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**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, INC.,)
VINCENT J. FIRTH, ROBERT W.)
SHIMER, COYT E. MURRAY, and J.)
VERNON ABERNETHY,)**

Honorable Robert B. Kugler

Defendants.)

**FIFTH APPLICATION OF PEPPER HAMILTON LLP FOR INTERIM
COMPENSATION AND EXPENSE REIMBURSEMENT**

Pepper Hamilton LLP (“Pepper Hamilton”), local counsel for Stephen T. Bobo as Equity Receiver (the “Receiver”) for the Defendants, Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., Magnum Capital Investments, Ltd., Vincent J. Firth, and Robert W. Shimer, requests an award of interim compensation and expense reimbursement for services rendered from April 1, 2005 through June 30, 2005. Pepper Hamilton seeks interim compensation in the amount of \$10,230.36 and reimbursement of expenses in the amount of \$679.25.

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 United States District Court for the District of New Jersey 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, this Court granted the CFTC's motion for the restraining order and appointed Stephen T. Bobo as Temporary Equity Receiver for the Defendants and their assets.

2. In light of additional facts that emerged from the CFTC's ongoing investigation, on August 12, 2004, the CFTC filed an Amended Complaint, naming five additional Defendants, including Coyt E. Murray, J. Vernon Abernethy, Tech Traders, Ltd., Magnum Investments, Inc., and Magnum Capital Investments, Ltd. 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.

3. With the Court's approval, the Receiver has employed attorneys from the law firm of Pepper Hamilton as local counsel. Pepper Hamilton reviews and files the Receiver's motions, reports, and responses so as to ensure compliance with the Local Rules. Pepper Hamilton regularly advises the Receiver and his principal counsel, Sachnoff & Weaver, Ltd., on local practice issues. Pepper Hamilton will continue to represent the Receiver in hearings before the Court, including any evidentiary hearings on the Receiver's objections to certain investor claims.

NATURE OF THE SERVICES RENDERED AND EXPENSES INCURRED

4. From April 1, 2005 through June 30, 2005, Pepper Hamilton has provided 33.3 hours of services as local counsel for the Receiver. For the Court's benefit in reviewing this application, Pepper Hamilton's services are divided into three (3) principal categories:

- A. General estate administration;
- B. Assisting with discovery; and
- C. Reviewing and filing of motions and reports to the Court.

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

5. In its April 1, 2004 Order, the Court directed the Receiver's counsel to file a fee application on a quarterly basis. On June 23, 2005, Pepper Hamilton filed its fourth quarterly fee application with the Court. In its application, Pepper Hamilton requested fees in the amount of \$6,542.39 and reimbursement of expenses in the amount of \$16.55 for the first quarter of 2005, which the Court approved on August 4, 2005.

6. Pursuant to the Court's directive, Pepper Hamilton files this fifth fee application for professional services provided to the Receiver during the second quarter of 2005.

A. General Estate Administration

7. Pepper Hamilton seeks compensation for 22.6 hours of professional services related to the administration of the receivership estate from April 1, 2005 through June 30, 2005. Pepper Hamilton continues to communicate with and advise the Receiver and his principal counsel on a regular basis with respect to local practices and procedures, which allows the Receiver to carry out his obligations in a more efficient manner. In particular, during the second

quarter of 2005, Pepper Hamilton assisted the Receiver and his counsel with various aspects of the investor claim process. For example, in early May of 2005, Pepper Hamilton helped the Receiver prepare for an evidentiary hearing before Magistrate Judge Donio to address remaining discovery issues related to the Sterling entities' claims. Pepper Hamilton also represented the Receiver at the half-day evidentiary hearing that took place on May 13, 2005.

B. Assisting with Discovery-Related Matters

8. During the second quarter of 2005, Pepper Hamilton played a critical role in the Receiver's efforts to investigate potential causes of action against third parties. Specifically, Pepper Hamilton handled service of subpoenas duces tecum on several law firms that appear to have provided professional services to Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., or Magnum Capital Investments, Ltd. prior to the Court's entry of the freeze order. In order to keep costs associated with serving the subpoenas at a minimum, Pepper Hamilton relied on one of its attorneys in its Washington, D.C. office to handle service on those law firms in the area. Pepper Hamilton also reviewed the 30(b)(6) deposition notices to Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., and Magnum Capital Investments, Ltd. to ensure compliance with Local Rules. Pepper Hamilton seeks compensation for 8 hours of services related to these discovery-related issues.

C. Reviewing and Filing of Motions and Reports to the Court

9. Pepper Hamilton seeks compensation for 2.7 hours for services related to the filing of motions and reports from April 1, 2005 through June 30, 2005. To ensure the Receiver keeps the Court abreast of his efforts on behalf of the receivership estate, Pepper Hamilton continues to review and file all motions and reports for the Receiver. During the second quarter of 2005, Pepper Hamilton reviewed and filed the following pleadings: the Receiver's Reply to the Investors' Responses to the Receiver's Objections to Certain Investor Claims; the Receiver's

Reply to the Sterling Entities' Response to the Receiver's Objections; the Third Interim Report of Equity Receiver; the Fourth Fee Applications of Equity Receiver, Sachnoff & Weaver, Ltd., Pepper Hamilton LLP, and FGMK, LLC for Interim Compensation and Expense Reimbursement; and the Equity Receiver's Status Report Concerning Disputed Investor Claims.

D. Expenses For Which Pepper Hamilton Seeks Reimbursement

10. Pepper Hamilton seeks reimbursement for a total of \$679.25 in expenses incurred from April 1, 2005 through June 30, 2005. Expenses necessary to perform the Receiver's obligations include long-distance telephone charges, postage expenses, photocopying expenses, facsimile expenses, messenger charges, and process server charges. A summary of these expenses is included in Exhibit B to the Declaration of Stephen T. Bobo.

REASONABLENESS OF THE COMPENSATION REQUESTED

11. Pepper Hamilton has provided a team of local counsel including a partner and an associate in its litigation group to assist the Receiver in administering the receivership estate and ensuring compliance with the Local Rules.

12. Pepper Hamilton seeks compensation for its attorneys at a 5 percent discount from its customary hourly rates. These rates range from \$280.25 to \$327.75. Total time and fees sought for each attorney 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>
Jeremy Frey	Litigation	18.60	\$327.75	\$6,096.19
Jeffrey Carr	Litigation	14.20	\$280.25	\$3,979.79
Edward Andries	Litigation	<u>0.50</u>	\$308.75	<u>\$154.38</u>
		33.30		
		FEE TOTALS		\$10,230.36

13. Pepper Hamilton agreed to take on this matter with no assurance that funds would exist in the Defendants' estate to compensate the firm for its services. Pepper Hamilton does not

hold a retainer for the services that its attorneys continue to provide to the Defendants. For these reasons, Pepper Hamilton is deserving of the full amount of the compensation requested.

RELIEF REQUESTED

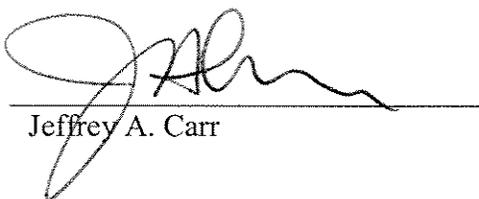
Based upon the amount of services provided, the skill required, and the results achieved to date, Pepper Hamilton submits that the compensation requested is justified in its allowance and payment is appropriate.

WHEREFORE, Pepper Hamilton respectfully requests that this Court enter an order:

1. Allowing interim compensation in the amount of \$10,230.36 to Pepper Hamilton for services provided and in the amount of \$679.25 for expenses incurred and advanced from April 1, 2005 through June 30, 2005;
2. Authorizing the Receiver to pay Pepper Hamilton the amount of \$10,230.36 in fees and \$679.25 in expenses from the receivership estate; and
3. Providing Pepper Hamilton further relief as may be appropriate in these circumstances.

Respectfully submitted,

PEPPER HAMILTON LLP

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