

**UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF NEW JERSEY
CAMDEN VICINAGE**

COMMODITY FUTURES TRADING)	
COMMISSION,)	
)	
Plaintiff,)	
)	
vs.)	Civil Action No.: 04CV 1512
)	
EQUITY FINANCIAL GROUP, LLC,)	Honorable Robert B. Kugler
TECH TRADERS, INC., TECH)	
TRADERS, LTD., MAGNUM)	
INVESTMENTS, LTD., VINCENT J.)	
FIRTH, ROBERT W. SHIMER, COYT E.)	
MURRAY, and J. VERNON ABERNETHY)	
)	
Defendants.)	

FOURTH INTERIM REPORT OF EQUITY RECEIVER

Stephen T. Bobo, as Equity Receiver (the "Receiver") for defendants Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., Magnum Capital Investments, Inc., Vincent J. Firth, and Robert W. Shimer, submits this fourth interim report to apprise the Court of his activities through December 31, 2005. This report: (i) summarizes the status of the distribution process and remaining disputed claims; (ii) provides an update regarding the investigation of potential claims against third parties and the Receiver's other responsibilities to administer the receivership estate; (iii) updates the analysis of the sources and uses of the Tech Traders' funds analysis and summarizes the activities of Magnum Investments, Ltd. and Magnum Capital Investments, Ltd.; and (iv) provides an updated summary of the funds held by the receivership estate.

1. Distribution and Claims Status

In the period since submitting the Receiver's Third Interim Report on June 10, 2005, the major focus of the Receiver and his attorneys and accountants has been dealing with disputed

investor claims and implementing the initial distribution to the investors as approved by this Court. In November and December 2005, the Receiver issued distribution checks totaling \$4,087,710.12 on account of allowed claims and for the return of certain funds invested after April 1, 2004. Another \$7,484,494.34 was transferred to the Tech Traders and Shasta reserve accounts for disputed claims, and this amount includes funds reserved for possible claims by investors in Magnum Investments, Ltd.. The Receiver is prepared to issue checks totaling approximately \$876,482 to investors whose claims have been allowed once allocation issues are finalized.

The Receiver and the CFTC initially objected to nearly one-third of the 91 claims filed by persons who invested directly with either Tech Traders or Shasta. Some of those objections involved discrepancies between the amounts claimed and what is reflected in the Tech Traders and Shasta records. Other objections arose from a lack of supporting documentation or lack of disclosure of the beneficial owners of the claim. The Receiver and his counsel have worked with those investors to resolve claim disputes, and in most cases, those efforts have been successful. Certain claimants who originally failed to respond to the objections were the subject of an order directing them to respond and to appear at a court hearing on November 2, 2005 and show cause why their claims should not be disallowed. The claims of those investors who failed to respond and appear at the hearing are to be disallowed. Two Tier 2 investors appeared and sought for their claims to be treated as Tier 1 claims for purposes of distribution. Magistrate Judge Donio heard evidence on their requests and took the matter under advisement.

The remaining claim objections fall principally into two categories. The first category includes the claims of four investors who had received Tech Traders' funds in repayment of their earlier investments in Kaivalya Holding Group and Edgar Holding Group. Those claim

objections are to be resolved following an evidentiary hearing to be held before Magistrate Judge Donio.

The other category of unresolved claim objections is the claims by seven Sterling entities. Not only do the amounts of some of these claims remain to be resolved, but also pending is Sterling's objection to the Receiver's recommendation that their claims be aggregated for purposes of determining the amount of their distribution when their claims become allowed.

Despite the number of issues with Sterling, there has been progress in resolving them. The Receiver and Sterling have worked out an agreement in principle on the division of the funds held in account number 37923 at Man Financial. The Receiver is awaiting further information and Sterling investor approvals before submitting it to the Court for approval.

Another development related to Sterling is the Receiver's motion for authority to make provisional distributions to the CMP Fund and the DRL Twenty Plus Fund, which are Tier 2 investors that invested over \$10.2 million through Sterling Bank during January through March 2004. Following the Receiver's review of the situation, it was determined to recommend making a provisional distribution. Because of the amounts of information known about their investments, the lack of prejudice to any other investors or parties, and the reported hardship faced by those entities' respective Tier 3 investors from delaying any distribution before the Sterling claims are allowed, the Receiver filed a motion recommending that a provisional distribution be made. The Court approved this motion in early January 2006, following the end of the period covered by this report.

2. Investigation of Claims Against Third Parties

The Receiver continues to investigate potential claims against third parties, including the former accountants for Shasta, and other professionals. Related areas of inquiry include potential claims to recover payments received by investors in excess of their investment,

commissions or finders' fees paid by Tech Traders, as well as Tech Traders' funds received by investors in repayment of prior investments with other entities that did not involve Tech Traders. The Receiver has subpoenaed records from the law firms that formerly represented Tech Traders, Shasta and Equity and has sought a turnover of funds held by the former attorneys for Tech Traders.

The Receiver continues to participate in many depositions taken in the case. Principal examples are the deposition of Elaine Teague, the former accountant for Shasta, and the lengthy but unfinished deposition of defendant Robert Shimer. However, the Receiver has elected not to attend depositions that did not appear to involve substantial receivership interests. In addition, the Receiver and his counsel have interviewed other persons with knowledge regarding the facts and circumstances. The deposition testimony and interview material generally has been useful in gaining a better understanding of the factual background and the relationships among the Defendants, affiliates and investors. Some of the information will be useful in pursuing claim objections and causes of action on behalf of the receivership estate.

3. Financial Analysis of Tech Traders, Inc.

The Receiver's accountants, FGMK, LLC, have essentially completed their analyses of the transactions of Tech Traders, Inc., Shasta and Shasta's affiliates. The bank records above a material threshold for Tech Traders and Shasta have been obtained and analyzed. Although there remain some unidentified transactions, they represent a very small portion of the total transactions. The following table summarizes the results of this analysis to date, although certain details remain subject to change as additional information becomes available.

Summary of Tech Traders, Inc. Sources and Uses of Funds

Sources of Funds	Amount
Funds received from investors through 4/1/04	\$43,122,494
Other cash receipts (including unknowns)	<u>61,872</u>
Total Funds Received by Tech Traders, Inc.	\$43,184,366
Uses of Funds	Amount
Net Trading Losses (including fees and commissions)	(7,605,407)
Operating Expenses (including payments to or on behalf of members of the Murray family and sales commissions)	(1,985,975)
Repayments to investors	(11,969,771)
Transferred to Magnum Investments, Ltd. (much of which also used for operating expenses)	(2,403,900)
Transferred to Kaivalya Holding Group, Edgar Holding Group and Equity Financial Group	(2,169,430)
Unknown disbursements	<u>(29,771)</u>
Funds remaining in Tech Traders accounts as of April 1, 2004	\$17,020,112

4. Summary of Activities of Magnum Investments, Ltd.

Many of the details regarding Magnum Investments, Ltd. (“Magnum”) have come to be better understood, and the overall flows of funds through its accounts have been analyzed, to the extent that records are available. The Receiver expects some additional information may become available regarding these entities, but it is unlikely that enough detail regarding their transactions will be available to permit them to be analyzed to the same extent that Tech Traders and Shasta have. Although the Receiver lacks certain details, particularly concerning offshore activities, the following Magnum description summarizes the information currently known.

Magnum appears to have had a more varied history than Tech Traders. Coyt Murray formed it in 1994 as a vehicle to look for capital to fund a polymer plant. Coyt Murray was the principal owner and directed its affairs. Magnum began trading futures contracts in early 1998. Coyt Murray developed a computer-based trading system through Magnum which he called the Synergy Trading System or STR 7000 that Magnum's employees attempted to utilize in trading futures contracts. Initial capital for the trading activities came from a prior Murray company. Although Magnum does not appear to have actively solicited investors, it took in a total of approximately \$4.5 million from outside investors beginning in April 1999.

In about September 1999, Magnum sold its operations, trading systems and equipment for \$1 million plus a five-year licensing arrangement to a Bahamian businessman named Hubert Pinder, who controlled Magnum's initial investor. The \$1 million purchase price was to be credited against the funds that Pinder's company had already invested with Magnum. Pinder used the Magnum equipment and systems to open a trading operation in Nassau. Trading for Pinder's Nassau operation was conducted through an account at Refco established in the name of Magnum Capital Investments, Ltd. ("MCI"), which is discussed separately below. Refco reportedly required Magnum to be responsible for MCI's margin calls and trading losses. Magnum also apparently "advanced" approximately \$350,000 to Pinder to begin trading, but that amount was never repaid. In addition, Magnum transferred over \$130,000 to another Pinder company in partial repayment of large trading losses that Magnum suffered in August 1999. Pinder's Nassau-based trading operation continued for between 6 and 9 months, but it could not profitably operate Synergy Trading System and ceased trading in 2000.

In the fall of 1999, after the sale of its operations to Pinder, Magnum bought new computer equipment and resumed trading in its own accounts at Refco. Two large investors placed funds with Magnum in March 2000 because of what they had heard of Magnum's trading

record. Both investors nominally signed agreements to invest through MCI because they claimed they wanted their funds to go through an international business corporation for tax reasons. In fact their funds were sent directly to the bank account of Magnum, and those funds thereafter were transferred directly to the trading accounts of Magnum. After months of receiving overstated trading results, these investors learned by the middle of 2001 that Magnum had lost most of their funds in trading.

Magnum's final investor was Edgar Holding Group, organized by Robert Shimer, which invested a total of \$250,000 with Magnum in late 2000 and early 2001. Although Magnum continued to lose money trading, it reported to Edgar that it was earning profits. After Tech Traders, Inc. was set up, its funds were used to repay Edgar all of principal amount plus some profits.

Altogether, Magnum lost a total of \$2.68 million in its trading accounts, including commissions and fees, from early 1998 through May 2002. Coyt Murray, on behalf of Magnum, appears to have settled with each of its investors. As far as can be now determined, Magnum paid back to investors a total of approximately \$1.3 million, plus the \$1 million credit for Pinder's purchase of the Magnum operations and the \$292,000 which Tech Traders directly paid to Magnum investor Edgar Holding Group. Tech Traders regularly transferred funds to Magnum beginning in May 2001, and Magnum used a portion of those funds to partially repay several of its investors. Magnum also entered into a "Service Agreement" dated June 1, 2001 with Tech Traders, Inc., purportedly providing that Magnum would place funds with Tech Traders, Inc. for trading by Tech Traders, Inc.

5. Summary of Activities of Magnum Capital Investments, Ltd.

The information available regarding MCI is less complete than the information available for Magnum, particularly because most of MCI's activities were apparently in Bahamas. To the

best of the Receiver's knowledge, MCI had limited actual transactions, although its name appears on the paperwork for certain investments which in reality were made through Magnum Investments. MCI was formed in the Bahamas in 1999 for Coyt Murray to do business with Hubert Pinder and his companies. MCI and Magnum entered into a Service Agreement dated June 1, 1999 which stated that Magnum would handle the trading on behalf of investors who had supposedly placed funds with MCI.¹ In late 1999, a futures trading account was set up at Refco under the MCI name and was used for Pinder's Nassau-based trading. The MCI trading account was initially funded with \$200,000 from Magnum and later received another \$50,000 from a source believed to be Hubert Pinder's company in the Bahamas.

Over the course of 2000, MCI lost virtually all of its \$250,000 account balance through futures trading. Several years later, in September of 2003, the remaining MCI balance of \$1,136.23 was transferred to Magnum's account. MCI's only known bank account was opened by Hubert Pinder in June 1999 at the now-defunct Suisse Security Bank Trust in Nassau. Only about \$2,500 was reportedly in MCI's account when that bank's operations were suspended in March 2001.

6. Tech Traders, Ltd.

Little information is available about the few transactions known to have been conducted in the name of Tech Traders, Ltd. It was organized under Bahamian law in January 2000 with the assistance of Suisse Security Bank and Trust in Nassau. A bank account was opened for it within a few months thereafter at Suisse Security Bank and Trust. That account appears to have held as much as \$110,000 by the middle of 2000, although the source of those funds remains unknown. In late August, 2000, Tech Traders, Ltd. transferred \$87,500 from that account to Magnum. From the incomplete records available, there is no indication that Tech Traders, Ltd.

¹ This is similar to the later Service Agreement through which Tech Traders, Inc. purportedly agreed to handle the trading of funds supposedly invested offshore with Tech Traders, Ltd.

thereafter received significant additional funds for its account. Suisse Security Bank and Trust's operations were suspended by Bahamian regulators in March 2001, and reportedly only a small balance remained in Tech Traders, Ltd.'s account there. There is also no indication that Tech Traders, Ltd. had a futures trading account in its own name or that it solicited or actually received investor funds. Tech Traders, Ltd. entered into a "Service Agreement" with Tech Traders, Inc. dated as of June 1, 2001 under which Tech Traders, Inc. would trade investors' funds purportedly placed with it by Tech Traders, Ltd. A number of Tech Traders investors executed documents indicating that their investment had been made in the name of Tech Traders, Ltd., even though their funds had gone only to accounts of Tech Traders, Inc. and were traded only by Tech Traders, Inc.

7. Tax and Financial Matters

The Receiver caused W-2 forms to be sent out to former Tech Traders' employees and had FGМК prepare the necessary employment tax returns for Tech Traders. FGМК prepared amended K-1 forms for Shasta investors for 2002 and 2003 and original K-1 forms for 2004. These were distributed at the end of 2005. FGМК has also prepared federal and state income tax returns appropriate for the various receivership defendants.

As of December 30, 2005, the Receiver held a total of \$5,715,003 in general Tech Traders and Shasta receivership accounts, including accrued interest. A total of \$7,484,494.34 has been transferred to the reserve accounts for disputed claims against Tech Traders and Shasta plus potential Magnum investor claims. Copies of the most recent statements for those bank accounts are attached to this report. The Receiver is in the process of transferring estate funds to accounts where they can earn higher rates of interest by purchasing 90-day United States Treasury Bills. In addition, the Receiver continues to maintain the status quo with respect to Account No. 37923 at Man Financial. The funds in this account are primarily invested in 10


year U.S. Treasury Notes. According to the most recent account statement, the nominal value of those funds is \$1,769,800.36. The Receiver is advised that the actual value of those U.S. Treasury Notes is significantly greater.

Since the prior interim report was submitted through May 31, 2005, the Receiver has made the following disbursements of funds from the receivership bank accounts pursuant to order of court:

Date	Payee	Amount
6/7/05	Theodore M. Formaroli (court reporter)	\$561.00
8/8/05	Sachnoff & Weaver, Ltd.	172,809.35
8/8/05	FGMK, LLC	56,316.23
8/8/05	Pepper Hamilton, LLP	6,558.94
9/6/05	James Meier-Jensen (Shasta website charges)	929.35
9/30/05	Netrix, LLC (Shasta website charges)	195.00
10/6/05	Netrix, LLC (Shasta website charges)	195.00
11/14/05	Sachnoff & Weaver, Ltd.	185,509.95
11/14/05	FGMK, LLC	22,235.23
11/14/05	Pepper Hamilton, LLP	10,909.61
12/6/05	Netrix, LLC (Shasta website charges)	9.80

Dated: January 24, 2006

Respectfully submitted,

A handwritten signature in black ink that reads "Stephen T. Bobo". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right from the end of the name.

Stephen T. Bobo, Equity Receiver

