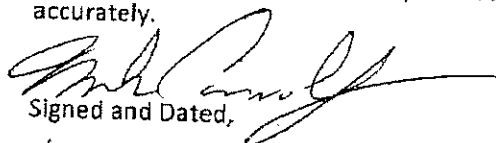


Presiding Officer Mr. Chandler,

I, Mark Connolly, former director of securities regulation for the New Hampshire Department of State, do hereby attest and confirm that the statements provided by me to the Bureau of Securities Regulation, labeled Attorney General's Interview Record of Mark Connolly, May 3 and May 10, 2010; and Statement Date February 15, 2011, and Failure to Supervise Finding in DOJ FRM Report dated March 31, 2011 are my own statements, completed truthfully and accurately.


Signed and Dated,

4-1-11
Mark Connolly

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SWORN TO AND SUBSCRIBED BEFORE ME BY THE SAID

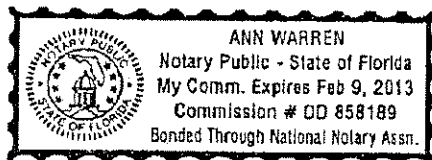
MARK CONNOLLY this 1st day of April 2011
To certify which witness by hand and seal of office.

Ann Warren

2/09/2013

Notary Public
~~Justice of the Peace~~

My Commission Expires



Failure to Supervise Finding in DOJ FRM Report

I wish to document that the finding offered as fact in the May, 2010 DOJ as well as August, 2010 Joint Commerce Committee Report (draft, not approved by the Committee) regarding FRM contain misinformation regarding the supervision of Barry Glennon, the Administrative Hearing Officer for the Bureau, in the matter of FRM.

In June, 2002 after the Bureau did not hear back from the DOJ regarding the request for an asset freeze of FRM, the decision was made by it to proceed to hearing, the only viable option then left the agency. Attorney Glennon did not rule on FRM. Last year, when he was released formally by me as FRM's hearing officer, he explained what I long suspected: he felt that to rule under current law would have been injurious to the preferred shareholders of FRM, and he said he understood Attorneys Spill and Denis Maloney (counsel to FRM) where engaged in settlement discussions.

To my knowledge, Attorney Glennon did not rule on two cases for which he was assigned hearing officer duties by me: FRM and Aqualab. I went to him on two occasions, I believe in 2005 and 2006 and said that I could not discuss the cases but asked if he needed to tell me anything in my capacity as his supervisor what was impeding him from rendering decisions. He answered there was nothing he needed to tell me. I also remember telling him on at least one of the occasions I met with him that in my opinion he needed to render a decision. I remember telling him the second time we met that his not making a decision could be harmful to the best interest of the Bureau and others. I believe I told him this and also believe in 2006 after my conversation about this matter with him, I met with Attorney Spill, the Bureau's assigned prosecutor of the case, and we discussed it best under the circumstances to seek the advice of counsel, or that of the DOJ. As I recall, Attorney Spill met with DOJ Attorneys Richard Head and Susan Gorman to discuss the issue. Attorney Spill told me Attorney Head asked him if the Bureau wanted him to meet with Attorney Glennon to discuss the matter and Attorney Spill answered in the affirmative. That is what I recall.

During my interview with Head in May, 2009 about FRM, Attorney Head mentioned the issue of Attorney Glennon's non-ruling, but some of his facts were incorrect. I reminded him that he met with Attorney Spill about Attorney Glennon's non-ruling, and he asked for Attorney Head's legal assistance. He told me he could not recall such a meeting and besides, he said, the DOJ does not have supervising responsibilities for administrative hearings under NH law. I never recall Attorney Spill telling me Attorney Head said that to him when he met with him and Attorney Gorman. I also told Attorney Head in May, 2010 and subsequently wrote to the Joint Committee that I did in fact meet with Attorney Glennon about his non-ruling and that I recall the Bureau asked for Attorney Head's assistance in this matter. I did not accompany Attorney Spill to DOJ to meet with Attorneys Head and Gorman because I am not a lawyer as well as the fact that I felt after having met with Attorney Glennon and explaining my non-agreement with his non-ruling that I should remove myself from the matter as I did not wish to be seen as interfering in a civil matter.

Lastly, in this regard, when I met with Attorney Glennon in the spring of 2010 to discuss this matter, he indicated an attorney at DOJ, John Gassaway, subsequently met with him about his non-ruling but he recalled Gassaway seemed only focused on Aqua-lab. Attorney Glennon told me and Attorney Spill at that time Attorney Gassaway told him under the circumstances he believed his judgment (Mr. Glennon) in his handling the administrative hearing matter in this instance was correct. Attorney Glennon also informed me at that time Attorneys Head and Marshall had interviewed him last spring about his role as the Bureau's FRM hearing officer.

If more information is needed regarding this matter, please do not hesitate to contact me.

Thank you

Mark Connolly

2-20-11

**Correction for the Record—
Attorney General's Interview Record
of Mark Connolly, May 3 and May 10, 2010
Statement Date February 15, 2011**

This memorandum is meant as a clarification of an interview with me requested by Attorneys Richard Head and Christopher Marshall of the New Hampshire Attorney General's Office (DOJ). The interview concerned the matter of FRM, and the interviews took place on the above-mentioned dates.

At the outset to this clarification, in April, 2010 I asked by email to Attorney Head to be allowed to have an individual of the Bureau of Securities Regulation accompany me to the interviews for the expressed purpose of taking notes of what was said at the interviews; Attorney Head in a response to my email denied my request to have an individual accompany me from the Bureau. He also stated verbally that his and Attorney Marshall's notes were meant as internal work product only and that their meeting with me was not part of an investigation but meant as a "review" and no transcript or recording would be part of my meeting with his office. Below is my correction of the record of the NH Attorney General's interview record of myself during these two meeting dates.

Page One, Correction. It is unclear as to the pertinence of my education and work experience regarding the DOJ's FRM interview of me but to clarify the record I worked four years at the Office of the NH Secretary of State and not three as stated in the notes. I then worked at First Chicago for three years as an industry analyst and officer. This is not mentioned. I started my career at Chubb Life Insurance Company with Chubb Securities and not Chubb Life, 1987-1990. This was not mentioned. I served in the capacity of vice president of the corporation, where I headed up due diligence and direct participation investment programs. The interview notes also state I "sold" insurance and investment products. I was not a salesman for the corporation but managed such products and served as a division head and vice president of Chubb Life Insurance Company, 1990-1997. Also, I did not work for Fleet Bank beginning in 1999 but worked there beginning in 1997, where I was hired as a vice president in its private banking unit.

In addition, as background, the notes represent that I also said I worked "for a brief period in 2000" as Deputy Secretary of State. I worked in such capacity for a year and subsequently worked at Wellington Management Company in Boston, from 2000-2002 and not 1999-2002 as stated.

Page Two, Correction. "Mr. Spill would handle cases such as FRM on his own." This is not true. In my capacity as Director, I directly supervised both the enforcement area, where I assigned Attorney Spill as head and I also supervised the administrative-registration function of the Bureau, which was assigned to Attorney Glennon to manage. I would regularly meet with both individuals as well as other staff members and manage the priorities and staffing of the Bureau; I also assumed an integral role in several securities enforcement cases because of my securities and investment background as well as my desire to manage limited resources in setting Bureau priorities.

Page Two, Correction. "Mr. Connolly was frustrated regarding a lack of "tools" (statutory remedies) available to the Bureau because it wanted an asset freeze." This comment is incorrect in its current context. The Bureau had attempted to acquire additional regulatory powers because DOJ routinely would not assist the Bureau in many of its enforcement efforts. I particularly noted subpoena power in my interview.

Page Two, Correction. "Shown a copy of the proposed legislation in 2003 on obtaining an asset freeze, Mr. Connolly could not remember who proposed the legislation nor the genesis of the bill or who drafted it." Let the record show I made the decision to go forward with such legislation and worked with Attorneys Spill and Moquin on its language and testified at the legislature on behalf of the legislation and spoke about it with Attorney Susan Gorman of the DOJ and understood the position of that office regarding the use of such powers as described in the House Committee Report. That position is the Bureau should not exercise such authority without its involvement and/or consent.

Page Two, Correction. "As Director, he was frustrated with the response from the AG because he thought it was the AG's role to take action, but he knew that Mr. Spill understood from the meeting with Attorney Gorman that the AG did not intend to take action." Let the record show that I did not "understand" DOJ did not intend to take such action, and I did speak with Attorney Spill about his meeting and telephone discussions with Attorney Gorman and I had no knowledge the DOJ said it did not intend to take action regarding the Bureau's asset freeze request. Also, let the record show that under my direction Attorney Spill did in fact meet with the office of the DOJ regarding this matter for over a year regarding the Bureau's concern about FRM and what is not reflected in the meeting notes is that our purview of FRM regarded unregistered preferred stock, and it was and remains my feeling the Bureau needed the DOJ to go forward in instituting an asset freeze in state superior court; the situation begs the question why the Bureau would even be meeting with that office if it believed it had unilateral authority to institute such action on its own. What is also not mentioned in the meeting notes as stated above is my statement at my interview that we were instructed by legislative committee as well as Attorney Gorman not to proceed with asset freezing authority without the involvement of the DOJ.

Page Two, Correction. "The matter at that time was not sufficiently important for Mr. Connolly to make personal contact with the AG...he did not insist that Mr. Spill write the letter." This is inaccurate. I was aware of all communication with the AG's office. The statement is out of context and misleading.

Page Two, Correction. "Jeff Spill and Barry Glennon assumed responsibility for enforcement matters. Mr. Connolly did the administrative work in overseeing registrations, broker dealers and modernizing the office." This statement is not an accurate rendition of what I said regarding my duties at the Bureau. Attorney Glennon worked with me directly on the Tyco case so as to alleviate Attorney Spill's time for other important enforcement cases. Other than Tyco, Attorney Glennon oversaw all registrations of the office. I viewed a critical function of my role to set the enforcement priorities of the office and in fact directly managed and supervised all of the office's major enforcement cases between 2002-2009, including working directly with other state and federal regulators. The text as written seems as if I viewed my role as being ministerial in nature.

Page Three, Correction. "He did not know what assets should be frozen. He thought that if the assets were frozen the Bureau could then decide what to do. He did not envision that the company should be shut down as a result of an asset freeze." This should be restated to say, "The state could then decide what to do." I viewed an asset freeze of FRM as an unusual legal response and felt to go to state superior court in this instance should necessarily be by the state and not the Bureau's action, particularly because of the scope of the Bureau's regulatory jurisdiction and scope regarding FRM at that time. In fact, I did view FRM would be shut down by virtue of an asset freeze and therefore our recommendation for action was precisely the reason why the Bureau asked the DOJ to initiate action on behalf of the state, i.e., meaning, effectively shutting a company down from doing business by virtue of non-registration of securities and no active FRM complaints at the Bureau would have been an extraordinary legal move.

Page Three, Correction. "He also did not understand that requesting an asset freeze in superior court would put off the hearing scheduled for July 24, 2003. He did not see it as a choice of one or the other." This was and is not my understanding of the matter. At all relevant times, I discussed with Attorney Spill and understood an asset freeze course of action was the best decision in this instance and understood this recommendation was communicated several times to the DOJ. I also understood the asset freeze recommendation by Attorney Spill, or the individual who would serve in the capacity as prosecutor in the Bureau's scheduled FRM administrative hearing, was made to the DOJ so as to offset a need to proceed to the then-scheduled administrative hearing regarding unregistered preferred securities by FRM.

Page Four, Correction. "Mr. Connolly does not supervise the hearing officer because he does not want to do anything to influence the outcome of a case...it is not my place to supervise hearing officers...the attorneys are told to follow the same procedure and if they have any questions, talk to the AG's Office." This statement is wrong. I never instructed any hearing officer to go to the DOJ if he/she had questions regarding his/her role as a hearing officer and have no knowledge that any member of the Bureau—other than Attorney Spill, at my request—ever met with the DOJ to discuss the hearing officer process of the Bureau.

In a separate memo I have highlighted the hearing officer protocol of the bureau in this instance. The fact is I did view my role to include supervising all hearing officers and would talk with all individuals periodically about their roles as bureau hearing officers. In this instance, I met with Attorney Glennon—the individual I assigned to be FRM's hearing officer—twice about his non-ruling on FRM and asked him if he could tell me why as his supervisor he was not rendering a decision about both FRM and Aqua-lab. I instructed Attorney Spill to meet with the DOJ to discuss this predicament. The fact is I told Attorney Head at my May 3rd with him and Attorney Marshall that Attorney Spill met with him about Mr. Glennon's not ruling; Attorney Head replied to me he could not recall such a meeting—that too much time had occurred for him to remember such any such discussion. He then informed me even if this was the case, the DOJ does not have proscribed supervisory responsibility for administrative hearings under NH law. Notwithstanding his questioning in this instance, the fact remains I understood he was asked by Attorney Spill to meet with Mr. Glennon about his non-ruling, and my understanding is he did not so. In 2010, when I released Attorney Glennon from his duties as FRM's hearing officer for the Bureau, he informed me and Attorney Spill at that time that another attorney from DOJ met with him (Attorney Gassaway) and Mr. Glennon recounted it was only about Aqua lab and not FRM and that Attorney Gassaway told Mr. Glennon he was handling the matter correctly.

Page Four, Correction. "Mr. Connolly is not familiar with the number of cases Mr. Glennon handles." This is an inaccurate statement. I knew at all times what cases attorneys had been assigned hearing officer roles so as to manage staff time.

Page Four, Correction. "The Aqualab case presented a problem of no decision. Mr Spill reported to Mr. Connolly his concern because the hearing officer Mr. Glennon) had not ruled on the Aqualab matter. Mr. Connolly advised that they could not discuss the absence of a ruling with Mr. Glennon." This, too, is inaccurate. The first sentence here should also include FRM and not just Aqualab. I met with Attorney Spill on several occasions about the hearings process in these two instances, and I did in fact consult with him as to his opinion concerning what I could/could not say to Attorney Glennon about any of the cases he had been appointed as hearing officer, namely FRM and Aqualab. In this instance, Attorney Glennon told me he saw no reason to discuss with me his non-rulings, and I told Attorney Spill his response. In fact, I instructed Attorney Spill to meet with the DOJ for an opinion and removed myself from such a meeting so it would not appear as if I was trying to interfere with the prosecution of a case. I thought it best that because Attorney Spill was the Bureau's de facto prosecutor of the administrative proceedings in these two instances, he should seek counsel from the DOJ about Attorney

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Glennon's non-ruling; I understood from Attorney Spill that Attorney Head would meet with Attorney Glennon about our concern, and Attorney Head did not do so.

Page Four, Correction. "Now that he has received the explanation as to why Mr. Glennon did not rule, Mr. Connolly did not have an opinion as to the advisability of Mr. Glennon's decision to not make a ruling...he also did not think he was in a position to question Mr. Glennon on the failure to make a decision in the Aqualab case." As discussed above, I learned why Attorney Glennon did not rule on Aqualab and FRM from him and not Attorney Head. I also understood Mr. Glennon's reasoning and had already conjectured accurately why he had not ruled, i.e., a full rescission in terms of returning preferred shareholder stock proceeds would have likely harmed stockholders as there was likely insufficient funds and/or cash flow to pay them, and NH law did not allow for partial rescission. What is also not said here and what I told Attorneys Head and Marshall in my May 3rd interview is that when I met with Attorney Glennon in my role as his supervisor, I instructed him that he should follow the law in his role and not doing so could have collateral consequences. I believe Attorney Glennon at all times to be a man of high integrity and sound reasoning and did explain to Attorney Head and Marshall on May 3rd that I believe Attorney Glennon thought that given all the information at his disposal at that time he was making the right decision in non-ruling.

Page Four, Correction. "Mr. Connolly said that Jeff Spill remembered that he met with Richard Head and Suzanne Gorman in 2006 regarding the Aqualab matter." In point of fact, I said I remember him meeting with both individuals about Aqua lab and FRM. I also would like to point out for the record that I view this line of questioning as not even relevant to the Ponzi scheme that in fact occurred at FRM as well as the fact that I viewed and still view the DOJ as unable to be a viable and disinterested source to judge state agency involvement with FRM because of its own criminal involvement in this matter, which in effect was a criminal enterprise. I told Attorneys Head, Fitch and Delaney this opinion on various occasions prior to my May 3rd and 10th meetings with DOJ.

Page Four, Correction. "Mr. Connolly has worked with the AG's office. The only time he was "chagrined" was in the Pennichuck case." I endeavored to have a good relationship with all agencies, including the DOJ, but was disappointed with that office for not providing assistance to the Bureau in several instances and during my questioning highlighted a recent case of no or limited assistance from that office. I also highlighted Pennichuck case as a particular disappointment regarding DOJ and the Bureau.

Page Five, Correction. "Mr. Connolly 'felt personally misled by the CEO.' I was not misled. The shareholders and regulators were misled and a false statement made. This sentence exacts a level of familiarity with an individual I do not know.

Page Six, Correction. "He was disappointed that the AG did not get back to Jeff Spill on the Aqua lab matter." I was disappointed Attorney Head did not get back to the Bureau about FRM and Aqua lab. It is unclear how or why Attorney Gassaway met with Attorney Glennon about his non-ruling, and if he disclosed the content of such a meeting with Attorney Head or anyone else at DOJ.

Page Six, Correction. "How the fraud was missed for years and nothing done. I can't explain it." This statement should be read in the context the Bureau did not possess audit authority over FRM.

Page Six, Correction. "Mr. Connolly discussed this with Peter and asked him how he could get involved after having recused himself." This discussion was by telephone the week of November 8, 2010.

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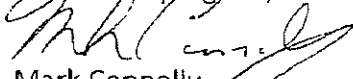
Page Seven, Correction. "In a recent interview when Mr. Connolly said that the DOJ had a complaint, investigated it and didn't do anything, he was referring to the Stones, who contacted the Bureau, as did their lawyer, Mr. Carter." It is not clear what "recent" interview means. I did not meet with either Attorneys Head or Marshall after May 10. My understanding is Attorney Carter went to the DOJ about FRM. Not the Bureau. I would have no reason to make such a statement based on my knowledge of the case. I understand Attorney Spill asked one of the Stones' to fill out a complaint but that did not happen.

Page Seven, Correction. The Bureau "also should have the right, even if a business is not licensed by the Bureau, to do surprise audits." This may be the opinion of the interviewer but does not reflect my opinion. I do not believe a government agency should have broad regulatory powers over an entity it does not regulate.

Page Seven, Correction. "Violations occurred in 2009 when FRM broke the securities laws again." This statement is not clear and does not pertain to the Ponzi scheme. It is possible FRM violated state securities laws but I did not and do not see the Ponzi scheme as a state securities concern.

Lastly, my recollection is some of my statements about FRM and the Ponzi scheme made during these interviews do not appear in these notes and several conclusions offered therein lead to conclusions that are those of the interviewers' and not me. I have attempted to correct the record herein. Also, several opinions I offered about FRM during the interviews are not stated in the interviewers' notes. For example, on at least one occasion during my May 3rd interview I told Attorney Head that I viewed some of his questioning as redundant and leading in nature in terms of offering conclusions I did not agree with, such as points he offered during his asset freeze questioning. I viewed and still view the asset freeze question as being a vulnerable point for the DOJ and in my judgment that office offered conclusions in its FRM report on this and other subjects that are not valid and irrelevant to how the state in fact mismanaged the FRM matter.

Respectfully Signed,



Mark Connolly
February 16, 2010