

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF IDAHO

SECURITIES AND EXCHANGE
COMMISSION,

and

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiffs,

v.

DAREN L. PALMER and TRIGON
GROUP, INC.

Civ. No. 09-075-S-EJL

Civ. No. 09-076-S-EJL

The Honorable Edward J. Lodge

INITIAL REPORT OF
R. WAYNE KLEIN, RECEIVER

R. Wayne Klein, the Court-Appointed Receiver (the “Receiver”) of Trigon Group, Inc. (“Trigon”) and all the assets of Daren L. Palmer (the “Receivership Entities” and/or “Palmer”), hereby submits this Initial Report for the period of February 26, 2009 through March 31, 2009 (the “Reporting Period”).

PROCEDURAL HISTORY

1. On February 26, 2009, this action was commenced with the filing of companion lawsuits filed by the Securities and Exchange Commission (the “SEC”) and the Commodity Futures Trading Commission (the “CFTC”). These suits alleged, among other things, that Trigon and Palmer operated an investment program in violation of the registration, licensing, and anti-fraud requirements of the federal securities and commodities laws. In essence, the regulatory

agencies allege that the defendants in this action engaged in a Ponzi scheme, whereby millions of dollars were fraudulently taken from investors.

2. The same day, the Court entered various orders in response to requests from the SEC and CFTC including an “Order Appointing a Receiver and Staying Litigation” [Docket No. 8 (Case #075)], “Order Freezing Assets and Prohibiting Destruction of Documents” [Docket No. 9 (Case #075)], and “Order Granting Motion for Statutory Restraining Order, for Expedited Discovery and Order to Show Cause Re Preliminary Injunction” (including appointment of a Receiver) [Docket No. 5 (Case #076)]. The Court has set a hearing for April 23, 2009 on the regulators’ request for a preliminary injunction [Docket No. 7 (Case # 075)].

ACTIONS TAKEN BY THE RECEIVER

Records of the Receivership Entities

1. On February 27, 2009, the Receiver obtained a desktop computer and one box of documents from Palmer, which were represented by Palmer to be all the documents and computers relating to the Receivership Entities. The computer hard drive was imaged and analyzed. The paper documents were numbered, indexed, and copied, and are in the process of being imaged.
2. The Receiver has reason to believe that not all of the records and/or electronic data of the Receivership Entities were delivered to his possession. The Receiver has reason to believe that at least one more computer, a computer backup device, and certain documents exist, but were not delivered to the Receiver. The Receiver also did not find the types of records that

normally would exist for a business including records of paid invoices, bills, bank statements, and tax returns.

3. Records of several bank accounts of the Receivership Entities have been obtained from the SEC and CFTC and have been analyzed. More bank records are being sought by the Receiver and additional analysis is still being performed.
4. Palmer appeared to have been the manager of six companies: Trigon Group, Inc. (Nevada), Blackrock Limited, LLC (Idaho), Canterbury Court Properties, LLC (Idaho), Pinnacle Company, LLC (Idaho), Palmer Trading and Investments, LLC (Nevada), and Mountain States Land, LLC (Idaho). The investment program that is the subject of this action appears to have been operated out of Trigon and Blackrock.

Identification of Assets

5. To date, the Receiver has identified the following parcels of real property that appear to be owned by the Receivership Entities:
 - a. Current residence in Idaho Falls;
 - b. Mansion under construction in Idaho Falls;
 - c. Industrial warehouse and second lot in Idaho Falls;
 - d. Two four-plex apartment buildings in Rigby, Idaho;
 - e. Lake house under construction near Coeur d'Alene, Idaho.
6. The Receiver is investigating other real property that was under the control of the Receivership Entities in the past then transferred to other parties, to see whether those properties should be returned to the control of the Receivership Entities.

7. The Receiver has been investigating and has identified bank accounts of the Receivership Entities; none have any funds remaining in the accounts.
8. The Receiver has confirmed the existence of commodities brokerage accounts at six brokerage firms, which have been previously identified through the efforts of the CFTC. Of these six accounts, only one brokerage account had any funds in the account, totaling \$813, which amount has been remitted to the Receiver.
9. The Receiver has identified the existence of other “hard assets” of the Receivership Estate, including, but not limited to, a grand piano, jewelry, and artwork of significant value. Some of these hard assets have been located and secured. The Receiver has also identified vehicles purchased with funds from the Receivership Entities and is investigating these further at this time.

Analysis of Records of Investments and Investor Information

10. The Receiver sought to identify likely investors by reviewing account statements and other documents obtained from Palmer. As part of that review, it appears to the Receiver that there are a number of investors whose names are not recorded on account statements prepared by Trigon and Palmer. The Receiver believes these investors pooled their money with money from others and the pooled funds were invested with Trigon and Palmer. The Receiver has learned the names of some of these investors from the SEC, CFTC, and Idaho Department of Finance, as well as a result of news coverage of this action, but the Receiver is not yet confident that all investors have been identified.
11. The Receiver performed an analysis of the investment program account statements in the documents received from Palmer to determine the amount each person invested and

withdrew. This information is being compared with records from the bank accounts to determine the accuracy of the information.

12. On March 6, 2009, the Receiver prepared and sent a questionnaire to all known investors (approximately 50). The questionnaire requested information about the investments made as well as withdrawals and distributions. To date, the Receiver has received 22 responses from investors. The results of the questionnaires will be compared with information from the Trigon-prepared account statements and bank records to seek to determine the actual amounts of investments and withdrawals.
13. The Receiver has established a web site to inform investors and creditors of the progress of the Receivership and to communicate relevant information, such as posting newly-released IRS regulations regarding tax write-offs of losses from Ponzi schemes. This Initial Report, as well as future Reports to the Court or other documentation and/or information that the Receiver determines would be of value to investors and creditors, will be posted on the web site. The web address is: http://www.lbfglobal.com/active_cases_receiverships_trigon.html.

Analysis of the Financial Records of the Receivership Entities

14. The Receiver has performed a preliminary review of the financial records of the Receivership Entities. This information is subject to substantial revision as additional bank accounts are located and additional detail is obtained regarding transactions in the accounts. Nevertheless, the following is a rough estimation of the origin and expenditure of funds from the three primary business bank accounts of the Receivership Entities for the period from August 2, 2002 to September 4, 2008:

Category	Deposits in Account (Preliminary)	Withdrawals or Expenditures (Preliminary)
Identified Investors	\$68,369,435.05	-\$46,472,531.60
Possible Investors	\$350.00	-\$5,502,703.19
Brokerage Accounts	\$5,848,683.09	-\$6,883,000.00
Investments	\$2,594,023.49	-\$6,158,412.35
Transfers Between Accts.	\$851,554.55	-\$1,077,614.55
Air Charters	\$0.00	-\$364,713.78
Business Expenses	\$0.00	-\$272,702.44
Community Donations	\$0.00	-\$23,600.00
Salary/Credit Cards	\$20,000.43	-\$6,454,198.92
Home/Construction	\$0.00	-\$6,005,701.66
Asset Sales/Purchases	\$75,000.00	-\$364,030.57
Transfers to Family	\$150,000.00	-\$3,139,129.90
Unidentified	\$6,459,927.14	-\$1,650,635.39
Total	\$84,368,974.35	\$84,368,974.35

Analysis of Commodities Brokerage Trading Records of the Receivership Entities

15. Based on information provided by the CFTC, the Receiver has identified seventeen different brokerage accounts (at six firms) that appear to have been used by Trigon and Palmer since 1997. Many of these accounts have been closed for some time, others are accounts opened at new firms that took over the operations of a preexisting futures commission merchant.
16. One of the brokerage firms at which Trigon had an account was Nations Investments, LLC, a firm that was taken over by a different and unrelated Receiver in July 2007 at the request of the CFTC.

17. As noted above, the Receiver has preliminarily determined that approximately \$6.8 million was deposited into the trading accounts at various times. This represents 10.07% of the amount given by investors. The initial review indicates that only a relatively small portion of this \$6.8 million was actually used to trade commodities. In many cases, accounts were opened and had capital deposited but no trading took place and the money was later withdrawn. In other cases, trading activity occurred, but money was often withdrawn from the account after several months of activity.
18. Based on the Receiver's initial review of the documents, it does appear that some of the commodities trading resulted in gross profits, but any profits earned were eaten up by commissions and fees paid to others.
19. The Receiver's review of the documentation and available information indicates that Palmer spent large sums to purchase commodities trading advice and computerized programs to assist him in making trades. In addition, it appears that Palmer paid others to assist him in trading these accounts. These persons were given authority to make trades in the commodities accounts. One of these persons was paid over \$630,000 to assist Palmer in trading commodities. It appears to the Receiver that this expense, and other trading services Palmer and Trigon purchased, cost more than any profits earned from commodities trading.

Other Investments Made by Trigon and Palmer, Later Financial Transactions

20. The Receiver's review of available records and information indicates that Palmer and Trigon expended funds on a variety of investments that appeared designed to earn high rates of return – unrelated to commodities trading. This included investing at least \$250,000 in Pinnacle Development Partners, an Atlanta-based Ponzi scheme closed in October 2006 at

the request of the SEC. A review of the available records indicates that the court-appointed receiver in that case (still another Receiver) returned \$92,500 to Palmer in partial restitution, but that refunded money was spent for other purposes or placed in new investments, as opposed to being refunded to investors.

21. The Receiver is investigating other expenditures of investor funds, including suspect investments such as purchasing oil and gas lease interests and sending \$545,000 to a now-defunct sports-booking company.
22. Based on the Receiver's investigation to date, it appears that suspicious transactions accelerated in Fall 2008 as the investment scheme neared collapse. The available information indicates that while Palmer was still taking money from some new investors, there were multiple payments to certain investors and lenders and transfers of funds to other entities and accounts controlled by Palmer, including, but not limited to \$621,110 withdrawn as cash or transferred to his personal bank accounts between July 2008 and January 2009 and paying home and construction expenses of \$129,337.95.
23. Based on the Receiver's review of the available documents, it appears that by November 2008, the Trigon bank accounts had insufficient funds to pay checks that were being presented for payment.
24. The Receiver, based on his investigation to date, believes that in an apparent effort to earn monies to pay demands of investors, Trigon sent money to four different overseas entities in September and October 2008, totaling \$215,400. Funds were transferred to banks in London, China, Dubai, and Singapore. The identities of the actual recipients of these funds are not known at present. Palmer described one of these payments as an advance fee to obtain a

large low-interest loan from Middle Eastern lenders. It does not appear as if the desired loan was ever received, nor have the funds been recovered as of the date of this Report. The Receiver is attempting to trace where these funds went and is investigating the possibility of recovering these monies.

25. Based on records received by the Receiver, it appears that on December 2, 2008, Palmer sold 22 vehicles, powersport equipment (ATVs and snowmobiles), and trailers in one transaction to a wholesale automobile dealer for \$151,900. The Receiver has requested the return of all vehicles not already sold by Palmer and may need to file suit to recover these assets.

Efforts to Recover Funds and Assets of the Receivership Entities

26. The Receiver is in communication with persons who have expressed interest in purchasing three of the Receivership properties. Offers have been received on two of them and negotiations are continuing on all three. There are liens on these, and other, Receivership properties. To complete the sales of these properties, the Receiver may need to ask the Court to order the release of these liens. Other properties will also be placed for sale by the Receivership. The Receiver may need the assistance of the Court to enable the Receiver to complete the sales of real estate in the Receivership.
27. Through its analysis of the Receivership Entities' financial records, the Receiver has identified many of the investments made with Receivership Funds. Each of these investments is being investigated and, to the extent money is owed to the Receivership entities or assets are found, demand is being made for return of the funds and assets. If necessary, the Receiver will exercise his professional judgment in determining the best and

most viable way of recovering these assets, including, but not limited to, taking any and all appropriate legal action.

28. Approximately \$23,000 was transferred by Palmer and Trigon to various community funds. The Receiver has not yet determined what other transfers were made to charitable or religious institutions, but is in the process of identifying all such contributions.
29. The Receiver is investigating possible actions it might take to recover from firms that held brokerage accounts, financial firms, legal and accounting firms, and family members who were recipients of Trigon funds.

AVAILABLE ASSETS AND ESTIMATED TIME

30. The Receivership Entities do own some assets, such as the real estate properties identified above. However, these properties are all the subjects of liens and it is not certain that the Receiver will be successful in his efforts to defeat those lien claims. The Receiver also has identified hard assets and claims for the return of funds which are expected to result in recoveries of some funds for the Receivership Entities, although it is too early to predict what success the Receiver will have in recovering these funds and assets.
31. The Receiver estimates that it will take two to three years to recover all available assets, complete the distribution of the assets, and to wind up the Receivership. This timeline can be reduced significantly if litigation and negotiations over control of Receivership property proceed quickly and if favorable market conditions quickly result in reasonable offers being made for the purchase of the real property owned by the Receivership Estate. The Receiver expects that he will recommend that the Court approve a plan by which distributions can be made on a periodic basis, rather than waiting until the Receivership is completed.

ENGAGEMENT OF PROFESSIONALS

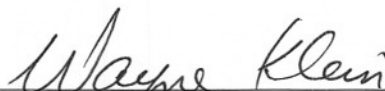
32. The Receiver has engaged the assistance of John Kurtz, of Hawley Troxell Ennis & Hawley, to act as counsel for the Receiver and to handle all litigation involved in the Receiver's efforts to recover funds and assets. Hawley Troxell has already overseen the filing of the Notice of Appointment of Receiver from this action in the district courts of ten other states.
33. Other professionals will be engaged to sell real property belonging to the Receivership Entities, to locate and seek to retrieve funds sent overseas, and to sell other assets recovered by the Receiver.
34. The Receiver expects to submit further status reports at least quarterly and will submit a request for reimbursement of its costs and payments of its fees when assets have been recovered from which those fees can be paid.

CONCLUSION

The Receiver respectfully submits this Initial Report for the period from February 26, 2009 through March 31, 2009.

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

DATED this 10th day of April, 2009.



WAYNE KLEIN, Receiver