

FREQUENTLY ASKED QUESTIONS

It is difficult to respond to many of the frequently asked questions because there is ongoing litigation and investigation. Below, however, is a partial response.

1. Status of Mortgages. Most mortgages are not performing. The way the fraudulent scheme worked was that mortgage payments to investors were not made from performing mortgages, but were made from funds invested by new investors and comingled with other funds of FRM/CLM. Therefore, the funds you received every month were not from performing mortgages, but were from additional funds invested by new or repeat investors. In addition, many of the mortgages were oversold, meaning that on one project or loan, several layers of mortgages were put on the property. An example of this is Tanguay Homes which has \$8 million dollars lent on it through dozens of mortgages and is probably worth only \$1 or \$2 million dollars, and is subject to a tax lien of \$1 million dollars. Another example is Beaver Pond where 31 mortgages were issued on the property, but were never recorded. Overall, the Debtor's records show about \$80 million dollars in loans. We are working through the loans at this time on a case by case basis. We suspect the total value of the loans is quite small due to the collateral values we are seeing, but we cannot predict what the ultimate recovery will be. The recovery is further complicated by the fact that many mortgage holders dispute the Trustee's position that all the mortgages belong to the bankruptcy estate since they were funded by CLM. This creates additional expense and uncertainty of recovery.
2. Access to Bank Statements. We are working on a way to provide access to bank statements to counsel. The problem is the statements contain things like the bank account numbers for the depositor, driver's license information and in some cases social security information. We have recently filed papers with the Court to establish a procedure for viewing statements. We intend to redact the personal information before providing access.
3. Claw backs. The Trustee has an obligation to recover as many assets as possible, which includes pursuing the recovery of funds advanced to investors as interest payments. Under the bankruptcy laws the Trustee has two years to bring such claims from the Order for Relief. The Trustee is currently reviewing these claims, but the Trustee's main focus at this time is to collect on the existing loans, which in many cases involves extensive negotiations.
4. Settlements The Trustee is analyzing each settlement on its own merits. As stated above the Trustee is currently seeking a protective order from the Court to deal with the viewing of bank and other proprietary records. With regard to property sales, all sales have to be approved by the Court and anyone can make a higher and better offer based upon the individual bid procedures developed for the particular motion. **Please Note the Court has issued a standing order on service. The Order only requires service on those parties with electronic appearances and those who specifically requested notice from the Trustee.**
5. Forensic Accountant The forensic accountant has obtained and organized the bank statements. At this point the focus of the Trustee is on the collection and settlement of the outstanding loans. It does appear, however, that most if not all of the funds taken from investors were paid to other investors as interest in order to keep the scheme going. It does not appear at this point that Farah and Dodge took more than a few hundred thousand dollars a year for themselves. Our analysis, however, may change as we further investigate the Debtors.

6. Attorney Investors will have to make their own decision about whether an attorney is necessary for negotiating a settlement.
7. Trusts All Dodge Financial trusts were put into bankruptcy at the request of a creditor and order of the Belknap County Superior Court. It is the Trustee's position that all trusts are part of the fraudulent scheme and should be consolidated with FRM and CLM. This is not a conflict because parties can object to any effort by the Trustee to consolidate the trusts with the FRM and CLM estates, and it is the trustee's position that all investors are creditors of all trusts because all of the funds of the FRM and CLM estates have always been comingled. So, for example, if Trust A held Mortgage A and Note A, the funding of that mortgage was by CLM, from an account that held comingled funds of all investors, so Note A was not funded by investor A, but by everyone's funds. Therefore every investor has a claim against Note A and is a claimant against Trust A. If this position is not sustained by the Court, then a conflict may exist. At this point, however, there is no conflict because the Trustee is simply attempting to resolve outstanding loans.
8. Securities and Exchange Commission. The Trustee is working with the SEC, not against them. The Trustee sought a stay against the SEC with regard to cases that are pending in the Bankruptcy Court so that one court, the Bankruptcy Court, had control of the cases before it.
9. Communications. The Trustee will post all relevant filings going forward on his website. The filings will most likely be settlements of interests in various loans between investors and the Trustee and will be self-explanatory. This should provide enough detailed information for investors to know the status of the case. E-mails will be returned within 24-48 hours in most instances. Please note, however, that if you are represented by counsel, the Trustee can only respond to your counsel not to you directly and you should direct communications to the Trustee's counsel Jim Donchess or Deborah Notinger.
10. Fees The way the Bankruptcy Code is structured, the case funds the payment of professionals. There is no general fund to pay fees. This means that in order for the Trustee and his professionals to be paid there has to be money in the case, otherwise the professionals do not get paid at all and the Trustee receives \$60 per case. Therefore, the system is designed for payment from the case only, There is no general fund for payment of the Trustee and his professionals. That is simply a reality of the Bankruptcy process.