

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

Honorable Robert B. Kugler

Defendants.)

**TWELFTH APPLICATION OF EQUITY RECEIVER
AND REED SMITH SACHNOFF & WEAVER 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, and his principal counsel, now known as Reed Smith Sachnoff & Weaver (“RSSW”), file this application with the Court requesting an award of interim compensation and expense reimbursement for services rendered from January 1, 2007 through March 31, 2007. The Receiver and RSSW (collectively the “Applicants”) seek interim compensation in the amount of \$121,538.75 and reimbursement of expenses in the amount of \$2,023.51.

BACKGROUND AND CASE STATUS

1. On April 1, 2004, the Commodity Futures Trading Commission (the “CFTC”) filed a Complaint and Motion for *Ex Parte* Statutory Restraining Order (the “Complaint”) 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. On the 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 an accounting firm to assist him with administering the receivership estate. The Receiver engaged Sachnoff & Weaver as his principal counsel, Pepper Hamilton LLP as his local counsel in New Jersey, and FGMK, LLC as his accountant. At this time, these firms continue to assist the Receiver in his efforts. As of March 1, 2007, Sachnoff & Weaver merged into the firm of Reed Smith LLP and is now operating in Chicago under the name of Reed Smith Sachnoff & Weaver.

3. On August 12, 2004, the CFTC amended its Complaint to name five additional Defendants – Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Coyt E. Murray, and J. Vernon Abernethy – based on additional facts that emerged from the CFTC's ongoing investigation of the Defendants and their business affairs. Within two weeks, 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 Equity 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 to identify the investors who placed funds with the Receivership Defendants. With the Court's approval, in late August 2004, the Receiver distributed claim forms to all entities and individuals identified as possible investors through Shasta Capital Associates, LLC ("Shasta"), the pool

managed by Equity Financial Group, LLC (“Equity”), 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, the Receiver filed a motion for authority to make an interim distribution to investors. The Receiver thereafter filed formal objections to 28 of these claims. Throughout 2005, the Receiver and his counsel worked to resolve these disputes relating to particular investors’ claims, and in most cases, those efforts were successful. The Court ultimately approved the proposed plan of distribution as modified in October 2005.

6. Most of the remaining claim disputes have been fully resolved by the end of this first quarter of 2007. In particular, the Court entered an order on January 4, 2007, adopting Magistrate Judge Donio’s Report and Recommendation, which called for (1) the disallowance of the claims of the six investors who failed to appear at a November 2, 2005 hearing and show cause why their claims should not be disallowed, and (2) overruling the claims of the two Tier 2 investors who attended the November 2, 2005 hearing and requested that their claims be treated as Tier 1 claims for purposes of distribution.

7. In addition, during this quarter, the Receiver reached resolution regarding the claims of certain Tier 3 Universe investors. On January 19, 2007, the Receiver filed a motion to disallow the claims of seven Universe investors who received Tech Traders’ funds as repayment of their prior investments with Kaivalya Holding Group, Inc. In particular, the Receiver moved to disallow these claims because Kaivalya did not invest funds with or otherwise provide value to Tech Traders, and, therefore, these repayments prejudiced other Tech Traders’ investors. The Court entered an order approving the Receiver’s motion on March 26, 2007.

8. As a result, the primary remaining disputed claims are those of the seven Sterling entities, including Sterling Trust (Anguilla) Ltd., Sterling Investment Management Ltd., Sterling ACS Ltd., Sterling Alliance Ltd., Sterling Bank Ltd., Strategic Investment Portfolio LLC, and Sterling Casualty & Insurance Ltd. (the “Sterling Entities”). The Receiver and his counsel, with significant assistance from the CFTC, have spent a great deal of time working through the challenges relating to the disputed claims of the Sterling Entities. Most of the services provided during the First Quarter of 2007 relate to Sterling claim issues. As the Court is aware, over the last two and half years, the Sterling Entities repeatedly failed to provide the Receiver with sufficient information to unscramble their claims and to fully trace both the ultimate sources of the funds into Tech Traders and the ultimate recipients of the distributions from Tech Traders. These issues were also complicated by the fact that Sterling’s principals, Howell and Vernice Woltz, were indicted in April 2006 for various criminal charges in North Carolina. The Woltzes recently entered guilty pleas on felony charges, and some of those charges relate to conduct in connection with this case.

9. Despite these challenges, the Receiver and his counsel have worked to resolve the Sterling Entities’ disputed claims. To start, in 2006, the Receiver reached resolution with regard to the Sterling Trust (Anguilla) account at Man Financial. In late February 2006, the Receiver and the Sterling Entities reached a settlement agreement regarding the funds held in this account. While the Court approved this settlement agreement, the Receiver has not yet consummated it because the agreement called for funds to be paid to two Sterling Entities, which are then supposed to pay the amount over to the ultimate beneficial owner. To ensure that these funds end up in the appropriate hands, the Receiver filed a motion to modify the settlement order to pay over the settlement amount directly to the beneficial owner. This motion is currently

pending before the Court. When finally consummated, the settlement will return approximately \$750,000 to the Tech Traders' estate.

10. Throughout the past year, the Receiver and his counsel continued their communications with Tier 2 Sterling investors to determine the feasibility of distributing funds directly to these investors. As an initial matter, in October 2006, the Receiver sent claim forms to these investors to obtain as much information from them as possible before formulating a recommendation regarding a distribution. After receiving responses from select investors, the Receiver's counsel engaged in ongoing follow up with investors who provided incomplete claim forms and supporting documentation, as well as to those investors who failed to respond or in any way acknowledge the Receiver's initial request for information. Ultimately, the Receiver obtained completed claim forms from 17 investors.

11. After reviewing this information and other relevant information from the CFTC, the Sterling Entities and financial institutions, the Receiver prepared and filed a comprehensive recommendation regarding the treatment of both the claims of the Sterling Entities and the claims of the persons who invested through the Sterling Entities. In essence, the Receiver proposes to treat the claims of the Sterling Entities in an aggregated fashion and then pay the amount distributable on that aggregated claim directly to the persons who invested through the Sterling Entities. This motion is currently pending before the Court.

12. On December 19, 2006, the Court approved the Receiver's motion for authority to implement a claim process for non-investor creditors of Tech Traders, Inc., Tech Traders, Ltd. and Equity. Thereafter, on January 5, 2007, the Receiver distributed claim forms to all persons believed to be non-investor creditors of the Tech Traders entities and Equity. Only three claims were submitted to the Receiver. The Receiver recently filed a motion to fix the amount of these claims. The Receiver also provided notice, in compliance with the Court's order, to potential

creditors of Magnum Capital Investments, Ltd. and Magnum Investments, Ltd. informing them that there are no assets available to distribute to them.

13. The Receiver and his counsel have completed their investigation of the Receivership Defendants' business affairs, along with the actions of various third-party professional service firms that advised and counseled the Defendants. In particular, in early 2006, the Receiver wrapped up his investigation of Elaine Teague, the former accountant for Shasta, and her accounting firm, Puttman & Teague, and concluded that Puttman & Teague should bear responsibility for a portion of the Shasta investors' damages. After almost a year of settlement negotiations between the Receiver and counsel for Elaine Teague and Puttman & Teague, the parties reached a settlement in December 2006. The Receiver then filed a motion to approve the settlement on December 27, 2006, with notice given to all Shasta investors. None of Shasta's investors objected to this settlement, which, if approved by the Court, will involve a substantial cash payment to the Shasta receivership estate.

14. The Receiver has also completed his pursuit of funds owed to the receivership estate by various parties. The Court approved certain settlements, and the funds have been collected for the estate. These settlements resulted in an additional recoveries totaling over \$215,000 for the Tech Traders' estate.

15. Finally, during this quarter, the Receiver's accountants prepared 2006 K-1 Schedules for Shasta investors. The Receiver distributed these K-1s to Shasta investors in March 2007. The Receiver's accountants are currently preparing delinquent federal and state income tax returns for Equity, Tech Traders and Magnum Investments, Ltd.

16. Through May 31, 2007, the Receiver maintains exclusive control of receivership funds totaling approximately \$9,520,226.16 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. Specifically, \$9,156,041.56 is held in general and reserve Tech Traders receivership accounts and \$364,184.60 is maintained in general and reserve Shasta receivership accounts. LaSalle Bank, N.A. continues to serve as the designated depository for these funds. For nearly the last year and a half, those funds have been invested in a government-backed money market fund, which offers complete liquidity with a relatively high interest rate. The most recent reported rate was nearly 4.7%. Interest earnings for the year-to-date period through May 31, 2007 are in excess of \$177,000.

17. The remaining frozen assets continue to be held in Man Financial account number 37923. The Receiver continues to maintain the status quo with respect to Account No. 37923 at Man Financial pending modification and consummation of the settlement pertaining to these funds, as discussed in greater detail above. The funds in this account are primarily invested in 10 year U.S. Treasury Notes. According to the May 31, 2007 account statement from Man Financial, the nominal value of those funds is \$1,872,362.86. The Receiver is advised that the actual value of those U.S. Treasury Notes is significantly greater.

NATURE OF THE SERVICES RENDERED AND EXPENSES INCURRED

18. From January 1, 2007 through March 31, 2007, the Applicants seek compensation for 467.85 hours of services as Receiver and as counsel for the Receiver. The Applicants' services are divided into the following 8 categories to benefit the Court in its review:

- 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;

- G. Court hearings and preparation of motions and other submissions; and
- H. Sterling investor claims.

A copy of RSSW'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 Twelfth Applications for Interim Compensation and Expense Reimbursement of Equity Receiver, Reed Smith Sachnoff & Weaver and Pepper Hamilton LLP and Tenth Application for Interim Compensation and Expense Reimbursement of 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 April 9, 2007, the Applicants filed their eleventh fee application with the Court for the period from October 1, 2006 through December 31, 2006, wherein they requested fees in the amount of \$82,942.00 and expenses in the amount of \$3,131.72. The Court approved this fourth quarter fee application in May 2007.

A. General Administration of the Estate

20. The Applicants seek compensation for 121.50 hours of professional services related to the administration of the receivership estate from January 1, 2007 through March 31, 2007. Among the services that the Receiver and his counsel performed in administering the estate are:

- Communicating regularly with attorneys and investigators for the CFTC regarding the Sterling Entities' individual investor claims, Receivership Defendant creditor issues, the Court's rulings on motions to stay orders compelling certain Receivership Defendants to produce tax returns, as well as other receivership issues;
- Producing relevant documents, including investor claim files, to the CFTC for its review;

- Discussing with the Receiver's accountant, FGMK, LLC, various income tax issues, including requests for information from the New Jersey Department of Taxation, for Tech Traders, the Magnum entities, and Equity;
- Implementing the Court's order on the Receiver's motion to approve the creditor claim process;
- Reviewing statements showing earnings in receivership accounts and communicating with the Receiver's accountant about these earnings;
- Working with the Receiver's computer consultants at Netrix, LLC, the consulting arm of FGMK, to assist the New Jersey Division of Criminal Justice;
- Distributing claim forms and explanatory correspondence to non-investor creditors of Tech Traders and Equity regarding the creditor claim process;
- Distributing Notice of No Assets to non-investor creditors of the Magnum entities;
- Communicating with non-investor creditors of Tech Traders, Equity and the Magnum entities regarding the creditor claim process;
- Organizing and indexing document productions, including documents produced by the CFTC, the Receivership Defendants, and various Sterling investors;
- Reviewing and providing feedback to CFTC regarding proposed settlement order with Receivership Defendant Coyt Murray;
- Finalizing and filing the Receiver's Sixth Interim Report to the Court;
- Drafting updates for the Shasta Capital Associates, LLC website (located at <http://www.shastacapitalassociates.com>);
- Preparing and filing fee applications for the third and fourth quarters of 2006; and

- Supervising RSSW's Accounting Department and LaSalle Bank to ensure proper maintenance of the receivership accounts.

B. Communications With Investors

21. The Receiver and his counsel continue to communicate with investors about the status of the case and related distribution issues. The Applicants provided 18.55 hours of services in this category during the first quarter of 2007.

22. Investors continue to reach out to the Receiver and his counsel with various questions and concerns relating to the receivership estate. During this quarter, many of the Shasta, Universe and Tech Traders investors have inquired about the likelihood and timing of a final interim distribution. In addition, Shasta investors have contacted the Receiver with questions pertaining to Schedule K-1s and the Receiver's proposed settlement agreement with Puttman & Teague, the former accountant for Shasta, which is currently pending before the Court. Finally, the Receiver and his counsel have communicated with various individuals who and entities that appear to have invested with Tech Traders through the Sterling Entities. As discussed more fully in Section H below, in October 2006, the Receiver distributed claim forms to these individuals requesting that they provide completed proofs of claim, along with documentation supporting their claims against the Sterling Entities. During late 2006 and early 2007, the Receiver and his counsel communicated regularly with these investors (or their counsel) to resolve outstanding issues relating to their claims.

23. During this quarter, the Receiver also communicated with Donald A. DiIenno and his counsel regarding DiIenno's claim against Tech Traders in this case. DiIenno was one of several investors who invested funds through Bally Lines, Ltd., a Tech Traders Tier 1 investor, but DiIenno sent more than one-half of his investment directly to Tech Traders. On January 4,

2007, the Court entered an order disallowing Bally Lines' claim in its entirety. DiIenno thereafter contacted the Receiver in attempt to challenge the Court's order and, ultimately, settle his individual claim against Tech Traders. The Receiver ultimately resolved this claim, as discussed in greater detail in Section C.

C. Claims and Distribution Issues

24. The Applicants seek compensation for 45.70 hours of professional services related to investor claims and distribution issues during the first quarter of 2007.

25. During this quarter, the Receiver reached a settlement agreement with DiIenno regarding his claim against Tech Traders. The Court's January 4, 2007 order disallowing Bally Lines' claim (and the claims of other investors who failed to respond to the Court's rule to show cause) precluded DiIenno from receiving a distribution on any portion of his \$790,000 investment with Bally Lines. While the Receiver believed that DiIenno's chance of either having the order vacated or having his claim ultimately allowed was remote, litigation over these issues was likely to cause the receivership estate to incur significant legal fees and costs. Of equal importance, such litigation would have also likely delayed resolution of a final distribution to investors and the winding up of the estate. In light of these concerns, the Receiver prepared and filed a proposed settlement agreement and a motion requesting authority to enter into the settlement agreement with DiIenno in the first quarter of 2007, which the Court ultimately approved in the second quarter of 2007.

26. During this quarter, the Receiver also reached resolution on his motion to disallow certain Tier 3 Universe investor claims. On January 19, 2007, the Receiver filed a motion to disallow the claims of seven Universe investors who received Tech Traders' funds as repayment of their prior investments with Kaivalya Holding Group, Inc. In particular, the Receiver moved to disallow these claims because Kaivalya did not invest funds with or

otherwise provide value to Tech Traders, and, therefore, these repayments prejudiced other Tech Traders' investors. The Court then entered an order approving the Receiver's motion on March 26, 2007.

27. Finally, during this quarter, the Receiver reviewed and implemented the Court's order adopting Magistrate Judge Donio's Report and Recommendation on claim objections.

D. Investigation of Claims and Other Assets

28. The Applicants seek compensation for 7.0 hours of services related to investigating and pursuing claims against third parties from January 1, 2007 through March 31, 2007. During this quarter, the Receiver and his counsel engaged in various follow up communications with McDermott Will & Emery and counsel for Elaine Teague and Puttman & Teague regarding the settlement agreements the Receiver reached with these parties. In particular, the Receiver communicated with counsel at McDermott Will & Emery to finalize the specific terms of the parties' settlement agreement. On March 27, 2007, the Court entered an order approving the Receiver's settlement agreement with McDermott Will & Emery.

29. The Receiver also communicated several times with counsel for Elaine Teague and Puttman & Teague. In particular, the parties discussed the notice given to Shasta investors regarding the Receiver's motion to approve the settlement agreement and the status of the Court's ruling on the motion. At this time, Receiver's motion remains pending before the Court.

E. Review of Defendants' Transactions

30. For the first quarter of 2007, the Applicants seek compensation for 3.20 hours of services related to reviewing the Receivership Defendants' transactions. The Receiver spent a very limited amount of time this quarter on these matters. The Receiver and his counsel's services were limited to communicating with the Receiver's accountant about Shasta's amended tax returns, discussing with local counsel possible objections to the Receiver's motion to settle

with Elaine Teague and Puttman & Teague, and locating relevant bank statements involving Tech Traders' transactions.

F. Discovery

31. During the first quarter of 2007, a paralegal and a project assistant spent a total of 21.10 hours on discovery-related matters. These discovery efforts include reviewing, organizing and producing relevant information to the CFTC, including Shasta and Sterling investor files maintained by the Receiver.

G. Court Hearings and Preparation of Motions and Other Submissions

32. The Applicants seek compensation for 11.50 hours of services related to participating in Court hearings and drafting motions and other submissions to the Court during the first quarter of 2007. This category includes the time spent preparing for and participating in the telephonic status hearing before Magistrate Judge Donio on January 11, 2007.

33. During this period, the Receiver also prepared and filed numerous pleadings, including the Receiver's motion to disallow the claims of certain Universe investors, the Sixth Interim Report of Equity Receiver, and fee applications for the Receiver, his counsel and accountants for the third and fourth quarters of 2006. The Receiver also reviewed and implemented several orders entered by the Court, including orders authorizing him to enter into settlement agreements with third parties McDermott Will & Emery, Marshall LaFar and Lynn Obester.

H. Sterling Investor Claims

34. During this quarter, the Receiver and his counsel spent a majority of their time, or 239.30 hours, formulating a comprehensive proposal to resolve the issues relating to the Tier 1 claims filed by the Sterling Entities. Despite repeated requests over the course of the last two and a half years, the Sterling Entities failed to provide the Receiver with sufficient information to

unscramble their claims and to fully trace both the ultimate sources of the funds into Tech Traders and the ultimate recipients of the distributions from Tech Traders. Also complicating matters, Sterling's principals, Howell and Vernice Woltz, were indicted in April 2006 for various criminal charges in North Carolina. The Woltzes have recently entered guilty pleas on felony charges, and some of those charges relate to conduct in connection with this case. At this time, the Woltzes' future status appears uncertain.

35. Because of these problems with the Sterling Entities' claims, in October 2006, the Receiver requested that all individual Sterling investors who were identified as having an interest in the funds invested by the Sterling Entities submit claim forms to him. The Receiver also requested that they supply copies of supporting documents relating to their interest in the funds. Responses trickled in over the following four months. Most of the responses received were incomplete. As a result, the Receiver's counsel contacted the investors and pointed out the deficiencies that needed to be addressed. This often involved multiple communications with the investor.

36. Throughout this information-gathering process, the Receiver repeatedly reached out to the CFTC for assistance. In particular, the Receiver relied on the analysis prepared by the CFTC which traced, to the extent possible, the ultimate sources of the funds that the Sterling Entities invested in the Tech Traders' investment scheme, as well as the ultimate beneficiaries of the funds that the Sterling Entities withdrew from the scheme. The CFTC also provided feedback throughout this process to help ensure the Receiver's proposed plan was fair and equitable to investors. In addition to communicating with the CFTC to obtain information, the Receiver contacted counsel for the Sterling Entities, Defendant J. Vernon Abernethy, and other interested parties. The Receiver did so to ensure that he learned as much as possible about the

Sterling Entities, the investors who invested with them, and the Sterling Entities' transactions with Tech Traders.

37. Following detailed review and analysis of this information, the Receiver prepared and filed a comprehensive motion regarding the treatment of both the claims of the Sterling Entities and the claims of the persons who invested through the Sterling Entities. In particular, the Receiver recommended to the Court that the Sterling Entities' claims be aggregated into a single claim for purposes of distribution and that each Sterling Entity's share of the Tech Traders' funds be distributed directly to the known investors for each such entity. In the motion, the Receiver also requested authority to reimburse Tech Traders' receivership account in the amount of \$80,751.50 for professional fees incurred through December 31, 2006, plus additional fees incurred by the Receiver and his counsel after January 1, 2007 for the services performed in this category. The Receiver further requested that the total amount of professional fees incurred in this category be reimbursed to the Tech Traders estate from the distribution amount approved for the aggregate Sterling claim. The motion is presently pending before the Court. The Applicants suggest that the amount incurred in this category during the 1st Quarter of 2007, which totals \$68,883, be deducted from the Sterling claim distribution amount.

I. Reimbursement of Expenses

38. The Applicants seek reimbursement for a total of \$2,023.51 in expenses incurred from January 1, 2007 through March 31, 2007. During this period, the two largest expense categories were photocopying charges and postage expenses. These costs were incurred primarily for copying and mailing pleadings for service on parties of record, as well as other interested parties (including investors impacted by various Court rulings). Other categories of expenses incurred were computerized legal research charges, long-distance telephone charges, courier and overnight delivery, and messenger 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 it.

REASONABLENESS OF THE COMPENSATION REQUESTED

39. The amount of compensation sought for the first quarter of 2007 is less than the amounts sought for most previous quarters. This reflects a lower level of activity by the Receiver and his counsel because various labor-intensive tasks had been completed in previous quarters. Additionally, a number of the services provided were at lower hourly rates. The Receiver continues to attempt to keep the amount of compensation requested at a reasonable level through the efficient administration of the estate.

40. As discussed above, more than 50 percent of the work performed by the Receiver and his counsel related to the Sterling claim issues and the Sterling investor claim process. This work was for the exclusive benefit of the Sterling Entities and their investors and results from the failure of the Sterling Entities to provide sufficient support for their claims. It would be unfair for other Tech Traders investors to bear the costs of resolving the substantial problems arising from the Sterling claims. As a result, in his Sterling claim motion, the Receiver requested authority to reimburse Tech Traders' receivership account for such fees incurred through December 31, 2006 in the amount of \$80,751.50, plus professional fees subsequently incurred by the Receiver and his counsel for the services performed in this category. As set forth above, such fees amounted to \$68,883 during the First Quarter of 2007. The Receiver further requested that this be accomplished by deducting the total amount of professional fees incurred in connection with the Sterling investor claims be deducted from the distribution amount approved for the aggregate Sterling claim.

41. During this quarter, the Receiver has relied primarily on one associate and one paralegal from RSSW's litigation group to assist him in carrying out the Court's orders.

Additionally, the Receiver has used a document clerk to help organize and manage the ongoing production of documents turned over by the Receivership Defendants and third parties, including investors, brokerage firms, and financial institutions.

42. In routine matters, such as reviewing documents and drafting motions and reports to the Court, the Receiver continues to primarily rely upon a mid-level associate. The Receiver previously relied upon another member of the firm to participate in relevant depositions and other more complex matters in the case. Of the total of 468.65 hours for which compensation is sought in this application, 144.10 hours, or approximately 31% of the total, were provided by the Receiver. An associate provided 195.65 hours, which is approximately 42% of the total. Paralegals provided 78.40 hours, or approximately 17% of the total. Finally, a Litigation Document Clerk performed the remaining 49.70 hours at the significantly reduced rate of \$82.50 per hour (as an average).

43. The Receiver also continues to seek the assistance of the CFTC when appropriate. Specifically, the Receiver has looked to the CFTC for assistance in investigating certain transactions, uncovering assets in the possession, or under the control, of the Receivership Defendants, and reviewing and analyzing information submitted by Sterling investors relating to their investments with the Sterling Entities, which ultimately made their way to Tech Traders. The Receiver's reliance on the CFTC for various tasks has significantly helped control the costs of this engagement.

44. 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. This rate has not been increased during the case, even though the Receiver's customary billing rate has been increased significantly since 2004. In addition, RSSW 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 April 2004 motion to employ its predecessor Sachnoff & Weaver. These discounted rates range from \$210.00 to \$275.00. 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	144.10	\$350.00	\$50,435.00
Raven Moore	Litigation	195.65	\$255.00-\$275.00	\$50,627.75
Alison A. Katon	Litigation Paralegal	78.40	\$210.00-\$220.00	\$16,484.00
Document Clerks	Litigation	49.70	\$80.00-\$85.00	<u>\$3,992.00</u>
FEE TOTAL				\$121,538.75

45. The Applicants have kept their time in tenths of an hour, or six-minute increments. 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.

46. 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 RSSW holds a retainer for the services that they continue to provide to the Receivership Defendants. The Applicants continue to act 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.

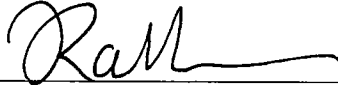
WHEREFORE, the Applicants respectfully request that this Court enter an order:

1. Allowing interim compensation in the amount of \$121,538.75 to the Receiver and RSSW for services provided and in the amount of \$2,023.51 for expenses incurred and advanced from January 1, 2007 through March 31, 2007;
2. Authorizing the Receiver to deduct the amount of \$68,883.00 from the distribution amount to be determined on account of the aggregate Sterling claim, which amount represents the professional fees incurred in connection with the Sterling investor claims during the First Quarter of 2007;
3. Authorizing the Receiver to use the funds held by the receivership estate to pay for the fees and expenses for these services; and
4. Providing the Receiver and RSSW such further relief as may be appropriate in these circumstances.

Respectfully submitted,

STEPHEN T. BOBO,
Equity Receiver and on behalf of Reed Smith
Sachnoff & Weaver

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By: 
One of his attorneys