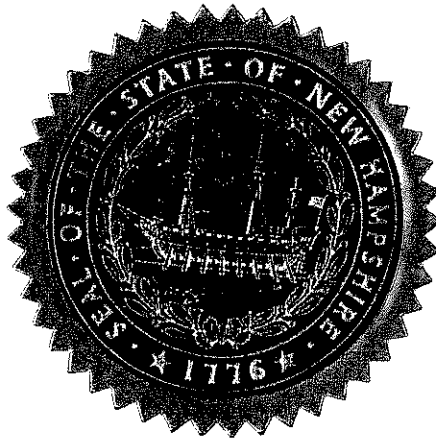


**STATE OF
NEW HAMPSHIRE
FINDINGS OF FACT**



FINANCIAL RESOURCES MORTGAGE, INC.

CHARLES W. CHANDLER, PRESIDING OFFICER

APRIL 11, 2011

William Gardner, Secretary of State
State of New Hampshire

Letter of Transmittal

April 11, 2011

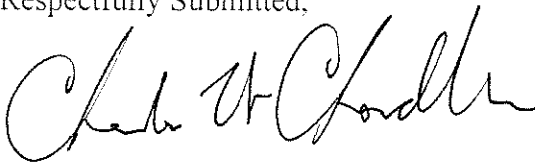
Dear Secretary Gardner,

Pursuant to your order of October 5, 2010, I have conducted and concluded hearings concerning the "FRM Matter." Attached to this letter of transmittal are detailed Findings of Fact with extensive exhibits resulting from the six months of testimony and document review performed by me. The order appointing me to conduct these hearings focused on the role of the Bureau of Securities Regulation. In order to fully and fairly fulfill that charge, I deemed it necessary to look beyond the role of the Bureau of Securities Regulation into actions of other governmental agencies to develop a thorough and accurate understanding of the structure, operation, and ultimate failure of Financial Resources Mortgage, Inc. and FRM's relationship to three governmental agencies – The Bureau of Securities Regulation, the New Hampshire Banking Department, and the New Hampshire Department of Justice

Your foresight in structuring this hearing has proven to be significant in that, unlike other governmental inquiries, all testimony was taken under oath; I was given the power to subpoena and complete unfettered independence in the manner in which I conducted these hearings and prepared these Findings of Fact.

Mr. Secretary, it was a great honor to have been selected to conduct these hearings. I feel a tremendous responsibility to the citizens of the State of New Hampshire. My commitment to New Hampshire and its citizens has caused me to extend these hearings, beyond the timeframe I originally anticipated, in an effort to ferret out crucial facts that might otherwise have been overlooked. The citizens of this state and those in state government deserved an impartial, independent analysis of the history, operations, and impact of this "FRM Matter." I have endeavored to do just that. I am particularly pleased that you gave me the independence and authority to go as far as I have. I am proud that these hearings gave the multiple victims of this criminal venture an unrestricted opportunity to address New Hampshire state government.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Charles W. Chandler". The signature is written in a cursive, flowing style.

Charles W. Chandler, Presiding Officer

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Presiding Officer's Overview

These hearings were the first truly independent investigation into the "FRM Matter," resulting in detailed Findings of Fact. This exhaustive investigation and hearing, includes one hundred and thirty-eight exhibits, testimony from seventy-six witnesses, and took slightly more than six months to complete. No agency or actor who was either directly or tangentially involved with FRM over the past decade was denied access to these hearings. More importantly, this was the first instance where victims of this criminal enterprise were given an unrestricted opportunity to speak out on the record and tell their story. Uniquely, these hearings heard testimony from the two major perpetrators in this "FRM Matter." Few will relate to or understand the economic tragedy that these victims have experienced at the hands of the perpetrators. The reader of this report will be disheartened to learn that when these victims reached out to state agencies in performing their due diligence before lending money through FRM, they were provided misinformation as to the true status of FRM's market conduct.

These Findings of Fact reveal mistakes that were made in the "FRM Matter," including those mistakes that rose to the level of failure of state government. The state had the necessary tools and resources at its disposal to perform their statutory duty and adequately protect the consumer, but failed to do so. When needed to reach out and take responsible action, agencies of the state with direct oversight responsibility became timid, hid behind technicalities, and failed to exercise their full statutory authority.

In addition to testimony by the victims of FRM's criminal conduct, this report contains a complete description of FRM's corporate structure, mortgage loan strategies and how CL&M, an unlicensed loan servicer, was integrated into this elaborate Ponzi scheme. The jurisdiction, role, and interactions of the three state agencies that were intimately involved in the FRM matter, the New Hampshire Banking Department, the Bureau of Securities Regulation, and the New Hampshire Department of Justice, were all analyzed to determine the propriety of their actions. By the thorough vetting of witnesses, including experts, New Hampshire law concerning what is a security was clarified. FRM's criminal behavior was overlooked and agency tracking systems theoretically designed to consolidate disparate information was either severely lacking or nonexistent.

Immediately after the collapse of FRM, an involuntary petition for Chapter 7 bankruptcy was filed in the United States Bankruptcy Court. This petition was filed without conferring broadly with the victims who would be most affected by the loss of their mortgage backed security interest. Subsequent to the bankruptcy filing, victims testified that being stripped of their security interest in properties that they had privately funded left them in the unenviable position of being victimized twice.

As stated in my Transmittal Letter, I felt a tremendous responsibility to the citizens of the State of New Hampshire. It would be virtually impossible to overemphasize the gravity with which I undertook this investigative charge from the New Hampshire Secretary of State. I offer this work product to our citizens who have every right to expect exemplary conduct at every level and of every aspect of their state government.

Overview of Proceedings

1. On October 5, 2010, the New Hampshire Secretary of State, William Gardner, ordered that a hearing be convened to investigate the role of the Bureau of Securities Regulation (“BSR”) related to the financial collapse of Financial Resources Mortgage, Inc. (See Exhibit 1). Specifically, the order for the hearing mandated determinations of the following issues:
 - a. “Whether and under what conditions, promissory notes coupled with real property or chattels are securities under the New Hampshire Securities Act”;
 - b. “Whether the existence of a trust or other enhancement may alter the classification”;
 - c. “Whether the agency handling of its part of the “FRM Matter” by the Bureau of Securities Regulation was proper”; and
 - d. “The facts concerning FRM and the interests offered by it and its affiliate corporations so a determination may be made whether those interests come within the definition of a security under the New Hampshire Securities Act.”
2. I, Charles Chandler, a retired attorney from Warren, N.H., was appointed by the Secretary of State as the independent Presiding Officer.
3. Pursuant to Section 421-B:22, II, all testimony received was under oath or affirmation.
4. Pursuant to Section 421-B:22, II, as the Presiding Officer, I had the power to issue both subpoenas and subpoenas duces tecum to persons within or without the state.
 - a. During the course of these hearings, fourteen subpoenas were issued, eleven of those issued were ordered to be served. Three subpoenas were unable to be served. The service of the subpoena caused three witnesses to become voluntarily cooperative and eight subpoenaed witnesses actually testified as the result of the served subpoena.
5. Witness testimony began on November 3, 2010 and continued through April 6, 2011. There were twenty-four days of testimony from seventy-six witnesses for a total of approximately sixty-two hours of sworn testimony (See Exhibit 2).¹

¹ Audio recordings for all of these hearings are available at: http://www.sos.nh.gov/securities/FRM_invest.html

- a. At my direction as the Presiding Officer, the Notice of Hearing and an offer to voluntarily testify was mailed by the Bureau of Securities Regulation (“BSR”) to over six hundred individuals and companies known to have been victimized by Financial Resources Mortgage, Inc.
- b. Forty-nine witnesses were victims of Financial Resources Mortgage, Inc., who voluntarily testified about their experiences. Of the forty-nine victims who testified, forty-three victims were prior lenders who lent monies through Financial Resources Mortgage, Inc. and six of the victims who testified were borrowers through Financial Resources Mortgage, Inc.
- c. Eleven witnesses were prior employees or contractors for Financial Resources Mortgage Inc. and/or CL and M Inc.
- d. Ten witnesses were past and present employees of the State of New Hampshire. Four witnesses were from the BSR, three witnesses were from the New Hampshire Banking Department (“NHBD”), and three witnesses were from the New Hampshire Department of Justice (“DOJ”). The former Commissioner and a former staff attorney for the NHBD submitted responses to interrogatory questions for these proceedings.
- e. Four witnesses were professionals retained by Financial Resources Mortgage Inc. (two attorneys, a compliance specialist, and a certified public accountant).
- f. Two expert witnesses were called regarding New Hampshire Securities law and New Hampshire real estate conveyancing and titling.
- g. One witness called is the president and CEO of New Hampshire’s Better Business Bureau (“BBB”).

FRM’s Corporate History and Structure

6. Scott Farah incorporated Financial Resources & Assistance of the Lakes Region, Inc. (“FRA”) in the State of New Hampshire on May 18, 1989 with the purpose of “assisting clients in obtaining capital for business and personal use,” as stated in the articles of incorporation (See Exhibit 3). FRA’s initial directors were Scott Farah, Donald Dodge, William Pearl, and Robert Farah. At that time, FRA’s principal officer was located at Decamp Financial Center, 14 Country Club Road, Laconia, NH 03246.

- a. According to FRA's annual report filed with the New Hampshire Department of State, Corporation Division, received on March 21, 1990, Robert Farah was no longer a director of FRA. Scott Farah, Donald Dodge, and William Pearl remained as directors. Scott Farah was listed as president and William Pearl as the treasurer (See Exhibit 4).
- b. According to FRA's annual report filed with the New Hampshire Department of State, Corporation Division, received on March 29, 1991, Donald Dodge was no longer a director. Only Scott Farah and William Pearl remained as directors (See Exhibit 5).
- c. According to FRA's annual report filed with the New Hampshire Department of State, Corporation Division, received on March 5, 1992, William Pearl was no longer a director or treasurer. Scott Farah remained as the sole director. FRA also changed its principal address to 61 Liscomb Circle, Laconia, NH 03246 (See Exhibit 6).
- d. According to FRA's annual report filed with the New Hampshire Department of State, Corporation Division, received on February 7, 1994, FRA changed its principal address to P.O. Box 1158, Meredith, NH 03253 (See Exhibit 7).
- e. According to FRA's annual report filed with the New Hampshire Department of State, Corporation Division, received on January 19, 1995, FRA changed its principal address to 15 Northview Drive, Meredith, NH 03253 (See Exhibit 8).
- f. According to FRA's restated articles of incorporation filed with the New Hampshire Department of State, Corporation Division, received on July 20, 2007, FRA registered the trade name "Financial Resources National" (See Exhibit 9).
- g. According to FRA's restated articles of incorporation filed with the New Hampshire Department of State, Corporation Division, received on December 21, 2007, FRA changed its corporate name to "Financial Resources National, Inc." ("FRN"). The restated articles of incorporation indicate that the purpose of FRN is to serve as a "commercial and residential mortgage broker and/or lender" (See Exhibit 10).
- h. According to FRN's restated articles of incorporation filed with the New Hampshire Department of State, Corporation Division, received on October 10, 2008, FRN changed its corporate name to "Financial Resources Mortgage, Inc." ("FRM") (See Exhibit 11).

**** NOTE: Hereinafter the various corporate names and trade names of FRA, FRN, and FRM will be collectively referred to as "FRM" for ease in reading and understanding this report.*

7. A Report of Examination conducted by the NHBD and dated June 11, 2007 indicated that FRM had been cited for the use of an unlicensed corporate name, "Financial Resources, Inc." on their website. The Report of Examination also stated that FRM had been cited for use of the unlicensed corporate name in past examinations (See Exhibit 12).
 - a. FRM was also cited in 2007 by the NHBD for use of an unregistered trade name, "Financial Resources," in their loan documentation, promotional materials, signage of their branch office and in their white and yellow pages listing (See Exhibit 12).
8. Since at least 1997, FRM has been licensed in the State of New Hampshire as a first and second mortgage banker and broker and small loan lender through the NHBD. In 2006, FRM's First Mortgage Banker and Broker license was merged with their Second Mortgage Home Loan Lender license and FRM was issued a combined license. In 2006, FRM surrendered their Small Loan Lender license (See Exhibit 12).
9. Despite the lofty corporate purposes stated above, which create an air of legitimacy, it is absolutely clear that Scott Farah and Donald Dodge used the vehicles of FRM and CL&M for a massive criminal venture. Millions of dollars have been lost and many have suffered, almost beyond comprehension.

The Creation and Role of CL and M, Inc.

10. Donald Dodge incorporated CL and M Inc. ("CL&M") in the State of Nevada on June 13, 2005. CL&M's principal address was listed as P.O. Box 7017, Gilford NH, 03247. The articles of incorporation indicate that Donald Dodge was the president, secretary, treasurer and the sole director of CL&M; the articles of incorporation also indicate that CL&M's business purpose was "all lawful activities" (See Exhibit 13). I find it remarkably ironic that Donald Dodge chose to describe the business purposes of CL&M in such a way.
 - a. CL&M's sole function, from the perspective of virtually every victim who testified at these proceedings, was that CL&M was a mortgage servicing company. After 2005, CL&M was the conduit for lender advanced funds into what proved to be non-earmarked, comingled accounts that became the Ponzi-scheme now characterized as the "FRM Matter."

- b. Pursuant to RSA 397-B, mortgage servicing companies that engage in the business of servicing mortgage loans secured by real property located in the state of New Hampshire are subject to New Hampshire's banking laws and required to register with the NHBD. CL&M never obtained this required license and was never examined by the NHBD. FRM was cited for using CL&M as an unlicensed servicer in both 2007 and 2008, as indicated in the examination reports issued in conjunction with an examination conducted by the NHBD.
11. In early June of 2005, Scott Farah and Donald Dodge signed a ten million dollar Discretionary Line of Credit Agreement and Promissory Note whereby Scott Farah, individually, could borrow up to ten million dollars in funds from CL&M (See Exhibit 14).
- a. Donald Dodge and Scott Farah testified at these proceedings that they never made the lenders aware of this arrangement.²
 - b. Accompanying this line of credit was a Note in Series where Donald Dodge would record all loans made to Scott Farah through the line of credit. This Note in Series eventually grew beyond the initial ten million dollars and was amended between 2005 and 2009 to eventually reach over twenty million dollars by November of 2009 (See Exhibit 15).
 - c. Although the line of credit appeared to have been established between Scott Farah individually and CL&M, it is clear that Scott Farah intended the line of credit to be utilized by FRM. Most of the monies drawn on the line of credit were wire transferred from CL&M's business checking account to FRM directly, as confirmed through sworn testimony from FRM's CPA and by Donald Dodge. Essentially, this line of credit allowed Scott Farah and FRM an unrestricted access to lender funds in CL&M's accounts.
 - d. Neither CL&M nor Donald Dodge had any source of funds to back this fraudulent line of credit. Improper dispersal of lender advanced monies by CL&M was the source of funds funneled to FRM or Scott Farah. There was absolutely nothing legitimate about this line of credit. Scott Farah testified that: "It was all an illusion." As a result of the wire transfers and fraud committed, Scott Farah pled guilty to wire fraud and mail fraud charges and was sentenced to fifteen years in federal prison. Donald Dodge pled guilty to a charge of wire fraud and was sentenced to six and a half years in federal prison.

² See the testimony of Donald Dodge dated December 14, 2010 and the testimony of Scott Farah dated December 15, 2010 located at: http://www.sos.nh.gov/securities/FRM_invest.html

e. Donald Dodge testified at these proceedings that the over twenty million dollar balance on the line of credit was grossly inflated. Donald Dodge explained that Scott Farah would draw on the line of credit when he needed some funds to close a loan or pay a lender that might be demanding funds when payments were not being made. Donald Dodge would account for the monies loaned to FRM on the line of credit. For example, if FRM had lenders ready to loan on a project and they collectively had \$180,000, but the borrower needed \$200,000, then Scott Farah would use \$20,000 from the line of credit in order to close the loan. Sometime after the closing, FRM and Scott Farah would usually find a lender to loan the additional \$20,000 that was purportedly borrowed from CL&M through the line of credit. However, Donald Dodge testified that he failed to reflect these repayments to CL&M on the line of credit. Essentially, Donald Dodge testified that he would account for monies drawn on the line of credit but failed to account for monies paid back by subsequent lenders; this caused the line of credit to be inflated.

12. The Certified Public Accountant (“CPA”) for FRM, who prepared the yearly audited financial statements for FRM from 1999-2008, testified at these proceedings that he was never made aware of the fraudulent ten million dollar line of credit established between Scott Farah and CL&M, nor the accompanying note in series.³

a. When the CPA prepared FRM’s audited financial statements for the years 2005 through 2008, he would have seen several million dollars being transferred from CL&M to FRM and was required to confirm the basis for these transactions in his preparation of the audited financial statements.

i. FRM and Scott Farah fraudulently represented to the CPA that the millions of dollars being transferred to FRM from CL&M were income to FRM, an asset to FRM, and not a loan.

ii. In order to deceive the CPA into believing that the monies being transferred by CL&M to FRM was income to FRM and not a loan, Scott Farah and FRM presented to the CPA two notes that were purportedly “sold” by FRM to CL&M for nearly five million dollars (See Exhibit 16). These two notes were “sold” to CL&M within the first month of CL&M’s existence in June of 2005 and were accompanied by a schedule of payments. Through testimony from the CPA at these proceedings, it was shown that the recorded “payments” on these two notes matched up precisely with the wire transfers from CL&M to FRM that the CPA was examining. From the CPA’s perspective, the nearly five million dollars

³ See the testimony of William Connor dated December 10, 2010 located at: http://www.sos.nh.gov/securities/FRM_invest.html

that was wire transferred to FRM by CL&M in 2005 and 2006 was income to FRM as payment on the notes FRM “sold” to CL&M. Scott Farah and Donald Dodge, by these misrepresentations, deceived the CPA into believing that, what in reality was debt to FRM, was income to FRM.

- iii. During the course of preparing FRM’s yearly audited financial statements from 1999 through 2008, the CPA would send confirmation letters to several individuals or entities who had paid monies to FRM during the past year. This was done in order to examine the validity of FRM’s accounting representations. From 2005 through 2008, because the CPA had seen several million dollars being wired by CL&M to FRM, the CPA sent one of these confirmation letters to Donald Dodge, as president of CL&M, asking whether CL&M was owed any monies by FRM (See Exhibit 17). The CPA testified at these proceedings that, every year after CL&M was created, Donald Dodge represented to the CPA that FRM did not owe any monies to CL&M. These misrepresentations were designed to deceive the CPA into believing that FRM’s financial statements showed substantial assets acquired through the sale of two notes to CL&M described above.
- iv. In essence, two separate banking records were maintained by Donald Dodge. When Scott Farah would request that Donald Dodge wire monies to FRM, Donald Dodge would record the transaction as a loan to Scott Farah on the line of credit and the accompanying note in series as a loan to Scott Farah. At the same time, Donald Dodge recorded the same exact transaction on the payment schedules of the two notes that FRM purportedly sold to CL&M. Between Donald Dodge and Scott Farah, it was acknowledged that these monies being transferred from CL&M to FRM were a loan; however, the transactions were disguised as assets to FRM so that FRM’s financial instability could be hidden from the world. Donald Dodge and Scott Farah were maintaining two sets of books. One set for themselves that accurately reflected monies “loaned” to Scott Farah and one set of fraudulent books for the CPA in order to have favorable audited financials that would show FRM in a sound financial position when FRM was anything but sound.

The Creation and Role of Dodge Financial, Inc. and Greatland Project Development, Inc.

13. Dodge Financial Inc. (“Dodge Financial”) was incorporated by William Pearl in the State of New Hampshire on July 5, 1989. The principal address was listed as

DeCamp Financial Center, 14 Country Club Road, Laconia, NH 03246. Donald Dodge and William Pearl were listed as the directors. The purpose of the business was to “assist clients with personal and business financial planning, estate, and investment planning. Also insurance sales and service” (See Exhibit 18).

- a. According to Dodge Financial’s annual report filed with the New Hampshire Department of State, Corporation Division, received on May 29, 2009, Donald Dodge was listed as the president, treasurer and secretary. William Pearl was listed as the director and the principal address was 15 Northview Drive, Meredith, NH 03253 (See Exhibit 19).
 - b. The role of Dodge Financial was to act as trustee whenever trust instruments were created to simultaneously originate and fund a loan with multiple lenders. Donald Dodge testified at these proceedings that he personally created these trust documents and that he viewed himself as an expert in this area.
14. Greatland Project Development, Inc. (“Greatland”) was incorporated by Donald Dodge in the State of New Hampshire on August 31, 2004. The principal address was listed as 14 Country Club Road, Gilford, NH 03249. The purpose of the business was listed as “Real Estate Development primarily for residential construction, plus Residential & Commercial Property Management” (See Exhibit 20).
- a. According to Greatland’s annual report filed with the New Hampshire Department of State, Corporation Division, received on May 29, 2009, Donald Dodge was listed as the president, treasurer, secretary and sole director of the corporation and their principal address was 15 Northview Drive, Meredith, NH 03253 (See Exhibit 21).
 - b. The role of Greatland was to act as a mortgagee when multiple lenders were brought together to originate a loan. The lenders would receive fractional interest in a first mortgage through simultaneous mortgage assignments. This methodology proved to be cumbersome because, at any time an interest in the mortgage needed to be modified, a modified mortgage assignment would have to be prepared and recorded in the proper registry of deeds. Donald Dodge testified at these proceedings that the use of the trusts was preferred over the use of Greatland because, when an interest needed to be modified for a lender, there was no need to re-record documents at the registry of deeds. Donald Dodge simply changed the beneficiary designation at his office in his capacity as trustee and no additional registry recording was required.

Victim Testimony

15. The victims who testified in these hearings were engaged in what is characterized as “hard money lending.” “Hard money lending” is when private individuals lend monies to borrowers for relatively short periods of time at a higher than conventional interest rate. “Hard money lending,” as compared to conventional financing, is easier for a borrower to qualify for, requires less paperwork and is usually a much faster method for a borrower to obtain funding. The lender is primarily concerned with the ratio of the value of the underlying property on which they hold a mortgage as it relates to the amount loaned, which is known as the loan-to-value ratio. The borrower’s credit and ability to repay the loan, although important, does not play the most significant role in the decision making process of a prospective lender evaluating an opportunity. The loan-to-value ratio is the most important factor to the lender because, in the event of default on payments by the borrower, the lender would need to incur costs to foreclose and sell the property in order for the lender to recover their principal.
 - a. Interest rates are typically higher than conventional financing for these types of loans because the likelihood of the borrower defaulting is greater and the borrower pays more for the faster loan processing. Frequently, the borrower does not have an ability to qualify for conventional financing with traditional lenders and thus seeks out hard money lenders.
 - b. The loan terms for hard money lending through FRM and CL&M were usually short-terms, from a few months to a year, at which point the borrower was usually expected to refinance with a conventional lender and payoff the original private lender, often referred to as a “balloon payoff.”

16. Many of the victims first learned of FRM by receiving a marketing postcard in the mail (See Exhibit 22). Scott Farah testified that FRM would purchase marketing leads from a company that would perform registry of deeds research and compile lists of individuals who have made private loans in the past.
 - a. These marketing postcards explained that FRM would assist lenders in finding a loan opportunity that would provide a secured return. The postcard provided examples of lending terms that a potential lender could expect, including promised interest rates between 10-14%, loan to value ratios of 65% or less, loan terms of 1-3 years, and loan amounts between \$50,000 and \$3,000,000. The postcard further advertised that lending opportunities were available throughout the United States and those lenders, in return for their loan, would hold first

position mortgages. The potential lenders were asked to call FRM for more information on various loan opportunities (See Exhibit 22).

- b. The advertising methodologies of FRM were cited by NHBD as being false, misleading, and deceptive.
17. Other victims testified that they first became aware of FRM through referrals from other satisfied lenders. Two lenders who chose to testify were former members of Center Harbor Christian Church (“CHCC”) where Scott Farah’s father, Robert Farah, was the pastor and Scott Farah was the treasurer. These victims learned of FRM through their contacts within the church.
 - a. Scott Farah asked some satisfied lenders if they would agree to provide references for FRM and be contacted by potential lenders for that purpose. Some lenders agreed to this and provided references for Scott Farah and FRM.
 18. Whether after a referral from a satisfied lender or after receipt of a marketing postcard, many prospective lenders would contact FRM for further information on these loan “opportunities”. Frequently, victims would speak directly to Scott Farah about FRM and its various opportunities. After this contact, FRM and Scott Farah would typically send a letter and additional promotional materials to the potential lender. Included in these promotional materials was a letter from Scott Farah thanking them for the call, more detailed information about FRM, some commonly asked questions and answers, information about a private webpage where one can view loan opportunities, and other promotional brochures (See Exhibit 23).
 - a. At a potential lenders request, they would be placed on a mailing list where they would receive loan opportunity information by mail and/or email on a regular basis. These loan opportunities would be one page summaries detailing the loan amount necessary, the loan-to-value ratio, the interest a lender would receive, the term of the loan, appraisal value and location of the property (See Exhibit 24). This loan opportunity summary would also be accompanied by a detailed appraisal of the property. If, after reviewing this loan opportunity summary, the lender became interested in lending for this particular project, they would be instructed to contact FRM.
 19. Once a potential lender contacted FRM about further information on a specific opportunity, FRM would provide the potential lender a password for a secure private website where the potential lender could view detailed information on the loan opportunity, including a loan application filled out by the borrower, a credit report on the borrower and recent tax returns of the borrower. As an alternative to the secure website, FRM would mail copies of this detailed information to prospective lenders.

- a. Many victims testified that these informational packages were extremely persuasive in their final decision making process to become lenders. In addition to documents cited above, these packages would contain appraisals showing attractive loan-to-value ratios leading the borrower to believe that their loan would be adequately secured by the real estate described.
 - b. Virtually every victim testified that the information package containing favorable loan to value ratios enticed them to agree to become lenders. The appraiser used by FRM to create documents showing these favorable ratios later proved to have had his license revoked in Maine and Vermont in 2007 for inflated and inaccurate appraisals. New Hampshire did not revoke his license until early 2009.
20. Of the forty-three victim lenders who testified in these proceedings, none of them believed that they were in any way investing in either FRM or CL&M. All victim witnesses, without exception, firmly asserted that their sums advanced were for loans that were going to be secured by mortgages on real estate, or in a few cases, secured by chattel mortgages such as the accounts receivable of a business looking to borrow funds.
- a. All lenders were lead to believe by Scott Farah that, in the event of a default by the borrower, they had an absolute right to foreclose on the property using the laws of the State of New Hampshire to recover as much of or all of the sums they advanced, as market circumstances would allow. This right belonged to the lender as a mortgagee and in no way to FRM or CL&M.
 - b. Scott Farah frequently assured lenders that: “You are considered the bank”; “You can never lose your principal”; “No one has ever lost anything”; “You can never lose capital”; “We’ve only had to foreclose twice in the past”. Similar statements were repeatedly heard throughout these proceedings.
 - c. No witness testified that sums forwarded to FRM or CL&M were intended to be used for day-to-day operation of either entity. The victim’s testimony in these proceedings confirmed that the sums advanced were in no way tied to, or in any way dependent upon, the financial success of either FRM or CL&M; nor did anyone believe that they were acquiring any interest in either entity as an investment. FRM was viewed solely as a loan broker and CL&M solely as a loan servicer.
 - d. Many victims, when testifying, would use the terms “investor” and “lender” interchangeably. However, even while they may have used the term “investor,” their expectations were, in every instance, to be providing funds for a loan that

would be adequately secured by real or personal property. No lender who testified in these proceedings ever intended funds advanced by them to be used in any way for the general operation of either FRM or CL&M.

21. At least 50% of those testifying did some degree of due diligence before advancing funds through FRM or CL&M. The degree of due diligence varied greatly.
 - a. Nearly every victim who performed some degree of due diligence testified that they conducted a general internet search on FRM and Scott Farah and found no regulatory sanctions or other items of concern. One witness testified that they found a newspaper article referencing Scott Farah, Robert Farah, and CHCC in litigation but concluded that the reported litigation did not dissuade them from making their loan through FRM.
 - b. The second most frequent contact made by the victims was to the New Hampshire Better Business Bureau (“BBB”), where they learned that there were no formal complaints on file concerning FRM until August 17, 2009, when one complaint was lodged. Prior to August 17, 2009, any inquiry made to the BBB brought responses that there were no complaints on file. Frequently, the BBB advised those inquiring to check with New Hampshire state government. The BBB relies upon complaints received in order to formulate responses to inquiries. A review by the BBB of its own records shows that there were twenty to thirty inquiries per month made throughout 2009 concerning FRM (See Exhibit 25). After the collapse of FRM in November of 2009, the number of inquiries increased greatly. The response of the BBB to these inquiries was at all times consistent with their business model; in fact, after the FRM closure, the BBB posted information for consumers on how to contact the NHBD, including a telephone number and email address.
 - c. Other entities reportedly contacted by victims performing their due diligence before lending were the NHBD, the DOJ, the BSR, and the Meredith, New Hampshire Police Department (“MPD”). The contact with MPD occurred on only one occasion. A review conducted by the BSR indicates that there was no actual contact by perspective lenders prior to the collapse of FRM, despite the fact that one lender recalled contacting the BSR in advance of lending funds (Exhibit 26). Several witnesses recalled contacting the NHBD and the DOJ in advance of lending funds and no one testified of learning any information that dissuaded them from lending through FRM.
22. “We trusted Scott” was frequently heard as sworn testimony in these proceedings. Those who did not perform any due diligence typically relied solely upon this relationship of trust cultivated by Scott Farah, his ties to the CHCC, and other

relationships forged. In many instances, satisfied lenders would boast about their returns to friends and would urge others to make similar loans through FRM.

23. In order to secure funds to forward to FRM or CL&M, victims frequently drew upon all cash assets available to them, cashed in their retirement funds, mortgaged their homes or other property, and, with a high degree of frequency, became involved in self-directed IRA's in order to funnel funds to FRM and/or CL&M. The use of self-directed IRA's as a source of funds for lending through FRM was regularly promoted by Scott Farah. Specifically, the primary custodial services firm used for self-directed IRA's was Pensco Trust Company of Portsmouth, New Hampshire. Pensco Trust Company is licensed and regulated by the NHBD.
24. After forwarding funds through FRM for a chosen loan and after the closing, victims would receive a document known as a Loan Master Report on a monthly basis. This Loan Master Report would show the lender what portion of the loan they owned, the contact information of the borrower, any disbursements made to the borrower, and a record of interest payments made to the lender (See Exhibit 27).

FRM's Loan Strategies

25. I, as the Presiding Officer, accepted into evidence hundreds of loans documents offered through victim witnesses in support of their testimony. These documents revealed different methodologies of funding loan requests made through FRM. Some of the documents admitted into evidence as part of the investigation of the loan process were promissory notes, mortgages, mortgage assignments, collateral assignments of rents and leases, trust documents agreements, construction loan agreements, HUD settlement statements, title insurance policies, CL&M loan servicing agreements, security agreements, and loan master reports.
 - a. Occasionally, one single lender would be solicited to fund an entire loan for a borrower. In this instance, that single lender would be the secured party appearing on the mortgage and other loan documents with a direct relationship to the borrower. FRM's role in this type of transaction would be that of a mortgage broker; CL&M's role would be that of a mortgage servicing agent. To complete this type of transaction, a lender would be directed to forward the sums required to CL&M in advance of closing the loan. The loan closing would be most commonly done in Meredith, NH, at the offices of FRM and CL&M, with the law firm of Gould and Burke, PLLC conducting the closing. Gould and Burke, PLLC, after the loan closing, would be responsible for title update, document recording, and issuance of title insurance (See Exhibit 28). In this scenario, the

single lender, after the closing, understood that they had an absolute right to foreclose their security interest in the real estate described in the mortgage without any future involvement of FRM or CL&M in the event of a breach of the mortgage covenants.

- b. Commonly, multiple lenders would be solicited to originate a loan for a borrower whenever the requested loan was greater than one single lenders ability to fund. The range of participant loans was generally between \$200,000 and \$2,000,000. In order to fund these larger loans, trusts were created so that multiple lenders would forward their share of the loan amount to CL&M and simultaneously become beneficiaries of the trust in a proportion equal to the relationship of the amount forwarded to the total amount borrowed. In almost every instance, Dodge Financial, with Donald Dodge as president, was the trustee of the trust (See Exhibit 29). While the loan documents were in the name of the trust, in the event of a breach of mortgage covenants, the participating lenders, as beneficiaries of the trust, understood they had the right to foreclose their security interest by directing the trustee, usually Donald Dodge, to proceed with foreclosure.
- c. Just as commonly as Fact # 25-b above, multiple lenders would be solicited to originate a loan where the mortgagee was an independent corporate entity, such as Greatland Project Development. Inc. The lenders would receive their fractional interest in this type of loan by way of simultaneous partial mortgage assignments, to be recorded in the registry of deeds. While the loan documents were in the name of a corporation, in the event of a breach of mortgage covenants, the participating lenders, as partial mortgage holders, understood that they had a right to foreclose their security interest pursuant to the terms of the loan documents (See Exhibit 30). In some instances, a corporate entity, such as Greatland Project Development, Inc., would assign its interest to a trust in which lenders would become beneficiaries similar to Fact #25-b above (See Exhibit 31).
- d. Unlike the three transactions described above, FRM occasionally solicited lenders to originate loans not secured by real estate. In these instances, the security was an interest in the accounts receivable of a business borrower. Transactions of this type were rare when compared to those where the secured interest was real estate. Typical documents in this scenario were promissory notes, security agreements, loan agreements, trust agreements, and notices to beneficiaries. Funds advanced for this type of loan were usually made by multiple participants who acquired fractional interests in the trust (Exhibit 32).
- e. Within a year of the collapse of FRM, it is clear that FRM became more desperate for funds. It was not uncommon for Scott Farah to solicit loan funds from lenders with whom he had cultivated a relationship of trust so that he could easily

convince them to forward funds for prospective loans. In some instances these loans never closed. In these situations, the only documents ever created for these loans were letters acknowledging receipt of funds, the interest to be received, and the supposed project for which the monies would be allocated to (See Exhibit 33). Sums received for these unclosed loans would be deposited with CL&M into a non-earmarked, comingled account and disbursed for totally unrelated matters, without approval of those who advanced the funds. The intention of the victims who advanced funds for these unclosed loans was that their monies were always to be secured by mortgages on real estate or chattel. When these loans did not timely close, victims would call Scott Farah personally and he would provide deliberate misrepresentations as to why the loans had not yet closed and promise that the closing was imminent.

- f. In 2008 and 2009, it appears that Scott Farah sought funds for a loan project when in fact there had been no request from the purported borrower for funds. Specifically, he solicited funds for what is known as the “Chad Vose Portfolio” in Texas. This portfolio was of non-performing residential mortgages at a substantial discount. At least three lenders forwarded money to CL&M for this purpose. In November of 2009, Charles Vose asserted to the NHBD that he had not authorized any solicitation of monies on his behalf and had not received any monies from FRM or CL&M (See Exhibit 34). This was another seemingly desperate attempt by FRM to raise more funds. Had this process been legitimate, and clearly it was not, it is conceivable that it could have fallen under the jurisdiction of the BSR and been regulated by the BSR. This could have been the first instance of BSR jurisdictional authority since the BSR’s settlement with FRM in January of 2007. The Chad Vose component of this FRM investigation reveals it to be a pure criminal act on the part of Scott Farah.
26. In most instances, funds were forwarded by victims with the understanding that the victim would receive interest on their monies prior to the date of closing at the same rate they would receive from the borrower after closing. Since the creation of CL&M in 2005, the source of funds for interest payments prior to closing was proven to have been funds otherwise provided through FRM and CL&M for unrelated projects by unrelated lenders.
- a. This notion of interest paid prior to the closing of a loan needs to be differentiated from the interest that FRM typically built into the principal amount borrowed. Typical loans through FRM and CL&M were for a short period, usually twelve to eighteen months, after which time the borrower was expected to refinance. In each loan, a portion was built in to cover these interest payments to the lender to guarantee payment of interest and build credit for the borrower. For example, if a borrower needed \$100,000 for a project and was willing to pay 12% interest for

one year, FRM would find a lender willing to loan \$112,000. After the loan term expired, it was expected that the borrower would refinance the loan with a conventional lender at a lower rate.

- b. Some lenders testified at these proceedings that they were led to believe by Scott Farah that the source of the monies for the interest being paid to the lender prior to a loan closing came from extra points paid by the borrower at the loan closing.
- c. After 2007, the market nationwide for sub-prime lending began to dissolve, thus many borrowers were unable to refinance their loans with traditional lenders and payoff lenders. Scott Farah was frequently called by lenders when balloon payments for the short term notes were not made in a timely fashion. Scott Farah would frequently persuade the lenders to be patient or otherwise to “roll over” their loans into other projects. Convincing lenders to roll their principals into other lending opportunities meant that Scott Farah didn’t have to return their principal payments. After such a “roll over,” interest payments would continue to the lender, even though the source for these payments had no legitimate basis.

The Jurisdiction of the New Hampshire Bureau of Securities Regulation

27. The BSR, under the statutory authority granted in RSA 421-B, licenses securities brokers, broker agents, investment advisors, and investment adviser agents, as well as registers certain securities and approves exemptions from registration in other cases. The BSR is also charged with investigating complaints and can take administrative or legal action against those who violate the New Hampshire Securities Act.

- a. As defined by RSA 421-B:2, XX.(a), a security under the New Hampshire Securities Act means “any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit sharing agreement; membership interest in a limited liability company; partnership interest in a registered limited liability partnership; partnership interest in a limited partnership; collateral trust certificate; preorganization certificate or subscription; transferable shares; investment contract; investment metal contract or investment gem contract; voting trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas or mining right, title or lease or in payments out of production under such a right, title or lease; or, in general, any interest or instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate for, receipt for guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. "Security" does not include any insurance or endowment policy or

annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or for some other specified period.”

28. The BSR involvement occurred because a specific business activity fell within the BSR’s jurisdiction, such as the issuance of unregistered securities. FRM was licensed by the NHBD and was never licensed by the BSR. Without a written complaint, the BSR would not be aware of any wrongdoing within the entity because the BSR had no licensing authority to conduct periodic examinations.
29. The former Supervisor of the Securities Division from 1974 through 1984 testified at these proceeding of his involvement in implementing and modifying the Uniform Securities Act of 1956 for New Hampshire in 1981.⁴
 - a. This former Supervisor of the Securities Division testified at these proceedings that, for at least twenty years prior to the adoption of the New Hampshire Securities Act in 1981, the Securities Division in New Hampshire never treated promissory notes secured by real or chattel mortgages as securities when sold in origination. He also testified that loan participations in origination, where two lenders or more share an interest as lenders, were never considered to be securities under New Hampshire law. In 1980, the former Supervisor of the Securities Division submitted an affidavit in support of this position in *Manchester Bank v. Connecticut Bank and Trust Company*, 497 F.Supp. 1304 (1980) (See Exhibit 35).
 - b. This former Supervisor of the Securities Division testified that, when adopting the Uniform Securities Act of 1956 for New Hampshire in 1981, he worked with the New Hampshire Insurance Department and the DOJ to modify the model act to fit the regulatory environment in New Hampshire at the time.
 - i. Specifically, the Uniform Securities Act of 1956 treated promissory notes secured by real or chattel mortgages to be securities and the former Supervisor of the Securities Division testified that this provision was modified to include only promissory notes secured by real or chattel mortgages sold in the secondary market to be securities and secured promissory notes sold in origination are not securities. He testified that this provision was modified because promissory notes secured by mortgages were always treated as under the jurisdiction of the NHBD and the NHBD Commissioner at the time was adamant about maintaining this jurisdiction.
 - ii. The BSR has consistently maintained this jurisdictional position with FRM as evidenced by the BSR Deputy Director’s correspondence with

⁴ See the testimony of Frank Giacomis dated April 6, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

counsel dated September 21, 2006, in a correspondence with an FRM complainant, and in a draft subpoena (See Exhibits 36 and 37). These documents are clear: The BSR did not consider secured promissory notes to be securities under New Hampshire Securities Law and this position was asserted to FRM.

30. As is relates to the “FRM Matter,” the BSR treats unsecured promissory notes and preferred shareholders as securities under the New Hampshire Securities Act. FRM did engage in the sale of unsecured promissory notes and preferred stock. This came to the attention of the BSR in 2001 and the BSR exercised jurisdiction and took administrative action against FRM, which is discussed in detail below.

The Role of the Bureau of Securities Regulation in the “FRM Matter”

31. The BSR first learned of FRM on March 9, 2000 when a complaint was filed against T. Gary Coyne, Coyne Associates, Financial Resources and Assistance of the Lakes Region Inc. and Scott Farah. The complaint alleged that the complainant had invested funds into a series of unsecured promissory notes based upon the representations that the funds would be placed into mortgages. The complaint specifically alleges that Scott Farah and T. Gary Coyne had engaged in a pattern of behavior designed to confuse the complainant as to the financial risk involved, the security for her investment, and the financial depth of the entity standing behind her investment (See Exhibit 38). Counsel for the complainant had already filed an action in federal court against the same parties alleging violations of securities laws and fraud.
32. In October of 2001, the complainant settled her federal lawsuit against T. Gary Coyne, Scott Farah, and FRM. As part of this settlement, the complainant withdrew her complaint with the BSR and agreed not to participate in any further BSR proceedings.
 - a. The withdrawal of the complaint was not communicated to the BSR until September 3, 2002 when the complainant's attorney faxed a copy of the release and settlement agreement to the BSR. At that time, an issue arose at the BSR as to how to proceed without a complainant or a witness for an upcoming hearing on the matter. On September 5, 2002, the BSR turned to their counsel, the DOJ, for advice on this issue. At that meeting, the DOJ suggested that the BSR contact all of the investors involved and potentially find another witness.

33. In November of 2001, the BSR filed a Staff Petition for relief against FRM, Scott Farah, and T. Gary Coyne for the unlicensed sale of unregistered securities. The BSR ordered the parties to show cause as to why were are not in violation and further ordered them to cease and desist from further violations of the New Hampshire Securities Act. A hearing date was set for December 20, 2001. This hearing date was postponed several times between by agreement between FRM and the BSR.
34. In October of 2002, T. Gary Coyne settled with the BSR, paid a fine of one thousand dollars, and was ordered to cease and desist from further violations of the New Hampshire Securities Act (See Exhibit 39).
35. On January 14, 2003, the BSR and FRM agreed in writing to the following (See Exhibit 40):
 - a. The hearing date was postponed April 29, 2003 so long as FRM was in compliance with the agreement.
 - b. FRM agreed to provide the names and addresses of all preferred shareholders and unsecured note holders to the BSR so that the BSR could contact them.
 - c. FRM would not issue any new securities without prior BSR approval.
 - d. FRM would offer rescission to the shareholders and unsecured note holders in cooperation with the BSR.
 - e. FRM would immediately begin to prepare financial statements, have them audited by an independent certified public accountant for the year 2002, and provide them to the BSR.
 - f. FRM would file updated redemption schedules with the BSR as they make redemptions of preferred shareholders and unsecured note holders.
 - g. The BSR reserved the right to withdraw from the agreement in the event of noncompliance.
36. FRM failed to comply with the above undertaking and, after a failed attempt to get the DOJ to the freeze assets of FRM in order to liquidate what was left of FRM for the benefit of the investors, the BSR moved forward with the hearing process in July of 2003. At that hearing, the BSR argued for full rescission to investors while counsel for FRM argued for partial rescission over time. The hearings officer determined that the New Hampshire Securities Act did not allow for partial rescission and he also felt that a full rescission in this instance would force FRM into

bankruptcy. The hearings officer felt that holding off on issuing an order after the hearing in July of 2003 was the best solution for the investors and the provided the greatest likelihood that they would receive their investments back as he understood FRM to be in settlement negotiations with the BSR. This conclusion by the hearings officer not to issue a decision was contrary to RSA 421-B:26-a, XXI, which requires the hearing officer to render a decision within a reasonable time after the hearing.

37. From 2001-2006, the BSR attempted to reach out to other governmental agencies for assistance with FRM.
 - a. In May of 2001, the BSR attempted to gain access to records and information about FRM from the NHBD and was denied access by NHBD.
 - b. In May of 2003, the BSR contacted the NHBD in an effort to gain access to FRM examination reports conducted by NHBD so that the BSR could fully understand the component of FRM's business involving promissory notes secured by mortgages. The NHBD denied access to this information and again cited confidentiality laws.
 - c. In June of 2003, FRM had failed to comply with the agreement made with the BSR in January of 2003 and the BSR met with the DOJ for the purpose of seeking a freeze of FRM's assets for the benefit of the lenders. The authority to seek this freeze was found in RSA 421-B:23. Within a week of this meeting and request for the asset freeze, the BSR sent a letter and supporting documents to the DOJ which indicated that the BSR had not received a response (See Exhibit 41). In fact, the BSR never received a response from the DOJ. Without an answer to the request for an asset freeze of FRM, the BSR decided to move forward with the administrative process, which meant proceeding with a hearing and either securing an order or reaching a consent agreement.
 - d. In August of 2006, a meeting was held in which the BSR sought the assistance of their counsel, the DOJ, in prodding the BSR's hearing officer to issue a decision within a reasonable time after the hearing on FRM. FRM was one of two cases discussed at that meeting and the DOJ failed to provide any assistance to the BSR.
38. FRM and Scott Farah ultimately entered into a Consent Order with the BSR on January 24, 2007 for unlicensed sale of unregistered preferred stock and unsecured promissory notes. FRM and Scott Farah were ordered to cease and desist from violations of the New Hampshire Securities Act, pay an administrative fine of twenty thousand dollars to the BSR, and make restitution by redeeming all outstanding securities by September 30, 2007, including interest owed (See Exhibit 42). FRM

and the BSR agreed to an amendment to this Consent Order in July of 2007 for a minor change to the restitution schedule (See Exhibit 43)

a. Despite the eventual favorable outcome of the BSR action, I find this delay to be totally unacceptable. It is unreasonable for an enforcement action to start in 2001 and not end until 2007. The management of the hearing process by the BSR and the failure of the DOJ to assist the BSR, contributed to this inexcusable delay.

39. The exercise of jurisdiction by the BSR caused Scott Farah to alter the business model and methodology of FRM to avoid regulatory oversight by the BSR. He did this by no longer offering securities in the form of unsecured note holders and preferred shareholders. FRM changed the focus of its business to the private lending market whereby FRM brokered real estate loans secured by mortgages using CL&M as a mortgage servicer.

40. On March 11, 2008, the BSR received a referral from the NHBD concerning a promissory note secured by a mortgage on property located in Arizona. The NHBD concluded that they were “unable to conduct an investigation” and forwarded the correspondence to the BSR with no further details as to why the NHBD was forwarding the matter to the BSR. The BSR wrote to counsel for FRM as well as the complainant. The correspondence indicates that the BSR questioned its jurisdiction in the matter. No reply was received after two documented attempts to contact the complainant. With an unresponsive complainant, the BSR closed the matter (See Exhibit 44).

41. On October 13, 2009, prior to the collapse of FRM, the Director of the Consumer Credit Division of the NHBD sent FRM a letter alleging that a website utilized by FRM was in violation of banking regulations and appeared to be “publically offering securities in the form of fractional interests in mortgages” (See Exhibit 45). The BSR was provided a copy of this letter. Upon receipt of this letter, the BSR contacted the attorney for FRM who asserted that FRM was not offering securities as opined by NHBD. Specifically, the attorney for FRM indicated that FRM was “(1) not issuing a note in its name, likely a security, to raise funds to originate a loan, and (2) not offering to sell a participating interest in an existing funded loan, also likely a security, but only a loan to be prospectively funded” (See Exhibit 46). The NHBD was provided a copy of this response to the BSR. The Director of the Consumer Credit Division of the NHBD later acknowledged under oath at these proceedings that the offerings through FRM found on their website only “whiffed of” or “smacked of” securities.⁵ She admittedly made these observations without academic or expert basis and further admitted during her testimony at these proceedings that she never reviewed the actual loan instruments utilized by FRM.

⁵ See the testimony of Mary Jurta dated February 9, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

42. As stated elsewhere, I find as a fact that promissory notes secured by mortgages, whether they be single or multiple participant, are never within the jurisdiction of the BSR when sold in origination. However, a technical exception would be when notes secured by mortgages are bundled and sold on the secondary market - this did not occur with FRM. At no point in my investigation did I find that mortgage notes, whether originated in trusts or originated in mortgage participations, were bundled and sold on a secondary market. Rather, FRM was engaged in transactions known as "table funding."

- a. The practice of table funding is when a loan is funded by a contemporaneous advance of funds and assignment of the loan to a person advancing the funds. A "table funded" transaction is not a secondary market transaction and thus not a security under the New Hampshire Securities Act.

The Jurisdiction of the New Hampshire Banking Department Relevant to FRM

43. Pursuant to RSA 397-A and 397-B, the NHBD regulates non-depository first mortgage bankers, brokers, and mortgage loan servicers and has exclusive authority to investigate unfair or deceptive trade acts or practices. FRM and CL&M were subject to the NHBD's jurisdictional and licensing authority.

- a. Since at least 1997, FRM has been licensed in the State of New Hampshire as a first and second mortgage banker and broker and small loan lender through the NHBD. In 2006, FRM's First Mortgage Banker and Broker license was merged with their Second Mortgage Home Loan Lender license and FRM was issued a combined license; also in 2006, FRM surrendered their Small Loan Lender license (See Exhibit 47).
- b. CL&M, as a mortgage loan servicer, should have been required to be licensed by the NHBD but failed to do so. The NHBD cited FRM in their 2007 and 2008 examinations for the use of CL&M as an unlicensed mortgage loan servicer (See Exhibit 48). There is no indication that the NHBD ever examined CL&M or otherwise pursued CL&M for unlicensed activity. NHBD was clearly aware of CL&M's existence and unlicensed status since at least June of 2007. This is a major failure of the NHBD.

44. Pursuant to RSA 383:9, The NHBD must examine all institutions that fall within their jurisdiction on an eighteen month basis. These examinations purport to review "the licensee's current regulated business activities, operational practices and financial

condition" (See Exhibit 49). FRM was subject to this examination requirement as a licensee of the NHBD.

a. Sworn testimony at these proceedings from a former banking examiner employed by the NHBD from 1995 through 2007 revealed that, with the arrival of a new Commissioner in September of 2001, the scope of these examinations was narrowed over time so as to meet the eighteen month exam cycle required by law.⁶ There were an ever increasing number of non-depository institutions like FRM being licensed by the NHBD and the examinations were narrowed in order to be able to meet the statutory obligation of examining these entities every eighteen months. This former banking examiner characterized these modified examinations as "drive-by exams" and considered them to be an insufficient evaluation of the entity.

45. There is no express statutory authority granting the NHBD jurisdiction over promissory notes secured by mortgages on commercial property. This is a major legislative/regulatory gap in New Hampshire law. Despite this gap, the failure of the NHBD to review commercial loan files during regularly scheduled examinations constitutes a significant oversight. Reviews of commercial loan files would appear to be essential in determining the degree to which FRM was adequately capitalized. The overall financial health of FRM was never adequately analyzed by the NHBD – a significant oversight when RSA 383:9 clearly states that NHBD examinations are, among other things, to review "financial conditions."

The Role of the New Hampshire Banking Department in the "FRM Matter"

46. FRM was examined by NHBD in 2001, 2003, 2004, 2006, 2007, 2008, and 2009. During these seven examinations, FRM was cited for over seventy violations. The NHBD had also received eighteen complaints on FRM from 1999 through 2009. Most of the complaints were either deemed not within the NHBD's jurisdiction or FRM was deemed not to be in violation of New Hampshire banking laws and the complaint file was subsequently closed with no action taken. Some of the complaints were closed after it was noted that FRM had resolved the issue with the complainant. The NHBD was also made aware of seven separate lawsuits in which FRM was a defendant.

47. As a result of a 2004 examination of FRM, a referral was made to the NHBD's legal department for recommended enforcement action but no action was taken. The NHBD staff attorney handling the FRM referral filed a Statement of Allegations and

⁶ See the testimony of Kurt Gillies dated January 5, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

the NHBD issued an Order to Show Cause for License Revocation on December 20, 2005 (See Exhibit 50).

48. The NHBD staff attorney was in settlement negotiations with FRM when on April 25, 2006 a newspaper article was released about a civil suit filed against Scott Farah, his father Robert Farah, and FRM. This prompted the NHBD to cease settlement negotiations and to conduct an unannounced examination of FRM. By way of voicemail dated April 27, 2006, the NHBD contacted the BSR and invited the BSR on a joint examination of FRM.

a. The NHBD did not provide any reasoning for this invitation. The NHBD did not advise the BSR that there were a number of complaints against FRM and that the NHBD had uncovered a significant number of violations in past examinations. Before receiving this invitation for a joint unannounced examination, the BSR had already reached out to counsel for FRM and had scheduled a meeting with Scott Farah and his counsel at FRM's Meredith, New Hampshire office.

b. At the time of the NHBD invitation for a joint examination, the BSR was already exercising its statutory jurisdiction over FRM by enforcing securities violations reported to the BSR. As far back as 2001, Scott Farah had asserted that banking privacy laws prevented FRM from providing certain documents requested by the BSR and Scott Farah advised the BSR to contact the NHBD for such information. The BSR did subsequently contact the NHBD and was denied this information. The BSR was again denied information about FRM from the NHBD in 2003.

c. It is unreasonable to fault the BSR for not joining the NHBD in an examination when the BSR was already engaged in its own enforcement action. The request from NHBD to the BSR was highly informal and lacking solemnity. If the NHBD had genuinely believed that the BSR would have been a meaningful addition to an unannounced examination, it is reasonable to assume that the request would have been pursued more formally and aggressively. Simply leaving a voicemail request, without written follow-up, diminishes the sincerity with which the invitation was extended.

49. As a result of the May 18, 2006 unannounced examination, FRM was again referred to the NHBD's legal department for recommended enforcement action but no action was taken. The staff attorney handling the 2004 FRM examination referral had since departed from the NHBD and a newly hired staff attorney was handling the second FRM exam referral of 2006.

a. The newly hired NHBD staff attorney who was handling the 2006 FRM examination referral testified at these proceedings that he closed the 2006 referral

in early 2007 with no action because he personally felt that the types of violations cited against FRM were minor and insignificant compared to the more serious types of violations that he was seeing in his other cases.⁷

50. On September 15, 2009, the NHBD received an email from the DOJ concerning a grossly inflated appraisal from an appraiser who had lost his license in New Hampshire (See Exhibit 51). The email included a link to FRM's website where one could view the property. In response to this information, the Director of the Consumer Credit Division of the NHBD wrote a letter to Scott Farah on October 13, 2009 demanding that FRM be licensed as a mortgage loan originator, warning him that he may be publically offering securities and advised him that he should contact the BSR; the BSR was provided a copy of this communication (See Exhibit 45).
 - a. As mentioned earlier, in response to being provided a copy of this correspondence, the BSR contacted FRM's counsel and inquired about FRM's website (See Exhibit 52). Counsel for FRM, through a letter to the BSR dated October 30, 2009, demonstrated that FRM was not selling securities and was not in violation of New Hampshire Securities laws (See Exhibit 46).
 - b. The Director of the Consumer Credit Division of the NHBD who wrote the letter to FRM on October 13, 2009 warning FRM to contact the BSR about their website, testified in these proceedings that she had not reviewed any loan documentation of FRM beyond what she had seen on FRM's website when she made that determination that FRM should contact the BSR.⁸ She testified at these proceedings that the offerings on the website "smacked of" or "whiffed" of securities, but that was the extent of her determination that FRM was offering securities under the BSR's jurisdiction.
51. After the collapse of FRM in November of 2009, the Commissioner of the NHBD publically declared that FRM was a state securities issue and that the NHBD's jurisdiction over FRM was narrow. As a result, the NHBD forwarded over one hundred inquiries to the BSR after FRM's collapse.
52. The former Commissioner of the NHBD went to FRM and CL&M's former offices on November 13, 2009. The former NHBD Commissioner emailed the BSR's Director at the time a series of documents that the NHBD Commissioner asserted were securities under New Hampshire law and thus subject to the BSR's jurisdiction (See Exhibit 53).

⁷ See the testimony of James Shepard dated February 18, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

⁸ See the testimony of Mary Jurta dated February 9, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

- a. Through interrogatory questions provided for these hearings, the former NHBD Commissioner was provided with the same documents that he had sent to the BSR's director after FRM's collapse and was asked to establish the legal precedent for determining that the documents were within the jurisdiction of the BSR. He answered that he was "not aware of one" (See Exhibit 54). This answer raises questions as to why the NHBD forwarded all FRM inquiries to the BSR after the collapse.
- b. The interrogatory answers provided by the former NHBD Commissioner for these hearings show that his claim that FRM was dealing in securities was made without virtually any document review or any expert advice. He reportedly saw "fractional interests" and concluded that the BSR had jurisdiction. This is an irresponsible conclusion. This convenient and self-serving position advanced by the former NHBD Commissioner appears to have been made to divert attention from the multiple failures of the NHBD to enforce the sanctions which should have followed as a consequence of the multiple violations found during examinations of FRM. There is no evidence that the former NHBD Commissioner formulated this position that FRM's transactions were securities until shortly after FRM's collapse.

The Jurisdiction of the New Hampshire Department of Justice Relevant to FRM

53. The DOJ has the authority under RSA 358-A to investigate and prosecute unfair or deceptive acts or practices in trade or commerce within the state of New Hampshire. However, since 2002 there has been an exemption to this authority (RSA-358-A:3) where the unfair and deceptive activity occurs with an entity that is regulated by the NHBD, BSR, Insurance Department or the Public Utilities Commission.
54. Pursuant to RSA 21-M:11, the DOJ acts as legal counsel and provides legal advice for civil matters to all the executive branch agencies, including the BSR and NHBD, among many others. Pursuant to statute, the BSR is prohibited from any contact with its own hearing office after a hearing has commenced. Any contact with such a hearing officer must be made through the DOJ, in their role as legal counsel for the BSR.
55. The above jurisdictional components are referenced because they relate to the FRM/CL&M matter. It is significant to understand that the DOJ has many other areas of substantial jurisdiction, particularly in the area of criminal authority where major crimes are investigated and prosecuted singularly or in conjunction with other law enforcement agencies.

The Role of the New Hampshire Department of Justice in the "FRM Matter"

56. Victim Witnesses who performed due diligence prior to lending to FRM, on at least two occasions, testified at these proceedings that they contacted the DOJ to inquire whether or not there were complaints or actions involving FRM. Those witnesses who testified reported receiving no negative information and indicated that, if they had, they would not have forwarded money for loans through FRM. The DOJ asserts that they have no record of these calls and thus no record of any response.

57. The DOJ's Consumer Protection Bureau received at least six complaints regarding FRM prior to FRM's collapse. Five out of the six complaints were referred to the NHBD and one complaint appears to have been closed with no significant action taken or referral made. No complaints were ever referred from the DOJ to the BSR.

- a. One of the complaints mentioned above was filed with the DOJ on September 7, 2004 and was by a former employee of FRM. That former employee testified at these proceedings that she had sent a letter to the NHBD complaining of various problems at her prior employer, FRM, including predatory lending and the improper disposal of private information in a dumpster that was frequently visited by bears, which left the sensitive information blowing around the parking lot. She testified at these proceedings that she followed up this letter to the NHBD with a telephone call to the NHBD where she was told that, because she wished to remain anonymous, her letter was not considered a formal complaint against FRM. The former FRM employee testified at these proceedings that she then sent that same complaint letter to the DOJ and followed up that letter with a telephone call to the DOJ. She testified at these proceedings that, when she called the DOJ, she demanded that she be transferred to someone of higher authority and eventually got transferred to our current Attorney General, who was at the time the Deputy Attorney General at the DOJ.⁹ While I find the former employee quite credible as to her recollection of FRM business practices, I nonetheless find that the testimony of the Attorney General at these proceedings makes it clear that it is highly unlikely that such a complaint would have reached him personally or directly, considering the structure and operation of the DOJ.¹⁰

58. The BSR contacted the DOJ in June of 2003 and again in August of 2006 regarding FRM, in the DOJ's capacity as counsel to the BSR. The DOJ failed to respond in

⁹ See the testimony of Susan Brochu dated January 7, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

¹⁰ See the testimony of Michael Delaney, Esq. dated January 7, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

writing to the BSR's request for a freeze of FRM's assets in June of 2003 and the DOJ failed to timely intervene in FRM's hearings process when requested to do so by the BSR in August of 2006. As the DOJ has already conceded, the DOJ clearly failed in their client counseling obligations relative to FRM.

59. On October 3, 2005, an investigator with the DOJ received a call from an individual who was alleging criminal activity by FRM. This caller provided the investigator at the DOJ the name of the plaintiff's attorney in a civil suit brought against FRM where the criminal activity was asserted. The contact provided by the caller, the attorney representing the plaintiff in a private suit against FRM, was a former prosecutor with the DOJ. After learning this information, the investigator at the DOJ contacted the former DOJ attorney and was told by the former DOJ attorney that he believed criminal violations had occurred at FRM. The former DOJ attorney said that he would provide a copy of the court briefs and complaints to the DOJ. It does not appear that any action is taken by the DOJ beyond this telephone call.
 - a. On May 3, 2006, the same former DOJ employee contacted the DOJ about another case against FRM for which he was representing the plaintiffs. This former DOJ attorney again provided information to the DOJ about criminal activity of FRM. The record shows that there was some discussion internally within the DOJ about the information provided by the former colleague but no documented action was taken. An undocumented referral was made to the FBI, but no follow-up from the DOJ occurred.
 - b. These two incidents, where the DOJ was provided with information about FRM's criminal activities by one of their own former attorneys and no significant action is taken, were significant opportunities lost by the DOJ and a serious failure of the department.
60. On November 6, 2009, FRM and CL&M ceased doing business and closed their doors. Roughly two weeks later, on or about November 20, 2009, a petition was filed in the United States Bankruptcy Court involuntarily placing FRM and CL&M into bankruptcy (See Exhibit 55).
 - a. The petition was prepared by a bankruptcy attorney at the DOJ and signed by the former Commissioner of the NHBD, as well as two FRM lenders. That DOJ bankruptcy attorney who prepared the involuntary petition testified at these proceedings that the petition was filed because FRM and CL&M were insolvent and unable to pay their bills as they came due.¹¹ The DOJ bankruptcy attorney also testified at these proceedings that he did not review any actual loan documents or mortgage instruments prior to making this determination and that a

¹¹ See the testimony of Peter Roth, Esq. dated January 21, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

review of the actual legal instruments was not a necessary factor in evaluating whether to force a company like FRM into involuntary bankruptcy.

- b. One of the two lenders who signed the involuntary petition to force FRM and CL&M into bankruptcy testified at these proceedings that she really did not understand the bankruptcy process and later regretted her decision to be a petitioner. It is significant to note that she was represented by legal counsel at that time.¹²
- c. It is significant to note that the loans secured by recorded mortgages made through FRM are now somehow considered by the trustee in bankruptcy to be under the jurisdiction of the bankruptcy court and available as part of the debtors estate.
 - i. A New Hampshire attorney and conveyencing expert testified in these proceedings that, if the position of the trustee when viewed in the context of New Hampshire real estate conveyencing standards stands, it would create an uncertainty in the quality of real estate titles that would otherwise be deemed marketable.¹³
- d. Throughout these proceedings, victims repeatedly testified that they felt victimized for a second time by the bankruptcy proceedings. Victims repeatedly expressed shock and confusion when confronted with a position that they did not hold a security interest in real estate for which they could foreclose.

61. In the Spring of 2010, at the request of the Governor and Executive Council, the DOJ conducted an investigation of FRM and prepared a report issued May 12, 2010 ("DOJ Report") evaluating the operations of state government regarding its oversight and regulation of FRM. The DOJ Report was taken into evidence in these proceedings as item number two on the hearings evidence log. I had hoped it would prove to be an insightful basis and foundation for me throughout this investigative hearing. It is significant to note that the technical rules of evidence did not apply in these hearings, and as the Presiding Officer, I attach whatever probative value I deem appropriate to evidence offered. For the several reasons articulated below, I unfortunately find the DOJ Report to be less than significant in my deliberations.

- a. In conjunction with investigating for the DOJ Report, the DOJ interviewed twenty-three past and present DOJ, BSR, and NHBD employees, one private

¹² See the testimony of Polly Johnston dated November 19, 2010 located at: http://www.sos.nh.gov/securities/FRM_invest.html

¹³ See the testimony of Mark Dunn, Esq. dated January 10, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

attorney who represented a prior BSR complainant, and seven of whom the DOJ characterized were "investors" of FRM. These were interviews and not statements taken under oath.

- i. Of the seven "investors" interviewed, one was interviewed by an attorney at the DOJ while the other six "investors" were interviewed by an intern at the DOJ. One of the "investors" interviewed was actually a borrower through FRM and in no way a lender or investor.
 - ii. The interviewing intern was given a document referenced as "talking points" to use for the interviews and the "talking points" identify that the purpose of the interview was to understand any contacts the "investor" had with government agencies regarding FRM prior to the collapse (See Exhibit 56). There were no "talking points" regarding the expectations of lenders provided to the intern, or any references to the types of documentation received by lenders.
- b. The DOJ summarized some but not all of these several interviews conducted for their investigation in the form of memoranda at some point after the interview. It is significant to note that the interviews of two former Attorneys General, the current Attorney General, a former Deputy Attorney General, a former Assistant Attorney General, a former Associate Attorney General, and a former DOJ investigator were apparently never memorialized in memorandum form and thus not available to this hearing process. Of the interviews that the DOJ memorialized, testimony at these hearings has called into question the accuracy of these memorandum documents.
 - i. The Director of the Consumer Credit Division of the NHBD testified at these proceedings that the DOJ memorandum summarizing her interview was an inaccurate rendition of that interview. Referring to the NHBD examiners that reviewed the records of FRM after the collapse, the interview memorandum created by the DOJ states that: "The Banking examiners said the records were of securities transactions" (See Exhibit 57). The Director of the Consumer Credit Division of the NHBD testified under oath at these proceedings that she never said to the DOJ during her interview that the NHBD examiners had told her that FRM's records were securities. In fact, she testified at these proceedings that the banking examiners would have absolutely no way of making that determination and would not have known what to look for. She also testified at the proceedings of several other incidents where the DOJ's memorandum contained statements she did not make during her interview and statements for which she couldn't have made as she lacked personal knowledge on the

subject. In sum, her sworn testimony at these proceedings directly contradicts the assertions made in the DOJ memorandum in key areas of inquiry.¹⁴

- ii. The former Director of the BSR submitted an affidavit for these hearings stating that the memorandum summarizing his interview with the DOJ was also inaccurate and he proceeded to list twenty-one inaccuracies and provided necessary corrections. (See Exhibit 58). Additionally, it was noted in the former Director's response that key points he felt were vitally important in the BSR's role relating to the FRM ponzi scheme were left out. The former Director believed that certain conclusions reached were that of the interviewer and not that of himself.
 - iii. A former staff attorney for the NHBD testified at these proceedings that the memorandum of his interview by the DOJ had a number of inaccuracies but, in general, reflected his interview with the DOJ (See Exhibit 59).¹⁵
- c. In conjunction with their investigation, the DOJ hired the law firm of the Nutter, McClennen & Fish, LLP ("Nutter") for expertise in analyzing the jurisdiction of the NHBD and the BSR with respect to FRM. Nutter determined that a major factor in determining whether or not a promissory note is a security under New Hampshire law and thus subject to the jurisdiction of the BSR is the so-called "Reves Test."¹⁶ In some jurisdictions, this test is one standard for determining whether an instrument is a security, but it is not a standard used by the State of New Hampshire. The Reves Test has multiple components for making such a determination. To me, a significant component of the Reves Test is the expectation and understanding of the lender/investor.
- i. The fact that every lender who testified in these FRM hearings believed they were lending money for real estate to be secured by mortgages, as evidenced by promissory notes, mortgage documents, assignments of rents and leases, and mortgagee's title insurance policies, clearly demonstrates that the expectation of the lenders was not that of a security interest as defined by the Reves Test. These proceedings have revealed that not one single lender of the forty-three who testified believed they were investing in the general operation of FRM or CL&M, a factor which cannot be ignored in applying the Reves Test.

¹⁴ See the testimony of Mary Jurta dated February 9, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

¹⁵ See the testimony of James Shepard, Esq. dated February 18, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

¹⁶ See *Reves v. Earnst & Young*, 494 U.S. 56 (1990)

- ii. Lenders testified, with confirmation from the Associate Attorney General, that the DOJ in their interviews did not examine lender transactions when money was loaned through FRM and CL&M. It is difficult to understand how the DOJ can make any determinations regarding BSR jurisdiction without this necessary analysis.
- d. The DOJ Report, as well as a letter from the DOJ to the House Committee Research of the New Hampshire General Court, states that the DOJ's Consumer Protection Bureau received only five complaints against FRM before it collapsed in November of 2009 (See Exhibit 60).
- i. These proceedings have uncovered a sixth previously unreported complaint that was filed with the DOJ's Consumer Protection Bureau against FRM. The file number referencing this complaint does not match any of the five complaints previously disclosed to the House Committee Research of the New Hampshire General Court. The letter to the complainant dated January 13, 2009 indicated that the complaint was not within the DOJ Consumer Protection Division's jurisdiction but the information provided would be "kept in our files to help us monitor trends in business practices in the Bureau's enforcement efforts and legislative recommendations" (See Exhibit 61). There is no indication that this complaint was ever forwarded to an appropriate agency. This same complainant wrote another letter to the DOJ, dated September 22, 2009, complaining again of FRM and a modular home dealership (See Exhibit 62). This subsequent complaint letter in late 2009 also does not appear in the FRM Report or the disclosure letter to the House Committee Research of the New Hampshire General Court (See Exhibit 60).
 - ii. An Associate Attorney General from the DOJ and author of their FRM Report testified at these proceedings that, due to a "technical defect" in the ability to thoroughly search the content of complaints in the DOJ's complaint database, these previously unreported complaints were missed when the DOJ conducted their internal search for past FRM complaints. He testified that there is also an inability to link complaints within the DOJ when there have been multiple changes in corporate or business identities, such as occurred with FRM.¹⁷ Due to this apparent "technical defect," the DOJ is unable to establish with certainty just how many complaints were made to the DOJ concerning FRM and CL&M.

¹⁷ See the testimony of Richard Head, Esq. dated January 7, 2011 and January 10, 2011 located at: http://www.sos.nh.gov/securities/FRM_invest.html

- e. Some witnesses have asserted in these hearings that the DOJ was conflicted by its use of the Nutter law firm and having the Associate Attorney General author the DOJ Report when he was actively involved in pre-collapse matters as legal counsel to the BSR as well as being the former head of the DOJ Consumer Protection Bureau. In addition to the assertions of conflict by the witnesses, it is clear that the DOJ never should have self-analyzed its role in the FRM matter by using its own staff. An external, independent third party, without ties to the DOJ, would have been the appropriate investigative measure.

Conclusions

The October 5, 2010 Order charged me specifically with four matters for evaluation:

The first item of that order charged me with determining whether and under what conditions promissory notes coupled with real property or chattels are securities under the New Hampshire Securities Act. My detailed Findings of Fact reveal that fundamentally, under no circumstances, do I find that notes coupled with real property or chattel mortgages are to be treated as securities within the New Hampshire Securities Act. The Findings of Fact reveal that governmental officials outside the Bureau of Securities Regulation do not share this understanding and conclude otherwise. The Findings of Fact show that the jurisdiction of the Bureau of Securities Regulation was exercised appropriately, but not properly in that the Bureau of Securities Regulation delayed its exercise of authority for an unreasonable period of time. A close inspection of the findings reveals that for at least the past thirty years, the Bureau of Securities Regulation has never considered promissory notes secured by real or chattel mortgages to be securities under the New Hampshire Securities Act. Expert testimony and the resulting Findings of Fact further support the academic basis for this position as being well founded.

A second charge to me was to determine whether the existence of a trust or other “enhancement” would alter the classification. My Findings of Fact take you through the corporate structures of FRM and CL&M, victim testimony, and the various types of loans. The result of these Findings of Fact reveals that any promissory notes secured by real or chattel mortgages are not securities under New Hampshire law, even when there are trusts, multiple participants or “other enhancements” involved. Those agencies who asserted otherwise did so without sound academic basis or sufficient expert analysis in support of their position.

The third charge was to determine whether the Bureau of Securities Regulation in any way improperly handled the “FRM Matter.” My Findings of Fact reveal to you that certain governmental agencies did in fact mishandle this matter. While the Bureau of Securities Regulation is not without fault, this fault is primarily related to timeliness of its handling of a

2001 unregistered securities complaint. It is other governmental agencies who contributed to the "FRM Matter" by failure to act or inattentiveness to public inquires and complaints. The overall governmental response to the "FRM Matter," prior to its collapse in 2009, is disheartening at best.

The fourth and final charge was to determine the facts concerning FRM and the interests offered by its affiliate corporations to determine whether those interests came within the definition of a security under the New Hampshire Securities Act. It was this charge that drove the breadth and depth of these hearings. The Findings of Fact show that unlike other analysis of the "FRM Matter," the victims, perpetrators, government officials, professionals and experts were all carefully examined under oath for the first time. I went to great lengths in this hearing process to fully and fairly establish facts to assist you and the Director of the Bureau of Securities Regulation. The detailed Findings of Fact reveal that there were certain interests promoted by FRM which fell under the jurisdiction of the Bureau of Securities Regulation. These interests fundamentally ceased in 2007 after the business model of FRM changed and the jurisdiction over FRM activities fell solely within other governmental agencies, primarily the New Hampshire Banking Department.

I trust the foregoing Findings of Fact and supporting exhibits will assist you.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Charles W. Chandler". The signature is fluid and cursive, with the first name "Charles" being the most prominent part.

Charles W. Chandler, Presiding Officer