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Attorneys for Wayne Klein, Receiver for Trigon
 Group, Inc.

UNITED STATES DISTRICT COURT
 DISTRICT OF IDAHO

SECURITIES EXCHANGE AND)	Case No.: CV 09-75-S-EJL
COMMISSION,)	
)	
Plaintiff,)	
)	
and)	
)	
COMMODITY FUTURES TRADING)	Case No.: Civ. No. 09-076-S-EJL
COMMISSION,)	
)	
Plaintiff,)	The Honorable Edward J. Lodge
)	
vs.)	
)	SECOND REPORT OF R. WAYNE
DAREN L. PALMER and TRIGON GROUP,)	KLEIN, RECEIVER (FOR PERIOD
INC., a Nevada Corporation,)	ENDING JUNE 30, 2009)
)	
Defendants.)	
)	

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 Second Report for the period of April 1, 2009 through June 30, 2009 (the “Reporting Period”).

I. PROCEDURAL HISTORY

The regulatory enforcement actions by the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) were commenced on February 26, 2009. That same day, the Court entered orders imposing an asset freeze and appointing Wayne Klein as Receiver.

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

On May 18, 2009, the Receiver filed a Notice with the Court that it planned to sell one of the real estate properties owned by Daren Palmer and his wife, Michelle. The Notice also indicated that the Receiver intended to disclaim an interest in an undeveloped real estate parcel that might be subject to the Receivership. No objections were made to the Receiver or filed with the Court. More details on these transactions are described below as well as notice of additional transactions contemplated by the Receiver.

II. REAL ESTATE

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

1. Undeveloped Commercial Lot in Meridian, Idaho: In mid-June, the Receiver discovered that an undeveloped lot in a commercial development in Meridian, Idaho had been transferred to another entity in May, 2009 to satisfy a debt owed to Daren Palmer. The Receiver believes that this property is an asset belonging to the Receivership Estate. This transfer occurred despite the existence of Court orders freezing assets and prohibiting the sale or transfer of assets that should be in the Receivership. In early June, \$63,000 had been borrowed from a hard-money lender at 15.99% interest, using the property as collateral. The Receiver has identified where the proceeds of this loan were sent and is in the process of demanding the return of the funds from the recipients. The Receiver has discovered that \$10,000 of the loan proceeds were given in cash to Mr. Palmer. The Receiver is evaluating whether to challenge the lender's lien on the property.

2. 3995 Canterbury Way: This is the home that had been the primary residence of the Palmers. On May 28, 2009, this property was sold for \$332,000. The net proceeds paid to the Receivership were \$321,372.86, after payment of \$8,654.89 in unpaid property taxes and \$1,972.25 in other closing costs. There were no real estate commissions paid. The proceeds from this sale are being held in an escrow account at Zions Bank until the claims of a lien holder are resolved through negotiations or litigation.

3. Undeveloped Residential Property in Idaho Falls: As described in the Receiver's Notice to the Court on May 18, 2009, the Receiver has identified a parcel of undeveloped residential real estate property that might be subject to claim by the Receiver. Trigon Group, Inc., acquired rights to the property in exchange for granting the owner a \$500,000 interest in the Trigon investment program. At the instructions of Mr. Palmer, the property was transferred to another entity as collateral for a \$300,000 loan from this other entity to Trigon. The Receiver

had the potential of successfully asserting a right to ownership of this property, relegating the claims of the investor and lender to unsecured claims. On the other hand, the Receiver faced the risk that the lien on the property would be deemed valid and the investor would still be able to assert a claim against the Receivership. Under the settlement, the Receiver would disclaim any interest in the property in return for extinguishment of any claims by the lender for the \$300,000 loan to Trigon and any claims by the investor for the \$500,000 investment interest.

4. Heyrend Warehouse: Mr. Palmer owned a warehouse on Heyrend Drive in Idaho Falls. The property has recently been appraised at \$600,000. The Receiver paid two commercial real estate brokers to provide “Broker’s Opinions of Value” in an effort to determine whether the appraisal reflected fair market value.¹ These Broker’s Opinions of Value supported the appraised value, indicating the property might have a value ranging from \$535,000 to \$679,000, depending on its use and the length of time the seller is willing to have the property listed for sale. The Receiver has received an offer to purchase this warehouse for the full \$600,000 appraised value. The closing on the sale of this property, however, would not occur until January 10, 2010. By agreeing to a sale now, the Receiver is protected against further declines in the value of industrial property, but would not realize any appreciation if the value of this property appreciates significantly in the next six months. The buyer has agreed to provide a \$30,000 deposit that would be forfeited if the buyer fails to consummate the sale by January 10, 2010. This property also is subject to liens from the same lien holder that had a lien on all properties owned by Palmer. The proceeds from this sale will also be deposited into the escrow

¹ The Broker’s Opinions of Value were sought because they are substantially cheaper than the cost of commercial appraisals.

account at Zions Bank until the claims of the lien holder are resolved. The Receiver plans to enter into a binding agreement to sell this property so long as the Court has not objected to this sale before August 15, 2010. Anyone objecting to this planned sale is requested to notify the Court and the Receiver by July 31, 2009.

5. Rental Apartments in Rigby, Idaho: There are two four-plex apartment buildings in Rigby, Idaho that are owned by Daren Palmer, Michelle Palmer, and two other relatives of Daren Palmer. These two buildings are also subject to liens by the lien holder mentioned above. Michelle Palmer and the two relatives of Daren have provided quitclaim deeds to the Receiver, transferring to the Receiver their interest in these properties. These quitclaim deeds have been recorded with the Jefferson County recorder's office.² The Receiver is seeking to sell these properties and plans to list them with a real estate broker. One potential buyer who had expressed interest in one of the buildings early in 2009 no longer appears interested. The Receiver was made aware of another expression of interest, but the offer was substantially below market value and was not pursued. The property is currently being managed by a property manager. These properties are subject to the usual consequences associated with owning rental properties including a claim for an injury sustained in a fall by a tenant in February and unpaid returns of security deposits.

6. 330 Sheffield Circle: This is the partially constructed mansion in Idaho Falls. It appears to the Receiver that approximately \$6.9 million has been expended so far in construction of this home.

² Michelle Palmer also provided quitclaim deeds to the Receiver for her interests in the Heyrend warehouse and the home under construction on Sheffield Circle. These quitclaim deeds have been recorded.

a. According to the construction manager, construction on the home is about 65% complete and would require approximately \$1 million in additional work to complete construction. The Receiver is reluctant to expend monies recovered from other sources to complete this home without assurances that such expenditure would result in an increase in the value of the home substantially greater than \$1 million. The options being considered by the Receiver for this property include: a) selling the home “as is” at a liquidation sale, b) finding a buyer who might be interested in purchasing the home in its current condition and finishing it, and c) partner with a developer/real estate investor who would provide funds to finish the home and would receive a share of profits from the sale of the home as compensation for providing funding. The Receiver believes that selling the property in a liquidation sale would result in the lowest price for the Receivership and has rejected an expression of interest in the amount of \$1 million for the home. The Receiver has initiated contacts with parties that might be potential candidates to purchase the home and is searching for potential partners who might be interested in funding completion of construction. The Receiver plans to list the house through a real estate broker.

b. During the second week of May, the construction manager discovered that vandalism had occurred at the home. Significant amounts of wiring had been cut near the junction to electrical boxes. The cut wires were left in the home. The manner in which the wires were cut destroyed the identifying information on the wiring, which will necessitate an extensive and expensive effort to reinstall much of the electrical wiring. Damage is estimated at \$30,000. The police department was notified and is conducting an investigation. An insurance claim has

been filed.³ The Receiver has paid to have a security system installed in the home and to have a missing window installed. The construction manager is providing substantial assistance with care of the home.

c. Several liens have been placed on the home. A trustee's sale of the home had been scheduled for early May, but was canceled due to the litigation stay imposed by the Court. The Receiver has contacted other lien holders to understand the nature and validity of their claims against this home. To date, one of the contractors has agreed not to enforce its lien on the home.

7. Hawaii Time Share: The Receiver has obtained information about a time share interest owned by the Palmers in Hawaii. A management fee of approximately \$1,700 is owed. The Receiver is attempting to sell this interest, although the secondary market for sales of time shares yields notoriously low prices (compounded by reduced demand for high-end resort time shares as a result of the recession).

8. Airplane Hangars: The Receiver found that \$125,000 in Trigon funds were expended in partial payment for another person's purchase of an airplane hangar in California. This hangar is also subject to a bank lien. With the cooperation of the bank, this hangar is in the process of being sold. The first \$125,000 in proceeds from this sale will be paid to the Receiver, with the balance being paid to the bank. There are two other hangars at this airport that belonged to the same person (a relative of Daren Palmer). Those hangars also are in the process of being sold. The bank has agreed to keep the proceeds from these sales in a suspense account until it is determined whether the Receiver has a claim on those units.

³ The Receiver's responsibilities include ensuring that the properties are covered by insurance.

9. Other Properties: The Receiver is investigating whether there are other properties in which Mr. Palmer has an interest and should be transferred to the Receivership.

III. AGREEMENTS BY THE RECEIVER

The Receiver has entered into two agreements with holders of assets belonging to the Receiver:

1. The Receiver identified \$25,000 that had been paid to an employee of a commodities broker in California. The recipient claimed the funds had been lost in a sports bet. Because he was not able to provide proof of the placement of a legitimate sports bet, the Receiver demanded a return of the \$25,000. In April, the Receiver entered into an agreement to permit the broker to repay this amount in five quarterly payments. The first payment has been received.

2. In June, the Receiver entered into an agreement with Michelle Palmer. Under the agreement, Michelle Palmer: a) delivered quitclaim deeds to properties, b) delivered jewelry of significant value in her possession or control, c) agreed to provide continuing assistance to the Receiver in identifying the reasons for expenditures by Trigon and the Palmers, d) will provide information to the Receiver in his continuing search for assets, and e) will assume all financial responsibility for liens on the car she is driving and deliver to the Receiver a release of claims against the Receivership by the holder of one of the liens on the vehicle. In return, the Receiver has agreed to a) provide a \$2,000 monthly living allowance for her and her children for an eight-month period and b) permit her to retain the vehicle she is driving, subject to her obligation to be responsible for all liens on the vehicle.

IV. OTHER ASSETS

The Receiver has discovered that many assets owned by the Palmers were sold in late 2008, before the enforcement actions were filed by the SEC and CFTC and before the Receiver was appointed. These asset sales appear to the Receiver to have been part of a desperate attempt by Mr. Palmer to raise cash during the final months of 2008. Some of these funds were used for living expenses; other proceeds were sent to London, Dubai, and elsewhere in a belief by Mr. Palmer that he would receive a multi-million dollar infusion of cash into his investment program. The Receiver believes these payments were part of fraudulent “advance fee schemes” and that all those funds were lost.

Assets sold or encumbered before Court orders were issued on February 26, 2009 freezing assets and appointing a Receiver include the following:

1. A large number of snowmobiles, ATVs, trailers, and automobiles were sold in December to one commercial buyer. The Receiver has determined that most of these were sold for what would likely be considered a fair value but is investigating whether a claim should be made for a return of excess profits on some of the vehicles.
2. The sale of a Toyota Tacoma truck by Michelle Palmer (resulting in \$9,000 in net proceeds), the repossession of a Yukon Denali,⁴ and borrowing additional funds against the value of a BMW X5 (for the full amount of its equity).
3. Jewelry and coins that had been purchased with funds from Trigon. These include a number of rare coins, several pieces of jewelry, and several expensive watches. The

Receiver is investigating a number of these sales and may demand a return of assets sold for substantially less than fair market value.

Other assets that have been identified or recovered include:

1. Jewelry delivered to the Receiver by Michelle Palmer, including a collector Faberge egg. The Receiver has taken these 16 pieces of jewelry to a jeweler to evaluate their value and determine the manner of disposition that will yield the highest return to the Receivership Estate. This is expected to result in some items with evidence of significant use being disassembled and the diamonds and gold being sold, some items being sold to wholesalers, and some items being sold by the jeweler on consignment. The jeweler indicated that a willingness to wait as long as six months to sell these items is expected to result in the highest values for these items.

3. The Receiver has located a grand piano and an expensive painting that are still located at the retail merchants which sold the items. The merchants disagree with the Receiver's request for refunds of the purchase prices for the items. If negotiations fail, litigation may be necessary to recover the amounts paid for those items.

4. Two horses have been located that had been purchased by the Palmers. One had been previously sold and the proceeds have been located. The other has been located and will be offered for sale. The Receiver is investigating whether to seek a return of monies paid to the facility that received boarding fees for the horses.

⁴ This vehicle was repossessed by a credit union which recently sold it. The credit union has notified the Receiver that net proceeds of \$8,833.12 (after satisfaction of the credit union's lien) will be paid to the Receiver.

There are other assets that the Receiver believes exist – or that at one time were in the possession of the Palmers – but which the Receiver has not recovered. The Receiver’s ability to determine the status and location of these assets has been hampered by Mr. Palmer’s refusal to provide information to the Receiver regarding these assets or to turn over assets believed to be in his possession. These include:

1. A vehicle believed to be in possession of Mr. Palmer. There are other vehicles that at one time were registered to, or owned by, the Palmers whose statuses have not yet been determined.

2. Several investment diamonds and expensive watches owned by Mr. Palmer. These have not been located.

V. ANALYSIS OF EXPENDITURES

Since the date of the Initial Report to the Court, the Receiver has obtained additional bank documents. As a result, the Receiver has been able to identify additional recipients of funds and identified new bank accounts. None of these newly identified bank accounts have any funds still in the accounts.

As the Receiver has requested and analyzed information from recipients of funds from Trigon, the Receiver has determined that virtually all of the expenses for air charters (which totaled over \$350,000) were for personal use, not business purposes. This included many charter flights to college and professional sporting events in Seattle, Washington and Provo, Utah, shopping trips, family vacations, and transporting members of youth recreational sports teams to football camps in other states.

Further analysis of the bank records has revealed that many, substantial expenditures were made by Trigon and the Palmers as contributions to community causes or to individuals

whom the Palmers determined were in need of financial assistance. These included donations to family members, the Palmers' neighborhood homeowners' association, high school sports programs, the Miss Idaho Pageant, a body building competition, a local search and rescue program, community members in financial need, their church, an educational foundation, funding "Secret Santa" projects, and art programs. For many of these contributions, the Receiver likely will determine that it would not be cost-effective to seek repayment of these contributions. In some instances – generally where the donation amounts are larger – the Receiver has made demands for repayment of the contributions.

A large life insurance policy has been identified, but the Receiver discovered that it was a term-life policy that has no cash value.

The Receiver has been notified of potential claims against Trigon by governmental taxing entities and collection agencies.

VI. ANALYSIS OF TAX RETURNS

Copies of tax returns filed by Trigon Group, Inc. for the years 1997 to 2001 have been obtained. In those tax returns, Trigon reported losing money from its investment strategy each of those five years but one.

The Internal Revenue Service has informed the Receiver that Trigon filed no tax return for 2007. The Receiver is still trying to find tax records for Trigon for 2002 through 2006.

VII. ONGOING EFFORTS TO RECOVER FUNDS

The Receiver is attempting to identify and recover other assets and funds belonging to the Receivership Estate. This process is proving extraordinarily difficult. Based on the Receiver's analysis of bank records, the Receiver has identified the names of recipients of funds from

Trigon, but the limited records delivered to the Receiver by Mr. Palmer provide very few details regarding the purposes. The Receiver has expended substantial effort trying to identify the purposes of payments to these persons and entities. For the recipients that have been positively identified, the Receiver has been able to determine that some of them have gone out of business and a number of others appear to be fraudulent schemes. This means that significant expenditures by Trigon will be unavailable for recovery. It is expected that the assistance to be provided by Michelle Palmer will facilitate the Receiver's efforts to identify the correct recipients of much of the funds and the purposes of the payments.

The Receiver has been engaged in extensive negotiations with a group of persons and entities that had wide-ranging business dealings with Mr. Palmer and Trigon, in an attempt to recover funds for the Receivership and reduce or eliminate claims that might be made against the Receivership and its real estate properties.

The Receiver has sent letters to more than a hundred persons and entities that received funds from Trigon or the Palmers. These letters request information about the purposes of the payments from Trigon and the nature of business transactions with Trigon and Mr. Palmer. A significant number of persons and entities receiving these inquiry letters have failed to respond to the Receiver, delaying the Receiver's efforts to gather information and increasing the expenses of the Receivership. In the instances where the recipients of funds have not responded, the Receiver has begun issuing subpoenas compelling the production of documents.

The Receiver has begun taking depositions of persons with information about the operations of Trigon and who transacted business with Trigon. Analysis of information obtained by the Receiver as a result of the inquiry letters, subpoenas, and depositions has identified other potential sources of recovery. These include instances where payments by Trigon were made for

improper purposes and where Trigon expenditures represented investments in or loans to other businesses. The Receiver expects to pursue these claims, which total several hundred thousand dollars.

The Receiver has searched for many investment assets that have turned out to be false leads. For example, personal financial statements for Mr. Palmer found on a Trigon computer hard drive listed ownership of multiple investment securities, such as stocks and U.S. Treasury investments. The Receiver, however, has been unable to find any evidence those assets ever were purchased by Trigon or Mr. Palmer, suggesting the information on the financial statement was fabricated.

VIII. OVERPAID INVESTORS

The law permits the Receiver to recoup funds paid to investors in several circumstances. These include: a) investors and lenders who received money from Trigon or Mr. Palmer without the ability to demonstrate they acted in good faith in taking money, b) investors who withdrew money from the investment scheme based on a belief the investment scheme was fraudulent or about to fail, and c) investors who withdrew more money or were paid more in distributions than the amount of principal they invested in the scheme.⁵

Nevertheless, many factors are complicating the analysis of which investors may have been overpaid. These factors include: a) some investors gave their investment funds to other

⁵ This is true despite the belief of investors that the payments they received constituted profits and that the principal amounts of their investments remained intact. The Receiver expects to recommend to the Court that investment losses be calculated based on a net principal basis that subtracts all payments and distributions from the total amount of principal in calculating the amount of loss. The Receiver also may seek to recover interest on amounts due to the Receiver.

entities, which investments were forwarded on to Trigon (or, in some cases, signed over to Trigon and deposited directly into Trigon bank accounts) but distributions were paid to the investors directly by Trigon, b) funds belonging to one investor were invested under the names of the investor and companies controlled by that investor, c) distributions for the benefit of a particular investor were made to more than one person or entity, d) investment credits appear to have been transferred from the investment accounts of some investors to the accounts of others, e) some investors were given investment credit for non-investment money such as the purchase of assets and satisfaction of debts, f) there are deposits to and payments from the Trigon bank accounts that have the appearance of investments, but are likely the result of non-investment loans to Trigon or loans and investments made by Trigon to others, g) the investor account statements prepared by Trigon have many inaccuracies, reporting some payments to and from Trigon for which no corresponding bank transactions can be located, h) some payments were for periods before 2002, where the Receiver has been unable to obtain records from the banking institutions and where the company has no records for that matter, i) there were transactions with family members, whose good faith needs to be determined, j) there were transactions with other persons with whom Trigon or Mr. Palmer conducted other types of business transactions, necessitating a separation of the investment and non-investment transactions and a determination of good faith, k) a significant number of payments were made by Trigon to non-investor recipients for the benefit of investors (such as the airplane hangar described above), and l) some investors are not responding to requests for information, requiring the Receiver to issue subpoenas for the documents and take depositions.

Notwithstanding the difficulties, the Receiver is analyzing the situation of each investor.

Where the relationship between several people or entities are unclear or where it appears the

investor may have received more in distributions than the amount of principal invested, the Receiver has begun contacting the investors, asking for additional information.

When investors are determined to have overpaid, the Receiver expects that, in some cases, it will have to engage in litigation to obtain court orders that the overpaid amounts, plus interest, must be refunded. In other cases, investors are asserting that they no longer have funds or properties to repay the Receiver (often because of financial difficulties they face in their business). In those situations, the Receiver expects to conduct additional investigation to determine what assets the overpaid investors own that can be sold to satisfy the repayment obligation.

IX. FINANCIAL ACTIVITIES OF THE RECEIVER

The Receiver has expended significant sums to date in carrying out his responsibilities. These include expenses relating to travel, service of process, obtaining property appraisals, printing and mailing costs, filing fees to courts and county recorders, and paying expenses of analysts and other assistants. In addition, the law firm hired by the Receiver has incurred expenses that have not yet been reimbursed for travel, subpoenas, depositions, copying, and filing fees. The Receiver and the law firm expect to submit soon a request for Court approval for payment of reimbursement of these expenses and payment of their professional fees.

To date, the Receiver has recovered \$7,263.04. The money has been deposited into a bank account opened by the Receiver for this case. These funds came from a small brokerage account balance, rental payments made to the Receiver for a short period of time, and the first

installment of the settlement with the broker.⁶ Of this amount, \$5,181.33 has been expended as follows:

- \$526.33 for bank fees (consisting of check printing and a \$500 fee to Zions Bank for the opening of the escrow account);
- \$100 used as an initial balance for the escrow account at Zions Bank.
- \$1,120 paid to the law firm Holme Roberts for filing notices with the federal court in Utah.
- \$3,435 spent to protect the home on Sheffield Way for installation of a security system and installation of a window.

X. OTHER ACTIVITIES

Other activities of the Receiver have included further analysis of bank records (to identify unknown recipients and sources of funds); calls, correspondence, and interviews with investors; negotiations with entities with claims against the Receivership entities; and assisting government agencies with their investigations (including providing information, documents, and analysis, drafting declarations, and identifying assets).

⁶ The proceeds from the sale of the home on Canterbury Way are held in a separate escrow account.

**XI.
CONCLUSION**

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

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

DATED THIS 9TH day of July, 2009.

By Wayne Klein
WAYNE KLEIN, Receiver

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 9th day of July, 2009, I electronically filed the foregoing SECOND REPORT OF R. WAYNE KLEIN, RECEIVER (FOR PERIOD ENDING JUNE 30, 2009) with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following persons:

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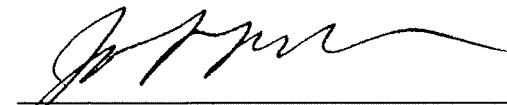
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