

Matthew H. Adler (MA-4720)
Jeffrey A. Carr (JC-1103)
Pepper Hamilton LLP
300 Alexander Park
CN 5276
Princeton, NJ 08543-5276
Tel: (609) 452-0808

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

**COMMODITY FUTURES TRADING)
COMMISSION,)
)
Plaintiff,)**

vs.

Civil Action No.: 04CV 1512

**EQUITY FINANCIAL GROUP, LLC,)
TECH TRADERS, INC., TECH)
TRADERS, LTD., MAGNUM)
CAPITAL INVESTMENTS, LTD.,)
MAGNUM INVESTMENTS, LTD.,)
VINCENT J. FIRTH, ROBERT W.)
SHIMER, COYT E. MURRAY, and J.)
VERNON ABERNETHY,)
)
Defendants.)**

Honorable Robert B. Kugler

**SIXTH APPLICATION OF EQUITY RECEIVER
AND SACHNOFF & WEAVER, LTD. FOR INTERIM
COMPENSATION AND EXPENSE REIMBURSEMENT**

Stephen T. Bobo, as Equity Receiver (the "Receiver") for Defendants Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Vincent J. Firth, and Robert W. Shimer (the "Receivership Defendants"), and his principal counsel, Sachnoff & Weaver, Ltd. ("Sachnoff & Weaver"), file this application with the Court requesting an award of interim compensation and expense

reimbursement for services rendered from July 1, 2005 through September 30, 2005. The Receiver and Sachnoff & Weaver (collectively the “Applicants”) seek interim compensation in the amount of \$173,240.75 and reimbursement of expenses in the amount of \$6,947.10.

BACKGROUND AND CASE STATUS

1. On April 1, 2004, the Commodity Futures Trading Commission (the “CFTC”) filed its Complaint and Motion for *Ex Parte* Statutory Restraining Order with the Court, seeking injunctive relief and civil monetary penalties against Defendants Equity Financial Group, LLC, Tech Traders, Inc., Vincent J. Firth, and Robert W. Shimer. That same day, the Court granted the CFTC’s motion for the restraining order and appointed Stephen T. Bobo as Temporary Equity Receiver for these Defendants and their assets.

2. Later that month, with the Court’s approval, the Receiver employed Sachnoff & Weaver as principal counsel. To help ensure that costs remain reasonable and appropriate, Sachnoff & Weaver continues to discount the billing rates of its attorneys and paralegals between 5 and 9 percent.

3. In light of additional facts that emerged from the CFTC’s ongoing investigation of the Defendants and their business affairs, on August 12, 2004, the CFTC amended its complaint to name five additional Defendants, including Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Coyt E. Murray, and J. Vernon Abernethy. As of August 24, 2004, all named Defendants consented to the Court’s entry of a preliminary injunction. Pursuant to the Court’s preliminary injunction orders, Mr. Bobo serves as the Receiver for Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Equity Financial Group, LLC, Vincent Firth, and Robert Shimer.

4. In June 2004, the Receiver filed a motion to approve an investor claim process. With the Court's approval, in late August 2004, the Receiver distributed claim forms to all individuals and entities identified as possibly having invested funds with the Receivership Defendants through Shasta Capital Associates, LLC ("Shasta"), through New Century Trading, LLC, and directly with Tech Traders. The Receiver distributed approximately 170 claim forms and received 105 proofs of claim in return.

5. In early January 2005, following his review and analysis of these proofs of claim and supporting documentation from investors, the Receiver filed a motion for authority to make an interim distribution on account of investor claims. Later that month, the Receiver provided investors with notice of his proposed plan of distribution. In response, 15 investors filed objections to the proposed plan. The CFTC and Defendant Equity Financial Group also filed limited objections. Thereafter, the Receiver filed a reply to these objections. The Court referred the resolution of various investors' objections to Magistrate Judge Ann Marie Donio.

6. Pursuant to Magistrate Judge Donio's order, on March 31, 2005, the Receiver filed formal objections to investors whose proofs of claim required resolution by the Court, e.g., investors with incomplete or inaccurate proofs of claim. Specifically, the Receiver objected to 28 of the 105 proofs of claim submitted by investors.

7. During this quarter, the Receiver and his counsel spent a considerable amount of time attempting to resolve investor claims and distribution issues. This required the Receiver and his counsel to contact investors whose claims are still in dispute in an effort to resolve open issues relating to their claims. In light of the unique circumstances of the Sterling entities, the Receiver and his counsel continue to dedicate significant time to addressing their claims. For

example, the Receiver's counsel continues to correspond with Sterling's counsel to address the deficiencies in the Sterling entities' proofs of claim. The Receiver and his counsel also participated in telephone conferences scheduled by Magistrate Judge Donio to address the Sterling entities and their disputed claims.

8. On September 2, 2005, the Magistrate Judge issued her Report and Recommendation relating to the Receiver's motion for authority to make an interim distribution. One investor filed a written objection to this Report and Recommendation. Thereafter, on September 26, 2005, the Court entered an Order overruling the objection and adopting the Report and Recommendation.

9. Pursuant to the Report and Recommendation and the Court's September 26, 2005 Order, the Receiver and his counsel revised the proposed interim distribution schedules for Tech Traders and Shasta. In particular, the Receiver modified the distribution schedules to account for the treatment of Shasta as a Tier 1 investor. In light of this modification, the Receiver proposed making a 36.5 percent interim distribution on account of allowed Tier 2 Shasta claims. The Receiver submitted the Equity Receiver's Revised Distribution Schedules to the Court for final review and approval on September 28, 2005.

10. Through September 30, 2005, the Receiver maintains exclusive control of receivership assets totaling approximately \$19.2 million previously held by banking institutions Bank of America and Citicorp and brokerage firms Forex Capital Markets, Global Forex Trading, Man Financial, and Rosenthal Collins Group. These funds are primarily held in an escrow account at LaSalle Bank, N.A. in Chicago, Illinois, which serves as the designated depository for funds of the Receivership Defendants.¹

¹ Of the approximately \$19.2 million in frozen assets held by the Receiver, \$17,432,634.25 remains in the LaSalle Bank escrow account. Within this account, subaccount number 8601310983 holds the frozen

11. The Receiver and his attorneys continue to investigate the Receivership Defendants' business affairs and, specifically, Defendants' handling of investor funds, informally and through the discovery process. In July, the Receiver's counsel prepared for and participated in the 30(b)(6) depositions of Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Tech Traders, Inc., and Tech Traders, Ltd. As part of this preparation, the Receiver's counsel subpoenaed relevant documents from prior counsel for Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Tech Traders, Inc., and Tech Traders, Ltd. The Receiver's counsel reviewed the documents produced in advance of the Defendants' depositions and used them as exhibits at the depositions. Ultimately, no 30(b)(6) corporate representative of these four entities appeared because of concerns regarding Fifth Amendment rights. The Receiver's counsel and the CFTC nonetheless proceeded with the depositions and made a record of all areas of inquiry relating to the assets, liabilities, and business operations of these entities.

12. In July 2005, the Receiver's counsel also conducted the depositions of several relevant third parties in the case, including Vernice Woltz, an officer and director of several of the Sterling entities, and several former employees of Tech Traders, Inc. and Magnum Investments, Ltd. These depositions assisted the Receiver in evaluating the potential liability of third parties in the case.

13. During the third quarter of 2005, the Receiver worked with FGMK to finalize the financial analysis of the Receivership Defendants' bank and trading accounts, including analysis

assets of Shasta and subaccount number 8601311106 holds the frozen assets of Tech Traders. The remaining frozen assets continue to be held in Man Financial account number 37923. An October 2005 account statement from Man Financial reflects that these assets, which are primarily held in 10-year U.S. Treasury Notes, have an "account value at market" of \$1,754,934.14, although the Receiver understands that the actual value of the Treasury Notes is significantly greater. The cash assets, a small portion of this total, are currently held in 90-day T-Bills at an annual interest rate of 2.90%.

of the loss or misappropriation of investor funds. At this time, the Receiver's accountants have completed their analyses on the transactions of Tech Traders and Shasta and its affiliates. Only a handful of unidentified transactions remain. In addition, the Receiver and his counsel continue to work with FGМК to complete the financial analyses of the Magnum Investments, Ltd. and Magnum Capital Investments, Ltd. bank and trading accounts. The Receiver has provided the accountants with the vast majority of bank and trading records, however, the Receiver continues to wait for outstanding documents requested from select banking institutions. Additional work therefore remains to bring the financial analyses of these two entities on a par with the other receivership entities. In light of document retention policies at these banking institutions and brokerage firms, however, the accountants will not have access to all the requested documentation.

14. With the assistance of his accountants, the Receiver continues to resolve tax-related issues involving the corporate Defendants as well as Shasta, the pool managed by Defendant Equity Financial Group. Specifically, the Receiver has recently received copies of the transcripts of the tax returns filed by Shasta, Equity Financial Group, Tech Traders, Inc., and Magnum Investments, Ltd. The Receiver, with the assistance of his accountants, is determining the accuracy of previously filed returns and will file amended returns where appropriate. In addition, the Receiver, with FGМК's assistance, will be finalizing and distributing K-1 forms for Shasta investors in the late fall of 2005. The Receiver also intends to include correspondence to explain these amended K-1 forms to investors.

15. During the third quarter of 2005, the Receiver and his counsel also spent considerable time continuing the investigation of potential claims against third parties. For example, the Receiver's counsel researched possible claims against certain investors who

withdrew more than they invested with Tech Traders or received funds from Tech Traders in repayment of previous investments made with other entities. The Receiver and his counsel are also exploring possible claims against persons who received commissions or finders' fees paid by Tech Traders for referring investors.

16. The Receiver's counsel has also initiated an investigation into potential claims against firms that provided professional services to the Receivership Defendants. In particular, the Receiver and his counsel have scrutinized the involvement of Shasta's prior accountant, Elaine Teague and her accounting firm Puttman & Teague, LLP (collectively "Puttman & Teague"), to determine Puttman & Teague's potential liability in this case and damages attributable to Puttman & Teague's conduct. In June 2005, the Receiver's counsel initiated communications with Puttman & Teague's counsel to address potential claims against the firm and to pursue a possible resolution. At the Receiver's request, civil and criminal counsel for Puttman & Teague initiated an attorney proffer on their clients' behalf and for the benefit of the CFTC and the Receiver.

17. The Receiver previously issued subpoenas to those law firms believed to have provided professional services to the Receivership Defendants in order to assess potential claims against these firms. At this time, the Receiver and his counsel have received responsive documents to all but one of the subpoenas issued. The Receiver intends to file a motion to compel the production of responsive documents from that firm.

18. The Receiver has dealt with several other issues during the period of this application, including visiting Tech Traders' premises in Gastonia, North Carolina to recover additional documents and obtain relevant information regarding the computer and office

equipment stored on the premises. The Receiver and his counsel also prepared for and participated in a two-day interview of Coyt E. Murray, along with his criminal counsel, regarding the assets, liabilities, and prior business operations of Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., and Magnum Capital Investments, Ltd.

NATURE OF THE SERVICES RENDERED AND EXPENSES INCURRED

19. From July 1, 2005 through September 30, 2005, the Applicants have provided over 608.85 hours of services as Receiver and as principal counsel for the Receiver. For the Court's benefit in reviewing this application, the Applicants' services are divided into seven (7) different categories:

- A. General administration of the estate;
- B. Communications with investors;
- C. Claims and distribution issues;
- D. Investigation of claim and other assets;
- E. Review of Defendants' transactions;
- F. Discovery; and
- G. Court hearings and preparation of motions and other submissions.

A copy of Sachnoff & Weaver's statement of services by category is attached as Exhibit C to the Declaration of Stephen T. Bobo as Equity Receiver in Support of the Sixth Applications for Interim Compensation and Expense Reimbursement of Sachnoff & Weaver, Ltd. and Pepper Hamilton LLP.

20. In its April 1, 2004 Order, the Court directed the Receiver and his counsel to file fee applications on a quarterly basis. On October 6, 2005, the Applicants filed their fifth fee

application with the Court for the period from April 1, 2005 through June 30, 2005, wherein they requested fees in the amount of \$178,906.25 and expenses in the amount of \$6,603.70. The Court approved the Applicants' fee application on November 7, 2005.

21. Pursuant to the Court's directive, the Applicants file this sixth fee application covering the third quarter of 2005.

A. General Administration of the Estate

22. The Applicants seek compensation for 59.90 hours of professional services related to the administration of the receivership estate from July 1, 2005 through September 30, 2005. Among the services that the Receiver and his counsel performed in administering the estate are:

- Communicating with Defendant J. Vernon Abernethy and the CFTC regarding the terms and process for selling Abernethy's property in Gastonia, North Carolina;
- Communicating with the IRS on an ongoing basis to obtain copies of any transcripts regarding tax returns filed by Shasta, Tech Traders, Inc., Magnum Investments, Ltd., and Equity Financial Group, LLC;
- Sharing these transcripts with FGMK in an effort to determine whether tax returns need to be filed or amended for these entities;
- Assisting FGMK in locating relevant information and completing the Shasta tax returns and K-1 forms for Shasta investors;
- Preparing and filing a fifth fee application on behalf of the Receiver's counsel and accountants;
- Communicating on a regular basis with attorneys for the CFTC and the Receivership Defendants;

- Contacting liquidators about Tech Traders' computers and other office equipment;
- Supervising Sachnoff & Weaver's Accounting Department and LaSalle Bank, N.A. to ensure proper maintenance of the interest-bearing escrow accounts that serve as the designated depository for the funds of the Receivership Defendants;
- Updating the Shasta website to keep investors apprised of new developments in the case;
- Communicating with Eastern Savings Bank regarding Defendant Vincent Firth's home mortgage and, specifically, the bank's intent to seek to modify the Court's stay in light of Firth's failure to make the required mortgage payments; and
- Visiting Tech Traders' premises in Gastonia, North Carolina to recover additional documents and obtain relevant information regarding the computer and office equipment stored on the premises.

B. Communications With Investors

23. The Receiver and his counsel continue to communicate with various investors who were victimized by the Receivership Defendants' Ponzi scheme. Most recently, the Receiver and his counsel have fielded questions from investors about Magistrate Judge Donio's Report and Recommendation and the Court's September 26, 2005 Order regarding the interim distribution to investors. In addition, investors whose claims have been objected to by the Receiver have also contacted the Receiver requesting financial summaries and other relevant documents in an effort to resolve discrepancies relating to their claims. In addition, the Receiver and his counsel respond to questions about tax-related issues, including the preparation and distribution of K-1 forms for Shasta investors. As a result, the Receiver and his counsel address the questions and concerns of various investors almost daily. The Receiver also continues to

communicate with investors by way of the Shasta website located at www.shastacapitalassociates.com, and provides updates to visitors on approximately a monthly basis. The Applicants provided 16.80 hours of services in this category during the third quarter of 2005.

C. Claims and Distribution Issues

24. The Applicants seek compensation for 186.05 hours of professional services related to investor claims and distribution issues during the third quarter of 2005. Since the inception of the investor claim process in August 2004, the Receiver and his counsel have communicated with investors on an ongoing basis to ensure that proofs of claim are complete and fully responsive to the Court's August 23, 2004 Order. Despite the clarity of the Court's Order and the Receiver's continuing efforts to resolve these discrepancies, several investors' claims remain on the Revised Disputed Investor Reserve Schedules.

25. Earlier in the year, the Receiver participated in an evidentiary hearing before Magistrate Judge Donio to address several remaining discovery issues related to the Sterling entities. This hearing focused primarily on the CFTC's discovery dispute with the Sterling entities. At the hearing, the Receiver had the opportunity to address with the Court the Sterling entities' failure to provide supporting documentation for those transactions involving funds transferred to Tech Traders by the Sterling entities or withdrawn from Tech Traders by the Sterling entities. The Receiver also addressed the failure of Sterling Investment Management Ltd. and Sterling ACS Ltd., in particular, to disclose all natural persons with a beneficial interest in their investment with Tech Traders. At this time, the Receiver's objections to the Sterling

entities' claims remain unresolved. The Receiver and his counsel, however, continue to communicate with Sterling's counsel in an effort to resolve these objections.

26. Although he continues to work through several remaining issues relating to the Sterling entities, the Receiver has made significant strides with regard to the Sterling Trust (Anguilla) account at Man Financial, which currently remains frozen at Man Financial. In September, the Receiver filed a Statement of Position Regarding Account #37923 in the Name of Sterling Trust at Man Financial, wherein he emphasized the undisputed facts relating to this account and argued that the issue of how to treat the funds held in this account was ripe for the Court's review. The filing of this statement has triggered ongoing settlement discussions between the Receiver and the Sterling entities and their counsel. The parties are hopeful that a settlement agreement regarding the funds held in this account will be reached in the very near future.

27. Under the Court's directive, on August 16, 2005, the Receiver filed a recommendation regarding the treatment of Universe Capital Appreciation, LLC – an investment group that transferred \$3,079,500 in funds to Shasta. The Receiver filed this Recommendation in response to the Court's request for a proposed process for distributing receivership assets directly to those individuals who invested in Universe (rather than distributing the assets to the Manager of Universe for subsequent distribution to the Universe investors). In addition to presenting the Court with an approach for distributing assets directly to Universe investors, the Receiver also discussed other relevant issues relating to Universe, including potential claims by non-investor creditors of Universe, costs associated with administering the Universe distribution, and Universe investors who received Tech Traders funds through Kaivalya Holding Group, Inc.

The Receiver believes all these issues must be resolved before a distribution to Universe investors can be implemented.

28. On September 2, 2005, the Magistrate Judge issued her Report and Recommendation on the Receiver's motion for authority to make an interim distribution. One investor filed a written objection to this Report and Recommendation. Thereafter, on September 26, 2005, the Court entered an Order overruling that objection and adopting the Report and Recommendation.

29. Pursuant to this Report and Recommendation and the Court's September 26, 2005 Order, the Receiver and his counsel revised the interim distribution schedules for Tech Traders and Shasta. In particular, the Receiver modified the distribution schedules to account for the treatment of Shasta as a Tier 1 investor, which required that the interim distribution to allowed Tier 2 Shasta claims be reduced to 36.5 percent. The Receiver submitted the Equity Receiver's Revised Distribution Schedules to the Court for final review and approval on September 28, 2005.

30. In the third quarter, the Receiver attempted to resolve pending objections to the claims of four Shasta investors who received Tech Traders funds as repayment for prior investments with Kaivalya Holding Group or Edgar Holding Group. The Receiver engaged in ongoing settlement discussions with these claimants and their counsel, but to no avail. Accordingly, the Court has scheduled an evidentiary hearing relating to these claims for January of 2006.

D. Investigation of Claims and Other Assets

31. The Applicants seek compensation for 107.35 hours of services related to investigating potential causes of action against third parties and relief defendants from July 1, 2005 through September 30, 2005. The Receiver and his counsel have investigated the involvement of Shasta's prior accountant, Puttman & Teague, to determine its potential liability in this case. In their efforts, the Receiver and his counsel drafted a proposed complaint and assembled a damages analysis to determine the amount of damages potentially caused to investors as a result of Puttman & Teague's conduct. The Receiver and his counsel have initiated contact with counsel for Puttman & Teague in an effort to obtain a proffer on behalf of Puttman & Teague and to begin negotiations toward a potential settlement.

32. The Receiver and his counsel also continue investigating potential claims against certain investors who withdrew more funds from Tech Traders than they invested. Related areas of inquiry include potential claims, such as liability under fraudulent transfer principles, to recover commissions or finders' fees paid by Tech Traders, as well as Tech Traders funds used to repay prior investments with other entities that did not involve Tech Traders.

33. In addition, the Receiver's counsel is investigating potential claims against other firms that provided professional services to the Receivership Defendants prior to the Court's April 1, 2004 restraining order. Based on a review of the financial analysis prepared by the Receiver's accountants, the Receiver was able to identify a number law firms that received funds from the Receivership Defendants from late 1999 to early 2004. The Receiver issued subpoenas duces tecum with detailed riders demanding that these law firms produce documents related to their representation of the Receivership Defendants. One of the law firms has not complied with

the Receiver's subpoena; therefore, the Receiver intends to file a motion to compel the production of requested documents so that he can assess potential claims against the firm.

E. Review of Defendants' Transactions

34. The Applicants seek compensation for 21.60 hours of services related to supervising the accounting for the Receivership Defendants' transactions, including their handling of investor funds, during the third quarter of 2005. The Receiver and his counsel continue to work with the accountants at FGMK, LLC on a far more limited basis, as the accountants have completed most of their analyses of the transactions of Tech Traders, its predecessors Magnum Investments, Ltd. and Magnum Capital Investments, Ltd., and Shasta and its affiliates. In total, FGMK analyzed approximately 50 bank and trading accounts maintained by the Receivership Defendants. To the extent necessary, the Receiver and his counsel have assisted the accountants by working with investigators at the CFTC and directly with the banks and brokerage firms in order to obtain and review all necessary financial records. The Receiver's counsel and staff have also spent time reviewing various accounting records, including QuickBooks, prepared by the Receivership Defendants' previous accountants in an effort to resolve the remaining unidentified transactions.

35. In addition, the Receiver and his counsel have requested relevant information from the Receivership Defendants regarding their current assets and liabilities. For example, the Receiver has sought federal tax returns filed by Defendant Robert Shimer from 1999 through 2003 to gain a better understanding of the flow of funds in and out of the bank accounts maintained by Kaivalya Holding Group, Edgar Holding Group, and Equity Financial Group, all of which received funds from and transferred funds to various accounts maintained in Shimer's name.

F. Discovery

36. The Applicants seek compensation for 211.25 hours of services related to their participation in discovery from July 1, 2005 through September 30, 2005. These discovery efforts include:

- Preparing for and participating in the depositions of third parties, including Vernice Woltz, a director and officer of several of the Sterling entities, and Keith Blanchard and Coyt A. Murray, two former employees of Tech Traders, Inc. and Magnum Investments, Ltd.;
- Participating in telephone conferences with Magistrate Judge Donio regarding discovery scheduling and planning;
- Serving various third parties, including former counsel for the Receivership Defendants, with subpoenas duces tecum to obtain relevant documents related to their representation of the Receivership Defendants, and responding to various claims of privilege asserted by these third parties;
- Reviewing documents produced by these third parties to determine whether they have potential liability in this case;
- Preparing for and participating in 30(b)(6) depositions of Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Tech Traders, Ltd., and Tech Traders, Inc.; and
- Preparing for and participating in a two-day interview of Coyt E. Murray, along with his criminal counsel, regarding the assets, liabilities, and prior business operations of Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., and Magnum Capital Investments, Ltd.

G. Court Hearings and Preparation of Motions and Other Submissions

37. The Applicants seek compensation for 5.90 hours of services related to the drafting of motions and participating in court hearings from July 1, 2005 through September 30, 2005. During this quarter, the Receiver and his counsel participated in all scheduled court hearings by telephone to minimize costs to the receivership estate. In addition, an associate continues to prepare most of the pleadings in this matter, with partners providing oversight and review.

38. During this period, the Receiver filed several pleadings to keep the Court abreast of his efforts on behalf of the receivership estate, including: the Recommendation of Stephen T. Bobo, Equity Receiver, Regarding Treatment of Universe Capital Appreciation, LLC; the Fifth Fee Applications of Equity Receiver, Sachnoff & Weaver, Ltd., Pepper Hamilton LLP, and FGМК, LLC for Interim Compensation and Expense Reimbursement; the Equity Receiver's Statement of Position Regarding Account #37923 in the Name of Sterling Trust at Man Financial; and the Equity Receiver's Revised Interim Distribution Schedules.

H. Reimbursement of Expenses

39. The Applicants seek reimbursement for a total of \$6,947.10 in expenses incurred from July 1, 2005 through September 30, 2005. Since the inception of this case, the Applicants have consciously attempted to minimize their expenses. During this period, the largest expense category was travel expenses. The Receiver was required to travel out of town once and his counsel was required to travel out of town twice in connection with this case. In August, the Receiver and his counsel traveled to Gastonia, North Carolina for a two-day interview with Coyt A. Murray and his criminal counsel. The Receiver's counsel made one additional trip to Charlotte, North Carolina for the 30(b)(6) depositions of Tech Traders, Inc., Tech Traders, Ltd.,

Magnum Investments, Ltd., and Magnum Capital Investments, Ltd., as well as the individual depositions of Keith Blanchard and Coyt A. Murray. The second largest expense category was photocopying expenses. These charges were incurred primarily for copying (1) pleadings for service on parties of record and (2) relevant bank records in response to discovery requests from investors in the case. The third largest expense category was computerized legal research charges. During the third quarter, the Receiver's counsel researched various issues, including relevant statutes of limitation, relating to potential causes of action against third parties in the case. Other categories of expenses incurred were postage expenses, long-distance telephone charges, overnight delivery and messenger charges. A summary of these expenses is included in Exhibit B to the Declaration of Stephen T. Bobo. A detailed breakdown of these expenses is also available should the Court or any party desire to review this information.

REASONABLENESS OF THE COMPENSATION REQUESTED

40. The Receiver understands that the compensation and expenses sought by this application are considerable; however, he has attempted to keep them at a reasonable level through the efficient administration of the Receivership Defendants' estate. The Receiver continues to rely on a small group of attorneys and staff primarily consisting of one partner, one associate, and one paralegal from Sachnoff & Weaver's litigation group to assist him in carrying out the Court's orders. Other attorneys at Sachnoff & Weaver with expertise in taxation and bankruptcy have provided limited services on behalf of the Receiver at various times in the case. Finally, the Receiver has sought the services of several document clerks to help organize and manage the voluminous and ongoing production of documents turned over by the Receivership Defendants and relevant third parties, including investors, brokerage firms, and banking institutions.

41. In routine matters, such as reviewing documents and drafting motions and reports to the Court, the Receiver has primarily relied upon an associate and paralegal. The Receiver has relied upon another member of the firm to participate in relevant depositions in the case. Of the total of 608.85 hours for which compensation is sought in this application, 421.60 hours, or approximately 69% of the total, were provided by the Receiver and other members of the firm. Associates provided 159.20 hours, which is approximately 26% of the total. A paralegal provided 17.5 hours, or nearly 3% of the total. Litigation Document Clerks performed 10.55 hours at the significantly reduced rate of \$70 per hour.

42. In addition, the Receiver continues to seek the assistance of the CFTC when appropriate. Specifically, the Receiver has looked to the CFTC for assistance in investigating certain transactions, serving subpoenas for necessary bank and trading records, uncovering the assets in the possession of, or under the control of, the Receivership Defendants, and investigating the trading losses of the Defendants. The Receiver has chosen not to participate in several depositions where they did not appear to involve significant receivership interests. The Receiver's reliance on the CFTC for various tasks has assisted to control the costs of this engagement.

43. The Receiver requests payment for his services at the discounted rate of \$350 per hour, which the Receiver believes to be justified in light of his experience in these types of matters.

44. In light of the quantity of services performed during this quarter, particularly relating to investor claims and distribution issues, Sachnoff & Weaver seeks compensation for its attorneys and paralegals at a discount ranging from 5 to 9 percent of their customary hourly rates instead of the straight 5 percent discount promised in the motion to employ Sachnoff & Weaver.

These discounted rates range from \$130.00 to \$315.00. Total time and fees sought for each attorney and paralegal are summarized in the following table:

<u>Timekeeper</u>	<u>Practice Group</u>	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Compensation Requested</u>
Stephen T. Bobo	Financial Services	165.20	\$350.00	\$57,820.00
Bina Sanghavi	Litigation	256.40	\$315.00	\$80,766.00
Kenneth G. Kubes	Financial Services	1.10	\$205.00	\$225.50
Raven Moore	Litigation	151.85	\$195.00	\$29,610.75
Michael B. Mackenzie	Litigation	1.00	\$140.00	\$140.00
Jennifer Hagberg	Litigation	5.25	\$140.00	\$735.00
Jennifer K. Fryer	Litigation Paralegal	2.00	\$130.00	\$260.00
Judy M. Livingston	Litigation Paralegal	15.50	\$190.00	\$2,945.00
Document Clerks	Litigation	10.55	\$70.00	<u>\$738.50</u>
FEE TOTALS				\$173,240.75

45. The Applicants have kept their time in tenths of an hour, or six-minute increments. Consistent with the previous periods, the Receiver has exercised his billing judgment where appropriate to reduce the services for which compensation is sought, as well as the resulting amount of compensation requested. The amount of such reductions totals 23.6 hours of services, equal to an additional discount of almost \$7,000. In an effort to avoid charging for services that could be deemed excessive, duplicative or unnecessary, the Applicants do not seek compensation for strictly administrative or ministerial tasks.

46. Finally, the Applicants agreed to take on this matter with no assurance that funds would exist in the Receivership Defendants' estate to compensate for the Applicants' professional services. Neither the Receiver nor Sachnoff & Weaver holds a retainer for the services that they continue to provide to the Receivership Defendants. The Applicants have acted expeditiously in administering the receivership estate and investigating the affairs of the Receivership Defendants. For these reasons, the Applicants are deserving of the full amount of the compensation requested.

RELIEF REQUESTED

Based upon the amount of services provided, the skill required, and the results achieved to date, the Applicants submit that the compensation requested is justified and payment is appropriate.

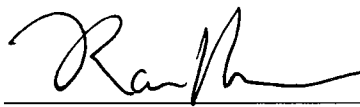
WHEREFORE, the Applicants respectfully request that this Court enter an order:

1. Allowing interim compensation in the amount of \$173,240.75 to the Receiver and Sachnoff & Weaver for services provided and in the amount of \$6,947.10 for expenses incurred and advanced from July 1, 2005 through September 30, 2005;
2. Authorizing the Receiver to pay Sachnoff & Weaver the amount of \$173,240.75 in fees and \$6,947.10 in expenses from the funds of the receivership estate for the period of July 1, 2005 through September 30, 2005; and
3. Providing the Receiver and Sachnoff & Weaver further relief as may be appropriate in these circumstances.

Respectfully submitted,

STEPHEN T. BOBO,
Equity Receiver and on behalf of Sachnoff &
Weaver, Ltd.

Stephen T. Bobo
Bina Sanghavi
Raven Moore
Sachnoff & Weaver, Ltd.
10 South Wacker Drive, Suite 4000
Chicago, IL 60606

By: 
One of his attorneys