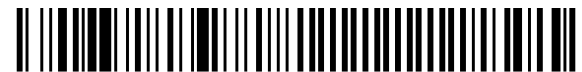


# The Trustee's Website

You can find the proof of claim form, court documents, frequently asked questions, the Trustee's status reports at the Trustee's website:

[www.FairFinanceTrustee.com](http://www.FairFinanceTrustee.com)



105049410080400000000006

# Proof of Claim Deadline

Your claim, on the official form, must be received by October 8, 2010 at:

Fair Finance Claims Processing Center  
c/o Kurtzman Carson Consultants LLC  
2335 Alaska Avenue  
El Segundo, California 90245

Please do not wait until the last minute!

# Frequently Asked Questions

## Proofs of Claim

- Can I fill out the proof of claim without an attorney?

Yes. Whether to hire an attorney is a personal decision, but the form may be filled out without an attorney. The Trustee will treat people equally, whether or not they have an attorney.

- Do I need a separate form for each certificate?

No. You can file one form for all your certificates.

- If the Trustee finds a mistake on my claim, will I have the opportunity to fix it?

Yes. If the Trustee objects to your claim, you will have the chance to amend it.

# Frequently Asked Questions

## Proofs of Claim

- How do I know if my claim was received?

KCC will send you a postcard and your name will be posted to the Trustee's website. If you include a self-addressed stamped envelope and a second copy of your claim, KCC will send you a filed copy of your claim.

- Can the Trustee or KCC help me fill out my claim form?

Unfortunately, no. Since the Trustee has to approve or deny claims, neither he nor KCC can help you fill out your claim.

<b>UNITED STATES BANKRUPTCY COURT</b> Northern District of Ohio		<b>PROOF OF CLAIM</b>
Name of Debtor: <b>FAIR FINANCE COMPANY</b>		Case Number: <b>10-50494-MSS</b>
NOTE: <i>This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</i>		
Name of Creditor (the person or other entity to whom the debtor owes money or property):	<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim.	
Name and address where notices should be sent:	Court Claim Number: _____ (If known)	
Telephone number:	Filed on: _____	
Name and address where payment should be sent (if different from above):	<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.	
Telephone number:	<input type="checkbox"/> Check this box if you are the debtor or trustee in this case.	
<b>1. Amount of Claim as of Date Case Filed:</b> \$ _____  If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.  If all or part of your claim is entitled to priority, complete item 5.  <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.	<b>5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.</b>  Specify the priority of the claim.  <input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).  <input type="checkbox"/> Wages, salaries, or commissions (up	
<b>2. Basis for Claim:</b> _____ (See instruction #2 on reverse side.)		

(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: \_\_\_\_\_

3a. Debtor may have scheduled account as: \_\_\_\_\_  
(See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)

Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff:  Real Estate  Motor Vehicle  Other  
Describe:

Value of Property: \$ \_\_\_\_\_ Annual Interest Rate \_\_\_%

Amount of arrearage and other charges as of time case filed included in secured claim,

if any: \$ \_\_\_\_\_ Basis for perfection: \_\_\_\_\_

Amount of Secured Claim: \$ \_\_\_\_\_ Amount Unsecured: \$ \_\_\_\_\_

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

Date:

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

FOR COURT USE ONLY

Wages, salaries, or commissions (up to \$10,950\*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier – 11 U.S.C. §507 (a)(4).

Contributions to an employee benefit plan – 11 U.S.C. §507 (a)(5).

Up to \$2,425\* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507 (a)(7).

Taxes or penalties owed to governmental units – 11 U.S.C. §507 (a)(8).

Other – Specify applicable paragraph of 11 U.S.C. §507 (a)(\_\_\_\_).

Amount entitled to priority:

\$ \_\_\_\_\_

\*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

# Instructions for the Proof of Claim

Do not mail your proof of claim to the Trustee or to the Court. It should go to:

Fair Finance Claims Processing Center  
c/o Kurtzman Carson Consultants LLC  
2335 Alaska Avenue  
El Segundo, California 90245

- Attach copies (not originals!) of any document you think will help prove how much Fair owed you, like certificates or account statements.

Fair's Status At The FBI Raid  
November 24, 2009

Cash in bank accounts	+\$565,060
Owed to investors immediately	- \$771,782
Other immediate expenses	<u>- \$401,888</u>
Immediate Shortfall	<b>-\$608,610</b>
Expenses due by Nov. 30	<u>-\$630,098</u>
Shortfall	<b>-\$1,238,708</b>



# Fair's Available Cash When Trustee Appointed

\$218,716.31

# Changes In Fair's Business Model 2002 - 2010

- Subordination

Fair “subordinated” your certificates to bank loans – meaning the lender gets paid from certain investments first. These loans included the loan Durham used to buy Fair Finance. The off-limits assets include \$19,000,000 in accounts receivable and a \$2,000,000 bank account.

# Changes In Fair's Business Model 2002 - 2010

- Insider Loans

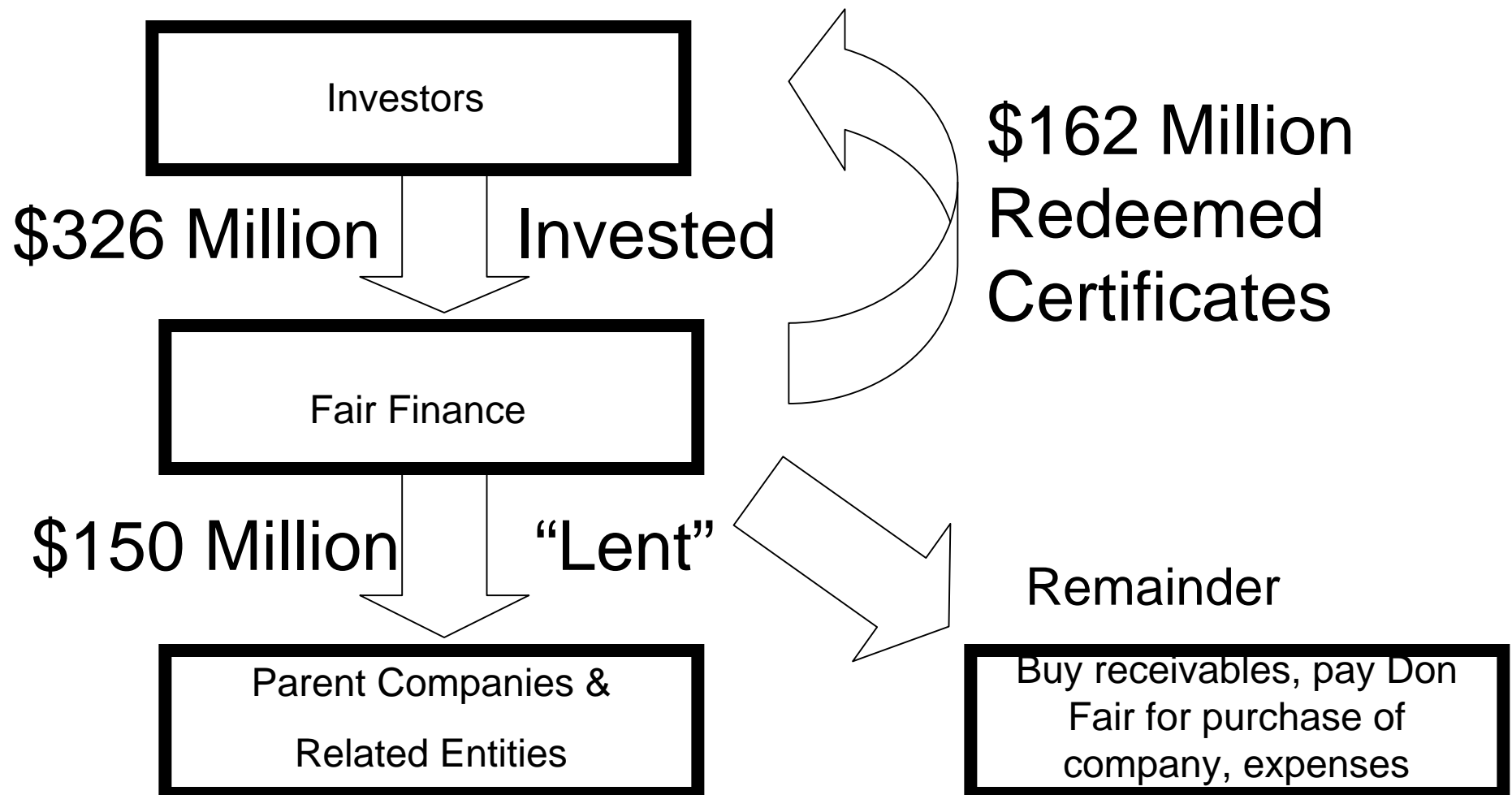
Durham began loaning Fair's money primarily to his companies and friends. The loans were often to companies with no hope of repaying them, and were not enforced when they defaulted. When Fair received a mortgage, it often did not file it, letting other banks get ahead of us in line.

# Topics To Cover

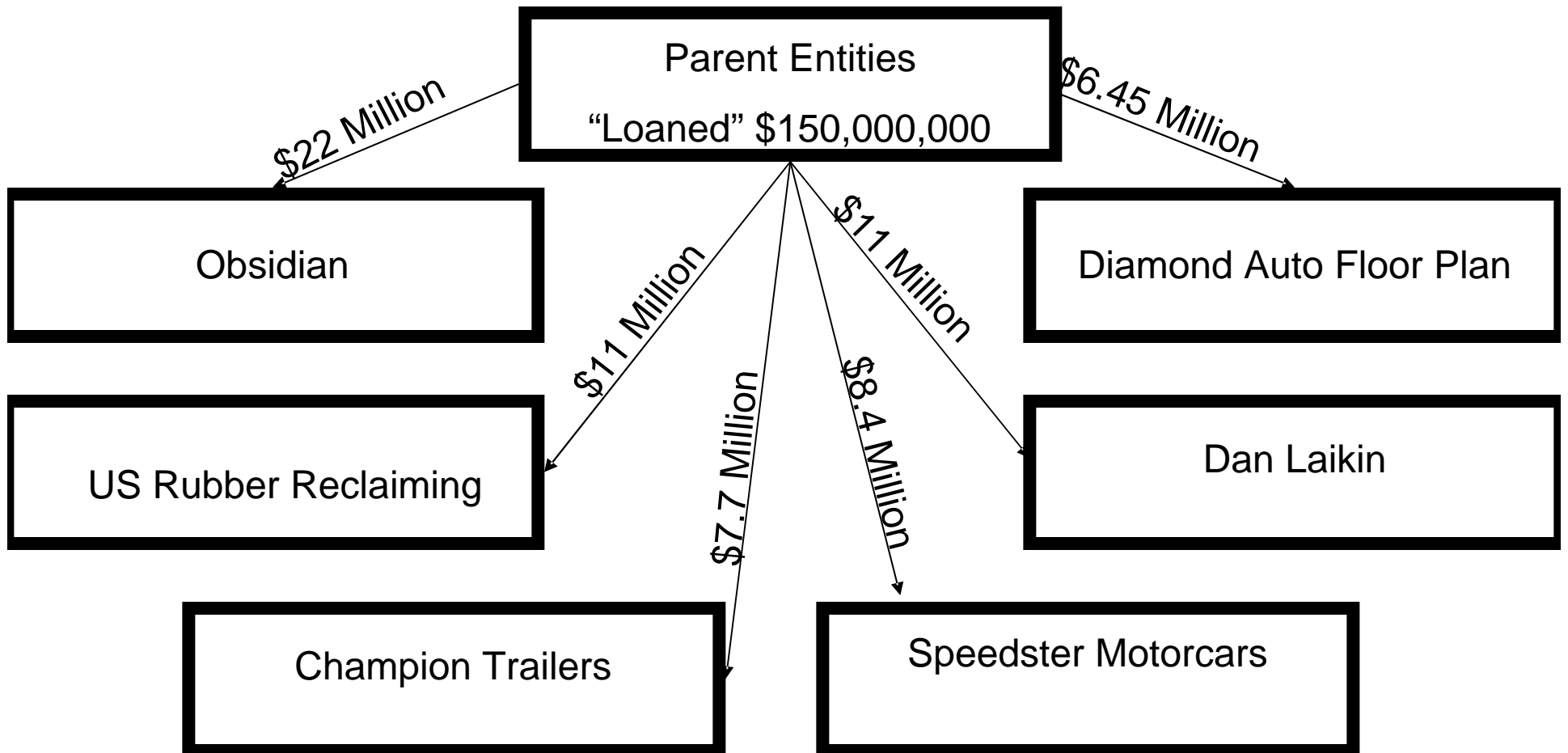
- Where did your money go?
- How can the Trustee collect assets?
- What is the next step in recovering additional assets?

# Where Did The Money Go?

Approximate Numbers Since 2002



# A Sample of the Money “Lent” To Related Entities (Not Including Interest)



# Durham's Lavish Lifestyle

- Family & Friends: At least \$16,000,000 (including gifts and loans).
- Resorts & Gambling: \$2,800,000
- Home Theater: \$578,000
- Jewelry: \$630,000

# Durham's Lavish Lifestyle

- Real Estate and Household: \$14,000,000
- Motor Vehicles: \$10,300,000
- Interior Design: \$3,300,000



# Durham's Lavish Lifestyle

- Lawn Care & Garage Work: \$ 852,000
- Electrical Work: \$ 264,000
- King's Image Clothing: \$ 201,000
- Hard Rock Café: \$ 195,000

# Political Donations From Durham and Related Entities

<u>Recipient</u>	<u>Minimum Amount (Approx.)</u>
Carl Brizzi (Indianapolis Prosecutor)	\$ 225,000
Mitch for Governor	\$ 195,000
Indiana Republican State Comm.	\$ 185,000
House Republican Campaign Comm.	\$ 60,000
Greater Indy Republican Finance comm.	\$ 33,000
Others	\$ 200,000

# How Can We Raise Funds?

- Selling Real Estate
- Selling Cars
- Selling Artwork
- Collecting on Fair's Loans

# Issues With Selling Real Estate

- The Trustee does not have title to the properties. We need the owner's consent or a court order to sell.
- Existing mortgages are paid first. We expect properties in red to have no money left after mortgages, properties in yellow may or may not have money left after mortgages.
- We have not run full title searches on all of these properties. There may be additional mortgages.

## Examples of Property Owned By Entities That Owe Fair Finance Money

<b><u>LOCATION</u></b>	<b><u>ESTIMATED VALUE</u></b>	<b><u>SUPERIOR MORTGAGES</u></b>
Malibu & Los Angeles	\$4,443,517 and \$4,968,348 (2009 assessment)	\$5,200,000
West Hollywood, California	\$4,085,650 (2009 assessment)	\$2,470,000
Naples, Florida	\$3,900,000 (2005 appraisal); \$2,058,977 (2009 assessment)	Approximately \$2,450,000
Fortville, Indiana	\$3,537,000 (2008 assessment) \$5,350,000 (2006 appraisal)	\$5,200,000

## Examples of Property Owned By Entities That Owe Fair Finance Money

Carmel, Indiana	\$2,169,400 (2008 assessment)	\$1,500,000
McCordsville, Indiana	\$2,150,000 (2007 appraisal)	\$1,404,000
Ontario, Canada	\$1,626,000 (2004 sales price) \$2,700,000 (2004 appraisal)	\$1,700,000
Indianapolis, Indiana	\$1,580,800 (2007 assessment)	

## Examples of Property Owned By Entities That Owe Fair Finance Money

McCordsville, Indiana	\$1,465,000 (2002 appraisal)	\$1,169,707
Indianapolis, Indiana	\$997,500	\$750,000
Naples, Florida	\$925,000	\$646,000
Indianapolis, Indiana	\$724,300 (2007 assessment); \$1,000,000 (2009 appraisal)	\$840,000

## Examples of Property Owned By Entities That Owe Fair Finance Money

Indianapolis, Indiana	\$637,400 (2007 assessment);	\$929,293.14
Parkland, Florida	\$620,000 (2005 sales price)	\$400,000
Fort Lauderdale, Florida	\$540,000 (2006 sale price); \$312,750 (2009 assessment);	Approximately \$486,000.
Carmel, Indiana	\$475,000 (2003 purchase price)	\$475,000.00



## Examples of Property Owned By Entities That Owe Fair Finance Money

New Castle, Indiana	\$380,000 (2009 sales price) \$177,500 (2007 assessment)	\$304,000
Kaufman County, Texas	\$263,010 (2009 assessed value)	
Lewisville, Indiana	\$250,900 (2007 assessed value)	\$188,000
Indianapolis, Indiana	\$138,320 (2005 sales price)	\$104,000

# Vehicles Titled To Fair Finance

<b>MAKE</b>	<b>MODEL NAME</b>	<b>VEHICLE YEAR</b>	
(2) Hummer	H2	2004	
Lincoln	Town Car Exec.	2003	
GMC	Yukon Denali	2005	
Lamborghini	Murcielago	2002	
Rolls Royce	Silver Seraph	1964	
Speedster	Unknown	2006	
Speedster	Z-Series Coupe	2006	

# Vehicles Titled To Fair Finance

MAKE	MODEL NAME	VEHICLE YEAR	
Speedster	Special Const.	1955	
Speedster	Special Const.	1935	
Bentley	Flying Spur	2006	
Ferrari	360 Challenger	2004	
BMW	Z3 3.0	2001	
Dodge	Viper SRT-10	2005	
Bertone		1987	

# Vehicles Titled To Fair Finance

MAKE	MODEL NAME	VEHICLE YEAR
Zephyr	Special Constr.	1939
Chevrolet	Belair	1952
Pontiac	Solstice	2006
Lotus	Espirit V	2003
Plymouth	Prowler	2000
GEM	e4	2005
	Spec. Constr.	2003

# FBI Seizure of Cars

The Department of Justice, FBI and the Trustee have been cooperating with each other. The government has seized 27 cars, including most of the cars titled to the Trustee. Those cars will be sold by an expert classic car auctioneer, and the proceeds will go to the estate.

# Artwork

The Trustee has obtained art which Durham's insurance policy valued at approximately \$2,000,000. It will be auctioned by the Cleveland Auction Company.

Since this was an insurance estimate, it was probably higher than what we would get in an auction.

The artists you might know include Picasso, Renoir and Peter Max.

# Issues With Collecting on Loans

Fair and its parents made many loans to Durham's businesses and friends. Many of those businesses have mortgaged their assets, gone out of business, or will be simply unable to pay us back. Many of the companies were insolvent when they received the loans.

# Issues With Collecting on Loans

For instance:

- Obsidian Enterprises, which owes Fair \$31,000,000, moved out of its offices because it could not pay the rent.
- Danzer Industries, which owed Fair \$3,400,000, went out of business in 2006.



# Case Study:

## US Rubber Reclaiming

Before Durham bought Fair Finance, he purchased U.S. Rubber from his father-in-law for approximately \$10,000,000 plus the assumption of debts. U.S. Rubber is a 100-year old company which was a major rubber supplier during World War II.

Fair lent U.S. Rubber \$11,000,000, and the company owes an additional \$5,000,000 in interest.

Fair allowed U.S. Rubber to mortgage all its assets for a bank loan. The bank is attempting to sell U.S. Rubber's assets, but because the property is heavily contaminated and its equipment is out-of-date, the best offer so far is \$200,000.

# Major Loans Owed To Fair Including Interest

- \$ 54,000,000 – Timothy Durham
- \$ 31,000,000 – Obsidian Enterprises
- \$ 23,000,000 – Dan Laikin
- \$ 18,000,000 – Coach Group
- \$ 16,000,000 – U.S. Rubber Reclaiming
- \$ 9,500,000 – Diamond Auto Floor Plan
- \$ 6,000,000 – Najem/Durham Companies
- \$ 4,000,000 – United Trailers

# The Big Question:

- Were Fair Finance's loans used up by the insolvent companies to keep their businesses afloat? Or was the money diverted or loaned out to even more entities?
- That's what our forensic accountant is investigating.