registered with Commission in accordance with Section 15(b) nor is he associated with a registered broker or dealer. Palmer used the mails or instrumentalities of interstate commerce to induce investors to purchase securities in the form of Notes or investment agreements. As a result, Palmer violated Section 15(a) of the Exchange Act.

VI. THERE IS A REASONABLE LIKELIHOOD THAT THE DEFENDANTS WILL PERSIST IN THEIR ILLEGAL CONDUCT UNLESS ENJOINED

The Commission must establish the likelihood of future violations to obtain an injunction. SEC v. Murphy, 626 F.2d 633 (9th Cir 1980). The Commission must “go beyond the mere facts of past violations and demonstrate a realistic likelihood of recurrence.” SEC v. Commonwealth Chem. Sec., Inc., 574 F.2d 90, 100 (2d Cir. 1978). In ascertaining the likelihood of future violations, the Court should look at several factors, including the degree of scienter; the egregiousness of the violation; whether the defendant will have opportunities for future violations; and, whether the defendant has acknowledged wrongdoing and made sincere assurances against future violations. SEC v. Pros Int’l, Inc., 994 F.2d 767, 769 (10th Cir.1993) (citing SEC v. Youmans, 729 F.2d 413, 415 (6th Cir. 1984)); SEC v. Blatt, 583 F.2d 1325, 1334 n.29 (5th Cir.1978). Furthermore, in ascertaining the likelihood of future violations, the Court should look at “the totality of circumstances and factors suggesting that the infraction might not have been an isolated occurrence.” SEC v. Am. Realty Trust, 429 F. Supp. 1148, 1175 (E.D. Va. 1977) (reversed on other grounds by SEC v. Am. Realty Trust, 586 F.2d 1001 (4th Cir. 1978)); see also, SEC v. Fehn, 97 F.3d 1276, 1295-96 (9th Cir. 1996); Pros Int’l, 994 F.2d at 769 (citing Youmans, 729 F.2d at 415 (6th Cir. 1984)).

This was not an isolated instance. Defendants constructed an elaborate scheme to defraud investors over a period of years. Defendants are willing and able to continue their fraudulent behavior.

The Court should also consider “the likelihood that the defendant’s customary business activities might again involve him in such transactions.” SEC v. Suter, 732 F.2d 1294, 1301 (7th Cir. 1984); see also SEC v. Holschuh, 694 F.2d 130, 144 (7th Cir. 1982); SEC v. Zale Corp., 650 F.2d 718, 720 (5th Cir. 1981); Murphy, 626 F.2d at 655; Commonwealth Chem., 574 F.2d at 100. Defendants have been in the investment business since 1996. Palmer has supported his lavish lifestyle through raising money from investors over the last six years. He will have ample opportunity to repeat his conduct.

Although no single factor is determinative, the degree of scienter “bears heavily” on the decision. Pros Int’l., 994 F.2d at 769 (citing SEC v. Haswell, 654 F.2d 698, 699 (10th Cir. 1981)). As explained above, Defendants knew that their conduct defrauded numerous investors. Palmer admits to having run a Ponzi scheme. All of these factors, including a high degree of scienter, are present in the instant case.

VII. AN ASSET FREEZE IS NECESSARY TO PREVENT FURTHER DIVERSION AND DISSIPATION OF INVESTOR FUNDS AND TO PRESERVE THE STATUS QUO

To obtain an asset freeze, the Commission must show a prima facie case that a violation of the securities laws has occurred. See Unifund Sal, 910 F.2d at 1040-41; see also 15 U.S.C. §§ 77t(b) and 78u(d)(1). A freeze order may be obtained even without showing a likelihood of future violations. See Unifund Sal, 910 F.2d at 1041 (citing Commonwealth Chem., 574 F.2d at 103 n.13). The Commission's burden when seeking an asset freeze is lower than its burden when seeking a temporary restraining order or preliminary injunction against statutory violations,

because such injunctive relief raises the specter of future liability for contempt, while an asset freeze only preserves the status quo. See Unifund Sal, 910 F.2d at 1039. Unlike private litigants, the Commission need not show risk of irreparable injury or the unavailability of remedies at law in a request for preliminary relief. Id. at 1036.

The rationale for this rule is readily apparent. It requires little elaboration to make the point that the SEC appears in these proceedings not as an ordinary litigant, but as a statutory guardian charged with safeguarding the public interest in enforcing the securities laws. Hence, by making the showing required by statute that the defendant "is engaged or about to engage" in illegal acts, the Commission is seeking to protect the public interest, and "the standards of the public interest, not the requirements of private litigation, measure the propriety and need for injunctive relief."

Mgmt. Dynamics, 515 F.2d at 808-809 (quoting Hecht Co., 321 U.S. at 331).

As set forth above, the Commission has established a prima facie case that a violation of the federal securities laws has occurred. The evidence accompanying this memorandum demonstrates that Defendants defrauded at least 55 investors of over \$40 million in a blatant Ponzi scheme. Defendants used investor funds for personal expenses, to purchase snowmobiles, to build a \$12 million mansion and to pay Palmer an exorbitant salary. Palmer also transferred investor funds to family members, including an eleventh-hour transfer to his wife of an over \$400,000 cashier's check. Under those circumstances, an asset freeze is appropriate to conserve whatever remains of investors' funds.

Obtaining the asset freeze against Defendants on an ex parte basis is also necessary. In past cases involving fraud, when the Commission has provided defendants with notice of an application for a temporary restraining order containing an asset freeze, defendants have taken the opportunity to hide or dissipate investor funds. See e.g. Current Fin. Servs., 100 F. Supp. 2d 1 (D.D.C. 2000) (\$150,000 transferred to defense counsel); SEC v. Interlink Data Network of

Los Angeles, Inc., Civil No. 93 3073 R, 1993 U.S. Dist. LEXIS 20163 (C.D. Cal. Nov. 15, 1993) (\$25,000 transferred to defense counsel between notice of proposed application and entry of freeze order). This Court should not allow these Defendants the opportunity to transfer investor funds to hide them or pay for legal expenses.

VIII. THIS COURT SHOULD APPOINT A RECEIVER OVER THE ASSETS OF TRIGON AND ENTER A STAY OF LITIGATION

The Court's authority to appoint a receiver is well established and has been exercised in similar cases in the past. SEC v. R.J. Allen & Assocs., Inc., 386 F. Supp. 866, 878 (S.D. Fla. 1974). Courts have wide discretion to order equitable relief in SEC actions. In re San Vicente Med. Partners Ltd., 962 F.2d 1402, 1406 (9th Cir. 1992). "The Court may appoint a receiver on a prima facie showing of fraud and mismanagement." Current Fin. Servs., 783 F. Supp. at 1443. As set forth above, the Commission has already made a strong prima facie showing of fraud and mismanagement. Thus, a receiver is warranted.

Trigon raised over \$40 million from at least 55 investors in three states promising returns in excess of 20 percent per year in a riskless trading program. Instead of investing the funds in a trading program as represented, Defendants operated a classic Ponzi scheme. Investors' returns were paid from recently-received capital from new investors. Palmer paid himself \$25-35,000 per month and used investor funds for personal purposes, including building a \$12 million home. As a result, this Court should appoint a Receiver over Trigon and related entities.

A stay of litigation is also appropriate under the circumstances here. In determining appropriate relief, this Court possesses the power to "issue a variety of ancillary relief measures," including ordering a stay of all pending and future litigation. SEC v. Wencke, 622 F.2d 1363, 1369 & 1371 (9th Cir. 1980). The Court's power to issue the requested stay is based on its well-

established inherent powers. Id. at 1369, accord SEC v. Acorn Tech. Fund, L.P., 429 F.3d 438, 442-43 (3rd Cir. 2005); SEC v. Merrill Scott & Assocs., Ltd., 2007 WL 26981, at *1, No. 2:02-CV-39 (D. Utah Jan. 3, 2007). This power can also be said to have derived from the All-Writs Act, which gives federal courts power to “issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law,” including the power to stay the prosecution of lawsuits. 28 U.S.C. § 1651(a). That authority facilitates the “strong federal interest in insuring effective relief in SEC actions brought to enforce the securities laws.” Wencke, 622 F.2d at 1372.

Without a stay of litigation, some more sophisticated investors may resort to executing against defendants’ assets in order to obtain the lion’s share of any potential recovery. In addition, defendants’ outstanding creditors may take action to obtain control of assets that the Commission has yet to identify as a source of funds to repay investors. An asset freeze, coupled with the stay of litigation, will allow the receiver to evaluate meticulously potential avenues of recovery of investor funds and to determine a fair and equitable distribution of Defendants’ assets.

IX. AN ORDER EXPEDITING DISCOVERY IS APPROPRIATE

The Commission seeks to depose witnesses, subpoena documents and take other discovery. Due to the threat of funds being removed and the fraud continuing, the Commission has brought this action expeditiously. Prompt resolution of this matter is critical to prevent further violative conduct. Expedited discovery of matters concerning Defendants’ activities in connection with the sale of securities will permit the Commission to effectuate any Order entered

by this Court freezing assets and promptly ascertain the appropriate disposition of such funds.

Accordingly, the Commission has requested that expedited discovery be permitted in the manner described in the order.

**X. THIS COURT SHOULD ISSUE AN ORDER PREVENTING THE
ALTERATION OR DESTRUCTION OF DOCUMENTS**

Defendants have already shown the lengths to which they will go to avoid compliance with the federal securities laws. To protect the documents necessary for full discovery in this matter, the Commission seeks an order preventing the alteration or destruction of documents: good faith preservation of documents cannot be assumed. Such an Order is appropriate to protect the integrity of this litigation.

XI. CONCLUSION

Based on the forgoing, the Commission respectfully requests this Court to grant the Motion for a Preliminary Injunction, appoint a receiver, enter an Order freezing Defendants' assets, expediting discovery and preventing the destruction of documents.

Respectfully submitted this 26th day of February 2009.

/s/ Karen L. Martinez

Karen L. Martinez
Thomas M. Melton
Tanya G. Beard
Attorneys for Plaintiff
Securities and Exchange Commission

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

MAY 02 1997

No. C9359-97

Dean Heller
DEAN HELLER, SECRETARY OF STATE

ARTICLES OF INCORPORATION OF

TRIGON GROUP,

ARTICLE I. NAME

Filed in the office of <i>Dean Heller</i>	Document Number C9359-1997-001
Dean Heller Secretary of State State of Nevada	Filing Date and Time 05/02/1997 12:00 AM
	Entity Number C9359-1997

The name of the Corporation shall be:

TRIGON GROUP, INC.

ARTICLE II. RESIDENT AGENT

The resident agent of the Corporation shall be located in the State of Nevada, County of Clark, City of Las Vegas at the following address:

ACORN CORPORATE SERVICES, INC.
2001 E. FLAMINGO RD, SUITE 100-G, LAS VEGAS, NV 89119

ARTICLE III. NATURE OF BUSINESS

The nature of the business shall be to engage in any lawful activities under the laws of the State of Nevada.

ARTICLE IV. DURATION:

The duration of the Corporation's life shall be perpetual.

ARTICLE V. STOCK:

The total authorized capital stock of the corporation shall be Twenty-Four Million (24,000,000) shares of Common stock with \$0.001 par value, and One Million (1,000,000) shares of Preferred stock with \$0.001 par value.

ARTICLE VI. BOARD OF DIRECTORS:

The Governing Board of the Corporation shall be denominated the "Board of Directors" therefore, and shall initially be composed of 1 individual, who shall be denominated a "Director" of the Corporation, with the mailing address listed herein:

Dean L. Palmer, 2001 E. Flamingo Rd., Suite 100-G, Las Vegas, NV 89119

EXHIBIT 1

ARTICLE VII. POWERS OF GOVERNING BOARD:

The Governing Board of the Corporation is specifically granted by these Articles of Incorporation all powers permitted to be vested in the Governing Board of the Corporation by the provisions of Nevada Revised Statutes 78.195, including, but not limited to, the powers to fix and determine designations, rights (with respect to voting redemption, sale, or otherwise), or other variations of each class or series within each class of stock issued by the corporation; to issue rights, options, or warrants to purchase shares of any class or series within any class of the capital stock of the Corporation at any time under any terms and conditions deemed proper by said Governing Board; to fix dividends and to determine their proper distribution (and order of distribution) among the holders of the various classes of capital stock of the Corporation; to require the redemption of fractional shares of stock of any class or series and to issue payment in cash for such fractional shares of stock of any class, or to permit a holder of a fractional share to retain such interest; to permit conversion of any class or series of stock into stock of any other class or series, with any consideration deemed to be appropriate or with no consideration at all; to make any share belonging to a Special or Preferred class or series of stock subject to redemption at such times and prices, or issued in such series with such designation, preferences, and relative, participating, optionals, or other special rights, or qualifications, limitations, or restrictions thereof, as shall be determined by the Governing Board; to change the par value of the shares of any class or series, so long as the change is accompanied by the filing of appropriate amendments with Nevada and Clark County authorities; to change the form of Common stock voting for the Governing Board from non-cumulative, which shall be the form of voting at the outset, to cumulative; to exchange shares of any class or series of voting at the outset, to cumulative; to exchange shares of any class or series at anytime for shares, assets, or business of any other Corporation, or for the assets or business of any private company however organized; to authorize and issue dividends at any time in any form, including, but not limited to, warrants, options, or rights to purchase shares of any class or series of stock as authorized by the Governing Board, cash, shares of any class or series, or ownership (however denominated); in any Company or Corporation "spun-off" by this Corporation without regard to its business purpose; to authorize acquisition of or merger with any business or Company, however organized, on any terms determined to be prudent by the Governing Board; or, within the limitations of State and Federal law, to permit or restrict the free-tradeability of the shares of any class or series of shares at the time of the issuance thereof.

ARTICLE VIII. NON-ASSESSABILITY FOR CORPORATION DEBTS:

After the amount of the subscription, price, the purchase price, or the par value of the stock of any class or series is paid into the Corporation, owners or holders of shares of any stock in the Corporation may never be assessed to pay the debts of the Corporation.

ARTICLE IX. INCORPORATOR:

The name and address of the Incorporator of this Corporation is as follows:

J. Scott Scheuerman, 14675 Interurban Ave South, Seattle, WA 98168

ARTICLE X. CORPORATE POWERS:

The Corporation wishes to assert all possible powers exercisable by it as a Corporation or as an individual under the laws of the State of Nevada, including, but not limited to, any powers to create, define, limit, or regulate in any permitted area; any powers to own, trademark, patent, or govern its own business products or affairs; any powers to act in any business name under which it may legally operate; and any powers to accrue, automatically such additional or new powers as may be prescribed by any Federal or State Statute which may be enacted now or in the future.

ARTICLE XI. LIABILITY OF DIRECTORS:

As fully as possible under the laws of the State of Nevada as they now exist and as they may from time to time be revised, the Corporation intends that its Directors be protected from legal action by stockholders or to other persons (natural or otherwise) on account of service as Directors of the Corporation. A Director shall not be liable for damages for actions of the Corporation to stockholders or to any other person (natural or otherwise) unless such Director engaged in personal fraud affecting such action or actions of the Corporation.

ARTICLE XII. LIABILITY OF OFFICERS:

As fully as possible under the laws of the State of Nevada as they now exist and as they may from time to time be revised, the Corporation intends that its Officers be protected from legal action by stockholders or to other persons (natural or otherwise) on account of service as Officers of the Corporation. An Officer shall not be liable for damages for actions of the Corporation to stockholders or to any other person (natural or otherwise) unless such Officer engaged in personal fraud affecting such action or actions of the Corporation.

IN WITNESS WHEREOF, the incorporator hereof does set his/her hand this 14 day
of April, 1997.

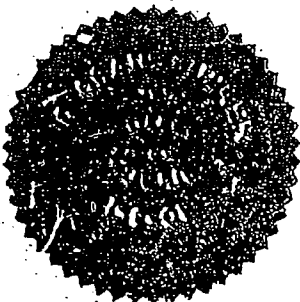
J. Scott Scheuerman
J. SCOTT SCHEUERMAN

STATE OF WASHINGTON }
 }
COUNTY OF KING)

On this 14 day of April, 1997, before me, the undersigned Notary Public,
J. Scott Scheuerman personally appeared to me known to be the individual described in and
who executed the foregoing instrument, and acknowledged that he executed the same as his
free act and deed.

D. Craig Barker
NOTARY PUBLIC

My Commission Expires 11 9 01



FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

MAY 02 1997

**CERTIFICATE OF ACCEPTANCE OF APPOINTMENT
BY RESIDENT AGENT**

No. C935497

In the matter of TRIGON GROUP, INC.
Name of Corporation

DEAN HELLER, SECRETARY OF STATE

I, ACORN CORPORATE SERVICES, INC. with address at 2001 E. Flamingo Rd, Suite 100-G Town of Las Vegas, County of Clark, Zip Code 89119, State of Nevada, hereby accept the appointment as Resident Agent of the above-entitled corporation in accordance with NRS 78.090.

Furthermore, that the mailing address for the above registered office is:
2001 E. Flamingo Rd, Suite 100-G
Las Vegas, Nevada 89119

I witness whereof, I have hereunto set my hand this 17 day of April, 1997.

ACORN CORPORATE SERVICES, INC.

BY J. Scott Scherman, Pres
Resident Agent

Trigon Group, Inc.
A Nevada CORPORATION.

FOR THE FILING PERIOD 5/97 TO 5/98

The Corporation's duly appointed Resident Agent in the State of Nevada upon whom process can be served is:

Acom Corporate Services, Inc.
3885 S Decatur, Suite 2010
Las Vegas, NV 89103

FOR OFFICE USE ONLY

FILED (DATE)

Filed in the office of <i>Dean Heller</i> Dean Heller Secretary of State State of Nevada	Document Number 20080815934-40 Filing Date and Time 07/16/1997 9:56 AM Entity Number C9359-1997
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JUL 16 1997

☐ IF THE ABOVE INFORMATION IS INCORRECT, PLEASE CHECK THIS BOX AND A CHANGE OF RESIDENT AGENT/ADDRESS FORM WILL BE SENT.

PLEASE READ INSTRUCTIONS BEFORE COMPLETING AND RETURNING THIS FORM.

1. Print or type names and addresses, either residence or business, for all officers and directors. A president, secretary, treasurer and at least one director must be named.
2. Have an officer sign the form. FORM WILL BE RETURNED IF UNSIGNED.
3. Return the completed form with the \$85.00 filing fee. A \$15.00 penalty must be added for failure to file this form within 60 days from the date of incorporation.
4. Make your check payable to the Secretary of State. If you need a receipt, enclose a self-addressed stamped envelope. To receive a certified copy, enclose a copy of this completed form, an additional \$10.00 and appropriate instructions.
5. Return the completed form to: Secretary of State, Capitol Complex, Carson City, NV 89710, (702) 687-5105

FILING FEE: \$85.00 LATE PENALTY: \$15.00

THIS FORM MUST BE FILED 60 DAYS FROM THE DATE OF INCORPORATION

No. *Dean Heller*
DEAN HELLER, SECRETARY OF STATE

NAME <i>Dean L. Palmer</i>	TITLE(S) PRESIDENT
P.O. BOX	STREET ADDRESS <i>17 W. 1500 N.</i> CITY <i>Rexberg</i> ST <i>ID</i> ZIP <i>83446</i>
NAME <i>Daren L. Palmer</i>	TITLE(S) SECRETARY
P.O. BOX	STREET ADDRESS <i>249 Colonial Way</i> CITY <i>Idaho Falls</i> ST <i>ID</i> ZIP <i>83404</i>
NAME <i>Daren L. Palmer</i>	TITLE(S) TREASURER
P.O. BOX	STREET ADDRESS <i>249 Colonial Way</i> CITY <i>Idaho Falls</i> ST <i>ID</i> ZIP <i>83404</i>
NAME <i>Dean L. Palmer</i>	TITLE(S) DIRECTOR
P.O. BOX	STREET ADDRESS <i>17 W. 1500 N</i> CITY <i>Rexberg</i> ST <i>ID</i> ZIP <i>83446</i>
NAME <i>Daren L. Palmer</i>	TITLE(S) DIRECTOR
P.O. BOX	STREET ADDRESS <i>249 Colonial Way</i> CITY <i>Idaho Falls</i> ST <i>ID</i> ZIP <i>83404</i>
NAME	TITLE(S) DIRECTOR
P.O. BOX	STREET ADDRESS CITY ST ZIP

I hereby certify the 60 day list.

Signature of officer

Dean L. Palmer

President
Title(s)

July 1-97
Date

(PROFIT) ANNUAL LIST OF OFFICERS, DIRECTORS AND RESIDENT AGENT OF

FILE NUMBER

TRIGON GROUP, INC.

C9359-1997

(Name of Corporation)

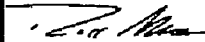
FOR THE FILING PERIOD OF 5/2008

TO 5/2009

The corporation's duly appointed resident agent in the State of Nevada upon whom process can be served is:

ACORN CORPORATE SERVICES, INC.
3225 MCLEOD DR #110
LAS VEGAS, NV 89121

Filed in the office of



Ross Miller
Secretary of State
State of Nevada

Document Number

20080339615-87

Filing Date and Time

05/19/2008 9:43 AM

Entity Number

C9359-1997

(This document was filed electronically.)

THE ABOVE SPACE IS FOR OFFICE USE ONLY

☐ CHECK BOX IF YOU REQUIRE A FORM TO UPDATE YOUR RESIDENT AGENT INFORMATION

Important: Read instructions before completing and returning this form.

1. Print or type names and addresses either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors and all directors must be named. Have an officer sign the form. **FORM WILL BE RETURNED IF UNSIGNED**
2. If there are additional directors attach a list of them to this form.
3. Return the completed to* with the filing fee: A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 90 days before its due date shall be deemed an amended list for the previous year.
4. Make your check payable to the Secretary of State. Your cancelled check will constitute a certificate to transact business per NRS 78.155. To receive a certified copy, enclose an additional \$30.00 and appropriate instructions.
5. Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, NV 897014201, (775) 884-5708.
6. Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due, (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties.

CHECK ONLY IF APPLICABLE

☐ This corporation is a publicly traded corporation. The Central Index Key number is:

☐ This publicly traded corporation is not required to have a Central Index Key number.

NAME	TITLE(S)		
A.T. MATHIS (NOMINEE)	PRESIDENT (OR EQUIVALENT OF)		
ADDRESS	CITY	St	Zip
3225 MCLEOD DR #100	LAS VEGAS	NV	89121
NAME	TITLE(S)		
A.T. MATHIS (NOMINEE)	SECRETARY (OR EQUIVALENT OF)		
ADDRESS	CITY	St	Zip
3225 MCLEOD DR #100	LAS VEGAS	NV	89121
NAME	TITLE(S)		
A.T. MATHIS (NOMINEE)	TREASURER (OR EQUIVALENT OF)		
ADDRESS	CITY	St	Zip
3225 MCLEOD DR #100	LAS VEGAS	NV	89121
NAME	TITLE(S)		
A.T. MATHIS (NOMINEE)	DIRECTOR		
ADDRESS	CITY	St	Zip
3225 MCLEOD DR #100	LAS VEGAS	NV	89121

I declare, to the best of my knowledge under penalty of perjury, that the above mentioned entity has complied with the provisions of NRS 350.780 and acknowledge that pursuant to NRS 235.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

Signature of Officer

T. MATHIS

Title: PRESIDENT ON BEHALF OF TRIGON GROUP, INC.

Date: 5/19/2008 9:24:18 AM

TRIGON GROUP, INC.

Business Entity Information

Status:	Active	File Date:	5/2/1997
Type:	Domestic Corporation	Corp Number:	C9359-1997
Qualifying State:	NV	List of Officers Due:	5/31/2009
Managed By:		Expiration Date:	

Registered Agent Information

Name:	ACORN CORPORATE SERVICES	Address 1:	3225 MCLEOD DRIVE #110
Address 2:		City:	LAS VEGAS
State:	NV	Zip Code:	89121
Phone:		Fax:	
Mailing Address 1:		Mailing Address 2:	
Mailing City:		Mailing State:	NV
Mailing Zip Code:			
Agent Type:	Commercial Registered Agent - Corporation		
Jurisdiction:	NEVADA	Status:	Active

Financial Information

No Par Share Count:	0	Capital Amount:	\$ 25,000.00
Par Share Count:	25,000,000.00	Par Share Value:	\$ 0.001

Officers

☐ Include Inactive Officers

President - A.T. MATHIS (NOMINEE)

Address 1:	3225 MCLEOD DR #100	Address 2:	
City:	LAS VEGAS	State:	NV
Zip Code:	89121	Country:	
Status:	Active	Email:	

Secretary - A.T. MATHIS (NOMINEE)

Address 1:	3225 MCLEOD DR #100	Address 2:	
City:	LAS VEGAS	State:	NV
Zip Code:	89121	Country:	
Status:	Active	Email:	

Treasurer - A.T. MATHIS (NOMINEE)

Address 1:	3225 MCLEOD DR #100	Address 2:	
City:	LAS VEGAS	State:	NV
Zip Code:	89121	Country:	
Status:	Active	Email:	

Director - A.T. MATHIS (NOMINEE)

Address 1:	3225 MCLEOD DR #100	Address 2:	
City:	LAS VEGAS	State:	NV
Zip Code:	89121	Country:	
Status:	Active	Email:	

Actions\Amendments

Action Type:	Articles of Incorporation		
Document Number:	C9359-1997-001	# of Pages:	5
File Date:	05/02/1997	Effective Date:	

(No notes for this action)			
Action Type:	Registered Agent Address Change		
Document Number:	C9359-1997-003	# of Pages:	1
File Date:	05/29/1997	Effective Date:	
ACORN CORPORATE SERVICES, INC. SUITE 100G EEG			
2001 EAST FLAMINGO ROAD LAS VEGAS NV 89119 EEG			
Action Type:	Initial List		
Document Number:	20080815934-40	# of Pages:	1
File Date:	07/16/1997	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	C9359-1997-010	# of Pages:	2
File Date:	06/24/1998	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	C9359-1997-009	# of Pages:	3
File Date:	06/15/1999	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	C9359-1997-011	# of Pages:	1
File Date:	06/01/2000	Effective Date:	
(No notes for this action)			
Action Type:	Registered Agent Address Change		
Document Number:	C9359-1997-004	# of Pages:	1
File Date:	06/20/2000	Effective Date:	
ACORN CORPORATE SERVICES, INC. SUITE 2010 APN			
3885 S. DECATUR LAS VEGAS NV 89103 APN			
Action Type:	Annual List		
Document Number:	C9359-1997-006	# of Pages:	1
File Date:	06/04/2001	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	C9359-1997-008	# of Pages:	1
File Date:	07/29/2002	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	C9359-1997-007	# of Pages:	1
File Date:	04/28/2003	Effective Date:	
(No notes for this action)			
Action Type:	Registered Agent Address Change		
Document Number:	C9359-1997-005	# of Pages:	1
File Date:	07/31/2003	Effective Date:	
ACORN CORPORATE SERVICES, INC. KFA			
3885 SOUTH DECATUR BLVD STE 2010 LAS VEGAS NV 89103 KFA			
Action Type:	Annual List		
Document Number:	C9359-1997-002	# of Pages:	1
File Date:	05/14/2004	Effective Date:	
List of Officers for 2004 to 2005			
Action Type:	Annual List		
Document Number:	20050211598-03	# of Pages:	1
File Date:	05/27/2005	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		

Document Number:	20060309081-59	# of Pages:	1
File Date:	05/15/2006	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	20070347419-57	# of Pages:	1
File Date:	05/18/2007	Effective Date:	
(No notes for this action)			
Action Type:	Annual List		
Document Number:	20080339615-87	# of Pages:	1
File Date:	05/19/2008	Effective Date:	
(No notes for this action)			

BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO

In the Matter of:)
)
Daren L. Palmer, Trigon, Inc.)
Blackrock Limited, LLC,) DOCKET NO. 2008-7-02
Palmer Trading & Investments,))
LLC, and Pinnacle Company,)
LLC,)
)
)

January 27, 2009
9:00 a.m.
800 Park Blvd.
Boise, Idaho

INVESTIGATIVE TESTIMONY OF DAREN L. PALMER

Reported by: M.D. WILLIS, INC.
M. DEAN WILLIS Certified Shorthand Reporters
CSR NO. 95 P.O. Box 1241
Prepared for: Eagle, Idaho 83616
DEPARTMENT OF FINANCE (208) 855-9151
ORIGINAL)

1 own and really have been doing that since.

2 Q What type of business was American General?

3 A It's a finance company.

4 Q And was that in Idaho?

5 A Idaho Falls.

6 Q I have a number of documents that I would like
7 to enter into the record and the first group of documents
8 relate to a company by the name of Trigon Group,
9 Incorporated. And I'd like to have the reporter mark this
10 as Exhibit 1.

11 (Exhibit No. 1 marked.)

12 I have handed you what we have marked as Exhibit
13 1. It's a multi-page document -- it looks like about a
14 ten page document marked as Exhibit 1. Would you take a
15 look at that, Mr. Palmer, and tell us if you are familiar
16 with those documents or whether you are familiar with that
17 particular company and what its name is and what it is?

18 A I am familiar with this. This is a --

19 Q Can you state for the record what those
20 documents are and what they relate to?

21 A It's an organization of a corporation found in
22 -- founded in Nevada in 1997 between my father and I.

23 Q And that is Trigon Group, Incorporated?

24 A It is.

25 Q Is that a company that was started by you or by

1 your father?

2 A It was just both of us. We just -- he helped me
3 get started.

4 Q Okay. And is that corporation still in
5 existence today?

6 A It is.

7 Q Okay. And in 1997 what was the purpose for the
8 beginning of that corporation?

9 A We were just going to use it to do business in.
10 Transact business in.

11 Q Okay. And what type of business were you
12 intending to transact at that time?

13 A We thought we might just -- he and I put money
14 in the -- in this company to continue doing what I had
15 been doing as part of the trading that I had been doing.

16 Q Okay. And when you say trading, what do you
17 mean by that?

18 A I would trade indexes. Stock.

19 Q Okay. And you would trade that on an index
20 exchange or through another broker?

21 A Through another broker.

22 Q Who are the current managers or officers and
23 directors of that corporation?

24 A I believe my father is still on it, but I am --
25 I am the -- it's just he and I. But I'm the only one that

1 these types of firms in your own personal name?

2 A I had a stock account in my own personal name.

3 Q Who was that with?

4 A Fidelity.

5 Q Okay. As far as your futures trading business,
6 did you ever have any futures trading accounts in your own
7 name?

8 A If I did I don't think I ever -- I don't think I
9 ever did anything with it if I did. I did have a -- there
10 is a -- what's the name of it -- Trade Station. I don't
11 know if it's Trade Station -- is the name of the account,
12 though, but -- and I don't know if that was in my name or
13 if that was in Trigon's name, but --

14 Q So, is it fair to say that most, if not -- well,
15 let's just say most of your trading was through Trigon
16 Group?

17 A Yes.

18 Q Where did you learn to do this type of trading?

19 A Started in school at the University of Utah and,
20 then, I learned from other traders.

21 Q So, it was something that you have gained an
22 interest in during your education?

23 A It was.

24 Q Okay. So, you started in 1997. What was your
25 father Dean Palmer's participation in this? Was he also

1 trading or was he --

2 A No. No. Just -- just put some money in to
3 fund.

4 Q So, he was helping you to get started in the
5 business?

6 A Yes. Yes.

7 Q Okay. So, when you first started in 1997, do
8 you think you started with Global Futures?

9 A No.

10 Q Would it have been with Whitworth?

11 A No. I -- you know, I don't remember who it was.

12 Q Okay. Do you remember when you started with
13 Global Futures?

14 A Maybe 2000, 2001. I don't know.

15 Q So, they were possibly not the first company you
16 started trading with?

17 A I -- yeah. I -- it was probably -- I don't
18 know. It was probably 2000, but I'm not sure who was
19 before that. I only think -- let's see. I'm thinking --
20 I'm confused, because I'm thinking Mann was a clearing
21 firm, but maybe that's who I initially started with. I
22 don't recall.

23 Q Do you have documents in your possession related
24 to your early trading?

25 A I don't.

1 Q You said that you had picked up an interest in
2 this trading during college and that you had learned from
3 some actual traders. What was your -- can you describe to
4 us your basic philosophy in how you did your trading?

5 MR. BARKER: I will just object, because it's so
6 vague. But if you understand, go ahead and give it a
7 shot.

8 THE WITNESS: Well, it's -- the problem is is that
9 it's evolved and changed over time.

10 BY MR. MARTIN:

11 Q Okay. So, would you explain to me a typical
12 trade? If you were to enter a trade, you're buying -- are
13 you buying or selling or short or long?

14 A Typically -- I mean as of late there would be a
15 hedge where you take a position and, then, you offset it
16 with another position, wait for the market to move and,
17 then, you'd take profit in -- on part of that position,
18 but, then, you have to manage your way back out of another
19 -- of the other position. So, that's, in essence, what
20 would happen.

21 Q So, were you doing puts and calls on either
22 side?

23 A No. No. Using mainly futures.

24 Q Okay. Did you do any options trading?

25 A I have done options trading.

1 A I have learned -- I learned some techniques from
2 George Angel. That was --

3 Q Did you attend any formal schools or training in
4 this area?

5 A Joe Ross had -- has some of that. Yeah.

6 Q Okay. So, he provided training for this type of
7 trading?

8 A Uh-huh.

9 Q Now, at some point you began to trade money for
10 other investors. Do you remember when that started?

11 A It might have been around 2000.

12 Q And do you remember who was your first investor
13 or who gave you money to trade?

14 A It was either Duane Yost or Gerald Taylor.

15 Q Okay. And how did you become acquaint with
16 Gerald Taylor?

17 A Friend of the family.

18 Q So, you had known him a long time before this?

19 A A long time.

20 Q And what was the nature of that arrangement with
21 Mr. Taylor?

22 A He loaned me some money to trade.

23 Q Okay. So, at some point he knew about what you
24 were doing in the trading market?

25 A Yes.

1 Q Did you approach him on that?

2 A Actually, I think he -- just through our family
3 heard what I was doing and wanted to speak with me.

4 Q Okay. And did you have a contract -- a
5 contractual agreement with him? Did you sign a contract
6 with him?

7 A I signed several notes with him.

8 Q Okay. And do you have copies of those?

9 A I think I brought what I had with me today.

10 Q Okay. So, what type of a contractual
11 arrangement did you have with him?

12 A Essentially a promissory note.

13 Q So, he loaned you a certain amount of money and
14 you were going to trade that for him?

15 A Yes.

16 Q Okay. Did you make any representations to him
17 regarding how well you might do with those trades?

18 A I don't recall. That was a long time ago.

19 Q How about Mr. Yost? How did you become
20 acquainted with Mr. Yost? You said he was your
21 brother-in-law?

22 A Yeah.

23 Q Was he your brother-in-law prior to your
24 business acquaintance with him?

25 A Yeah.

1 Q And did you have a contractual arrangement with
2 him as far as this trading goes?

3 A Same scenario as Gerald Taylor.

4 Q So, he would loan you money and you would trade
5 that?

6 A Yeah.

7 Q What type of success have you had in trading --
8 in this trading program prior to bringing in outside
9 investors?

10 A I had had -- I had mixed results early and,
11 then, I was able to start generating good income.

12 Q And when these two specific individuals,
13 Mr. Yost and Mr. Gerald Taylor, loaned you money, what
14 type of experience did you have trading for them?

15 A Initially I think it went pretty good.

16 Q Did they subsequently give you more money to
17 invest?

18 A They did.

19 Q Okay. After Mr. Gerald Taylor and Mr. Yost, how
20 did you come to have other investors give you money for
21 trading?

22 MR. BARKER: I need to take a break and talk to my
23 client briefly.

24 MR. MARTIN: Okay. We will go off the record.

25 (A recess was had.)

1 BY MR. MARTIN:

2 Q Okay. We will go back on the record after a
3 short break, so that Mr. Palmer could consult with his
4 attorney. Continuing on with these initial investors,
5 what was the purpose of establishing this as a promissory
6 note?

7 A They were lenders to me. They lent me the
8 money.

9 Q Okay. Now, after that time there were quite a
10 number of individuals who put money into your trading
11 program. Do you remember -- or can you tell us the total
12 number of individuals who gave you money to use in your
13 trading program?

14 A Individuals that actually gave me money?

15 Q Yes.

16 A Fifteen to seventeen, probably.

17 Q Okay. I'd like to ask you specifically about
18 some of these individuals. Did you receive money from
19 Russell Barrett?

20 A I did not know I did, no.

21 Q And when you say you did not know you did, can
22 you explain that to me?

23 A Yeah. It was part of the -- whatever Dual
24 Funding was or Yost Group or whatever. I don't know.

25 Q Okay. Let's cover that. What -- you had an

1 arrangement with Duane Yost and one or more of his
2 companies to provide money for your trading program; is
3 that correct?

4 A He would -- he -- he found people that wanted to
5 participate and they would, essentially, do the same thing
6 that we were doing.

7 Q Okay. So, it was your understanding that
8 investors would give him money and, then, he would pass
9 that money through to you to make investments in this
10 trading program?

11 A He would lend me the money.

12 Q Okay. So, explain that to me. I think I'm
13 understanding that the money you have received from Duane
14 Yost for trading in your program came from one of his
15 companies as a specific investment from his company?

16 A As a loan from one of his companies.

17 Q Okay.

18 A I had promissory notes to them.

19 Q And have you provided us with a copy of that?

20 A Whatever I had I -- yeah. I know I think he's
21 got those as well.

22 Q So, you were aware that Mr. Yost was bringing
23 investors in to his company for the purpose of investing
24 in your trading program?

25 A Yeah.

1 Q Would Russell Barrett have been one of those
2 individuals that gave money to Yost?

3 A He would have had to have been, because he was
4 not -- he did not deal directly with me.

5 MR. BARKER: What was that name again you were
6 talking about?

7 MR. MARTIN: Russell Barrett.

8 MR. BARKER: Thank you.

9 BY MR. MARTIN:

10 Q How about Mr. Bud -- Wright Bud?

11 A Bud Wright.

12 Q Is it Bud Wright?

13 A It is.

14 Q Did he give you money for this trading program?

15 A He did.

16 Q Okay. Did you have a promissory note with him?

17 A Yes.

18 Q How did you become acquainted with Bud Wright?

19 A He's a neighbor.

20 Q Okay. And how did he come to know about your
21 trading program?

22 A I don't know.

23 Q Would you have spoken to him about it prior to
24 the time that he made his investment?

25 A Oh, I may have. I don't know if I or Duane or

1 somebody -- or he may have heard something. I don't know.

2 Q Do you know how much he invested?

3 MR. BARKER: I'm going to object to using the word
4 invested, since it's not been established that it was an
5 investment. But go ahead if you know.

6 BY MR. MARTIN:

7 Q Are you making a distinction in your own mind
8 between a promissory note and an investment?

9 A Yeah.

10 Q And all of the individuals that you brought in
11 to your trading program, did they all sign promissory
12 notes?

13 A I don't know if they have all signed promissory
14 notes or not.

15 Q And is it --

16 A I'm pretty sure that -- to the best of my
17 recollection they have.

18 Q So, is it your understanding that all of these
19 investors understand that they have made loans to you?

20 A (No oral response.)

21 Q Is that a yes?

22 A Yes.

23 Q And what was the -- what are the provisions of
24 these loans or these promissory notes? Is there an
25 interest rate and a pay back period established?

1 MR. BARKER: I'll just object that the documents
2 speak for themselves. You can answer if you know.

3 THE WITNESS: Okay.

4 MR. MARTIN: Can you answer that question?

5 THE WITNESS: I think that it may vary from note to
6 note, but I -- I don't know. We'd have to look at each
7 one.

8 BY MR. MARTIN:

9 Q Okay. Would there be any reason that these --
10 that any one of these investors might believe that they
11 have made an investment with you, with an expectation of a
12 20 percent return on trading profits?

13 A I still in my mind consider what they did a
14 loan.

15 Q Okay. Did you ever promise or state to any of
16 these investors that they could receive a 20 percent rate
17 of return using your trading program?

18 A I have mentioned that it was possible.

19 Q Okay. Would they -- would there be any reason
20 from what you have stated to them that they would believe
21 that that was a fairly sure bet?

22 A I signed a promissory note with them.

23 Q Does the promissory note indicate a 20 percent
24 return?

25 A I don't know if any of them do. That's why I

1 profit there was.

2 Q Okay. So, when the profit reached a certain
3 amount or a specific figure, you would take a portion of
4 that or anything above that? How did that work?

5 A That's typically how it went.

6 Q Okay. So, what would you normally tell them?

7 A Typically it would be, you know, anything above
8 the -- you know, 18 to 20 percent range.

9 Q And anything above that would be your profit on
10 this thing?

11 A Uh-huh.

12 Q And in order to make this profit you would have
13 to do this trading program?

14 A I would have to produce. Yes.

15 Q What was -- what did you tell these people would
16 happen if there were losses in the account? Would you
17 share in the losses?

18 A I don't know if we had those discussions.

19 Q Did you make these investors aware that there
20 was a possibility that they could lose money in this
21 program?

22 A I don't know.

23 Q When you discussed the trading program -- I
24 assume that you spent some time with each of -- at least
25 each of your investors explaining the program to them?

1 A That would be Duane.

2 Q And how about a right way? Is that --

3 A That's the family.

4 Q Okay.

5 A That would be Duane.

6 Q And did you -- did Duane Yost have any personal
7 trading accounts with Trigon?

8 A Just his -- just his -- I think called it Yost
9 Group or something.

10 Q Now, we -- you had looked at a previous
11 document, which was a filing document for Dual Funding.
12 Is it your understanding that that was Duane Yost's
13 company?

14 A He and I believe it was Allan Wright.

15 Q Okay. And did Dual Funding have an account with
16 Trigon?

17 A Yeah. That's where Duane had -- yeah.

18 Q Okay. And so it's your testimony that all of
19 these individuals that you brought in personally and
20 talked to prior to making their investment, received
21 similar statements from you at the time of their
22 investments?

23 A Yes.

24 Q Now, you had indicated that in some of these
25 specific cases that not all of their money was used for

1 trading. Is that the same with all these investors that
2 you brought in?

3 A No.

4 Q Some of them their entire funds were used for
5 trading?

6 A Uh-huh.

7 Q Do you remember which ones those were?

8 A I don't.

9 Q Now, when their funds were not all used for
10 trading, what were the -- was some of the funds used for
11 trading?

12 A Yes.

13 Q And what was the balance of the funds used for?

14 A Tried to meet obligations to other people.

15 Q Would you have used funds received from some of
16 these investors to make profit payments to other
17 investors?

18 A Yes.

19 Q Would that be in the form of profit or interest
20 or principal?

21 A Both principal and interest.

22 Q Okay. How about for profit, trading profit?

23 A Probably.

24 Q Did you use any of these funds for personal
25 expenses?

1 A I may have. Yeah.

2 Q Did you ever disclose the risk of futures
3 trading with these investors?

4 A I'm -- I'm sure we -- I discussed it. I don't
5 know with everybody, but I'm sure we discussed something
6 like that.

7 Q So, there would have been some individuals that
8 you did not discuss risk factors with?

9 A Probably.

10 Q Did you discuss the use of the proceeds with
11 these investors?

12 A With the people that lent me money.

13 Q Okay. And was it their understanding that the
14 -- that their entire funds would be used for trading?

15 MR. BARKER: I'll object to him guessing what their
16 understanding was.

17 MR. MARTIN: Excuse me?

18 MR. BARKER: I'm sorry. I object to asking him to
19 guess what their understanding was.

20 MR. MARTIN: Okay.

21 MR. BARKER: Perhaps we can reword it.

22 BY MR. MARTIN:

23 Q When you talked to these individual -- these
24 individuals prior to their making there investments, did
25 you tell them or represent to them that their proceeds

1 would all be used for trading?

2 A When they lent me money I'm -- I don't know if
3 all of them had that -- if we had that discussion. But I
4 did with some, I know that.

5 Q When you would talk to these people would you
6 give them any indication of what your expertise was in
7 this field? Did you tell them you had training in the
8 futures trading?

9 A Uh-huh.

10 Q And --

11 A Some of them I did I'm sure. Yeah.

12 Q Who is George Hefferman?

13 A Heffernan. Just an individual trader that I
14 know.

15 Q How do you spell his last name?

16 A H-e-f-f-e-r-n-a-n, I believe.

17 Q How did you become acquainted with him?

18 A Just got to know him as a trader.

19 Q Was he associated with one of the firms that you
20 did business with?

21 A No.

22 Q Someone you met in the industry?

23 A Yeah. Yeah. Just happened to meet him. Yeah.

24 Q From bank records that we have received, it
25 appears that you made a number of payments to George

1 money to Heffernan for trading?

2 A I wasn't giving money to him for trading. He
3 was simply trading the accounts that were there with
4 Trigon.

5 Q Okay. So, he was, in effect, doing the same
6 thing you were doing?

7 A Correct.

8 Q With Trigon's trading accounts?

9 A Yeah.

10 Q What was the purpose of that?

11 MR. BARKER: Are you asking for his purpose or the
12 purpose of --

13 BY MR. MARTIN:

14 Q What was your purpose in involving George
15 Heffernan?

16 A Just to use his expertise in trading some of
17 those accounts.

18 Q Were you ever registered with the NFA or CFTC to
19 do futures trading?

20 A No.

21 Q Were you ever registered to do securities
22 business?

23 A No.

24 Q Did you ever disclose to the people that gave
25 you money that you were not registered or licensed to do

1 futures trading?

2 A I don't know. I don't know if I did or not. I
3 doubt it.

4 Q Did you disclose to them that you were not
5 licensed to do securities business?

6 A No.

7 Q Were you aware that you needed to be or that
8 there was a requirement to be licensed to do futures and
9 securities trading?

10 A My explanation to that is that the people had
11 lent me money and that I did with it as I -- as what we
12 had agreed to do in the promissory note, which is to
13 provide a return.

14 Q Do you recognize that name EZ Forex Limited?

15 A I -- I don't know. I -- yeah, I probably do.
16 Do I have an account there?

17 Q Do you have an account at EZ Forex?

18 A If I do I never used it.

19 Q How about Interbank FX?

20 A Interbank FX? Yeah. I never used that either.

21 Q Have you ever done any Forex trading?

22 A I was going to and I just never did.

23 Q Did you ever do any Forex trading for anyone
24 else?

25 A No.

1 A Not that I can -- you listed quite a few people
2 there.

3 Q Did you ever do any offset trading with Mr.
4 Heffernan? Did you ever hedge against each other or trade
5 against each other?

6 A No.

7 Q So, his sole purpose was just to assist --

8 A To assist.

9 Q -- you and to do the same as you were doing?

10 A Uh-huh.

11 Q I want to introduce another set of documents
12 here.

13 (Exhibit No. 7 marked.)

14 And I believe there are approximately -- I don't
15 know how many pages there are here. Probably 30 to 40
16 pages here. We will mark that as Exhibit No. 7. And
17 these are copies of what was represented to me to be check
18 stubs from a checkbook for Trigon Group. Can you take a
19 look at that and confirm whether that's true or not?

20 MR. BARKER: Now, these are not things you got from
21 him, these are things that you somehow acquired elsewhere?

22 MR. MARTIN: Yes.

23 MR. BARKER: Where did you acquire them?

24 BY MR. MARTIN:

25 Q We acquired these from Gerald Taylor. Or,

1 excuse me, David Taylor. Would those be copies of a
2 checkbook register or check stubs that you kept?

3 A They are.

4 Q Okay. What account or what is the designation
5 of that account? Is that a Trigon account?

6 A It is.

7 Q Okay. And is that your writing?

8 A It is.

9 Q And is that information you would keep related
10 to checks that you wrote on that account?

11 A It is.

12 Q Okay. Why don't we just go through some of
13 these items. Some of these check stubs indicate that you
14 wrote checks to yourself and notated that it was for a
15 fee. What does that mean?

16 A I don't know.

17 Q Is that a check that you would have written to
18 yourself?

19 A Yeah.

20 Q And when you wrote down fee, what was your
21 intent there? Is that a personal draft on the account?

22 A Yeah.

23 Q For -- for what? Would that be like your
24 salary --

25 A Yeah.

1 Q -- from the company?

2 A Yeah. For work.

3 Q Okay. Now, on the first page of this there is a
4 stub indicating that there was a check for 11,650 dollars
5 written to Brian Carmack and it says interest. Would that
6 be for the promissory note that you had with Mr. Carmack?

7 A Yes.

8 Q And would that represent profits that you had
9 received in trading -- in your futures trading program?

10 A Yes.

11 Q That was the purpose of it?

12 A That was the purpose.

13 Q Would those funds have come from other places
14 other than actual trading profits?

15 A Yes.

16 Q Would it have come from loans that you had
17 received from other individuals?

18 A Yes.

19 Q Would those funds have come from other people
20 who had given you money to put into the trading program?

21 A Yes.

22 Q And would they have been aware that their money
23 was being used to make an interest payment to Brian
24 Carmack?

25 A I'm sure they weren't.

1 those statements. I --

2 Q Okay. Now, there is a stub here that indicates
3 a check was made out to AV Center, Incorporated, for
4 charter. What is that for?

5 A Airplane.

6 Q And that is for your travel?

7 A It probably was.

8 Q And was that -- was that for Trigon business?

9 A It -- I'm sure.

10 Q And was that paid for with funds received from
11 people who were giving you money for trading?

12 A It probably was.

13 Q Were there any funds deposited to the Trigon
14 bank account or any other Trigon bank accounts? Were
15 there any monies received by those accounts from any
16 sources other than people who had made contributions for
17 trading?

18 A Can you repeat that question?

19 Q Yeah. Did you ever deposit money into any
20 Trigon corporate accounts from sources other than
21 individuals who had given you money for trading?

22 A I don't believe so.

23 Q Possibly you would have received money from
24 commercial loans or other loans?

25 A Oh, yeah. I -- I don't think that -- I don't

1 think that ever happened.

2 Q Okay. Now, you had indicated earlier -- and I
3 see here on a bank stub that a payment is made to Bank of
4 Commerce for a loan payoff. That was in fulfillment of a
5 payment to a particular investor or person who would give
6 you money?

7 A Person that lent me money.

8 Q Let me repeat the question. There was a check
9 stub in these documents that indicates a check was written
10 to the Bank of Commerce for a loan payoff and you had
11 indicated earlier that this is a payment to someone who
12 gave you money for trading -- this is a payback to them
13 for money they lent you for trading; is that correct?

14 A Yes.

15 Q And who was that?

16 A You know, I'm looking at the amount and I -- I
17 don't -- I don't know.

18 Q Check number 2418.

19 MR. MERRITT: January 16th of '08.

20 MR. MARTIN: In the amount of \$1,398,071 dollars.

21 THE WITNESS: I don't know who that would have been.
22 That amount's not ringing a bell.

23 MR. MERRITT: Did you have -- I'm sorry, can I ask a
24 quick question?

25 MR. MARTIN: Yes.

1 MR. MERRITT: It's a pretty fair -- fairly large
2 amount. You said that you might be able to speculate.

3 THE WITNESS: Well, I'm -- in my mind I'm thinking
4 the Taylors.

5 MR. MERRITT: Okay.

6 MR. BARKER: But you're not saying you know that to
7 be true.

8 THE WITNESS: But I'm not saying I know that to be
9 true.

10 MR. MERRITT: Right. But in terms of the amount, I
11 mean it's a pretty big amount. You had a lot of
12 investors, you know, over a million dollars.

13 THE WITNESS: A couple. Yeah. Well, actually, a
14 few. Yeah.

15 BY MR. MARTIN:

16 Q On check stub number 2419 there is a check for
17 439,616 dollars payable to TJ2 Holdings for interest and
18 principal. What was that for?

19 A A loan.

20 Q And was that loan for the purpose of trading in
21 the Trigon program?

22 A That would -- that -- that's a check being made
23 to them paying them off for a loan that he had made to me.

24 Q Okay. So, you had -- and my question is what
25 was that loan for. You're paying off a loan. What did

1 you receive that loan for?

2 A That was -- I don't know. I received several
3 things from them. That one I don't know for sure.

4 Q Okay. Now, on that same stub there is a
5 1,800,050 dollar wire out of that account. Do you
6 remember what that was for?

7 A Probably going to -- my guess is it's going to
8 Global with the fee -- wire fee and, then, amounts.

9 Q Okay. And you're saying that because 50 dollars
10 would be a typical wire fee to Global?

11 A Wire fee. Yeah.

12 Q Now, check stub number 2425 is a check for
13 16,500 dollars to Rexburg Motor Sports. Do you remember
14 what that was for?

15 A Probably snowmobiles or something.

16 Q So, possibly for your purchase of snowmobiles?

17 A Yeah.

18 Q Now, I also notice on that particular check stub
19 there was a negative to the account of 10,900 dollar and
20 it says Amex MC. Is that a credit card payment?

21 A It is.

22 Q Is that your personal credit card?

23 A It is.

24 Q Okay. Would these two withdrawals from the
25 account have come from money that was given by investors

1 for the purpose of trading in the Trigon program?

2 A By this date it would have been. I just wanted
3 to see something there.

4 Q Now, check stub number 2424, dated January 18th
5 of '08, there is a check in the amount of 250,000 dollars
6 payable to Pinnacle Group. It says construction.

7 A Uh-huh.

8 Q Can you tell me what that was for?

9 A Home construction.

10 Q Okay. And at this point those funds would have
11 also been funds that would have been loaned to you by
12 individuals who expected that money to be used for
13 trading?

14 A Or from Mauri or TJ2 Holdings.

15 Q So, they made deposits to this account also?

16 A Uh-huh.

17 MR. BARKER: Was that a yes?

18 THE WITNESS: Yes.

19 MR. MARTIN: Go ahead. Which one, do you remember?
20 Mauri or you said another --

21 MR. MERRITT: No. I said which one. He said home
22 construction. I just wanted to clarify what -- what home
23 construction that was being applied to.

24 THE WITNESS: I don't know.

25 MR. MERRITT: Were you building more than one home?

1 THE WITNESS: Yeah. In Coeur d'Alene and one in
2 Idaho Falls. For speculation. To live in.

3 MR. MERRITT: And that particular -- Pinnacle was
4 constructing both of those?

5 THE WITNESS: No. No.

6 MR. MERRITT: Which house would --

7 THE WITNESS: Oh, this was a new home. Yeah. I'm
8 sorry. Yeah. I see what your question is. I'm sorry.

9 MR. MERRITT: Okay. Yeah. He said home
10 construction.

11 BY MR. MARTIN:

12 Q And my -- my question was that this 250,000
13 dollars was a payment to Pinnacle Group for construction
14 on your home in Idaho Falls; is that correct?

15 A Yes.

16 Q And, then, my follow-up question was did that
17 come from money that you received from people who gave you
18 money for trading and you said, yes, plus money from
19 possibly -- go ahead and answer that question.

20 A I don't know for sure, because I don't know when
21 I received money from Mauri or TJ2 for that, but --

22 Q And the money -- at least a portion of the money
23 you received from Mauri and TJ2 was a loan for
24 construction on either the house in Idaho Falls or the
25 house in Coeur d'Alene; is that correct?

1 A Yeah.

2 Q And that money could possibly have been
3 deposited to this Trigon account?

4 A Uh-huh.

5 Q Is that a yes?

6 A Yes.

7 Q Now, I'm looking at check stub number 2437,
8 dated February 12th, 2008. It is a check for 300,000
9 written to Pinnacle Group for construction and, then, just
10 below it is a wire and fee in the amount of 300,025
11 dollars. Do you remember what that was for?

12 A That might have been for the other -- for
13 construction on the other home. But I don't know. Just
14 from the amount that's what I'm -- that's what I'm
15 guessing.

16 Q I'm assuming from the balance on this that that
17 was an amount that was received into the account starting
18 out with three million, you take out three million, you
19 had three million, puts you back in -- it looks like a --

20 A No. Your math is wrong. Thirty-one minus six
21 is 25.

22 Q Okay.

23 A That wire is going out.

24 Q Okay. Now, check stub number 2451 is a check in
25 the amount of two million dollars -- 2,040,000 dollars

1 payable on March 19th of '08 to Dual Funding and it says
2 loan pay back. Was that for pay back to individuals who
3 had given money to Dual Funding for the trading program?

4 A I would assume. I'm not sure.

5 Q The stub just prior to that, 2450, dated March
6 17th of '08, is a check in the amount of 1,800,000 dollars
7 payable to Mahogany Ridge Holdings, Incorporated, for a
8 short-term loan. Is that a pay back for a loan from them?

9 A No. I think that was for a loan made to them.
10 I don't know. That -- that's in March?

11 Q It's an amount going out of the account.

12 A Right. I don't know if it was for a loan or to
13 pay off a loan. A short-term loan. I think it's --
14 loaned them money short-term.

15 Q Now, that's --

16 A But that doesn't -- I don't know. I don't know
17 for sure.

18 Q Now, Mahogany Ridge Holdings is a company that
19 you -- that lent you money?

20 A Yeah, they lent me -- they -- who was Mahogany
21 Ridge, Mitch? I thought I knew who Mahogany Ridge was,
22 but maybe I'm not --

23 Q So, you don't recall the details on that?

24 A I don't. I apologize. I do not. And that's a
25 lot of money to not be able to recall the details of.

1 Q And you don't recall a check for 60,000 dollars
2 to Copper Creek Fountain or Foundation?

3 MR. BARKER: What stub are you looking at? Is it
4 2468?

5 MR. MARTIN: I'm looking at 2458.

6 THE WITNESS: 2458.

7 MR. MERRITT: Could that have been related to the new
8 house building?

9 THE WITNESS: It probably was. There you go. Yeah.
10 Yeah. That's what it would be. Yeah.

11 BY MR. MARTIN:

12 Q Now, James Madison Taylor is the company you
13 have rented your office space from?

14 A It is.

15 Q They -- they did not do any other business with
16 Trigon did they?

17 A No.

18 MR. BARKER: I'm sorry, did you say office space.

19 THE WITNESS: Yeah.

20 MR. MERRITT: Can I ask one question while you're --

21 MR. MARTIN: Yes.

22 MR. MERRITT: Did Pinnacle Group -- that's the
23 builder on your -- the house where you were living? Would
24 there be any payments out of the Trigon account to that --
25 to Pinnacle Group, other than for payments on the house?

1 THE WITNESS: No.

2 MR. MERRITT: So, if we see any payments to Pinnacle
3 Group it would have to do with that --

4 THE WITNESS: For the house.

5 MR. MERRITT: On the house.

6 THE WITNESS: Yeah.

7 MR. CONILOGUE: One at a time, please.

8 THE WITNESS: Oh. Sorry. That's right.

9 MR. BARKER: Let's go off the record for a second.

10 (An off-the-record discussion ensued.)

11 BY MR. MARTIN:

12 Q Now, you had indicated in earlier testimony that
13 Mauri Ventures had lent you some money. Was any of the
14 money that they lent you used for the trading program?
15 Was it their expectation that it be used for the trading
16 program?

17 A I believe so.

18 Q Okay. So, they had an account with Trigon -- a
19 trading account with Trigon?

20 A Yes.

21 Q Now, did you also borrow money from them for the
22 -- the construction of your home or for other purposes?

23 A Yes.

24 MR. BARKER: The them -- who is the them in that --

25 MR. MARTIN: Mauri. Mauri Ventures.

1 MR. BARKER: Thank You.

2 BY MR. MARTIN:

3 Q I'm looking at check stub number 2488, dated
4 5/12 of '08, to Mauri Ventures in the amount of three
5 million dollars.

6 A Uh-huh.

7 Q Is that for payment of the loans in general or
8 specifically for a particular loan?

9 A When I was with David Taylor I saw that myself
10 and I -- I had the same question. I don't know the
11 answer.

12 Q Do you remember making a payment to them of
13 three million dollars?

14 A To be honest with you I don't, but I can go back
15 and try to figure out what was going on there.

16 Q Now, on that same check stub there is a deposit
17 for one million dollars. Do you recall who that came
18 from?

19 A I don't.

20 Q Do you recall whether it would have come from
21 someone who was putting money into the Trigon trading
22 program?

23 A It -- I mean I would assume it would have had to
24 have been.

25 Q You wouldn't have received a million dollars

1 from anyone else?

2 A Huh-uh.

3 Q No?

4 A I seriously doubt it.

5 Q Now, on check stub 2524, dated July 31st of '08,
6 there is a check made out to Gerald Taylor for 960,656
7 dollars. Do you remember what that was for?

8 A It would have been to pay off a particular note
9 that I had with him.

10 Q Do you know if that check cleared?

11 A No, unfortunately, it did not.

12 Q Now, on stub 2525, dated 7/31/08, there is a
13 check for 411,710 dollars payable to Mike Taylor. Do you
14 know what that was for?

15 A The same situation. A payoff on a particular
16 note.

17 Q Related to the trading program?

18 A Yeah.

19 Q And did that check clear?

20 A I think initially it did not, but I think
21 eventually it did.

22 Q Now, on stub 2525, August 6th of '08, there is
23 an amount 411,710 dollars, it says to Michelle Palmer for
24 a cashier's check. Can you tell me what that was for?

25 A I can't. I don't know.

1 Q Would you have written a check to your wife for
2 411?

3 A Huh-uh.

4 Q Is that your writing?

5 A That is my writing.

6 Q Do you remember purchasing a cashier's check?

7 A Huh-uh.

8 Q Would that check have cleared at that time?

9 A Huh-uh.

10 MR. CONILOGUE: Is that a no?

11 THE WITNESS: No. I don't know what that is, unless
12 it was something related to the new home. I don't know.

13 BY MR. MARTIN:

14 Q Check stub number 2533, dated August 12th of
15 '08, is a check made payable to -- is that Chemins --

16 A Chemins. I can't read my writing there.
17 Chemins.

18 Q Okay. For payback of a loan in the amount
19 1,095,397 dollars. Do you know what that was for?

20 A Payoff of a -- of a portion of a note.

21 Q And that note was related to a trading account
22 at Trigon?

23 A It was.

24 Q And did that check clear?

25 A It did not.

1 Q On stub number 2539, dated August 27th of '08,
2 there is a check for 10,775 dollars payable to Mike
3 Beauchamp?

4 A Beauchamp.

5 Q Beauchamp. For interest. What was that for?

6 A Same thing. Payment for interest on a note that
7 I had with him.

8 Q For the purpose of investing in the Trigon
9 trading program?

10 A Yes.

11 Q How are you acquainted with this individual?

12 A He's my father-in-law.

13 Q Do you know if that check cleared?

14 A I think it did.

15 Q Mr. Palmer, it appears that a significant amount
16 of money that you received in loans for the purpose of
17 trading in the Trigon program was taken out and used for
18 personal expenses and possible purchases of personal
19 assets. Do you still hold those assets?

20 MR. BARKER: I'm sorry, that's kind of vague. Which
21 assets are we talking about?

22 MR. MARTIN: Any assets purchased with money that may
23 have been lent to you by individuals whose design was to
24 invest in the Trigon program.

25 THE WITNESS: I understood your question and I have

1 nothing. I have --

2 MR. MARTIN: Do you know what has happened to those
3 assets?

4 THE WITNESS: I just -- I have nothing left. I sold
5 them to try and pay people.

6 BY MR. MARTIN:

7 Q I understand that you have been in the process
8 of selling some assets over the last two to three months.
9 Can you tell me what you have used those proceeds for?

10 A To pay people in this program.

11 Q Okay. Do you have a record --

12 A Could I say one other thing?

13 Q Yes.

14 A I also used some of those proceeds,
15 unfortunately, to try and raise money elsewhere and I was
16 scammed.

17 Q And who did you pay that money to?

18 A People overseas.

19 Q Do you have a record of those transactions?

20 A I don't have it with me.

21 Q Is that something you could provide to us?

22 A I can provide some it, yes. I don't -- I don't
23 know that I kept everything, but --

24 Q Mr. Palmer, would you be able to provide to us a
25 list of all of the individuals that you are aware of who

1 put money into your trading program, either through you
2 directly or through Mr. Yost or through any other way,
3 could you provide us a list of those investors, the
4 amounts that they invested with you, and the amounts that
5 they received back or that you paid back to them, so that
6 we might be able to determine exactly what they are due?

7 MR. BARKER: Let me just pipe in and -- my
8 recommendation to you would be that you not respond at
9 this time. Probably those will be produced, but when you
10 have talked about it --

11 THE WITNESS: Okay.

12 MR. BARKER: -- and they are not part of the
13 subpoena.

14 MR. MARTIN: That's fine. Our attempt here is to
15 determine the difference between what some of these
16 individuals feel they are owed and what they might really
17 be owed, because it was my understanding that -- and in
18 looking at some of these check stubs, that some of these
19 people have received money back.

20 THE WITNESS: Can I say something on the record?

21 MR. BARKER: Let's take a real quick break before you
22 do that.

23 MR. MARTIN: Let's take a short recess.

24 (A recess was had.)

25 MR. MARTIN: Let's go back on the record.

1 MR. BARKER: May I just comment that Mr. Palmer
2 wants to do what you have asked him to do as far as giving
3 those amounts, those numbers. I just am advising him not
4 to do it today. We will come to a decision in the next
5 few days and let you know. I just wanted you to know
6 that's something he wants to do.

7 MR. MARTIN: Okay. We can live with that. We will
8 be in touch with you on that.

9 MR. BARKER: One more thing for the record. It's
10 probably required by law or your policies in your
11 department anyway, but I'd just like to let you know we'd
12 like notice of any other statements that you take under
13 oath so we can be present.

14 MR. MARTIN: Counselor?

15 MR. CONILOGUE: That's not required under our statute
16 during the investigation phase, which is what we are doing
17 here. We will take that under advisement and see what we
18 can do.

19 MR. BARKER: At this state that we are at -- let's go
20 off the record.

21 (An off-the-record discussion ensued.)

22 MR. MARTIN: Okay. We are back on the record. I
23 will --

24 MR. CONILOGUE: Tim, just to clarify, you made a
25 request for a notice of any other testimony we take and

1 our response was that we will consider that and advise
2 you.

3 MR. BARKER: Okay.

4 MR. CONILOGUE: We do not agree to that at this time.

5 MR. BARKER: I understand that. But I have made the
6 request, so you're aware.

7 MR. MARTIN: Mr. Merritt.

8

9 FURTHER EXAMINATION

10 BY MR. MERRITT:

11 Q I just want to ask a few questions. I'd just
12 like to back up just for a moment, back to Mr.
13 Heffernan, just -- I had a couple quick questions for you.
14 Did you have a written contract with Mr. Heffernan?

15 A Huh-uh.

16 Q And how did --

17 MR. MARTIN: Is that a no?

18 THE WITNESS: No. Sorry.

19 BY MR. MERRITT:

20 Q And how were Mr. Heffernan's fees determined?

21 A We negotiated them.

22 Q And what were they?

23 A They started out at I think 15,000 a month and
24 just ended up at 25,000 a month.

25 Q And it's a flat fee?

1 A Just a flat fee.

2 Q You just mentioned about this other investment
3 you were making that you were scammed on. Can you maybe
4 just back up and give us a little better detail about
5 that, like when you learned about it, how much funds went
6 into it, when they were shipped out?

7 MR. BARKER: I'll object to relevance, but go ahead.

8 THE WITNESS: Do I need to answer, then?

9 MR. BARKER: Well, if you want to talk with me out in
10 the hall, I'd be happy to talk with you. I'm not
11 instructing you not to answer, unless you --

12 THE WITNESS: Then I will wait.

13 MR. BARKER: You'll what?

14 THE WITNESS: I'll wait.

15 MR. BARKER: Okay. Well, let's step out in the hall
16 together right now.

17 (A recess was had.)

18 MR. BARKER: Let's go on the record. Apparently,
19 Daren was about to do that when I thought he was not going
20 to answer. So, he'd like to answer, so --

21 THE WITNESS: In fact, I'd love to answer this. In
22 September, maybe August --

23 MR. MERRITT: Of this year?

24 THE WITNESS: Yeah.

25 MR. BARKER: Of last year you mean.

1 THE WITNESS: Of '08. Give me just a second. I was
2 -- had been sideways for some time, as you obviously know,
3 and I thought I would resort to trying to raise some money
4 overseas or -- and I had been told and given the promise
5 that I could and that I somehow work my way out from
6 underneath the incredible mess that I was in. I sent --
7 in October I sent 250,000, plus some incendiary fees, and
8 found out that was a scam by someone who ended up scamming
9 me again for almost the same amount. It's just
10 humiliating. It's embarrassing. Anyway, just to -- just
11 a nightmare.

12 BY MR. MERRITT:

13 Q I'm sorry, I know it's difficult. The last
14 thing you said was that he scammed you for the same
15 amount. Was there a second --

16 A There was two different groups.

17 Q What was the -- when was the -- so, October you
18 sent 250,000 out?

19 A Yeah.

20 Q And, then, was there a second --

21 A Plus some other fees. Sorry.

22 Q And, then, when was the second 250?

23 A Well, I didn't send -- it wasn't another 250,
24 it's been -- it's gone out in increments.

25 Q And who did that go out to?

1 A I'd have to pull the records to know the names
2 of the people, but the first -- I mean I don't know who
3 they are, because they have all used names that are false,
4 so --

5 Q What were the names you would meet with?

6 A The one name is Abdul Yusuf. I don't even have
7 e-mail communication -- those communications anymore, but
8 I have some -- I think I have some copies of wires that
9 were sent. I'm embarrassed to say -- either Western
10 Union, just --

11 MR. BARKER: He wasn't the man at the Nigerian bank,
12 was he, that --

13 THE WITNESS: No. You know, it's funny that -- well,
14 no. But I found out later that two of the wires that I
15 did send out ended up in a Nigerian bank, believe it or
16 not.

17 BY MR. MERRITT:

18 Q And were those wires sent out from this
19 Trigon --

20 A Trigon or Blackrock, one of the two, yeah.

21 Q So, the account we have been looking at reflects
22 the --

23 A You would be able to see them, I'm sure.

24 Q Okay. And when did you meet Mr. Yusuf or
25 whatever his name -- whoever he is?

1 A I have -- this is the other bad part. I went to
2 meet the first group and I never actually even met the
3 second individual.

4 Q Who was in the first group?

5 A Oh, I cannot remember -- I cannot remember the
6 name right now.

7 Q So, when -- when did you meet the first group?

8 A October.

9 Q Of '08?

10 A Yeah. Of '08 in the UK. In London.

11 Q You went to London to meet with them?

12 A Unfortunately.

13 Q So, 250 went out in October and the other
14 payments were in increments?

15 A Yeah. Between then and the end of the year.

16 Q Between October and December there were other
17 amounts?

18 A Yeah. Yeah.

19 Q And what was the investment for?

20 A They were going to be -- the one was a stated
21 purpose that I -- that I could use it for anything.
22 Actually, both of them were. But the loan that I would
23 get from them --

24 Q From the people in London?

25 A (No oral response.)

1 Q They were going to loan you funds?

2 A Yeah.

3 Q And that you were going to -- so, explain how --
4 I'm lost.

5 A I was going to try and bring enough money in
6 that I could eventually make enough money to pay everyone
7 off.

8 Q Okay. So, how would that work?

9 A Just -- just trade the money and try to out pace
10 everything that had been going on and catch up.

11 Q I'm sorry. Back up just for a second. I'm not
12 understanding. So, you sent 250 -- 250,000 dollars to
13 this group that you met in London and they -- and, what,
14 they were going to loan you money based on that?

15 A No. They were going to lend me money based on
16 their willingness to raise money and to --

17 MR. BARKER: I think he's asking you what did they
18 tell you the program was.

19 THE WITNESS: Oh. It was just a -- they just had a
20 loan program that -- they loan people money, they had X
21 amount of dollars use for any purpose, okay, and at the
22 time I became totally and completely blind.

23 BY MR. MERRITT:

24 Q So, what was the 250,000 dollar payment for?

25 A A fee.

1 Q Okay. And the other payments from --

2 A Same thing. So, I just -- I should have known
3 better. But I wanted so bad to save what was going on.

4 Q I understand. Did you only meet with the one
5 individual in London? You went to meet one group, you
6 said you met somebody else.

7 A You know, I met -- I mean they were -- they were
8 two or three individuals, but I met the one that -- that I
9 talked to. The one in London, their name -- his -- the
10 one that I was supposed to meet I never actually met,
11 which was a red flag -- was -- he stated that he was from
12 Dubai. So, was the second guy, but this guy lived in
13 London. I can't remember his name. One of them's name
14 was Mohammed Aziz.

15 MR. MARTIN: Were these -- excuse me. Were these
16 middle eastern folks or were they Africans or could you
17 tell?

18 THE WITNESS: The ones that I met -- one was African,
19 but the others were middle eastern.

20 MR. MARTIN: Could I just ask a couple of questions.
21 Do you know of any money went to Dubai?

22 THE WITNESS: Yeah.

23 MR. MARTIN: So, your 250,000 and additional fees --

24 THE WITNESS: I don't know where that 250 went. I'm
25 sorry, I didn't mean to interrupt you, but I don't know

1 exactly where that went.

2 MR. MARTIN: Okay. You wired money -- do you know
3 where that wire went to, what particular bank?

4 THE WITNESS: Yeah. I have a record of everything
5 somewhere.

6 BY MR. MERRITT:

7 Q All right. Just to -- you mentioned earlier in
8 your testimony that all the money's gone?

9 A Yeah.

10 Q Is that yes?

11 A Yes.

12 Q Is there -- do you have any -- trading accounts
13 that we are not aware of that have any assets, as in
14 securities, stocks?

15 A I think there is -- like in my personal Fidelity
16 has 600 bucks in it. That's where I am.

17 Q And property that you purchased during this
18 period over the last couple of years?

19 A They are all gone.

20 Q Coeur d'Alene?

21 A It's being foreclosed on.

22 Q What about the personal home that you live in?

23 A All of it.

24 Q Were there loans taken out against the property
25 for construction?

1 A (No oral response.)

2 Q Do you know the amount on those?

3 A Not off the top of my head.

4 Q Do they exceed two million dollars?

5 A Loans against the properties?

6 Q Correct.

7 A They probably do. Yeah.

8 Q So, you have bank -- you have bank loans and you

9 were paying --

10 A Oh, no. From a bank?

11 Q Yeah.

12 A No.

13 Q So, who's foreclosing on the property?

14 A Mauri Ventures.

15 Q Mauri Ventures? What about the property in

16 Coeur d'Alene? Is that --

17 A It's all -- same. All the properties.

18 Q All Mauri Ventures?

19 A (No oral response.)

20 Q Were there any other properties besides Coeur

21 d'Alene and the personal residence being built?

22 A Yeah. My own personal residence that you came

23 to.

24 Q Okay.

25 A A shop in Idaho Falls. Some apartments.

1 Q Your shop in Idaho Falls? Your office
2 building?

3 A No. It's a warehouse space.

4 Q Do you know the address on that?

5 A 5190 South Heyrend Drive. Sorry.

6 Q Heyrend?

7 A Heyrend. H-e-y-r-e-n-d.

8 Q And the apartments?

9 A They are sold, so I don't know if --

10 Q Who were they sold to?

11 A I don't recall the names of the people that
12 bought them, because the people that were foreclosing
13 actually just got them sold.

14 Q Oh. Okay. Was Mauri Ventures the one
15 foreclosing on it?

16 A Yeah.

17 Q Were there any other properties that you recall?

18 A No. The address on the apartments is 196 and
19 198 Stockham Avenue, I believe, in Rigby.

20 Q I'd like to back up just for a moment. I think
21 I'm almost done. But I'd like to discuss for a moment Mr.
22 Butler. You said -- you recall who he is?

23 A Yeah.

24 Q He just invested recently.

25 A Yes.

1 Q Isn't that true?

2 A Yes.

3 Q Is that yes?

4 A Yes.

5 Q And would it surprise you -- I mean you
6 mentioned in your testimony that you thought that he
7 invested 160,000 dollars. If I -- I mean if I refresh
8 your memory, was that the 250,000 dollars, would that be
9 surprising?

10 A No. And it may be that one was 160 and one was
11 90 or something like that.

12 Q I think it was -- 190 and 60 was my
13 understanding.

14 A Okay.

15 Q Okay.

16 A Okay.

17 Q Now, he invested just this past -- in October;
18 is that correct?

19 A Yes.

20 Q Now, you also mentioned in your testimony that
21 you sent 250,000 dollars to -- to these individuals in
22 London in October. Is that the same funds that you
23 received from Mr. Butler? Is that the money that went
24 to --

25 A Unfortunately, it's not. It did go to the

1 second group, though. A majority of it, yes.

2 Q Okay. When you were talking with Mr. Butler
3 about the -- about the use of those funds, did you mention
4 that they might be used for this transaction overseas?

5 A No.

6 MR. CONILOGUE: You guys are done?

7 MR. MARTIN: Yeah. We will go ahead and turn the
8 time over to Mr. Conilogue.

9

10 EXAMINATION

11 BY MR. CONILOGUE:

12 Q Thank you. Mr. Palmer, you have been quite
13 careful today to refer to these -- the money given you a
14 loan, as opposed to investments. Is that important to you
15 that they be called loans, instead of investments?

16 A Only because it -- I had promissory notes with
17 people.

18 Q The money that was given to you pursuant to that
19 promissory note was either used in your Trigon investments
20 or a percentage was it was used as you described here
21 today. Other than the homes you were building, were those
22 -- what you call loans -- used for a specific purposes,
23 like to buy a car or buy something or complete a project?

24 A Can you repeat the question?

25 Q I'm seeking to establish that the money that you

1 received under the terms you're calling a loan, was not in
2 every case for a specific discrete project or to purchase
3 an asset; is that correct?

4 A That's right.

5 Q Some of those loans you put in your program?

6 A Yes.

7 Q Okay. Mr. Martin asked you earlier what -- what
8 other people were expected to do and you said nothing and
9 I just wanted to expand on that a little bit. The people
10 that hoped to make money by giving it to you and having
11 you trade it, were they to do anything other than write
12 you a check and, then, cash a check when you got it back
13 to them?

14 A No. That was it.

15 Q You did all the work?

16 A Yes.

17 Q You've probably identified everybody today, but
18 I had a little trouble following. Other than Mr. Yost --
19 and I think you said Taylor referred somebody to you.
20 Mr. Taylor. Who all brought people in to you to have
21 place money in your program?

22 A Just -- just Duane.

23 Q Duane Yost?

24 A Yeah. Yeah. I mean there would be -- I mean I
25 guess I got to -- I got to be careful here, because what

1 would happen is that I had a person like Gerald Taylor
2 that would bring a family member and say, hey, we want to
3 do something. That's -- that's how that -- it would
4 always be a -- you know, some sort of association that
5 way.

6 Q When Mr. -- and I'm sure you answered this
7 question, but, I'm sorry, I can't remember. When Mr. Yost
8 brought somebody to you to place the money with your
9 program, what did Mr. Yost get from that? A finder's fee?
10 Commission?

11 A Yeah. Usually just a finder's fee or something
12 like that.

13 Q Do you recall what specifically?

14 A No. It just -- it would sort of depend. We'd
15 try to -- it was -- well, I guess it would be a fee. It
16 would be a commission. It would be a commission. If we
17 generated, you know, more money, then, we'd, you know, try
18 and give commission that way.

19 Q As you went through your check stubs there was
20 -- you saw some checks written to you for what was called
21 fees. Was there a formula for how you established how
22 much you would take?

23 A No. But I -- usually just a certain amount, so
24 -- I'd just periodically take it as it added up to that
25 amount.

1 Q Were you trying to compensate yourself a certain
2 amount monthly?

3 A Yeah.

4 Q And you had a set amount in your mind?

5 A Yes.

6 Q What was that amount?

7 A Anywhere between 25 and 35 thousand.

8 Q Is that throughout the length of the Trigon
9 program after it got up and running well?

10 A No. It wasn't always like that. It was kind of
11 a graduated thing.

12 Q As we have talked today, it's become clear that
13 some of the money you did place with the trading and some
14 you didn't.

15 A Yes.

16 Q So, the money you placed with trading, did you
17 make money on that? Say in the last four years.

18 A Yeah. Yeah. That's the unfortunate thing is
19 that it works.

20 MR. BARKER: Just answer the questions.

21 THE WITNESS: Sorry.

22 BY MR. CONILOGUE:

23 Q I know you don't have the number, but just to
24 kind of help us put the big picture together, do you have
25 an idea of how much you owe to people that placed money

1 with Trigon?

2 A If it was principal or principal and interest?

3 Q Let's look at it as every bit of money you gave
4 back to them when you returned principal.

5 A I don't know.

6 Q Just pure speculation?

7 A Do you want me to speculate off the record or
8 on?

9 Q No. On the record.

10 MR. BARKER: I think we are all agreeing that
11 nobody's going to hold you to it.

12 MR. CONILOGUE: Right.

13 THE WITNESS: If you were to ask me, it would be
14 somewhere between 35 and 45 million, probably, but I don't
15 know. I don't even know if it's -- I don't know. Some of
16 these -- some of these people have gone for so long that I
17 don't know. So, I -- you know, I could be undershooting
18 this. I don't know.

19 BY MR. CONILOGUE:

20 Q I understand you don't really have a good grasp
21 of the numbers. Again, just as we were looking at this,
22 it helps us to figure out where we are at. Do you have an
23 idea of over the life of Trigon how much money you were
24 given to invest at Trigon?

25 A I don't.

1 Q Let's assume that the amount would be 20 million
2 dollars that you owe, which is less than you mentioned.
3 Where did the money go?

4 A Paid back -- I was speaking with Mitch about
5 this. I paid back a lot of -- a lot of money out to these
6 people. A lot of money. Can I say what I told you in the
7 hall?

8 MR. BARKER: Yes.

9 THE WITNESS: For example, Kevin Taggart, who spoke
10 to the Wall Street Journal, stated that he had lost
11 600,000 dollars. You can go back to the bank records
12 yourself and see that that is not even close to true. In
13 fact, Kevin Taggart has not only received all of his
14 principal back, but probably that again over the course of
15 six or seven years. And more than that. He received a
16 lot of money back.

17 BY MR. CONILOGUE:

18 Q Other than Mr. Taggart, who else do you think is
19 positive in this venture with you and ahead of the game?

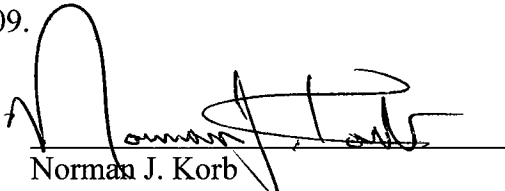
20 A I don't know. I just -- and the only reason I
21 -- the only reason that came to my memory is because he
22 did that and I just thought, hold it, and I thought about
23 it and I haven't -- to be honest, this is such a nightmare
24 I have tried not to go back and -- but there is some
25 people that I can think of -- I don't know if they are

I, Norman J. Korb, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I am a Senior Accountant at the United States Securities and Exchange Commission (the "Commission").
3. I have reviewed the Commission files and neither the name Daren L. Palmer nor the name Trigon Group, Inc. appear as having securities registered, or as being affiliated in any capacity with a registration, with the Commission.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 23rd day of February 2009.


Norman J. Korb
Senior Accountant

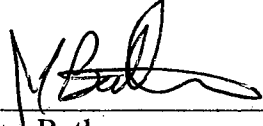
I, Jay Lane Butler, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I have known Daren L. Palmer ("Palmer") for more than three years as a casual acquaintance and a neighbor of mine in Idaho Falls, Idaho. During that time, I had heard from various neighbors and friends that Palmer had an investment business that was earning high rates of return for his investors.
3. Sometime in the late summer or early fall of 2008, I called Palmer to discuss his investment program. He told me that his company, Trigon Group, Inc. ("Trigon") operated "like a hedge fund." Palmer told me that had consistently earned greater than a 20 percent annual return on his investments for more than 12 years. He stated that by using his trading strategies he earned high rates of return regardless of whether the market went up or down. Palmer told me that he was so confident in his ability to exceed a 20 percent annual return that he did not charge a fee on the first 20 percent and earned his fees by charging 50 percent of all earnings over 20 percent.
4. Palmer also told me that he was in the process of setting up a new fund in which he planned to put our investment. He told me that any investment I made would be part of this new fund for new investors.
5. I asked Palmer to meet with my financial advisor to discuss his investment program in more detail, but Palmer refused. Palmer explained to me that he was not comfortable with this proposed meeting.

6. On October 1, 2008, I wired \$250,000 into Trigon's account at Bank of America. I wired this money as an investment based on Palmer's representations. Of this \$250,000, \$190,000 came from the Butler Family Trust, whose assets I manage, and \$60,000 came from my personal account at Raymond James & Associates, Inc.
7. On October 12, 2008, I filled out and signed two Account Application forms that Palmer gave me: one for the Butler Family Trust and for a joint account for me and my wife. See Individual/Joint Account Applications, attached as Ex. 1. I gave these applications to Palmer on October 12, 2008.
8. Shortly after I wired the \$250,000 to Trigon, I received a statement from Palmer showing that Trigon Account No. TRG-1115 had been opened in my name and Trigon Account No. TRG-1116 had been opened in the name of the Butler Family Trust. See Summary Account Quarterly Statements, attached as Ex. 2.
9. Sometime in December 2008, I heard a rumor circulating in Idaho Falls that Palmer's investment business was in trouble. I called Palmer and he told me that although some investors' funds were in trouble, my investments were fine.
10. On or about January 19, 2009, I sent a text message to Palmer asking him to put my investments into a secure account until the uncertainty surrounding Palmer's investment business was settled. On January 21, 2009, Palmer sent me a text message saying that he was meeting with investigators in Boise and that he could not do anything until after that meeting. I have had no further contact with Palmer.
11. I have not received any principal or interest or any payment of any kind relating to my \$250,000 investment with Trigon.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 6 day of February 2009.

A handwritten signature in black ink, appearing to read 'J. Butler', written over a horizontal line.

Jay Lane Butler

EXHIBIT 1

INDIVIDUAL/JOINT ACCOUNT APPLICATION

Type of Account Requested: ☐ Individual ☒ Joint Account ☐ Trust (If Trust, Provide copy of Trust Document)
 General Information - Please print or type.

Full Name JAY LANE BUTLER Social Security 518-66-7173 Date of Birth 6/20/54
 Joint Tenant's Name DENISE M. BUTLER No. of Dependents 1 Alternate Phone 208-520-1706
 Address 3622 Crownbrook Lane Email Address lanebutler@cabot.com
 City Idaho Falls State ID Zip Code 83409

Marital Status: ☐ Never Married ☒ Married ☐ Divorced ☐ Separated ☐ Widowed

Years of Trading Experience: Futures ☐ Options on Futures ☐ Stocks ☐ Options on Stocks ☐ Other ☐

Does any other person or entity have a financial interest in this account? ☐ Yes ☒ No (If yes, please list names.)

Employment Information:

Name of Employer NA Job Title, Occupation, and Nature of Business _____
 Address _____ Telephone _____
 City _____ State _____ Zip Code _____

Bank Information: Type of Account: ☐ Savings ☐ Checking Account Number _____

Name of Bank NA Branch _____
 Address _____ City _____ State _____ Zip _____

Accounts with other Commodities or Securities Brokers:

Name of Brokerage NA Account Number _____
 Address _____ City _____ State _____ Zip _____

Confidential Financial Information

Annual Income: \$ 200k Net Worth: \$ 1,000,000 Approximate Risk Capital: \$ 300,000

Amount of Initial Deposit: \$ 60,000.00

Date: 10/12/08 Signature: [Signature]

Date: 10/12/08 Signature: Denise Butler

INDIVIDUAL/JOINT ACCOUNT APPLICATION

Type of Account Requested: ☐ Individual ☐ Joint Account ☒ Trust (If Trust, Provide copy of Trust Document)
 General Information - Please print or type.

BUTLER FAMILY TRUST
 Full Name

527-22-3899 7/6/23
 Social Security Date of Birth

JAY DELL BUTLER
 Joint Tenant's Name

0 208-520-1702
 No. of Dependents Alternate Phone

362. Crambrook LAKE
 Address

jane.butler@ccibkone.net
 Email Address

IDAHO Falls IDAHO
 City State

83404
 Zip Code

Marital Status: ☐ Never Married ☐ Married ☐ Divorced ☐ Separated ☒ Widowed

Years of Trading Experience: Futures Options on Futures Stocks Options on Stocks Other

Does any other person or entity have a financial interest in this account? ☒ Yes ☐ No (If yes, please list names.)

JAY LANE?
 Allison Bk
 Chas Lane
 Alicia Lee
 Katie Jo

Employment Information:

N/A
 Name of Employer

Job Title, Occupation, and Nature of Business

Address

Telephone

City

State Zip Code

Bank Information: Type of Account: ☐ Savings ☐ Checking Account Number

N/A
 Name of Bank

Branch

Address

City State Zip

Accounts with other Commodities or Securities Brokers:

N/A
 Name of Brokerage

Account Number

Address

City State Zip

Confidential Financial Information

Annual Income: \$ 40,000 Net Worth: \$ 1,500,000 Approximate Risk Capital: \$ 1,000,000

Amount of Initial Deposit: \$ 190,000.00

Date: 10/12/08 Signature: J. Butler By - Jay Dell Butler

Date: Signature:

EXHIBIT 2

Trigon Group, Inc.

1075 S. Utah Ave. Suite 325
Idaho Falls, Idaho 83402
(208) 524-4496

Account No.
TRG-1115

Date
12-Oct-08

Page
1 of 1

To:
Lane Butler
362 Cranbrook Lane
Idaho Falls, ID 83404

Summary Account Quarterly Statement
Non-segregated funds - \$

Account of: Lane Butler

Date	Bought	Sold	Security	Trade Price	Amount
Summary account balance:					\$60,000.00
*** Account Summary***					
Period Return					
Positions					
Globex CME Euro Dollar @ 98.000					
Globex CME Euro Dollar @ 97.500					
Ending Account Balance					
Total Equity					
Total Account Value					<u>\$60,000.00</u>

Trigon Group, Inc.

1075 S. Utah Ave. Suite 325
Idaho Falls, Idaho 83402
(208) 524-4496

Account No.
TRG-1116

Date
12-Oct-08

Page
1 of 1

To:
Lane Butler
362 Cranbrook Lane
Idaho Falls, ID 83404

Summary Account Quarterly Statement
Non-segregated funds - \$

Account of: Butler Family Trust

Date	Bought	Sold	Security	Trade Price	Amount
Summary account balance:					\$190,000.00
Period Return			*** Account Summary***		
Positions					
Globex CME Euro Dollar @ 98.000					
Globex CME Euro Dollar @ 97.500					
Ending Account Balance					
Total Equity					
Total Account Value					<u>\$190,000.00</u>

I, Kevin Taggart, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I have known Daren L. Palmer ("Palmer") for more than twenty years. We competed against each other on two high school basketball teams in Idaho Falls, Idaho. More recently, I have been his realtor in several real estate transactions in Idaho Falls, where we both live. I have considered him a good friend that I trusted for many years. Palmer has had a good reputation as an honest family man in Idaho Falls for many years.
3. About seven years ago, Palmer talked to me about investing with his business, Trigon Group, Inc. ("Trigon"). Palmer said he had learned how to trade securities in college and that he had been quite successful. Palmer told me that he was using my investment money in a trading program that earned high annual returns, although Palmer was not specific about the nature of this trading program.
4. Palmer advised me to invest in Trigon, and told me that my investments would earn annual returns from 30 to 80 percent per year. He told me that there were no risks to my principal and that high returns were guaranteed. Palmer told me that he would be compensated by retaining the proceeds of my investment beyond what he returned to me.
5. Palmer told me that he was licensed to sell securities. As I recall, Palmer told me that he held Series 6, Series 66, and Series 7 licenses.
6. Based on the representations Palmer made to me, I invested a total of \$550,000 with Trigon. I made my first investment about seven years ago in an amount of \$100,000. Then, in approximately 1995 or 1996, I invested another \$200,000 with Trigon. In

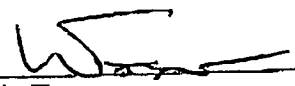
approximately 2007, I invested an additional \$100,000, and I made my final investment of \$150,000 in January 2007.

7. I received payments from Trigon monthly? Quarterly? I estimate, based on the records I have at this time, that I received a total of \$360,000 from Palmer, from the time I made my first investment until June 2008, when I received my last payment.
8. In June 2008, I began to have my first suspicions of Palmer and Trigon when Palmer asked me if I wanted to help him raise new investment money. Palmer told me that I would be "compensated really well" for raising money. I was concerned that Palmer would ask me to participate in raising money for investments since I was not licensed to sell securities. I never assisted Palmer in raising any investment money.
9. In July 2008, Palmer began telling me that he could not give me my monthly checks on my investments. We talked frequently and Palmer told me that he was having a problem with an investor that had caused him to not have the funds to pay me on my investments.
10. On November 11, 2008, Palmer gave me a check for \$300,000 that was intended to be a partial payment of my principal. This check was returned for insufficient funds and I have never received this \$300,000.
11. Toward the end of November 2008, I attended a meeting that a group of Trigon investors organized to discuss the rumors and suspicions that were mounting against Trigon and Palmer. Palmer attended that meeting and advised me and other investors that he had lost approximately 80 percent of his investors' principal through his trading program. Palmer further told me and other investors that he would attempt to recover part of his losses and then disperse whatever remained on January 2, 2009.

12. On January 2, 2009, I went to Trigon's office in Idaho Falls, Idaho. I met with Palmer and several other investors. Palmer admitted to me and to other investors that he did not have the money that he claimed to have in the November 2008 meeting. Palmer said that there was no money in any of his trading accounts.
13. On January 12, 2009, I sent a text message to Palmer asking if we could meet. Palmer and I went for a drive and discussed Trigon. During that drive, Palmer admitted to me that he had been running a Ponzi scheme for many years. He admitted that he had not been placing investor funds in his "trading program," but rather had been using funds from new investors to pay fictitious returns to older investors. Palmer said that for years he wakes up every morning wondering if this would be the day he would get caught. Palmer further admitted to me that he used investors' funds to pay for his partially completed home in Idaho Falls that is estimated to cost \$12 million. Palmer said that he built his new expensive home because thought that if he kept up an image of success, maybe more people would invest with him.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 19 day of February 2009.



Kevin Taggart

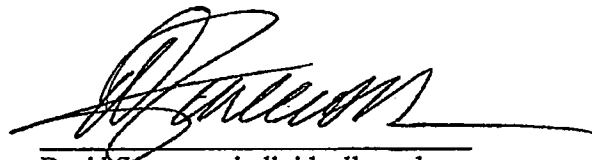
I, David K. Swenson, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I am the sole owner of CMI, a Utah insulation supply company. I am also the managing member of Worry Free, LLC, a Utah limited liability company formed for the purpose of making various investments.
3. In early August 2008, I called Daren L. Palmer ("Palmer") to discuss his investment business. I learned about Palmer's investment business through his father, who I have known and worked with in the insulation industry for about 30 years.
4. In that phone call, Palmer told me he had an investment company named Trigon Group Inc. ("Trigon") through which he had managed approximately \$40,000,000 in assets. Palmer explained to me that as long he "followed his discipline" and used his trading strategies, there was no risk associated with his investment program.
5. On or about August 28, 2008, I drove to Idaho Falls, Idaho and met with Palmer in his Trigon office. In that meeting, Palmer told me that he generally only accepted investments of \$500,000 or more. He explained to me that if I invested funds with him, they would be combined with the monies from other investors in what he called a "non-segregated fund" with Trigon. Palmer said that my investment return would be approximately 20-25 percent per year. Palmer repeatedly said in this meeting that as long he "followed his discipline" and used his trading strategies, there was no risk of losing any principal that I invested with him.

6. On September 8, 2008, Palmer sent me an email wherein he explained that "upon inception of the investment," he would send a note detailing the terms of any investment. See Email, attached as Ex. 1.
7. Palmer told me that his investors had consistently earned a 20-25 percent annual return on their investments and that I could reasonably expect an approximate 20-25 percent annual return on my investment.
8. On September 25, 2008, I wired \$500,000 from Worry Free's account with U. S. Bank into Trigon's account with Bank of America. I did so as the managing member of Worry Free and obtained all required consent from the members of Worry Free. This \$500,000 investment is currently Worry Free's only asset. I wired this \$500,000 as an investment based on Palmer's representations.
9. Palmer sent me an account statement showing a \$500,000 balance in Trigon Account No. TRG-0000. See Summary Account Quarterly Statement, attached as Ex. 2.
10. In early January 2009, I called Palmer to ask for a quarterly statement for my account. He told me that I should be receiving it within one week.
11. On January 21, 2009, I again called Palmer to ask about my quarterly statement regarding my investment. Palmer said that there had been some trouble with my investment and quickly ended the conversation. I have had no further contact with Palmer.
12. I have not received any principal or interest or any payment of any kind relating to my \$500,000 investment with Trigon.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 6th day of February 2009.

A handwritten signature in black ink, appearing to read 'D. Swenson', with a long horizontal line extending to the right.

David Swenson, individually and as
Managing Member of Worry Free,
LLC

EXHIBIT 1

From: **Daren Palmer** <darenpalmer@cableone.net>

Date: Mon, Sep 8, 2008 at 8:39 AM

To: dave@cmi-insulation.com

Hi Dave,

I am using my other email address to get this information back to you. I trust you had a great time in Seattle and it was good to see the Cougs pull it out. There is controversy over the unsportsmanlike call, as you probably know, but hey, BYU looked pretty good and should fair pretty well against UCLA this week. Anyway, I will get to your questions.

1. As far as the track record goes I can give you an update on what the last 3 years or so looks like. I have attached a short power point that will give you an idea of what has been happening. These returns give you a better picture as to what has been happening over the last few years. The power point is a brief intro. I put together for a large investor in Washington. As I mentioned in our discussion in my office, returns are pretty steady because of the hedge methods.
2. If you want to start with \$500K and add to it that would be fine.
3. As far as references, I always hesitate to give names out because I don't want to put anyone in an uncomfortable position. There are two names of current investors that would be happy to talk to you if you feel the need. They have been with me for several years and the one investor has actually been with me almost from the very beginning. Let me know and I can forward those to you if needed.
4. As far as a contract goes, that will be part of the note and spelled out in detail that I will provide to you upon inception of the investment. It will reference return, and time needed to extract any or all funds. This is a simple process, and I have tried to keep that way so as not to muddy the waters or more than necessary. The return will be based on performance, you will receive your return of twenty percent, I will recieve anything above and beyond that. You have the option to pull funds at the end of every quarter, or to roll over your returns and leave them in the fund. I have requested up to 90 days to pull all funds for investors in the case the investor wants to pull all funds at his discretion.
5. I have attached a statement that will reflect what your quarterly report looks like.
6. As I mentioned in my office, the risks associated with what I do really come down to whether I am disciplined or not. If I stay with my rules and do what my methods tell me to do good things happen. Futures markets really are no different than any other market, it is a matter of controlling risk and I do that by using hedge methods.

I look forward to hearing from you soon.

Best regards,

Daren Palmer
Trigon Group, Inc.
1075 S. Utah Ave. Suite 325
Idaho Falls, ID 83402
208-524-4496
208-716-2454 cell
dpalmer@ida.net

EXHIBIT 2

**1075 S. Utah Ave. Suite 325
Idaho Falls, Idaho 83402
(208) 524-4496**

Date
7-Sep-08

Page
1 of 1

Summary Account Quarterly Statement
Non-segragated funds - \$

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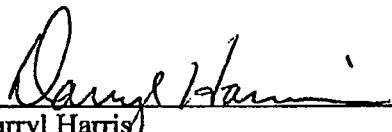
I, Darryl Harris, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I met Daren L. Palmer ("Palmer") when I moved to Idaho Falls, Idaho about eight years ago. Palmer and I lived on the same street in Idaho Falls. Over these years, Palmer and I developed a casual friendship.
3. Sometime in early 2003, I talked to Palmer about the possibility of investing with his business Trigon Group, Inc. ("Trigon"). I was interested in Trigon because I had heard several reports from neighbors and friends that Palmer was generating large, consistent returns for his investors.
4. Palmer told me that any investment I made would be put together with money from other investors into one fund. He explained that he traded in a "common account that was managed by him." Palmer told me that his fund was "like a hedge fund" and that he made trades everyday.
5. Palmer explained to me that I would earn a 20 percent annual return on any investment with Trigon, and that I would earn a 25 annual return on my investment once it reached \$1,000,000. Palmer further explained that there was little or no risk in investing with Trigon, since he could make money in the market whether it went up or down. From October 2003 until January 2008, I made 25 investments with Trigon that totaled \$5,000,000. I made these investments based on the representations that Palmer made to me.

6. I occasionally asked Palmer for a return of some of the principal I had invested.
From about August 2006 until June 2008, I received approximately \$1,483,000 in payments from Trigon.
7. My concerns about Palmer and Trigon began in about August 2008. That month, I asked Palmer to return \$1,300,000 of my investment that I intended to use to purchase a home. Palmer made several excuses as to why he could not return my investment. These included that "his funds were flagged under the Patriot Act" and that he had trouble accessing his overseas money. Later in the year, I upped my request and told him that I wanted \$2.5 million.
8. In November 2008, Palmer told me that he had a large amount of money coming in and that he intended to use this new money to return my investment. To date, I have received no further funds from Palmer or Trigon other than what is mentioned above. I estimate, based on my records, that I have lost approximately \$3,517,000 in principal out of my \$5,000,000 investment with Trigon.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 10th day of February 2009.


Darryl Harris

I, David Taylor, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I am the President of Taylor Chevrolet, an Idaho corporation located in Rexburg, Idaho.
3. My father, Gerald Taylor, introduced me to Daren L Palmer ("Palmer") and his investment business Trigon Group, Inc. ("Trigon"). Although I am uncertain as to the exact dates of my various investments with Trigon, to the best of my recollection I have currently have approximately \$1,000,000 in principal of my personal funds with Trigon and \$3,000,000 in principal of Taylor Chevrolet funds with Trigon. These investments have been made over the past four or five years. I am still attempting to obtain and review documents to determine the exact dates and amounts of my investments.
4. All investments I made personally and on behalf of Taylor Chevrolet I made based on the representations Palmer made regarding Trigon. Palmer told me that Trigon operated "like a hedge fund." Palmer also told me that the return on my investment came from movement in the market, whether it was up or down. Palmer and I never had a discussion regarding the risks of my investment. Palmer told me that he would use my investments to buy and sell various bond funds, S&P funds, and options.
5. Palmer told me that my investments would be combined in a pool with the monies of other investors.

6. Although I need to obtain and review documents to identify the exact dates and amounts of my various investments with Trigon, I do recall that sometime in the first week of May 2008, Palmer called me and asked me if my father and I would invest \$3,000,000 in a "currency trading" program that would earn a 20 percent return in ninety (90) days. After Palmer assured me that this was not a risky investment, I borrowed \$3,000,000 from Taylor Chevrolet's line of credit and gave it to Trigon.
7. On or about August 18, 2008, when payment on Taylor Chevrolet's \$3,000,000 investment was due, Palmer gave me three checks totaling \$3,600,000. All three of these checks bounced for lack of sufficient funds in Trigon's account.
8. In late August or early September 2008, Palmer again gave me three checks totaling \$3,600,000 as a payment of the principal and interest on Taylor Chevrolet's \$3,000,000 investment. Our bank would not accept these checks for deposit.
9. Sometime in September 2008, I met with Palmer to discuss the bounced checks and my other investments with Trigon. Palmer admitted to me that he had not invested Taylor Chevrolet's \$3,000,000 in a "currency trading" program but instead had paid off another investor in Colorado with the \$3,000,000.
10. Palmer told me that he planned to pay me the principal and interest of my investments and the investments of Taylor Chevrolet, but that in order to do so he needed to obtain new money from new investors to take our positions.
11. On November 11, 2008, Palmer gave me a \$5,000,000 check that he said was payment of principal and interest on the May 2008 \$3,000,000 investment, as well as principal and interest on a prior \$1,000,000 investment my father made with Trigon.

Palmer told me that he would let me know when there were funds available to deposit this check. This check was never deposited.

12. On or about December 15, 2008, I attended a meeting that was set up by a group of Trigon investors to discuss concerns about Trigon. Palmer attended that meeting and told me and other investors that he had lost almost all of the monies invested in Trigon. Palmer explained that if the Trigon investors would give him a few weeks, he could recover some of the losses and pay investors at least a portion of their principal.
13. On or about January 5, 2009, Palmer admitted to me that all the money invested with Trigon was gone, and further admitted to providing information that he knew to be false at the December 15, 2008 meeting.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 12 day of February 2009.



David Taylor, individually and as
President of Taylor Chevrolet

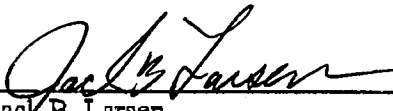
I, Jack B. Larsen, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I have known Daren L. Palmer ("Palmer") for seven or eight years and I have considered him a friend that I trusted and had confidence in.
3. Sometime before 2003, Palmer and I discussed the possibility of me making an investment with his company, Trigon Group, Inc. ("Trigon"). Palmer told me that his investment company was generally a "family investment" that was limited to a small number of people.
4. Palmer did not explain specifically how his investment business was set up, but made some references to trading in the NASDAQ market and with futures. Palmer told me that he was taught how to trade by a man in California and a man in Dallas, Texas. Palmer assured me that any money I invested with Trigon would earn a 25 percent annual return.
5. I invested a total of \$400,000 with Trigon based on Palmer's representations. These are as follows: on January 16, 2003, I invested \$100,000; on November 16, 2004, I invested an additional \$200,000; and on March 31, 2005, I invested an additional \$100,000.
6. Shortly after my first \$100,000 investment, I authorized Palmer to transfer \$45,000 from my Trigon account into another Trigon account that belonged to an individual that I had borrowed money from in an unrelated real estate transaction. Therefore, my total principal investment with Palmer as of March 31, 2005 was \$355,000.

7. In December 2005, I decided to retire and asked Palmer to start sending me income payments on my investments. Based on my records, I estimate that I received a total of \$387,000 from Trigon.
8. In October 2008, my quarterly check from Trigon did not arrive as scheduled. I called Palmer and he told me that he would send me my quarterly payment within one week. To date, I have not received any funds from Palmer or Trigon since the June 2008 quarterly payment.
9. Sometime during the first week of January 2009, Palmer called me. He told me that all the money in his investment business was gone. I have had no further contact with Palmer.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 09 day of February 2009.



Jack B. Larsen

I, Paul Ramsey, under penalty of perjury, declare as follows:

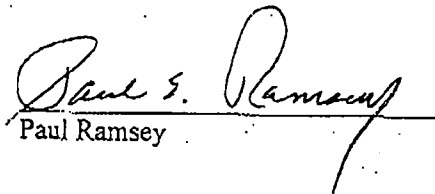
1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I am 68 years old and retired.
3. In or about May 2007, a mutual friend told me about Daren L. Palmer ("Daren") and his investment company Trigon Group, Inc. ("Trigon"). I called Palmer sometime in May 2007 to discuss his investment.
4. During the next few weeks I had several conversations with Palmer about investing in Trigon. Palmer told me that Trigon operated "like a hedge fund." Palmer did not explain specifically how his investment business was set up, but he made references to trading in the S&P500 futures and in the NASDAQ.
5. Palmer assured me that any money that I invested with Trigon would earn a 20 percent annual return. Palmer told me that I would receive quarterly payments. Palmer further explained that there was little or no risk in investing with Trigon, since he could make money in the market whether it went up or down.
6. Palmer told me that in his 13 years of trading for customers he has never missed a quarterly payment.
7. Based on Palmers' representations, I decided to invest. In May 2007, I wired \$1,100,000 to an account in the name of Trigon Group, Inc.
8. Over the next several months I received quarterly statements and interest payments. Based on my quarterly statements which showed I was actually earning 25% on my

initial investment, I decided to invest additional funds with Palmer. Sometime in February 2008, I wired an additional \$1,600,000 to an account in the name of Trigon.

9. I continued to receive quarterly payments from Trigon up until sometime in October of 2008. From about September 2007 until July 2008, I received approximately \$512,000 in payments from Trigon.
10. My concerns about Palmer and Trigon began in October of 2008. I was due to receive my quarterly payment in the second week of October and it did not arrive. I called Palmer and he told me that everything was fine. He told me that he would send me a check soon. I received a check in the amount of \$175,000 in late October or early November of 2008. I deposited the check and the check bounced.
11. I called Palmer and he told me that my money was fine. He assured me that he would be able to make the quarterly payment soon.
12. In January 2009, Palmer told me that all the money invested with Trigon was gone. Palmer said he had lost everything. I invested \$2,700,000 with Palmer and Trigon and received back approximately \$512,000. Based on my records that I lost approximately 2,188,000.

I declare under penalty of perjury that the foregoing is true and correct.

Dated this 20th day of February 2009.


Paul Ramsey

PROMISSORY NOTE

\$500,000.00

September 25, 2008

FOR VALUE RECEIVED, the undersigned, Trigon Group, Inc., of 1075 S. Utah Ave. Suite 325, Idaho Falls, ID 83404 promises to pay to the order of Worry Free LLC, at 9390 South 300 West, Sandy, UT 84070 or such other place as the holder may designate in writing to the undersigned, the principal sum of Five hundred thousand dollars (\$500,000.00), together with interest thereon from date hereof until paid, at the rate commensurate with performance of the Trigon fund, sharing in performance at a rate of two thirds (2/3) to Worry Free LLC and one third (1/3) to Trigon Group. Withdrawals can be requested quarterly and Worry Free has the option to defer withdrawals at their discretion at the end of each quarter ending March, June, September, and December of each year.

Payments shall be applied first to accrued interest and the balance to principal.

All or any part of the aforesaid principal sum may be prepaid at any time and from time to time without penalty.

In the event of any default by the undersigned in the payment of principal or interest when due or in the event of the suspension of actual business, insolvency, assignment for the benefit of creditors, adjudication of bankruptcy, or appointment of a receiver, of or against the undersigned, the unpaid balance of the principal sum of this promissory note shall at the option of the holder become immediately due and payable.

Borrower guarantees Lender the principal sum of \$500,000.00

The maker and all other persons who may become liable for the payment hereof severally waive demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, and any and all lack of diligence or delays in collection which may occur, and expressly consent and agree to each and any extension or postponement of time of payment hereof from time to time at or after maturity or other indulgence, and waive all notice thereof.

In case suit or action is instituted to collect this note, or any portion hereof, the maker promises to pay such additional sum, as the court may adjudge reasonable, attorneys' fees in said proceedings.

This note is made and executed under, and is in all respects governed by, the laws of the State of Idaho.

Trigon Group, Inc.

By: Daren L. Palmer
Daren L. Palmer
President

PROMISSORY NOTE

\$1,000,000.00

May 19, 2008

FOR VALUE RECEIVED, the undersigned, Daren Palmer, of 1075 S. Utah Ave. Suite 325, Idaho Falls, ID 83402 promises to pay to the order of David Taylor, Taylor Chevrolet, at P.O. Box 70, Rexburg, ID 83440 or such other place as the holder may designate in writing to the undersigned, the principal sum of one million dollars (\$1,000,000.00), together with interest thereon from date hereof until paid, at the rate per performance from Trigon Group Trading per annum as follows: One installment of principal and interest on August 10, 2008. The entire principal amount shall be repaid on August 15, 2008.

Payments shall be applied first to accrued interest and the balance to principal.

All or any part of the aforesaid principal sum may be prepaid at any time and from time to time without penalty.

In the event of any default by the undersigned in the payment of principal or interest when due or in the event of the suspension of actual business, insolvency, assignment for the benefit of creditors, adjudication of bankruptcy, or appointment of a receiver, of or against the undersigned, the unpaid balance of the principal sum of this promissory note shall at the option of the holder become immediately due and payable and the amount then due shall accrue interest until payment at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less.

No collateral will be provided.

The maker and all other persons who may become liable for the payment hereof severally waive demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, and any and all lack of diligence or delays in collection which may occur, and expressly consent and agree to each and any extension or postponement of time of payment hereof from time to time at or after maturity or other indulgence, and waive all notice thereof.

In case suit or action is instituted to collect this note, or any portion hereof, the maker promises to pay such additional sum, as the court may adjudge reasonable, attorneys' fees in said proceedings.

This note is made and executed under, and is in all respects governed by, the laws of the State of Idaho .

Daren Palmer

PROMISSORY NOTE

\$100,000

November 15, 2005

FOR VALUE RECEIVED, the undersigned borrower, Daren L. Palmer and Trigon Group, Inc., of 1000 S. Milligan Road, Idaho Falls, Idaho promises to pay to the order of Breck H. Barton, trustee of the Breck Barton & Associates Profit Sharing Plan at 70 N. Center, Suite 2, Rexburg, Idaho 83440 or such other place as the holder may designate in writing to the undersigned, the principal sum of \$100,000, together with interest thereon from date hereof until paid, at the rate of twenty percent (20%) per annum as follows: One installment of principal and interest on January 15, 2007.

In the event of any default by the undersigned in the payment of principal or interest when due or in the event of the suspension of actual business, insolvency, assignment for the benefit to creditors, adjudication of bankruptcy, or appointment of a receiver, of or against the undersigned, the unpaid balance of the principal sum of this promissory note shall at the option of the holder become immediately due and payable and the amount then due shall accrue interest until payment at the rate of twenty percent (20%) per annum or the highest rate permitted by law, whichever is less.

No collateral will be provided.

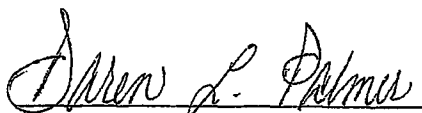
The maker(s) and all other persons who may become liable for the payment hereof severally waive demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, and any and all lack of diligence or delays in collection which may occur, and expressly consent and agree to each and any extension or postponement of time of payment hereof from time to time at or after maturity of other indulgence, and waive all notice thereof.

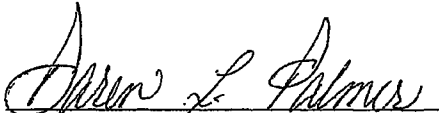
In case suit or action is instituted to collect this note, or any portion hereof, the maker promises to pay such additional sum, as the court may adjudge reasonable, attorney's fees in said proceedings.

This note is made and executed under, and is in all respects governed by, the laws of the State of Idaho.

Borrowers:

Trigon Group, Inc.


Daren L. Palmer

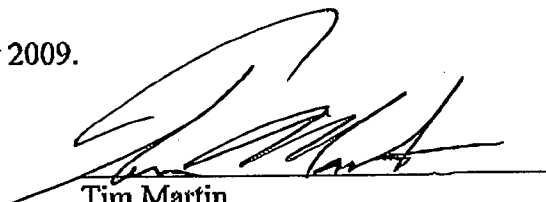
By: 
Daren L. Palmer
President

I, Tim Martin, under penalty of perjury, declare as follows:

1. I am over the age of 18 years and I make this declaration based upon my personal knowledge. If called to testify, I could and would competently testify to the following facts.
2. I am a Securities Investigator Idaho Department of Finance.
3. I have reviewed all relevant state records and databases and neither Daren L. Palmer ("Palmer") nor Trigon Group, Inc. is registered with the Idaho Department of Finance in any capacity.
4. Further, Palmer is not licensed to sell securities in Idaho.

I declare under penalty of perjury that the forgoing is true and correct.

Dated this 23 day of February 2009.



Tim Martin
Securities Investigator