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**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)
INVESTMENTS, LTD., MAGNUM)
CAPITAL 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

**AFFIDAVIT OF STEPHEN T. BOBO IN SUPPORT OF MOTION OF
EQUITY RECEIVER TO APPROVE SETTLEMENT WITH
PUTTMAN & TEAGUE, LLP, ELAINE TEAGUE, AND JOHN PUTTMAN**

Stephen T. Bobo first being duly sworn, states as follows:

1. I am serving as Equity Receiver for Equity Financial Group, LLC, (“Equity”) and submit this affidavit in support of my motion for entry of an order: (1) approving a settlement agreement with Puttman & Teague, LLP, Elaine Teague and John Puttman (together “TEAGUE”); and (2) barring any claims by Shasta members and certain defendants against TEAGUE that arise out of or relate to TEAGUE’s provision of accounting services to Equity, for

itself and on behalf of Shasta Capital Associates, LLC (“Shasta”), from July 2001 through April 1, 2004.

2. I have personal knowledge of the contents of this affidavit and am competent to testify as to them.

3. From approximately July 2001 through the present, Equity has been the manager of Shasta. Shasta pooled funds invested by its members for trading in commodity futures contracts through Tech Traders, Inc.

4. From approximately July 2001 through April 1, 2004, Equity, for itself and on behalf of Shasta, retained TEAGUE to provide certain accounting services, including providing certain agreed-upon procedures in connection with the verification of the receipt of Tech Traders, Inc.’s monthly performance results and providing the results in monthly “reports” on Puttman & Teague, LLP letterhead sent to Equity and others.

5. My counsel has investigated the quality of TEAGUE’s services and the impact of those services on Equity, for itself and on behalf of Shasta. This investigation has included review of statements, correspondence and supporting documentation, participating in the depositions of Elaine Teague, Robert W. Shimer (“Shimer”), Vincent J. Firth (“Firth”), and Jack Vernon Abernethy (“Abernethy”), interviews with various investors, and reviewing applicable professional standards. As a result of this investigation, I have determined that Equity, for itself and on behalf of Shasta, may have meritorious claims against TEAGUE arising out of the accounting services described in paragraph 4 above. In response, TEAGUE has denied that any such claims exist.

6. Together with my attorneys and accountants, I have spent considerable time investigating the investment activities of the Defendants, including attempting to estimate the

aggregate loss that will be ultimately suffered by Shasta and its members. These efforts have included obtaining and reviewing the paper and electronic records of Equity, Shasta, the Tech Traders and Magnum entities and Shimer and Firth. My accountants have reviewed and summarized the records of nearly 50 banks and trading accounts used by the Defendants in their investment activities. My counsel and I have interviewed numerous investors, as well as Defendants Shimer, Firth, Coyt Murray and Abernethy.

7. Shasta was organized in mid-2001 and began accepting funds from its members at the beginning of 2002 to place with Tech Traders for trading commodities. Shasta took in approximately \$14.6 million from outside members. By April 1, 2004, it had transferred \$13.9 million to Tech Traders for commodity trading. Shasta did not place any funds received from its investors in any other investments. Shasta had a total of approximately 65 outside members as of April 1, 2004. From funds received from Tech Traders, Shasta disbursed \$1.5 million back to certain of its investors.

8. Tech Traders regularly reported substantial trading profits to its investors. Shasta in turn reported the supposed profit amounts to its members.

9. Of the approximately \$43.1 million that investors placed with Tech Traders between April 12, 2001 and April 1, 2004, Tech Traders returned a net amount of approximately \$11.3 million¹ to investors. Approximately \$17.5 million held by brokerage firms and banks in Tech Traders' name was frozen by this court's restraining orders. Another \$870,000 was frozen in Shasta's bank account, although about half of that amount was received after the freeze order and has been returned.

¹ Although Tech Traders repaid investors approximately \$12 million, over \$600,000 of the \$12 million represents fictitious profits and not returns of principal.

10. I can only estimate the damages suffered by Shasta and its members at this time. The damages amount is inversely related to the amount of the total distributions to be made, which can only be estimated for several reasons. First, the court has recently entered an order approving a claim process for non-investor creditors of Tech Traders and Equity. Until the claim process is completed, the total amount of allowable creditor claims cannot be accurately predicted. Second, I have not made a final determination regarding possible meritorious claims against other former professionals and other third parties. Third, the costs of fully administering the receivership are unknowable at this point.

11. Taking all these uncertainties into account, however, I estimate that Shasta will be able to return to its members in the range of 50 percent of their investments, including prior distributions. In the aggregate, the damages of Shasta and its members thus will likely be in the range of one-half of the difference between \$14.6 million and \$1.5 million, or about \$6.5 million.

12. After first entering into a tolling agreement to alleviate statute of limitations concerns, my counsel and I engaged in lengthy negotiations with TEAGUE in an attempt to resolve the claims without the need for litigation. That negotiation process included a one-day mediation conducted by the Honorable Kenneth Gillis (Ret.), an experienced former judge of the Circuit Court of Cook County, Illinois. The negotiations resulted in TEAGUE agreeing to pay a settlement amount of \$700,000, subject to certain conditions as discussed below. A correct copy of the Settlement Agreement is attached hereto as Exhibit 1.

13. Among the information considered in negotiating a settlement was TEAGUE's ability to satisfy a significant judgment. TEAGUE has professional malpractice insurance coverage with a claim limit of \$1 million. I also reviewed financial statements for the TEAGUE firm and its two principals. They reflect modest equity balances and few hard assets, other than

some equity in personal residences, available to satisfy a judgment. I therefore attributed only a small amount of additional net value to recovering from those sources, after considering the costs of collection efforts.

14. I also considered the magnitude and scope of TEAGUE's role on behalf of Shasta, the potential defenses raised by TEAGUE during the negotiations and the risks of litigation. Although I believe the merits of the claims to be strong, achieving a better result through litigation is not assured. Another important consideration was that the costs of discovery and trial would be significant, including the costs of engaging an expert witness in the area of accountant malpractice. I believe that the total costs of litigating the claim would be well in excess of \$100,000 and that recovery of those costs and attorneys' fees through the litigation would be unlikely. If an appeal were taken, this would result in additional fees and expenses for the receivership estate. A final significant factor considered was the affect of the settlement on the progress of the receivership as a whole. Litigation against TEAGUE would cause the receivership to stay open for at least a year, or perhaps significantly longer depending on the court's docket, whether an appeal was taken, and the degree of difficulty in enforcing the judgment. This potential additional period of delay was settled was a significant motivation to attempt to resolve the matter through settlement.

15. I believe that the settlement amount of \$700,000 is fair and reasonable under the circumstances. Those circumstances include the \$1 million limit of TEAGUE's insurance coverage, the limited other resources available for recovery, the inherent risks and costs of litigating the claims against TEAGUE, and the time savings for the receivership estate. The settlement amount also is well within a reasonable range of TEAGUE's proportional share of comparative liability for the range of damages suffered by Shasta and its members. A

confirming measure of the settlement amount is that Judge Gillis recommended it as appropriate during the mediation.

16. As a condition of settlement, TEAGUE has required the entry of an order permanently enjoining and barring defendants Robert W. Shimer, Vincent J. Firth, J. Vernon Abernethy, Coyt E. Murray, and Tech Traders, Inc. as well as all Shasta members, together with their heirs, trustees, executors, administrators, legal representatives, agents, successors, and assigns having notice or actual knowledge of the TEAGUE settlement or the order approving it, from commencing or continuing any individual claims against TEAGUE that arise out of or relate to the conduct described above in paragraph 4. Based on the discussions during the settlement negotiations, I believe that this requirement is not unfair. Such a favorable level of settlement value would not be available to Shasta or its investors in the absence of such a bar order. Therefore, a higher recovery will be available to distribute to Shasta investors as the result of barring any such related individual claims. All Shasta members filed claims in the receivership, except for several who had been repaid in full before this case was commenced. Thus they are already before this court for matters relating to their claims and distributions thereon.

17. It is unclear at best whether the Shasta claimants could prevail on individual claims against TEAGUE. They would likely have to overcome issues of standing, privity and statute of limitations. In addition, many Shasta members signed agreements, which, according to TEAGUE, provide a contractual defense against claims by those members. TEAGUE's proportional share of comparative liability could also be asserted to attempt to limit or preclude additional investor recovery. On the other hand, all of the Shasta members who are still owed

funds filed claims in this proceeding, and they will likely obtain a higher distribution amount through these settlement terms than without the bar order provision.

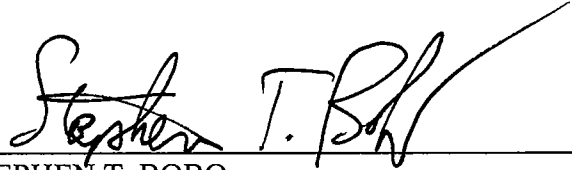
18. I am unaware that any Shasta member has either commenced a lawsuit against TEAGUE or has retained counsel to review the factual background and potential individual claims against TEAGUE.

19. Based on my conversations with approximately six Shasta investors, I believe that Shasta members will accept the proposed settlement and will not object to being barred from asserting related individual claims against TEAGUE. However, the members should be afforded the opportunity to review the settlement terms and comment on the proposed bar order.

Accordingly, contemporaneous with the filing of my motion, I have caused notice to be sent to the Shasta members describing the settlement terms and background and specifying the date by which they need to respond to my motion. A true and correct copy of the notice is attached hereto as Exhibit 2.

20. In addition, the non-economic terms of the settlement include: (i) a mutual general release; (ii) a covenant not to sue TEAGUE; (iii) an agreement to limit any claims of the receivership against third parties to their direct proportion of fault; (iv) that any settlement between the Receiver and a third party will require the third party to exchange a mutual general release with TEAGUE; (v) the receivership estate will agree not to execute on any judgment against a third party to the extent of the amount of any judgment obtained by such third party against TEAGUE in that same case; (vi) the terms of the settlement agreement are to be kept confidential, except as necessary to gain approval from this court, including notice to the parties and the Shasta investors, or in response to a lawful subpoena; and (vii) the court will retain continuing jurisdiction to interpret and enforce the provisions of the settlement agreement.

21. Counsel for the CFTC, Elizabeth Streit, has reviewed the proposed settlement agreement and has informed me that she has no objections to either the terms of the settlement or this motion.



STEPHEN T. BOBO

SWORN TO AND SUBSCRIBED before me
this 26 day of December, 2006



NOTARY PUBLIC



EXHIBIT 1

SETTLEMENT AGREEMENT

**Among
Puttman & Teague, LLP, Elaine Teague, John Puttman
And
Stephen T. Bobo, Equity Receiver for Equity Financial Group, LLC**

This settlement agreement (“**AGREEMENT**”) is entered into as of _____, 2006 among Puttman & Teague, LLP, Elaine Teague, John Puttman and Stephen T. Bobo, not individually, but as Equity Receiver for Equity Financial Group, LLC (“**Equity**”), managing member of Shasta Capital Associates, LLC (“**Shasta**”) (collectively, “the Receiver”).

RECITALS

A. WHEREAS, on April 1, 2004, the Commodity Futures Trading Commission (the “**CFTC**”) filed a complaint in the United States District Court For the District of New Jersey, Camden Vicinage (the “**Court**”), entitled Commodity Futures Trading Commission v. Equity Financial Group, LLC. et al., Civil Action No. 04 CV 1512 (“**the CFTC Litigation**”), naming Equity as a defendant;

B. WHEREAS, Equity is a New Jersey limited liability company that, from approximately July 2001 through the present, is the manager of Shasta, a Delaware limited liability company that pooled the funds invested by its members for trading in commodity futures contracts through Tech Traders, Inc.;

C. WHEREAS, on the day that the CFTC filed the CFTC Litigation, the Court entered a Statutory Restraining Order and Order Appointing Stephen T. Bobo as Equity Receiver for the purpose of “marshalling, preserving, accounting for and liquidating assets” of the defendants and ordered him to “[i]nitiate ... or become party to any actions or proceedings ... necessary to preserve or increase the assets of the Defendants.”

D. WHEREAS, from approximately July 2001 through April 1, 2004, Equity, and/or Shasta, retained Elaine Teague, John Puttman and P&T (together “**TEAGUE**”) to provide certain accounting services, and **TEAGUE** provided such accounting services during that period in connection with Shasta’s investment with Tech Traders, Inc. for purposes of commodity futures trading;

E. WHEREAS, the Receiver has determined that he may have claims against **TEAGUE** arising out of the conduct described in paragraph D above and **TEAGUE** denies that any such claims exist;

F. WHEREAS, the Receiver and **TEAGUE** (the “**Settling Parties**”) enter into this Agreement in order to resolve all disputes, claims and causes of action that the Receiver has or may have against **TEAGUE**;

G. WHEREAS, the Settling Parties agree that nothing contained in this Agreement is to be construed as an admission of liability or fault on the part of any of the Settling Parties; and

H. WHEREAS, the Settling Parties acknowledge that nothing in this Agreement shall be effective until the Court in the CFTC Litigation approves its terms.

NOW, THEREFORE, in consideration of the promises, mutual promises, covenants, and considerations expressed in this Agreement, in exchange for good and valuable consideration more specifically set forth in this agreement the receipt and sufficiency of which is hereby acknowledged, and incorporating recitals A-H, the Settling Parties agree as follows:

AGREEMENT

1. **NO ADMISSIONS OF LIABILITY.** Each party agrees that this Agreement has been executed only for purposes of settlement and shall not be deemed or construed as an admission or concession of liability or wrongdoing on the part of any party.
2. **PAYMENT OF AMOUNT DUE.** Within 14 business days after being served with an order of the Court in the CFTC Litigation approving the terms of this agreement, TEAGUE will cause their insurer to pay the receivership estate \$700,000. Within 10 days of the execution of this Agreement by the settling parties, Teague's insurer shall provide a written confirmation of their obligation to pay the settlement amount pursuant to the terms of this Agreement.
3. **CONDITION PRECEDENT.** The effectiveness of this Agreement is expressly conditioned upon the Court in the CFTC Litigation entering an order approving this Agreement and barring Vincent Firth, Robert Shimer, Vernon Abernathy, Coyt Murray, Tech Traders and any investor who placed funds with Shasta for trading in commodity futures contracts through Tech Traders, Inc., together with their heirs, trustees, executors, administrators, legal representatives, agents, successor and assigns having notice or actual knowledge of this Agreement or the order of the Court approving it from commencing or continuing a claim of any kind and in any forum against TEAGUE that arises from or relates to Teague's accounting work on behalf of Equity and Shasta as described in Recital D above.

4. **RELEASE.** Upon this Agreement becoming effective, the Settling Parties hereby release each other from any and all claims, charges, demands, debts, sums of money, covenants, agreements, promises, liabilities, accounts, reckoning, obligations, actions and causes of action of every kind and nature whatsoever whether known or unknown that occurred before the execution of this Agreement, other than obligations set forth in this Agreement.
5. **COVENANT NOT TO EXECUTE.** The Receiver agrees that he will not execute on any money judgment he obtains against any party, other than a person subject to the bar order described in Paragraph 3 above, to the extent of the amount of any money judgment entered in that same litigation in favor of such party and against TEAGUE.
6. **COVENANT NOT TO SUE.** The Receiver covenants and agrees not to file any actions or proceedings against Teague based on any claims to which this Agreement applies. This covenant not to sue is intended to operate as a bar against any claims that third parties or subsequently named defendants might bring against TEAGUE for contribution. The Equity Receiver agrees to execute any documents or pleadings necessary to effectuate the functional equivalent of a covenant not to sue (as it exists under Oregon law) in connection with claims made under the laws of any other state.
7. **LIMITATION OF FUTURE CLAIMS.** The Receiver agrees to limit recoveries on any subsequent claims made against any potential defendant as follows: to the extent that the Receiver makes a claim against a defendant, other than a person

subject to the bar order described in Paragraph 3 above, who may have any rights against TEAGUE (including but not limited to rights of contribution or indemnity), the Receiver agrees to limit recoveries on a claim against such a defendant to that defendant's proportionate share of liability and the fault of others for whom that defendant may be liable, but specifically excluding any share of liability that would be attributable to TEAGUE.

8. **OTHER SETTLEMENTS.** The Equity Receiver agrees that any other settlement obtained with any person or entity, other than a regulatory or criminal enforcement agency or a person subject to the bar order described in Paragraph 3 above, of claims relating in any way to the allegations asserted against TEAGUE, shall include a broad and comprehensive release by such settling party in favor of TEAGUE of any and all past, present and future claims, losses, damages, attorney fees and costs, disgorgement of fees, fines and penalties and claims for contribution or indemnification, whether accrued or not, whether already acquired or acquired in the future, whether known or unknown, and related to Equity, Shasta or any of the allegations against TEAGUE. To the extent that such an agreement is obtained, TEAGUE agrees to grant a reciprocal release to those settling parties to the full extent of the release granted to TEAGUE.
9. **CONFIDENTIALITY.** The settling parties and their representatives, agents and attorneys agree to keep the existence and terms of this agreement confidential, and not to otherwise publish or disclose same to any third party except as required by court order or other legal process, as well as any related notice of the settlement

terms given to Shasta investors and other parties in interest. Upon a party's receipt of notice that it may be compelled to publish or disclose the existence or terms of this agreement, such party shall give immediate notice to counsel for the other party of any such request, notice, subpoena, motion or other such notice and cooperate with efforts by that party to maintain confidentiality. However, the settling party shall be permitted to disclose the terms of this agreement to its accountants, auditors and lawyers, provided they agree to maintain confidentiality.

10. **RETENTION OF JURISDICTION.** In order to ensure a consistent venue for interpreting and ensuring compliance with the various provisions of this agreement, the parties agree that the Receiver shall request the Court to retain continuing and exclusive jurisdiction over this Agreement and the order approving it.
11. **MODIFICATIONS.** No modification of this Agreement shall be effective unless it is in writing duly signed by all the Settling Parties. The Settling Parties agree that any dispute arising under this Agreement shall be resolved by the Court and consent to the jurisdiction and venue of the Court for any action arising out of this Agreement.
12. **ENTIRE AGREEMENT.** The parties understand and acknowledge that this Agreement is made without reliance upon any statement or representation other than those expressly described in this Agreement.
13. **FEES.** The Settling Parties shall each bear their own costs and attorneys' fees.

14. **COUNTERPARTS.** This Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on the same document.

The parties hereby enter this agreement as indicated by their signatures below.

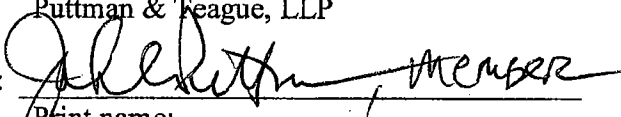
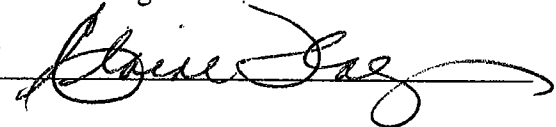
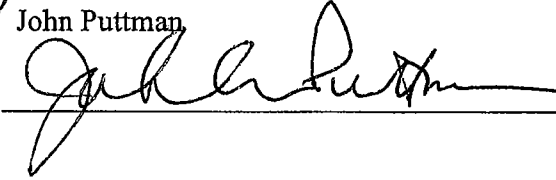
	Puttman & Teague, LLP	Elaine Teague
By:	 member	
	Print name:	
	John Puttman	Equity Receiver
		
		Stephen T. Bobo, not individually but as Equity Receiver for Equity Financial Group, LLC

EXHIBIT 2

Matthew H. Adler (MA-4720)
Jeffrey A. Carr (JC-1103)
Pepper Hamilton LLP
(A Pennsylvania Limited Liability Partnership)
Suite 400
301 Carnegie Center
Princeton, NJ 08543-5276
(609) 452-0808

Counsel for Equity Receiver

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

COMMODITY FUTURES TRADING)	
COMMISSION,)	
)	No.: 04-cv-1512 (RBK)
Plaintiff,)	
)	
vs.)	
)	
EQUITY FINANCIAL GROUP, LLC,)	
TECH TRADERS, INC., TECH)	
TRADERS, LTD., MAGNUM)	
INVESTMENTS, LTD., MAGNUM)	
CAPITAL INVESTMENTS, LTD.,)	
VINCENT J. FIRTH, ROBERT W.)	
SHIMER, COYT E. MURRAY, and J.)	
VERNON ABERNETHY,)	
)	
Defendants.)	

**NOTICE TO SHASTA INVESTORS OF MOTION TO APPROVE
SETTLEMENT WITH PUTTMAN & TEAGUE, LLP AND ELAINE TEAGUE,
INCLUDING PROPOSED ORDER BARRING INVESTOR CLAIMS**

To: All Investors in Shasta Capital Associates LLC

On December 27, 2006, Stephen T. Bobo (the “Receiver”), as Equity Receiver for Equity Financial Group LLC (“Equity”), filed a motion with the Court for approval of a settlement agreement with the accounting firm of Puttman & Teague, LLP, Elaine Teague and John Puttman (collectively, “Teague”). The settlement agreement is

expressly conditioned upon the entry of an order permanently barring certain named Defendants and all Shasta Capital Associates, LLC (“Shasta”) investors from asserting related claims against Teague. The details and background of the proposed settlement are provided below. In addition, a copy of the motion is available from the Clerk of the Court, 1 John F. Gerry Plaza, Fourth & Cooper Streets, Room 1050, Camden, New Jersey 08101 or from the Receiver.

Please take further notice that the Receiver’s motion is scheduled for consideration by the court on February 2, 2007. Any objections or other responses to the settlement motion must be: (i) placed in writing; (ii) bear the caption of the case at the top of the first page; (iii) signed by the objecting party or that party’s attorney; (iv) filed with the Clerk of the Court no later than January 19, 2007; and (v) simultaneously served upon the Receiver, who will provide copies to the parties in the case. The address of the Clerk of the Court is 1 John F. Gerry Plaza, Fourth & Cooper Streets, Room 1050, Camden, New Jersey 08101. The address of the Receiver is Sachnoff & Weaver, Ltd., Attn: Raven Moore, 10 S. Wacker Drive, Suite 4000, Chicago, IL 60606. Unless the Court otherwise directs, no public hearing will be held concerning the Receiver’s motion.

The following sections summarize the proposed settlement terms and the factual background of the settlement.

I. The Receiver’s Investigation of Teague’s Involvement With Shasta

From approximately July 2001 through April 1, 2004, Equity, for itself and on behalf of Shasta, retained Teague to provide accounting services. These services included certain agreed upon procedures in connection with the verification of the

monthly performance results of Tech Traders, Inc. and providing the results in monthly “reports” on Puttman & Teague, LLP letterhead sent to Equity and others.

The Receiver investigated the quality of Teague’s services and the impact of those services on Shasta and Equity. This investigation included reviewing statements, correspondence and supporting documentation, participating in the depositions of Elaine Teague and defendants Robert W. Shimer, Vincent J. Firth, and Jack Vernon Abernethy, interviewing various investors, and reviewing applicable professional standards. As a result of this investigation, the Receiver determined that Equity, for itself and on behalf of Shasta, may have meritorious claims against Teague arising out of the accounting services described above. In response, Teague denied that any such claims exist.

The damages that could be alleged against Teague are a result of the losses suffered by Shasta and its investors. Although the exact amount of the final distribution to Shasta investors is not known at this time, the Receiver’s current estimate is that they will ultimately receive a return of somewhere in the range of 50 percent of their investments, including prior distributions. This estimate will be subject to revision as the case proceeds towards conclusion. Therefore, the aggregate damages of Shasta and its members is estimated to be approximately one-half of the difference between the \$14.6 million that Shasta invested and the \$1.5 million received back from Tech Traders, or about \$6.5 million.

II. The Settlement Negotiations

The Receiver engaged in lengthy negotiations with Teague in an attempt to resolve the claims without the need for litigation. That negotiation process included a one-day mediation conducted by the Honorable Kenneth Gillis (Ret.), an experienced

former judge of the Circuit Court of Cook County, Illinois. The negotiations resulted in Teague agreeing to pay a settlement amount of \$700,000 to Shasta, subject to certain terms and conditions as discussed below.

Among the information the Receiver considered in negotiating the settlement was Teague's ability to satisfy a significant judgment. For the period in question, Teague has professional malpractice insurance coverage with a claim limit of \$1 million. The Receiver also reviewed financial statements for the Teague firm and its two principals and is satisfied that their assets are likely not substantial enough to justify the expenses of collection. The Receiver therefore attributed little additional net value to a recovery from those other sources, after considering the costs of collection efforts.

The Receiver also considered the magnitude and scope of Teague's role on behalf of Shasta, the potential defenses raised by Teague during the negotiations and the risks of litigation. Although the Receiver believes the merits of the claims to be strong, achieving a better result through litigation is not assured. Another important consideration was that the costs of discovery and trial would be significant, including the costs of engaging an expert witness in the area of accountant malpractice. The Receiver believes that the total costs of litigating the claim to verdict would be well in excess of \$100,000 and that recovery of those costs and attorneys' fees through the litigation would be unlikely. If an appeal were taken, this would result in additional fees and expenses for the receivership estate. A final significant factor considered by the Receiver was the effect of the settlement on the progress of the receivership as a whole. Litigation against Teague would cause the receivership to stay open for at least a year, or perhaps significantly longer depending on the Court's docket, whether an appeal were taken, and the degree of

difficulty in enforcing the judgment. This additional period required to fully litigate the claim was another significant motivation to resolve the matter through settlement.

The Receiver believes that the settlement amount of \$700,000 is fair and reasonable under the circumstances. Those circumstances include the \$1 million limit of Teague's insurance coverage, the limited other resources available for recovery, the inherent risks and certain costs of litigating the claims against Teague, and the need to expedite the administration of the receivership estate. The settlement amount also is well within a reasonable range of Teague's proportional share of comparative liability for the range of damages suffered by Shasta and its members. As an additional confirmation of the reasonableness of the settlement amount, Judge Gillis recommended it to both parties as appropriate during the mediation.

III. The Terms of The Settlement Agreement

In return for the settlement payment of \$700,000 to Shasta, the proposed settlement agreement includes the following terms required by Teague to provide assurances of finality:

- a. in the order approving the settlement, the Court will permanently bar and enjoin Shasta members as well as Defendants Firth, Shimer, Abernethy, Murray and Tech Traders from commencing or continuing any individual claims against Teague that arise out of or relate to the conduct described above. This bar order would also apply to those members' heirs, trustees, executors, administrators, legal representatives, agents, successors and assigns with notice or actual knowledge of the Teague settlement or the bar order;

- b. the Receiver agrees not to execute on a money judgment he obtains against a third party not subject to the bar order to the extent of the amount of any money judgment that such third party obtains against Teague in that same case;
- c. the Receiver covenants not to sue Teague on any related claims;
- d. the Receiver will limit recoveries on claims against third parties not subject to the bar order who may have rights against Teague to that defendant's proportionate share of liability and the fault of others for whom the defendant may be liable, but specifically excluding any share of liability that would be attributable to Teague;
- e. the Receiver agrees that after the effective date of the Teague settlement, any settlements he enters into with third parties not subject to the bar order on claims relating to the allegations he asserted against Teague shall include a general release by the settling party in favor of Teague, and Teague shall execute a reciprocal release in favor of such settling party; and
- f. the terms of the settlement shall be kept confidential except as required to seek Court approval of the settlement, including notice of the terms to the Shasta investors and other parties in interest, and as thereafter required to respond to legal process.

Should you have any questions or require further information concerning the proposed settlement terms or the process for submitting a response to the Receiver's motion, please contact the Receiver's counsel, Raven Moore, either by e-mail at

rmoore@sachnoff.com or by telephone at (312) 207-6457. Please take note that all responses concerning the Receiver's motion must be received by the Court on or before January 19, 2007.

December 27, 2006

Stephen T. Bobo, Equity Receiver