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Equity Receiver*

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

COMMODITY FUTURES TRADING)
COMMISSION,)
)
Plaintiff,)
) No.: 04-cv-1512 (RBK)
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) Hearing Date: May 18, 2007
ABERNETHY,)
)
Defendants.)

**REPLY TO RESPONSE OF PATTI AND GARY REITER TO
MOTION OF EQUITY RECEIVER REGARDING TREATMENT OF
THE STERLING CLAIMS AND THE CLAIMS OF STERLING INVESTORS**

Stephen T. Bobo, Equity Receiver (“the Receiver”) of Defendants Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Robert W. Shimer, and Vincent J. Firth, files this reply to the response of Patti and Gary Reiter to the Motion of Equity Receiver Regarding Treatment of the Sterling Investor Claims and Claims of Sterling Investors (the “Sterling Motion”).

1. Patti and Gary Reiter

In the Sterling Motion and the papers filed in support thereof, the Receiver concluded that the Reiters' claim is partially objectionable. (*See* Aff. of Stephen T. Bobo in Supp. of Mot. of Equity Receiver Regarding the Sterling Claims and Claims of Sterling Investors (the "Receiver's Affidavit") at ¶ 43h.) In particular, the Receiver determined that \$75,037 of the Reiters' \$130,037 investment with Sterling was not traceable to Tech Traders. (*See id.*) As for their remaining \$55,000 investment, the Receiver concluded that these funds may well have been included in the transfer of \$225,000 from a Sterling account to Tech Traders on January 15, 2004. (*See id.*) Because other documentation that cannot be corroborated suggested that the source of this \$225,000 transfer was another entity (Aquarius Holdings, Ltd.), the Receiver recommended that this \$55,000 investment be partially allowed in the amount of \$27,500. (*See id.*)

In their May 2, 2007 response to the Sterling Motion (the "Response"), the Reiters seek to amend information contained in their claim form originally submitted to the Receiver in November 2006. In that claim form, the Reiters stated that they invested \$130,037 with Sterling ACS Ltd., of which \$55,000 was invested on January 6, 2004 and \$75,037 was invested on March 8, 2004. (*See* Receiver's Supplemental Aff. Regarding the Sterling Claims and Claims of Sterling Investors ("Receiver's Suppl. Aff.") at ¶ 11; Supplemental Decl. of Joy McCormack ("Suppl. Decl. of McCormack") at ¶ 4a.) The claim form also indicated that the Reiters were told by Sterling that the latter amount was *not* actually invested. (*See* Receiver's Suppl. Aff. at ¶ 11; Suppl. Decl. of McCormack at ¶ 4a.)

The Reiters' Response appears inconsistent with their claim form. In their Response, the Reiters state that the \$75,037 was sent to "the Strategic Fund however they did not start trading

the monies yet.” The Reiters are apparently suggesting that their funds may have been invested with Tech Traders, although they offer no evidence to support that suggestion. The Receiver’s conclusion regarding their \$75,037 investment however remains unchanged – this investment cannot be traced to Tech Traders. This is confirmed by the McCormack tracing analysis, which shows that there were no Sterling transfers to Tech Traders on or after March 8, 2004 which could have included the Reiters’ \$75,037.

The Reiters’ response also provides new documentation indicating that they made an additional investment in the amount of \$145,000 with Strategic Investment Portfolio on January 12, 2003. (*See* Receiver’s Suppl. Aff. at ¶ 11; Suppl. Decl. of McCormack at ¶ 4a.) The Reiters have provided a cancelled check in the amount \$148,000, a Sterling Statement of Activity showing receipt of these funds, and an additional Statement of Activity showing that \$145,000 of these funds were transferred to Strategic Investment Portfolio on January 12, 2003. (*See* Receiver’s Suppl. Aff. at ¶ 11; Suppl. Decl. of McCormack at ¶ 4a.)

Based on these additional documents, the Receiver amends his recommendation regarding the Reiter’s claim. The Sterling bank records show that Sterling ACS, Ltd. transferred \$240,000 to Tech Traders on January 16, 2003 (just four days after the Reiters’ \$145,000 was transferred to Strategic Investment Portfolio). (*See* Receiver’s Suppl. Aff. at ¶ 11; Suppl. Decl. of McCormack at ¶ 4a.) Although the Reiters’ funds are not definitely traceable to Tech Traders, the Reiters are the only identifiable claimants whose funds could have been included within the \$240,000 transferred from Sterling to Tech Traders on January 16, 2003 (Transaction #13 as identified in the McCormack tracing analysis.) Therefore, the Receiver now recommends that the allowed amount of the Reiters’ claim be increased to include the full amount of the \$145,000

transfer in addition to the original recommendation of \$27,500 (as explained more fully in the Receiver's Affidavit), for a total allowed claim of \$172,500.

Dated: May 11, 2007

Respectfully submitted,
STEPHEN T. BOBO
Equity Receiver

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