

**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.)	

FIFTH 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 fifth interim report to apprise the Court of his activities through June 30, 2006. 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; and (iii) 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 Fourth Interim Report on January 24, 2006, substantial progress has been made regarding disputed investor claims. The Receiver has worked out settlements of five of the disputed claims against Shasta on favorable terms for the estate. Magistrate Judge Donio recently issued a Report and Recommendation that recommends

the disallowance of four of the disputed Tier 1 claims against Tech Traders and two of the three remaining disputed Tier 2 claims against Shasta. Assuming that an order is entered consistent with the Report and Recommendation, the only remaining disputed claims will be the Tier 1 claims of the seven Sterling entities against Tech Traders and the Tier 2 claim of Alison Shimer against Shasta. A table summarizing the status of the various claims objections is attached hereto as Exhibit A.

Favorable settlements were reached with four Tier 2 Shasta investors who had previously invested with Kaivalya Holding Group or Edgar Holding Group. These settlements had the effect of returning approximately \$145,000 in value to the Tech Traders estate based on the amount of the initial distribution. The benefit to Tech Traders from those settlements will increase based on further distributions.

The Court has approved the Receiver's proposal for making an interim distribution from Shasta funds directly to the Tier 3 investors in Universe Capital Associates ("Universe"). Universe is an investment group that is a Tier 2 investor in Shasta. The initial distribution to allowed Tier 3 Universe Claims has now been completed. The Receiver's objections to the claims of several Universe investors are pending before the Court. Those objections are based upon particular investors' failure to provide supporting documents, their receipt of Tech Traders' funds as repayment of earlier investments with Kaivalya and the need to aggregate related claims for distribution purposes.

The major claim issues remaining to be addressed are the claims filed by the Sterling entities. Sterling has yet to disclose all of the beneficial owners of the various accounts represented on its claim forms. In addition, some of the transactions between the Sterling entities are unexplained and could impact the allowed amounts of each claim. The Receiver's

recommendation that the Sterling claims be aggregated for purposes of distribution is disputed by Sterling, and resolution of that issue remains pending.

Recent events have complicated the resolution of the Sterling issues. In April 2006, the principals of Sterling, Howell Woltz and Vernice Woltz, were indicted in the U.S. District Court for the Western District of North Carolina for multiple offenses. Howell Woltz was indicted for conspiracy to commit tax fraud through the alleged use of foreign "dual trust" arrangements. He was also indicted for perjury in connection with testimony at his deposition in this case. Vernice Woltz was indicted for document concealment in connection with this case. Mr. and Mrs. Woltz were jointly indicted for obstruction of justice, obstruction of an official proceeding, and conspiracy to obstruct an official proceeding, all in connection with this case. A copy of the indictment is attached to this report as Exhibit B. The Woltzes are currently being held without bond pending trial.

These developments have interfered with the Receiver's ability to resolve issues regarding the Sterling claims and also the ability to obtain additional information concerning the underlying Sterling transactions. The U.S. Attorneys' Office has asserted that it may have an interest in a significant portion of the funds that would otherwise be distributable to the Sterling entities. The Receiver is working to resolve the outstanding Sterling issues. If it appears that this cannot be accomplished within a reasonable time frame, the Receiver may propose an alternative means of finalizing the estate administration, which could include completing the administration of all other receivership issues and escrowing the Sterling entities' respective shares of distributions until all Sterling issues can be resolved.

For similar reasons, the Receiver has not yet consummated the settlement with Sterling Trust (Anguilla) regarding the funds in account #37923 at Man Financial. The Tech Traders estate is due to receive approximately \$750,000 from this settlement. Tech Traders is uncertain

whether Sterling Trust (Anguilla) will be able to return its share of the settlement proceeds to their beneficial owner and whether there is any governmental concerns over disbursement of those funds.

The Receiver has made a provisional distribution of funds to CMP Fund and DRL Twenty Plus Fund, which are Tier 2 investors that invested over \$10 million with Tech Traders through Sterling Bank. Tier 2 investors in another Sterling entity, Strategic Investment Portfolio, have sought for a similar provisional distribution to be made directly to them. The Receiver is reviewing the underlying facts and circumstances to determine whether it is feasible to make such a provisional distribution before completely resolving the various Sterling issues. However, the books and records of Strategic Investment Portfolio are not available to the Receiver or the CFTC, and at least one of its bank accounts is offshore and also not available for review. The affairs of Strategic Investment Portfolio appear to be entangled with those of as least one other Sterling entity. Therefore, the Receiver can give no assurances that such a provisional distribution directly to Tier 2 investors can be made in the near future.

The Receiver will be seeking authority to institute a claim process for non-investor creditors. This will provide greater certainty regarding the total amount of allowable claims against the estate and will facilitate a final distribution to all parties asserting claims against the receivership defendants.

2. Investigation of Claims Against Third Parties

The Receiver continues to investigate potential claims against third parties, including the former professionals for Shasta and Tech Traders and the former brokerage firms that dealt with Tech Traders. Related areas of inquiry include review of certain fees and commissions paid by Tech Traders, as well as other payments made to third parties who did not provide value to Tech

Traders. The Receiver has obtained discovery from the law firms that formerly represented Tech Traders, Shasta and Equity and from Tech Traders' former brokerage firms.

The Receiver or his counsel has continued to participate in most depositions taken in the case. These include depositions of former professional firms as well as the lengthy but unfinished deposition of defendant Robert Shimer. The Receiver has not participated in depositions that did not 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, their investors, and third parties.

The Receiver and his counsel have examined the dealings of the Receivership Defendants with their professionals and brokerage firms. This has involved reviewing documents, interviewing potential witnesses and participating in depositions. The Receiver has entered into several tolling agreements to extend the period in which to assert potential claims.

The Receiver has asserted claims against Shasta's former accountant, Elaine Teague of the firm of Puttman & Teague. Assisted in part by mediation efforts, the Receiver and Teague have recently worked out an agreement in principle. However, significant details remain to resolve before an overall settlement can be reached. Following completion of the settlement terms, the Receiver intends to file a motion, upon notice to all Shasta investors, seeking authority to enter into the settlement agreement.

3. Tax and Financial Matters

FGMK has prepared Shasta K-1 forms for 2005, and those were distributed to Shasta investors in March 2006. FGMK has also prepared federal and state income tax returns as necessary for the various receivership defendants.

As of June 30, 2006, the Receiver held a total of \$4,884,687 in general Tech Traders and Shasta receivership accounts, including accrued interest. A total of \$4,453,574 is held in reserve accounts for disputed claims against Tech Traders and Shasta plus any potential Magnum claims. The funds have been invested in U.S. Treasury Bills and more recently in a government backed money market fund which offers complete liquidity with nearly the same interest rate. The most recent reported average rate was 4.47%. Copies of the most recent statements for those accounts are attached to this report as Exhibit C.

In addition, the Receiver continues to maintain the status quo with respect to Account No. 37923 at Man Financial pending consummation of the settlement pertaining to these funds. The funds in this account are primarily invested in 10 year U.S. Treasury Notes. According to the March 2006 account statement from Man Financial, the nominal value of those funds is \$1,803,987.86. The Receiver is advised that the actual value of those U.S. Treasury Notes is significantly greater. Upon consummation of the settlement regarding this account, approximately \$750,000 of the funds will be transferred to the Tech Traders' receivership account.

The Receiver plans to propose a second interim distribution during the fall of 2006 with the goal of making whatever distribution is authorized before the end of this year.

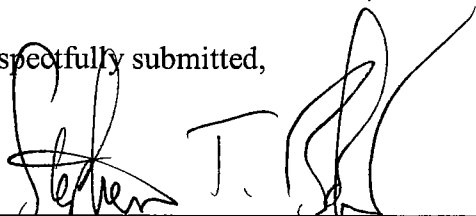
From the date of the prior interim report through June 30, 2006, the receivership accounts have been augmented by a return of an \$8,000 retainer held by Arnold & Porter. The Receiver has made the following disbursements of funds from receivership accounts pursuant to order of court:

<u>Date</u>	<u>Payee</u>	<u>Amounts</u>
1/11/06	Mary Ferrell	\$60,800.00
1/13/06	Sachnoff & Weaver, Ltd.	\$180,187.85
1/13/06	Pepper Hamilton, LLP	\$8,847.81
2/9/06	CMP Funds Limited Partnership	\$2,542,248.81
2/9/06	Kathrine Unger	\$63,875.00

2/9/06	SDS Defined Benefit Plan	\$18,250.00
2/14/06	Rydex Funds (20 Plus)	\$337,093.76
2/28/06	Netrix, LLC	\$360.00
3/1/06	Acacia Fund	\$41,975.00
3/27/06	Jeffrey Margonelle	\$21,500.00
4/7/06	Netrix, LLC	\$195.00
5/15/06	Jonathan and Vidya Albrink	\$45,600.00
5/15/06	Herbert Anderson	\$6,270.00
5/15/06	Jody Anderson	\$8,550.00
5/15/06	Jacqueline and William G. Baetz	\$1,425.00
5/15/06	Richard S. Condon	\$33,100.00
5/15/06	Russell Cook	\$21,375.00
5/15/06	James J. Donahue	\$27,075.00
5/15/06	Charles J. Fisher	\$24,795.00
5/15/06	Fisher Trust	\$7,125.00
5/15/06	Sara Fisher	\$19,950.00
5/15/06	Gregory Freeman	\$28,500.00
5/15/06	Douglas and Laurie Geib	\$9,117.15
5/15/06	Master Marketers	\$4,975.00
5/15/06	Omer L. and Janice C. Miller	\$5,700.00
5/15/06	Priya Mookerjee	\$62,700.00
5/15/06	Laura Nelson	\$14,250.00
5/15/06	Armand E. and Heather B. Pinard	\$19,979.59
5/15/06	Andrew and Catherine Ptak	\$100,548.00
5/15/06	Robert and Theresa Richardson	\$650.00
5/15/06	Anne and Patrick Rooney	\$27,075.00
5/15/06	Bruce and Marlene Sedlacek	\$14,250.00
5/15/06	Colleen C. Sheets	\$2,850.00
5/15/06	Robert Sheets	\$2,850.00
5/15/06	Thomas Collins Sheets	\$855.00
5/15/06	Terre Simpson	\$14,250.00
5/15/06	Madge M. Watt	\$13,395.00
5/15/06	Ian and Deborah Yamane	\$28,500.00
5/15/06	Michael L. Zuliani	\$2,850.00
5/15/06	Reece Thompson	\$14,250.00
6/6/06	Janelle A. Wagner Family Trust	\$15,820.00
6/16/06	Nancy Omaha Boy	\$16,425.00
6/16/06	Thomas and Nancy List	\$15,000.00
6/16/06	Marsha Green	\$40,000.00

Dated: July 27, 2006

Respectfully submitted,



Stephen T. Bobo, Equity Receiver