

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. )**

**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. )**

**Civil Action No.: 04CV 1512**

**Honorable Robert B. Kugler**

**SEVENTH 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 October 1, 2005 through December 31, 2005. The Receiver and Sachnoff & Weaver (collectively the “Applicants”) seek interim compensation in the amount of \$184,782.50 and reimbursement of expenses in the amount of \$12,216.70.

### **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 Tech Traders, Inc., Equity Financial Group, LLC, 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 counsel and accountants to assist him with administering the receivership estate. The Receiver engaged Sachnoff & Weaver as his principal counsel.

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. Under these preliminary injunction orders, the Court appointed Mr. Bobo 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 (the “Receivership Defendants”).

4. In June 2004, the Receiver filed a motion to approve an investor claim process so as to identify and confirm those individuals and entities that invested with the Receivership Defendants. 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"), the pool managed by Equity Financial Group, or directly with Tech Traders. The Receiver distributed approximately 170 claim forms and received in return 105 proofs of claim from investors.

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, along with the CFTC and Defendant Equity Financial Group, filed objections to the proposed plan. 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. 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. The Receiver objected to 28 investors who submitted proofs of claim. Over the course of the last three quarters of 2005, the Receiver and his counsel have worked with these 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 subjects 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. At the hearing, two Tier 2 investors appeared – both

of whom 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.

7. Other investors whose claims remain in dispute are those investors who received Tech Traders' funds in repayment of their earlier investments in Kaivalya Holding Group and Edgar Holding Group. On December 15, 2005, Magistrate Judge Donio entered an order setting a schedule for the resolution of these four investors' claims. This order required the Receiver and these four investors to exchange written discovery and attempt to stipulate to facts in the case by the end of January 2006.

8. The unique circumstances surrounding the Sterling entities have mandated that the Receiver and his counsel continue to dedicate time and resources to resolving their claims. For example, the Receiver's counsel have had to continue to address the deficiencies in the Sterling entities' proofs of claim. The Receiver has nevertheless made significant progress with regard to the Sterling Trust (Anguilla) account at Man Financial, which currently remains frozen at Man Financial. In December 2005, the Receiver and the Sterling entities and their counsel reached a settlement agreement in principal regarding the funds held in this account. The Receiver is hopeful that this settlement agreement will be presented to the Court for approval during the first quarter of 2006.

9. In late September 2005, the Receiver and his counsel revised the proposed interim distribution schedules for Tech Traders and Shasta based on Magistrate Donio's Report and Recommendation and the Court's September 26, 2005 order adopting this Report and Recommendation. 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 Court approved these revised distribution schedules on October 27, 2005.

10. In November 2005, the Receiver and his counsel carried out the approved interim distribution. The Receiver sent copies of the Court's order, along with distribution checks and explanatory correspondence to investors. For those investors who invested through their IRAs, the Receiver sent the distribution checks and explanatory correspondence directly to the IRA custodians. At that time, the Receiver also sent correspondence to the managers of investment groups requesting that these managers submit to the Receiver a proposed means of allocating distribution funds among those having a beneficial interest in the funds. After reviewing and approving these investment groups' plans for allocating distribution funds, the Receiver sent distribution checks to the investment group managers in late December 2005. The Receiver also sent along correspondence reminding these managers to submit to the Receiver a declaration under oath attesting to the manner in which they actually allocated the distribution funds among their members.

11. Through December 31, 2005, the Receiver maintains exclusive control of receivership assets totaling approximately \$14.9 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. In particular, as of December 31, 2005 the Receiver maintained \$5,715,003.12 in general Tech Traders and Shasta receivership sub-accounts and \$7,484,494.34 in reserve sub-accounts for disputed claims against Tech Traders and Shasta, as well as for potential Magnum investor claims. The remaining frozen assets

continue to be held in Man Financial account number 37923. According to a December 2005 account statement from Man Financial, these assets, which are primarily held in 10-year U.S. Treasury Notes, have an “account value at market” of \$1,769,800.36. The Receiver, however, understands that the actual value of the Treasury Notes is significantly greater.

12. 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. The Receiver and his counsel have continued to work with FGМК to finalize the financial analyses of the Magnum Investments, Ltd. and Magnum Capital Investments, Ltd. bank and trading accounts. The Receiver has provided the accountants with all available bank and trading records; however, the Receiver continues to wait for outstanding documents requested from a single overseas banking institution that has been shut down and placed in administration.

13. With the assistance of his accountants, the Receiver continues to resolve tax-related issues involving the corporate Defendants as well as Shasta. In late December 2005, the Receiver, with FGМК’s assistance, filed Shasta’s 2004 tax return and amended 2002 and 2003 tax returns. The Receiver also finalized and distributed 2004 Schedule K-1s and amended 2002 and 2003 Schedule K-1s to Shasta investors. During the first quarter of 2006, the Receiver intends to distribute Schedule K-1s for 2005 to Shasta investors.

14. The Receiver and his counsel continue to investigate the Receivership Defendants’ business affairs and, specifically, these Defendants’ handling of investor funds, both through discovery and informally. In October and November 2005, the Receiver’s counsel participated in the five-day deposition of Defendant Robert Shimer. This deposition significantly assisted the Receiver in evaluating potential liability of third parties in the case,

including former professionals for Shasta, as well as those investors who received Tech Traders' funds in repayment of their previous investments in Kaivalya Holding Group and Edgar Holding Group.

15. Aided by information revealed by Shimer and others during the discovery process, the Receiver and his counsel continue to spend time investigating potential claims against third parties. For example, the Receiver's counsel have researched possible claims against investors who received funds from Tech Traders in repayment of previous investments made with other entities, such as Kaivalya Holding Group. 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. In addition, the Receiver and his counsel are investigating potential claims against the futures commission merchants through which certain Receivership Defendants traded commodity futures.

16. The Receiver and his counsel also continue their investigation into potential claims against firms that provided professional services to the Receivership Defendants. For example, this quarter the Receiver's counsel participated in the deposition of Elaine Teague, the former accountant of Shasta, to determine her liability (and the liability of her accounting firm, Puttman & Teague) in this case. The first part of this three-day deposition took place in late December 2005. The deposition was continued in mid-January 2006.

17. The Receiver addressed several other issues during the fourth quarter of 2005 through preparing and filing several motions with the Court. Specifically, the Receiver filed a motion for authority to make an interim distribution to certain Tier 2 Sterling Bank Ltd. Investors, a motion to compel Defendant Robert Shimer to produce tax returns for 1999-2003, motion for the turn over of funds held by McDermott, Will & Emery – the former counsel for the

Tech Traders entities and Coyt Murray, and a motion to compel McDermott, Will & Emery to produce documents. The significance of each these motions is explained in greater detail below.

**NATURE OF THE SERVICES RENDERED AND EXPENSES INCURRED**

18. From October 1, 2005 through December 31, 2005, the Applicants have provided 656.55 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 7 categories:

- A. General estate administration;
- B. Communications with investors;
- C. Claims and distribution issues;
- D. Investigation of claims against third parties;
- 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 Seventh Applications for Interim Compensation and Expense Reimbursement of Sachnoff & Weaver, Ltd., and Pepper Hamilton LLP, and the Sixth Application for Interim Compensation and Expense Reimbursement FGМК, LLC.

19. In its April 1, 2004 Order, the Court directed the Receiver and his counsel to file fee applications on a quarterly basis. On December 7, 2005, the Applicants filed their sixth fee application with the Court for the period from July 1, 2005 through September 30, 2005, wherein they requested fees in the amount of \$173,204.75 and expenses in the amount of \$6,947.10. The Court approved the Applicants' fee application on January 9, 2006.



20. Pursuant to the Court's directive, the Applicants file this seventh fee application covering the fourth quarter of 2005.

**A. General Administration of the Estate**

21. The Applicants seek compensation for 68.60 hours of professional services related to the administration of the receivership estate from October 1, 2005 through December 31, 2005. Among the services that the Receiver and his counsel performed in administering the estate are:

- Supervising the preparation and filing of Shasta's 2004 tax return and Shasta's amended tax returns for 2002 and 2003;
- Overseeing the preparation of Schedule K-1s for Shasta investors for 2004 and amended Schedule K-1s for 2002 and 2003 and distributing them, along with an explanatory letter from the Receiver;
- Preparing the fourth interim report to the Court;
- Preparing and filing a sixth fee application on behalf of the Receiver's counsel;
- Communicating on a regular basis with attorneys for the CFTC and the Receivership Defendants;
- Supervising Sachnoff & Weaver's Accounting Department and LaSalle Bank to ensure proper maintenance of the interest-bearing escrow accounts that serve as the designated depository for the funds of the Receivership Defendants;
- Researching higher interest-bearing alternatives for the receivership accounts maintained by the Receiver at LaSalle Bank;

- Establishing designated reserve sub-accounts at LaSalle Bank to ensure appropriate funds are held for disputed claims against Tech Traders and Shasta plus potential Magnum investor claims;
- Updating the Shasta website in late October 2005 to apprise investors of new developments in the case; and
- Speaking with the press about the status of the case and the pending distribution to investors.

**B. Communications With Investors**

22. The Receiver and his counsel continue to communicate with investors about the status of the case and related distribution issues. Most recently, the Receiver and his counsel have been contacted by investors about the interim distribution authorized by the Court in its October 27, 2005 order. These investors have raised various questions and concerns about the distribution process, e.g., distributing funds directly to investors' IRA accounts, which the Receiver and his counsel continue to address on a regular basis.

23. In addition, investors whose claims have been objected to by the Receiver have contacted the Receiver and his counsel requesting financial summaries and other relevant information in an effort to resolve discrepancies relating to their claims. The Receiver has also recently been contacted by CMP Fund and the DRL Twenty Plus Fund, Tier 2 investors that invested over \$10.2 million with Tech Traders through Sterling Bank. These investors contacted the Receiver to discuss, among other things, the financial hardships their investors have endured as a result of the Court's freeze order. Following the Receiver's review of the situation, it was determined to recommend making a provisional distribution to these Tier 2 investors. In light of the 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 with the Court on December 6, 2005 recommending a provisional distribution be made.

24. The Receiver and his counsel also continue to respond to questions about tax-related issues, including the distribution of Schedule K-1s to Shasta investors. As a result, the Receiver and his counsel address the questions and concerns of investors almost daily. The Receiver also continues to communicate with investors by way of the Shasta website located at [www.shastacapitalassociates.com](http://www.shastacapitalassociates.com), and provides updates to visitors on approximately a monthly basis. The Applicants provided 37.20 hours of services in this category during the fourth quarter of 2005.

**C. Claims and Distribution Issues**

25. The Applicants seek compensation for 192.25 hours of professional services related to investor claims and distribution issues during the fourth quarter of 2005. Over the course of the last three quarters of 2005, the Receiver and his counsel have worked with investors to resolve claim disputes, and in most cases, those efforts have been successful.

26. The remaining disputed claims include investors who had received Tech Traders' funds in repayment of their earlier investments in Kaivalya Holding Group and Edgar Holding Group. On December 15, 2005, Magistrate Judge Donio entered an order setting a schedule for the resolution of these four investors' claims. This order required the Receiver and the four investors to exchange written discovery and attempt to stipulate to facts in the case by the end of January 2006.

27. A number of other investors with claims on the disputed schedules originally failed to respond to the Receiver's objections to their claims. As a result, Magistrate Judge

Donio entered an Order to Show Cause directing these investors to respond and appear at a Court hearing on November 2, 2005 and show cause why their claims should not be disallowed. Three investors filed responses with the Court, and the Receiver filed a reply to these investors' responses. Magistrate Donio then heard evidence on the motions of two Tier 2 investors who sought to be treated as Tier 1 investors and took the matter under advisement. The claims of those investors who failed to respond to the Court's Order to Show Cause and appear at the November 2, 2005 hearing are to be disallowed.

28. The Receiver also continues to work through the remaining issues with and objections to the Sterling entities' claims. As the product of further analysis and negotiation, the Receiver and the Sterling entities and their counsel have reached a settlement agreement in principle regarding the funds held in the Sterling Trust (Anguilla) account at Man Financial. The Receiver expects that this settlement agreement will be presented to the Court in the near future.

29. As discussed in Section B above, during this quarter the Receiver has engaged in ongoing discussions with CMP Fund and the DRL Twenty Plus Fund, Tier 2 investors that invested over \$10 million with Tech Traders through Sterling Bank – one of the Sterling entities. These investors provided detailed financial information about their investments with Sterling Bank and the hardship faced by their respective Tier 3 investors from delaying any distribution until the Sterling entities' claims are allowed. Based on his review of the situation, the Receiver filed a motion with the Court on December 6, 2005 recommending such a provisional distribution to these Tier 2 Sterling Bank investors.

30. On October 27, 2005, the Court entered an order approving the Receiver's revised distribution schedules. Thereafter, the Receiver and his counsel implemented procedures for distributing funds to investors with allowed claims and reserved funds for those investors with

disputed claims. Specifically, the Receiver established designated sub-accounts at LaSalle Bank to segregate funds reserved for disputed claims from funds available for distribution and other estate purposes. The Receiver then distributed checks along with the Court's order and explanatory correspondence to investors. Where relevant, the Receiver distributed checks directly to the custodians of the IRA accounts through which the investors transferred funds to the Receivership Defendants.

31. At that time, the Receiver also sent correspondence to the managers of investment group claimant requesting that they submit proposed means of allocating distribution funds among their individual members. By the middle of December, most of the investment group managers submitted plans for allocating distribution funds. After reviewing and approving these plans, the Receiver sent distribution checks to the investment group managers in late December 2005, along with correspondence requesting that they submit a declaration under oath attesting to the manner in which the funds were actually allocated among their members.

32. In November 2005, Magistrate Judge Donio directed the Receiver to move forward towards making a distribution directly to the members of Universe Capital Appreciation, LLC – an investment group that transferred \$3,079,500 to Shasta for investment purposes. Specifically, the Court authorized the Receiver to develop a proposed distribution plan for distributing funds directly to the Tier 3 investors in Universe. The Receiver and his counsel, with significant assistance from the CFTC, have reviewed information provided by the Universe investors relating to their investments with Shasta, along with relevant accounting and bank records for Universe. Based on this information, the Receiver will file a proposed distribution plan with the Court in early 2006.

**D. Investigation of Claims and Other Assets**

33. The Applicants seek compensation for 11.50 hours of services related to investigating potential causes of action against third parties from October 1, 2005 through December 31, 2005. During this quarter, the Receiver and his counsel have closely scrutinized the conduct of Shasta's prior accountant, Puttman & Teague, to determine its potential liability in this case.

34. In addition, the Receiver's counsel continues to explore potential claims against other firms that provided professional services to the Receivership Defendants prior to the Court's April 1, 2004 restraining order. The Receiver issued subpoenas duces tecum with detailed riders directing the former law firms of the Receivership Defendants produce documents related to their former representation. One of the law firms did not comply with the Receiver's subpoena, and, therefore, in early December 2005, the Receiver filed a motion to compel the production of the requested documents.

35. Finally, the Receiver and his counsel are investigating potential claims against the futures commission merchants through which certain Receivership Defendants traded futures contracts. The Receiver and his counsel also continue their investigation of potential claims against those investors who received Tech Traders funds in repayment of prior investments in other entities, such as Kaivalya Holding Group, under fraudulent transfer principles, as well as those individuals who received commissions or finders' fees for luring investors to Tech Traders.

**E. Review of Defendants' Transactions**

36. For the fourth quarter of 2005, the Applicants seek compensation for 13.40 hours of services related to reviewing the Receivership Defendants' transactions. The Receiver and his counsel continue to work with the accountants at FGMK, LLC on a very 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. FGMK assisted in particular with updating the financial summaries of the Receivership Defendants' trading accounts during this quarter.

37. In addition, the Receiver has requested relevant information from the Receivership Defendants regarding their current assets and liabilities. For example, the Receiver has sought federal tax returns filed by 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. In light of Shimer's refusal to produce those tax returns, the Receiver filed a motion to compel production of them.

**F. Discovery**

38. The largest component of the Applicants' services during the fourth quarter of 2005 was the 217.20 hours spent related to discovery. These discovery efforts include:

- Preparing for and participating in the deposition of Shimer, which took place in Chicago and Philadelphia over the course of five full days;
- Participating in follow up meetings with the CFTC to discuss the details of Shimer's deposition testimony and the implications of this testimony for other relevant issues in the case;
- Preparing for and participating in the deposition of third-party Elaine Teague of Puttman & Teague, the former accountant for Shasta;
- Reviewing and responding to discovery requests served on the Receiver by Shimer;

- Drafting and serving interrogatories and document requests on the four investors whose claims have been objected to by the Receiver because they received Tech Traders' funds in repayment of their earlier investments in Kaivalya Holding Group and Edgar Holding Group;
- Reviewing the documents produced by these four investors to advance the Receiver's claims against them;
- Identifying and preparing documents responsive to discovery requests served on the Receiver by these four investors;
- Communicating with the CFTC regarding the issuance of additional subpoenas on bank and trading institutions;
- Identifying and reviewing relevant documents located on the hard drives of Shimer and Firth through the use of focused keyword searches, with the assistance of Netrix, LLC; and
- Participating in telephone conferences with Magistrate Judge Donio regarding discovery scheduling and planning.

**G. Court Hearings and Preparation of Motions and Other Submissions**

39. The Applicants seek compensation for 116.40 hours of services related to participating in court hearings and drafting motions and other submissions to the Court. During the fourth quarter, the Receiver and his counsel participated in all but one of the Court's hearings by telephone to minimize costs to the receivership estate. The one hearing the Receiver attended was the November 2, 2005 hearing. The Receiver attended this hearing to present evidence in support of his objections to the particular investors' claims. The Receiver and his counsel participated in the other hearings before Magistrate Donio by telephone.



40. During this period, the Receiver prepared and filed with the Court several significant motions, including a motion for authority to make an interim distribution to certain Tier 2 Sterling Bank Ltd. investors, a motion to compel Defendant Robert Shimer to produce tax returns, and a motion for the turn over of funds held by McDermott, Will & Emery – the former counsel for the Tech Traders entities and Coyt Murray. In addition, the Receiver prepared and filed with the United States District Court for the District of Columbia a motion to compel McDermott Will & Emery to produce documents relating to their representation of Tech Traders and Murray.

41. The Receiver also prepared and filed other submissions as necessary to respond to other filings and to keep the Court abreast of his efforts on behalf of the receivership estate, including the Reply of Equity Receiver to Responses of James Roberts, Dave Williams, and Janelle Wagner Family Trust to Order to Show Cause Dated October 6, 2005 and the Sixth Fee Application of Equity Receiver, Sachnoff & Weaver, Ltd., Pepper Hamilton LLP, and FGМК, LLC for Interim Compensation and Expense Reimbursement.

42. Finally, as directed by Magistrate Donio, the Receiver prepared a proposed Order to Show Cause relating to the claims of investors who failed to respond to the Receiver's objections and a proposed scheduling order for the resolution of certain investor claims.

#### **H. Reimbursement of Expenses**

43. The Applicants seek reimbursement for a total of \$12,216.70 in expenses incurred from October 1, 2005 through December 31, 2005. Since the inception of this case, the Applicants have consciously attempted to minimize their expenses. During this period, the two largest expense categories were travel expenses and photocopying charges. With regard to 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. The Receiver traveled to Camden, New Jersey for the November 2, 2005 hearing before Magistrate Donio and a day of the Shimer deposition. The Receiver's counsel made two trips during this quarter. In November, she traveled to Philadelphia, Pennsylvania for two more days of Shimer's deposition. And in December, she traveled to Portland, Oregon for the first day of Elaine Teague's deposition. The photocopying charges were incurred primarily for copying (1) pleadings for service on parties of record, (2) the Court's orders relating to the interim distribution to investors for service on the investors, and (3) information relating to Universe produced to the CFTC by Universe Manager David Perkins, Universe investors, and relevant banking institutions. The third largest expense category was the transcript for the five-day Shimer deposition. Other categories of expenses incurred were postage expenses, long-distance telephone charges, overnight delivery, messenger charges, and computerized legal research charges. A summary of these expenses is included in Exhibit C to the Declaration of Stephen T. Bobo. A detailed breakdown of these expenses is also available should the Court or any party wish to review this information.

#### **REASONABLENESS OF THE COMPENSATION REQUESTED**

44. 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 estate planning, taxation, and bankruptcy have provided discrete 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.

45. 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 primarily relied upon another member of the firm to participate in relevant depositions in the case. Of the total of 656.55 hours for which compensation is sought in this application, 358.40 hours, or approximately 54% of the total, were provided by the Receiver and another member of the firm. Associates provided 229.95 hours, which is approximately 35% of the total. Paralegals provided 49.90 hours, or nearly 8% of the total. Litigation Document Clerks performed the remaining 18.30 hours at the significantly reduced rate of \$75 per hour.

46. 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 relevant records from bank and trading institutions, uncovering the assets in the possession of, or under the control of, the Receivership Defendants, investigating the trading losses of the Defendants, and reviewing information provided by the Universe investors relating to their investments with Shasta, along with relevant accounting and bank records for Universe. The Receiver's reliance on the CFTC for various tasks has assisted to control the costs of this engagement.

47. 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. In addition, Sachnoff & Weaver continues to seek 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 \$135.00 to \$350.00. Total time and fees sought for each attorney, paralegal and staff member 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	139.50	\$350.00	\$48,825.00
Bina Sanghavi	Litigation	218.90	\$350.00	\$76,615.00
Raven Moore	Litigation	214.70	\$220.00	\$47,234.00
Kenneth G. Kubes	Financial Services	14.20	\$230.00	\$3,266.00
Erica E. Lord	Estate Planning	1.05	\$230.00	\$241.50
Jennifer K. Fryer	Litigation Paralegal	41.70	\$135.00	\$5,629.50
Judy M. Livingston	Litigation Paralegal	8.20	\$195.00	\$1,599.00
Document Clerks	Litigation	18.30	\$75.00	<u>\$1,372.50</u>
<b>FEE TOTAL</b>				<b>\$184,782.50</b>

48. 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 further reduce the services for which compensation is sought, as well as the resulting amount of compensation requested. The amount of such reductions totals over 87 hours of services, equal to an additional discount of almost \$24,000. 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.

49. Finally, the Applicants agreed to take on this matter with no assurance that funds would exist in the Receivership Defendants' estate to compensate for professional services rendered by the Applicants. 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**

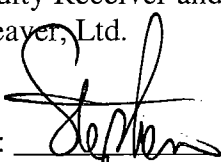
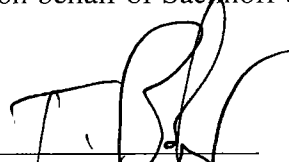
Based upon the amount of services provided, the skill required, and the results achieved to date, the Applicants submit that the compensation requested is justified and payment is appropriate.

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

1. Allowing interim compensation in the amount of \$184,782.50 to the Receiver and Sachnoff & Weaver for services provided and in the amount of \$12,216.70 for expenses incurred and advanced from October 1, 2005 through December 31, 2005;
2. Authorizing the Receiver to pay Sachnoff & Weaver the amount of \$184,782.50 in fees and \$12,216.70 in expenses from the funds of the receivership estate for the period of October 1, 2005 through December 31, 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.

By:    
One of his attorneys

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