

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
JACKSON DIVISION

IN RE:

COMMUNITY HOME FINANCIAL
SERVICES, INC.,

CASE NO. 12-01703-EE

DEBTOR.

CHAPTER 11

TRUSTEE'S FIRST STATEMENT OF INVESTIGATION AND REPORT

Kristina M. Johnson, Chapter 11 Trustee ("Trustee") of the Estate of Community Home Financial Services, Inc. ("Debtor"), files her First Statement of Investigation and Report ("Statement") pursuant to 11 U.S.C. § 1106 (4) – (5) in the above-referenced Chapter 11 proceeding.¹ In support thereof, the Trustee states as follows:

I. PRE-CHAPTER 11 EVENTS

1. According to the Debtor's Disclosure Statement [**Dkt. #167, p. 9**], "CHFS is in the business of purchasing and servicing loan portfolios consisting of mostly Class B loans of 2nd to 3rd mortgages." In approximately 2007, the Debtor entered into various funding arrangements with Edwards Family Partnership ("EFP"), Beher Holdings Trust ("BHT"), and/or affiliates or predecessors of EFP and BHT whose ultimate principal is believed to be Dr. Charles Edwards (all of whom are referred to herein for convenience as "EFP/BHT"). The nature of the exact relationship between the Debtor and EFP/BHT is currently at issue in three separate adversary

¹ Because the Trustee's investigation is not yet complete, she expects to file supplemental statements and reports in the future. Much of the information contained herein is set forth with evidentiary support in Adv. Proc. No. 14-00030-EE, Dkt. Nos. 1 and 33 pending in this Court and is incorporated herein by reference ("Trustee's Adversary Proceeding"). Nevertheless, because the investigation is continuing and the Trustee has obtained little information to date from persons with first hand knowledge, the Trustee reserves all rights to amend any conclusions, implications and ultimate findings until her investigation is concluded.

proceedings initiated by the Debtor.² The Trustee has been substituted as the proper party-in-interest in these adversary proceedings. These proceedings were stayed by consent orders pending the stabilization of the Estate.³

2. The relationship between the Debtor and EFP/BHT began to sour in late 2011 or early 2012 and litigation eventually erupted between them.⁴

3. Based on information and belief, the Debtor was not primarily in the business of making loans to third parties pre-petition although the Trustee's investigation has revealed at least one instance of an unsecured loan from the financing of wedding receptions at the Debtor's affiliate, Brookwood-Byram Country Club. Nevertheless, beginning 4 months prior to the Debtor filing for Chapter 11 relief (and after a dispute had erupted at some point in 2011 between the Debtor and Dickson (on the one hand) and EFP/BHT (on the other hand)), the Debtor made substantial pre-petition transfers to affiliates/insiders in early 2012:

2/14/2012 Discount Mortgage, Inc. (" <u>DMI</u> ")	\$500,000.00
02/14/2012 Double S Construction, Inc. (" <u>Double S</u> ")	\$500,000.00
02/14/2012 William D. Dickson (" <u>Dickson</u> ")	\$250,000.00
02/15/2012 William D. Dickson Enterprises, Inc. (" <u>Dickson Enterprises</u> ")	\$350,000.00
03/14/2012 Double S	\$400,000.00
04/12/2012 Crisco Investments, Inc. (" <u>Crisco</u> ")	\$500,000.00

² See *infra* footnote 5.

³ Recently, AP 12-00901-EE was set for status conference by *sua sponte* order of the Court.

⁴ See *Community Home Financial Services, Inc. and William D. Dickson v. Edwards Family Partnership, LP, et al.*, Civil Action No. 3:12cv252CWR-LRA, U.S. District Court for the Southern District of Mississippi, Dkt. #4, filed on March 10, 2014.

05/14/2012 Crisco Investments \$450,000.00

05/14/2012 DMI \$250,000.00

TOTAL \$3,200,000.00⁵

II. PRE-TRUSTEE CHAPTER 11 EVENTS

4. On May 23, 2012 (the "**Petition Date**"), the Debtor filed a voluntary petition for relief in this Court under Chapter 11 of the Bankruptcy Code. The filing was precipitated by EFP/BHT's assertion of a counterclaim against the Debtor and Dickson in litigation referenced in footnote 2.

5. The Debtor initially operated as a debtor-in-possession.

6. The relationship between EFP/BHT and the Debtor continued to deteriorate during the Chapter 11 proceeding. Several adversary proceedings were filed⁶ by the Debtor against EFP/BHT (among others) and EFP/BHT sought to have the Chapter 11 case dismissed.⁷

7. In order to facilitate the operation of the Debtor's business, the Court entered certain orders regarding the Debtor's cash flow and operations. *See* Orders found at **Dkt. Nos. 60 and 231** ("**Cash Collateral Orders**"). Under the Cash Collateral Orders, other than limited

⁵ The Debtor admits that these transfers occurred. *See* [Dkt. #115] Attachment B, Page 6 of 14. However, the Debtor claims that these transfers were "loans." The Trustee contends that the "loans" were actually preferences or fraudulent transfers as set forth later in this Statement.

⁶ Adv. Proc. No. 12-00091-EE initiated on August 24, 2012, Adv. Proc. No. 12-00109-EE initiated on October 24, 2012, and Adv. Proc. No. 13-00104-EE initiated on November 26, 2013.

⁷ *See* **Dkt. #343**.

⁸ The Trustee uses the terminology from said orders for convenience but for clarity there was no adjudication in said orders that the cash at issue was cash collateral as defined under 11 U.S.C. § 363. The exact nature of the relationship with EFP/BHT is at issue in the aforementioned adversary proceedings. *See supra* footnote 6. The Trustee reserves all rights, claims and defenses as to this issue. *See Dkt. #906* (Trustee's Motion for Use of Cash (to the Extent Required) *Nunc Pro Tunc*).

carve-outs for operating and other expenses, the funds in the Debtor's debtor-in-possession bank accounts were not to be disbursed except upon further order of the Court.

8. During the course of this Chapter 11 case, the Debtor's operations generated substantial sums of money. For example, the Debtor showed cash receipts of \$2,223,875.06 in October, 2013. *See* Monthly Operating Report, Main Case Dkt.# 416, p. 8. The October 2013 monthly operating report (the last report filed by the Debtor) indicated an ending cash balance of \$9,059,191.49.

9. On December 20, 2013, a Disclosure of Transfer of Funds and other Matters ("**Disclosure**") [Dkt #426] was filed in the Chapter 11 case indicating that: (1) the Debtor changed its principal place of business to Panama; (2) the Debtor had transferred funds from its debtor-in-possession account(s) to the Debtor's bank accounts in Panama; and (3) the Debtor continued to service its business operations in Panama and Costa Rica.⁹ The transfer of funds was an express violation of the Cash Collateral Orders.

⁹ However, contrary to the Disclosure, the funds were not transferred to the Debtor's accounts. Instead, the Trustee has located bank records indicating that the funds were transferred from the Debtor's debtor-in-possession accounts to the account of W.W. Warren Foundation ("**Warren Foundation**") at the Banco Panameno de la Vivenda S. A. also known as Banvivienda Bank in Panama. These transfers began in November of 2013. Because the Debtor had \$9,059,191.49 in DIP accounts at the end of October of 2013, the Trustee believes that the Debtor transferred at least that much money to the Warren Foundation account in Panama. It is unknown at this time what Warren Foundation did with the funds and who actually has possession of these funds. Although the funds began to be transferred in November of 2013, the scheme that resulted in these transfers had been devised before November of 2013. For example, on October 29, 2013, the ACH deposit arrangement with Advantage ACH was changed from the Debtor's account at BancorpSouth to the account of Victory Consulting Group, Inc. ("**Victory**") (an affiliate/insider of the Debtor and putative owner of the Debtor's stock) at Wells Fargo Bank. The Trustee made a turnover demand on Banco Panameno de la Vivenda S. A. in Panama that was not honored. The Trustee reserves all rights as to said bank. Furthermore, the Trustee discovered that the Debtor had begun purchasing equipment for shipment to Costa Rica and the set up of business operations there earlier in 2013.

III. TRUSTEE'S APPOINTMENT

10. In response to the Disclosure, the United States Trustee filed an Emergency Motion for Order for the Appointment of a Chapter 11 Trustee. On December 23, 2013, the Court entered an Order Granting the United States Trustee's Emergency Motion for Order for the Appointment of a Chapter 11 Trustee [Dkt. #429] directing the appointment of a trustee in this case. Upon entry of this order, Debtor's management and employees lost all decision-making authority for the Debtor and power to bind the Estate.

11. On January 8, 2014, the United States Trustee's Office filed its Application For Approval of Chapter 11 Trustee [Dkt. #455]. On January 16, 2014, the Court approved the United States Trustee's appointment of the Trustee (over the objections of the Debtor and Dickson) pursuant to a bench ruling that was confirmed in an Order dated January 21, 2014 [Dkt. #473]. The Trustee is the duly acting and qualified trustee in this case. No committee of unsecured creditors has been appointed.

IV. POST-TRUSTEE EVENTS

12. At the time the Trustee was appointed, the Estate had on-hand approximately \$7,500. Nevertheless, the Trustee, with the assistance of her counsel,¹⁰ sought expeditiously to proceed with her statutory duties. The Trustee's immediate primary goals involved: (a) stabilizing the mortgage portfolio; (b) recovering funds and other assets improperly removed from the Estate and precluding additional diversion; and (c) investigating the Debtor's conduct and financial affairs.

¹⁰ Jones Walker LLP was retained *nunc pro tunc* as counsel for the Trustee by order entered on March 5, 2014 [Dkt. #558].

A. Initial Stabilization

13. The Trustee's initial efforts included the matters set forth below.

a. The Trustee interviewed counsel for the Debtor, counsel for its principal, William D. Dickson, and counsel for EFP/BHT, as well as certain former employees of the Debtor.¹¹

b. The Trustee gained control of the Debtor's debtor-in-possession bank accounts previously recognized in the Cash Collateral Orders and as a precaution placed said accounts on "credits only" until further notice.¹²

c. The Trustee took control of the Debtor's website and took control of the Debtor's Post Office Boxes¹³ and mail for its 234 East Capitol Street location.

d. The Trustee issued approximately 40 turnover demands to various trade creditors and professionals or former professionals of the Debtor Section 542 of the

¹¹ The majority of employees of the Debtor had either been fired or moved to the Debtor's Latin American locations per Dickson's directions at the end of 2013, with the exception of a few insiders and primary employees of the Debtor, who are also believed to have interests in affiliates of the Debtor. It is also believed that Dickson hired individuals in Latin America at some point in late 2013 or early 2014.

¹² The Trustee later lifted the "credits only" status of said accounts in July, 2014 after the Servicer was retained and had notified the borrowers to direct payments to the Servicer.

¹³ The Trustee changed the Debtor's post office box address to one under the Trustee's name only, after she discovered in early February of 2014 that the Debtor was using a mailing address through a registered agent in Nevada. The Trustee made demand on the Nevada corporate agent to turn over all information and assets of the Debtor to her. The Trustee intercepted information and evidence that borrowers' payments were being sent to the Nevada address and then being shipped to Latin America for endorsement by Dickson, some of which were returned to the U.S. for deposit while others were apparently deposited into unknown accounts in Latin America. Shortly after the Trustee obtained control of the Nevada mailing address, the former representatives of the Debtor and individuals hired in Latin America continued to divert funds away from the Estate by notifying borrowers to send payments to an address in Miami. The Trustee then obtained control of the Miami mailing address.

Bankruptcy Code.¹⁴ While a few recipients of turnover demands fully complied, some partially complied and some did not comply at all, including many of the insiders and affiliates of the Debtor.

e. The Trustee also demanded turnover of the Debtor's books and records. However, most of the pertinent books and records were not surrendered to the Trustee. Rather, numerous boxes of out-dated books and records were surrendered to the Trustee. The boxes did not contain current books and records for either operations or loan servicing records.

14. Because the Debtor did not fully honor the turnover demand, the Trustee faced chaos. She was charged with servicing approximately 4,000 mortgage loans without the Debtor's current books and records on the borrowers' accounts or original loan documents. As a result, the Estate was losing the stream of income from these loans. Moreover, other evidence the Trustee obtained indicated that there was a rogue operation of the Debtor's business expressly intended to divert the revenue stream away from the Estate. Accordingly, using information obtained from EFP/BHT, the Trustee began sending letters to borrowers who could be identified with mailing addresses and requested that they remit payments to the Trustee, provide copies of loan documents and other correspondence to or from the Debtor, and that they ignore instructions from anyone to the contrary.

15. In response to these letters, beginning on February 12, 2014, and continuing on an almost daily basis thereafter, the Trustee and her counsel began to be inundated with e-mails, phone calls, faxes, and letters from borrowers, closing agents, attorneys, and regulators regarding loans being serviced by the Debtor. Additionally, some borrowers contacted the Trustee through

¹⁴ Turnover demands were made from January, 2014 through May, 2014.

the Debtor's website or were referred to the Trustee after first having contacted the U.S. Trustee's office.¹⁵

16. Borrower responses ranged from anger to confusion. Many borrowers refused to believe the Trustee had authority based on information given to these borrowers from the rogue operation of the Debtor's business. Some borrowers alleged that the Debtor was not properly licensed to service loans in their state. The Trustee was also advised by many borrowers that they did not receive 1098 mortgage statements for the year 2013 required to be sent under federal law and, in many instances, did not receive monthly statements. Other borrowers alleged improper credit reporting. The Trustee also received copies of numerous Better Business Bureau complaints and state attorney general complaints against the Debtor from borrowers for actions allegedly taken by Debtor prior to her appointment. The Trustee's initial investigation indicates that at a minimum, the Debtor may have had inadequate staff to properly service loans of this kind.

17. During this period, many of the borrowers were requesting information about their loans and/or payoff information to be able to satisfy those loans in full. Because the Trustee did not yet have access to the Debtor's electronic servicing records, it was almost impossible for the Trustee to reconstruct the Debtor's records in order to provide payoff information to borrowers who requested it. Consequently, on February 25, 2014 the Trustee filed her Motion To Approve Procedure For Compromise And Settlement Of A Class Of Claims ("Settlement Motion") [Dkt. #536] requesting an interim protocol for responding to borrower payoff and short sale requests. An Order was entered on the Settlement Motion on April 9, 2014 [Dkt. #615]. Additionally, as

¹⁵ As a result of these contacts with borrowers (and as further set forth below), the Trustee gleaned information from borrowers of the Debtor that evidenced efforts of former management and employees of the Debtor to de-stabilize the Estate and to siphon additional money from the Estate after the Trustee's appointment, through an unauthorized operation of the Debtor, both inside and outside of the U.S.

described in more detail below, it became apparent that demand was being made on borrowers by individuals connected with the rogue operation for incorrect balances due and payoffs were being accepted without authority and being diverted from the Trustee after her appointment. Certain payoff checks routed by borrowers to Miami at the request of the rogue operation are literally missing in action, have not been negotiated, but due to certain bank regulations have not yet been replaced, leaving the borrower with a paid balance but no release.

18. In early February of 2014, the Trustee began investigating professional servicing companies eligible for possible retention for the Estate. In the interim, because of the highly regulatory nature of the mortgage servicing business,¹⁶ and in light of the incomplete information the Trustee had, she filed on March 5, 2014, her Motion for Interim Authority *Nunc Pro Tunc* to January 8, 2014, to Service Loans in the Ordinary Course of Business (the “**Interim Servicing Motion**”) [Dkt. #553] pending the retention of a professional mortgage servicing company. On April 11, 2014, this Court granted the Interim Servicing Motion [Dkt. #616].

19. After due diligence, the Trustee selected a professional mortgage servicing company. On April 11, 2014, the Trustee filed her Application To Employ Loan Servicing Company And To Establish Settlement Authority (“**Application**”) [Dkt. #618]. In that Application, the Trustee sought to retain Vantium Capital, Inc., (“**Servicer**”).¹⁷ EFP/BHT objected to the Application [Dkt. #630]. The Trustee’s employment of the Servicer was not approved until June 3, 2014 [Dkt. #702] and the Servicer went “live” with servicing on June 20, 2014. The loan

¹⁶ Mortgage servicing is a highly specialized industry subject to state and federal law, such as RESPA and related regulations and the Fair Debt Collection Practices Act and related regulations. Importantly, the Consumer Financial Protection Board enacted new regulations effective January 10, 2014.

¹⁷ The Servicer has since changed its name to Clear Spring Loan Servicing, Inc.

files created by the Trustee from the calls and payments received on loans from January to June that were to be boarded with the Servicer were prepared and shipped to the Servicer.¹⁸

20. However, not all loans are being serviced by the Servicer. For example, there are loans for which there is inadequate information to board with the Servicer. The Trustee must continue to service these loans in accordance with the Order approving the Interim Servicing Motion.¹⁹

B. Challenges to Stabilization

21. As set forth above, the Trustee did not have the Debtor's books and records, including original mortgage instruments, which rendered the servicing of the loans difficult at best. In fact, based on interviews with certain former employees of the Debtor, it was the Debtor's practice (in order to save recording fees) not to record original mortgage assignments until a borrower paid off the loan. The Trustee learned that prior to this bankruptcy case being filed a custodian released to Dickson a sizeable number of original mortgage assignments that have never been turned over to the Trustee despite her demand. Consequently, the Trustee has encountered enormous difficulties in cancelling of recorded mortgages that have been paid in full because the land records do not reflect the Debtor as mortgagee through recorded assignment. Although the Trustee in late April of 2014 obtained remote access to three of the Debtor's computer servers in Panama that contained some loan information and copies of some documents, these servers did not

¹⁸ Approximately 500 physical files were shipped to the Servicer by the Trustee. The Servicer boarded the loans together with the loans on the Debtor's computer servers located in Panama to which the Trustee gained access on or about April 29, 2014.

¹⁹ The Trustee does not have complete records of the Debtor in spite of multiple demands for turnover and has no former employees of the Debtor that could be considered either Estate "friendly" or wholly trustworthy to assist in operations due to the rogue operation of the Debtor's business in the face of her appointment.

contain all loan information and documents and contained little by way of operational information for the Debtor's business. Consequently, up to the present time the Trustee has been hindered by lack of data, which has created a variety of legal issues and complications with which she has had to deal.

22. A sizeable number of borrower loans were the subject of borrower bankruptcy cases (primarily Chapter 7 and 13) at the time the Trustee was appointed, and more petitions have been filed since the Trustee's appointment. These cases have been filed all over the Country. The Trustee has had to file proofs of claim and other pleadings in numerous jurisdictions. Moreover, the Trustee has had to analyze and respond to foreclosure proceedings by first lienholders all over the United States. Based on information gleaned from some of the Debtor's computer records obtained in late April, 2014, it is believed that one or more of the Defendants in the Trustee's Adversary Proceeding collected another \$596,321.68 in November of 2013 and \$754,738.99 in December of 2013. These funds were not deposited into the Debtor's debtor-in-possession accounts and are presumed to have been transferred to accounts owned or controlled by one or more of said Defendants.

23. On January 31, 2014, the Trustee intercepted at the Debtor's 234 East Capitol Street location a customer/borrower of the Debtor who was making her customary cash payment on her CHFS loan. This borrower stated she always dropped her payment off with a person known to be a former Debtor employee at the Debtor's 234 East Capitol Street location. This employee, when questioned by the Trustee on January 31, claimed she worked for DMI. This naturally raised alarm that the Debtor, its officers, employees, and/or principals, as well as its affiliates, were engaging in a full-court press to re-direct payments away from the Estate. Moreover, on that same date the Trustee was denied access to the inner offices by family members of Dickson who

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claimed that the Debtor's lease had been terminated some three weeks before. When the Trustee returned to the premises on Monday, February 3, 2014 with Dickson's consent through counsel, the offices previously occupied by the Debtor and its affiliates on the Friday before (January 31, 2014) were dark, files and other items had been removed, items that could be seen hanging on the walls the prior Friday had been removed, and even the former Debtor's employee was no longer present. The Trustee's concerns regarding missing assets were further elevated when the Trustee learned on February 8, 2014, that employees of the Debtor filed notices in mid-December of 2013 (just prior to the filing of the Disclosure) in at least 5 Chapter 13 cases in other jurisdictions requesting that Chapter 13 payments owed to the Debtor be sent to a Las Vegas, Nevada, post office box controlled by the Debtor and not previously disclosed to this Court. Furthermore, the Trustee learned the week of February 10, 2014, that the Debtor apparently continued to accept payments on-line via the Debtor's website after the Disclosure was filed. Shortly thereafter, the Trustee gained control of the Debtor's website and disabled the on-line payment function to prevent further diversion.

24. Subsequently, the Trustee learned factual information from discussions with dozens of borrowers whose loans were serviced by the Debtor indicating that Dickson and others conspired to divert money from the Estate after the Trustee seized control of the Debtor's Nevada post office box and website. The scheme involved sending borrowers letters with pre-addressed envelopes advising borrowers to send their payments to a new address in Miami, Florida. The scheme also involved sending "dunning" letters to borrowers alleged to be behind in their payments after automatic draft payments were stalled through no fault of borrowers shortly after the Disclosure was filed and the rogue operation moved to Latin America. This rogue operation involved phone calls by alleged employees of the Debtor (Americans in Costa Rica using internet-

based phones with Iowa area codes to create the impression of being in the United States) asking borrowers for electronic payment information or otherwise defrauding borrowers by alleging that the Debtor's computer servers were "down" and that payments had to be made by a method other than electronic transfer. In some of these phone calls, borrowers were told that the Debtor was not in bankruptcy and that borrowers could ignore the Trustee's notice to remit future payments directly to the Trustee.²⁰ One borrower provided the Trustee a copy of his bank statement showing a March 7, 2014, debit for his payment to the Debtor by "Brookwood Byram Co., Byram, MS." Dickson family members and/or affiliates continued to send and receive Federal Express packages on the Debtor's Federal Express account at the 234 East Capital Street location and at the Debtor's Costa Rica location up through at least February of 2014.

25. Moreover, Dickson sent an e-mail to the Debtor's Nevada registered agent for service of process on February 11, 2014 – several weeks after the Trustee's appointment had been approved – directing the registered agent to use DMI's UPS account number to ship the Debtor's mail to "William D. Dickson c/o Xinia Avila Esquivel, Oficentro La Saban Edif., 7 Planta Baja, San Jose, Costa Rica and could not have obtained possession or returned these checks to the Trustee without the assistance of others since he was not in the United States at the time. In March of 2014, Dickson's son delivered checks to the Trustee's office made payable to the Debtor but which were endorsed by Dickson allegedly on behalf of the Debtor after the Trustee's appointment (yet without her consent) but marked to be deposited into a Dickson Enterprises account at Omni Bank. The envelopes for these checks had already been opened and removed and the checks had been prepared for deposit. Dickson at the time was in Panama or Costa Rica and could not have

²⁰ Indeed, one borrower has supplied the Trustee with an affidavit to this effect. *See, e.g., Dkt. #533* (Affidavit of Tabitha Brigham).

obtained possession or returned these checks to the Trustee without the assistance of others. Upon information and belief, checks collected after the Trustee's appointment were sent to Dickson using the Debtor's FedEx account, were endorsed, and then returned to the United States by FedEx for deposit.

26. As late as April of 2014, funds that should have been directed to the Trustee continued to be deposited in the Victory Wells Fargo account pursuant to, among other things, the change of the Advantage ACH deposit agreement from the Debtor's accounts with BancorpSouth to the Victory accounts at Wells Fargo. Furthermore, payments on loans being serviced by the Debtor continued to be diverted via Western Union that should have been remitted to the Trustee. Western Union payments into the BancorpSouth lockbox ceased within a few weeks of the Disclosure being filed. The Trustee believes these payments were diverted by Dickson and those participating in the rogue operation of the Debtor's business.

27. Another component of the rogue business operation designed to divert funds from the Estate involved payoffs. A title company would make a payoff check payable to Banvivienda Bank in Panama. Banvivienda Bank would then return the check, contact the title company or its bank and request that the funds be wire transferred. In a variation of the same theme, a former Debtor employee went to a BancorpSouth branch and purchased (with funds allegedly belonging to DMI) a BancorpSouth Official Check Number 2203001 dated January 29, 2014, payable to Community Home Financial Services, Inc., in the amount of \$300,000.00. The check was later returned by Banvivienda to BancorpSouth pursuant to an International Collection Letter dated March 6, 2014, enclosing Check No. 2203001 for \$300,000 drawn on BancorpSouth Bank and made payable to Community Home Financial Services, Inc. and requesting that the proceeds reflected by the check be wire transferred to HSBC for credit to an account with Banvivienda.

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Banvivienda purported to be acting as “agent for our client” , i.e., the Debtor as payee of the check. None of this transpired with the Trustee’s consent and in fact occurred in the face of her turnover demands.

28. On March 10, 2014, a criminal complaint was filed against Dickson, who was detained in federal custody and deported from Panama while en route to Costa Rica. An indictment was issued on April 9, 2014, Criminal No. 3:14-cr-00078-TSL-FKB, United States District Court for the Southern District of Mississippi. A true and correct copy of the Complaint which is of public record is attached hereto as Exhibit “1.” Dickson is presently awaiting trial. Following Dickson’s arrest, the unauthorized operations in Latin America appear to have ceased. The Trustee, however, believes that assets remain in Costa Rica and Panama which are property of the Estate.

C. Asset Recovery

29. As a result of the Trustee’s initial efforts, some borrowers began sending their monthly payments to the Trustee. Some borrowers have paid off their loans in full or settled their loans under the protocol established by the Settlement Motion.

30. Since the employment of the Servicer in June, 2014, the Estate has collected the sum of \$2,229,236.99 from borrowers, which represents a significant increase in collections per month from borrowers from January to May. This shows an increased stabilization of the loan portfolio.

31. The Trustee has intercepted various payments that would otherwise have been lost to the rogue operation:

- a. \$53,293.40- -February 25, 2014.
- b. \$300,000.00- - March 25, 2014

c. \$261,162.86 – received by the Trustee on May 12, 2014

32. After weeks of negotiations with Dickson and failed attempts to return funds, the Trustee received on July 10, 2014, \$4,924,025.58 wired from a Panamanian bank after negotiating the voluntary return of said funds. An additional \$2 million is expected to be returned voluntarily and the Trustee continues to push for its return.

33. The Trustee also has recovered funds from first mortgage lenders who foreclosed on properties in violation of the CHFS automatic stay.²¹

34. Since her appointment, the Trustee has recovered approximately \$8.5 million for the Estate from all sources (initial Trustee collection from borrowers, Servicer collection from borrowers, intercepted funds, and repatriated funds) for an increase in funds available at the outset of her appointment eleven months ago of 1,063%.

35. The Trustee has located some real properties that were foreclosed on by the Debtor or otherwise placed in the Debtor's name that were not scheduled on the Debtor's bankruptcy Schedules. The Trustee is in the process of seeking authority for protocols to administer these properties (the "REO Motion") [Dkt. #899].²² Potential buyers have already contacted the Trustee on at least three properties and are awaiting for the REO Motion and proposed protocols to be approved.

²¹ The Trustee continues to analyze possible claims against lenders for violation of the automatic stay.

²² The Trustee has been advised that some properties titled in the Debtor or in which the Debtor holds a lien are subject to being demolished as public nuisances/hazards. In order to avoid the Estate being assessed with demolition costs, the Trustee may choose to cancel those liens or otherwise abandon those properties in the ordinary course of business.

D. Avoidance Actions

36. In late May and early June of 2014, the Trustee learned that an auction had been scheduled for properties in which insiders and/or affiliates of the Debtor had asserted an interest.²³ Because the Trustee's investigation was not complete, it was unclear whether some of those properties may have been purchased with funds obtained from the Debtor. Furthermore, the Trustee had determined that the \$3.2 million dollars in "loans" to affiliates²⁴ and other post-petition transfers were voidable.²⁵ Moreover, through at least January of 2014, DMI, DHMI, Victory, Crisco, Double S, and Dickson Enterprises were all located in the same building as the Debtor, namely, 234 East Capitol Street, Jackson, MS.²⁶ In fact, not only did DMI, DHMI, Victory, Crisco, and Double S share the same office space with the Debtor but they also shared in

²³ In fact, some of the properties were encumbered in late December of 2013 by Fasthed Hipotecas E Inversiones, S.A., ("**Fasthed**") an entity purporting to be at the same address as the Latin American offices of the registered agent of Debtor and/or the Warren Foundation.

²⁴ As defined in Sections 101(2) and (31) of the Code and/or Miss. Code Ann. § 15-3-103.

²⁵ Upon information and belief, some of the Debtor's money transferred pre-petition and/or post-petition to bank accounts in Latin America has been transferred to one or more of the Defendants or has funded purchases by one or more of the Defendants, including real property in Latin America and mortgage loans in Latin America, the proceeds of which are generating income received from additional borrowers. The identity of these borrowers has not been provided to the Trustee despite her demand. Moreover, it is believed that Dickson owns or controls various corporate entities in Latin America which may have been the recipients of the funds transferred. Under Section 550 of the Code, the Trustee may recover from the mediate or immediate transferee of the transfers hereunder and reserves all rights with respect thereto once the entities and properties have been ascertained. Furthermore, upon information and belief, both pre-petition and post-petition, the Debtor caused to be transferred to affiliates and/or insiders, including DMI and DHMI, loans that previously had been owned by the Debtor (together, "**Loan Transfers**").

²⁶ The Debtor had a commercial lease agreement with Dickson Enterprises dated March 30, 2005 for office space for \$15,000 a month until March 31, 2016 (the "**Lease**"). Interestingly, none of the other affiliates paid rent to the Debtor or to Dickson Enterprise, the purported owner of the building, but the Trustee has received numerous invoices for expenses related to the building apparently being charged to the Debtor.

whole or in part the same employees as the Debtor and used such employees to function on a day-to-day basis. Also, DMI, DHMI, Crisco, Dickson Enterprises, Victory, and Double S had continuous access to the Debtor's bank accounts, books, records, computers, and other proprietary information.

37. Consequently, on June 4, 2014, the Trustee filed her Verified Complaint²⁷ to: (1) Recover Money, Damages or Property; (2) to Avoid Pre-Petition and Post-Petition Transfers; (3) for Turnover of Property; (4) for Injunctive Relief; and (5) for Equitable Subordination against DMI; DMHI; Double S; Crisco; Victory;²⁸ Dickson Enterprises; Phalanx, Inc. ("Phalanx"); Dickson;²⁹ Brookwood-Byram Country Club, Inc. ("BBCC"); Colby Dickson ("Colby");³⁰ Cristen Dickson Nelson ("Cristen");³¹ Beau Nelson ("Beau");³² Reshonda Rhodes ("Rhodes");³³ Carol Runnels ("Runnels");³⁴ Warren Foundation;³⁵ Nick Clark d/b/a Nick Clark Auctions ("Clark");

²⁷ See *supra* footnote 1.

²⁸ Victory is purportedly the 100% owner of the Debtor, DMI, DMHI, Double S, and Dickson Enterprises. At one point in time, Dickson was the 100% owner of Victory. Upon information and belief, Dickson transferred the Victory stock to Warren Foundation in 2012, near the time of the Debtor's Chapter 11 filing.

²⁹ Dickson was at all times relevant the President and/or Director and/or was a person in control of these affiliates/insiders.

³⁰ Colby is the son of Dickson.

³¹ Cristen is the daughter of Dickson.

³² Beau is the son-in-law of Dickson.

³³ Rhodes is a former employee of the Debtor and DMI.

³⁴ Runnels is a former employee of the Debtor and DMI.

³⁵ The Warren Foundation purportedly owns 100% of Victory. Colby and Cristen are believed to be beneficiaries of the Warren Foundation and Dickson is believed to be a control person of the Warren Foundation.

William Head d/b/a Head Auctions (“**Head**”).³⁶ The Complaint was amended on June 25, 2014 [AP Dkt. #33]³⁷.

38. The Complaint, as amended, in addition to seeking recovery of avoidance actions, seeks to compel the return of books and records and the liquidation of various tort claims. All defendants have been served except for Warren Foundation which is in process pursuant to international protocols.

V. MISCELLANEOUS PROCEDURAL MATTERS

A. Professionals Retained by the Trustee

39. The Trustee has retained Jones Walker as lead counsel³⁸, John D. Moore, P.A. as special counsel³⁹, and Stephen Smith as CPA⁴⁰.

40. The Trustee retained Spotts Fain as special counsel.⁴¹

41. The Trustee will soon file applications to employ Latin American counsel for pursuit of matters in Costa Rica and Panama.

³⁶ Clark and Head are nominal parties.

³⁷ Certain interim relief was provided by agreed order to allow the auctions to proceed. Agreed Order [Trustee’s Adversary, Dkt. #7] entered on June 5, 2014; Supplemental Agreed Order [Trustee’s Adversary, Dkt. #15] entered on June 12, 2014; Second Supplemental Agreed Order [Trustee’s Adversary, Dkt. #54] entered on June 30, 2014.

³⁸ See Dkt. #558.

³⁹ See Dkt. #625.

⁴⁰ See Dkt. #661.

⁴¹ See Dkt. #835.

B. Inventory, Monthly Operating Reports and U.S. Trustee Quarterly Fees

42. Because the books and records and other assets have not yet been fully surrendered and because the Debtor had filed schedules, the Trustee did not complete an inventory of property of the Debtor.

43. The last monthly operating report filed by the Debtor was the report filed in October of 2013. The Trustee has filed monthly operating reports from November of 2013 to the present. The Trustee does not represent the accuracy of these reports as they are based on incomplete information. These reports include collections through the Court approved Servicer.

44. The Trustee is current on quarterly fees owed to the Office of United States Trustee.

C. 2013 1098 Forms and Other Tax Issues

45. Many borrowers asked for 1098s for 2013 tax returns. Some were sent by the Debtor⁴² but given the number of inquiries, it is apparent that not all were sent. It is unknown exactly how many were sent or to whom. The Trustee had to purchase software to unlock the Debtor's 1098 software as a result. The Trustee is in the process of sending 1098s to borrowers for 2013.

46. The Trustee, through counsel, requested filing extensions in numerous states and on the federal level and has responded to a variety of employment tax labor department notices. The Trustee has filed the federal and Mississippi tax returns for 2013 in keeping with the Debtor's apparent prior reporting practices based on the limited information available.

47. The Trustee is currently investigating issues relating to privilege taxes and income tax issues in multiple states.

⁴² The Trustee has received a few 1098s as returned mail.

D. Title 18 Investigation and Other Investigation

48. The Trustee has complied and will continue to comply with 18 U.S.C. § 3057(a) in accordance with her duties.

49. The Trustee is scheduled to conduct an assets-only examination of Dickson under Rule 2004 on December 17, 2014. Other examinations are expected to follow. Trustee has reviewed prior depositions and evidentiary testimony of Dickson and others.

E. Borrower Litigation, Foreclosures, Chapter 13 Bankruptcies and Tax Sales

50. The Trustee has received hundreds of notices from or on behalf of borrowers ranging from suits filed, tax sale notices, demolition notices, insurance cancellations, and Chapter 13 pleadings.

51. The Trustee reviews these matters and refers them to the Servicer and/or counsel as may be appropriate so that appropriate action may be taken and the Estate's rights may be protected. Often times these notices are time sensitive and/or require immediate attention.

52. The Trustee is monitoring all borrowers in Chapter 13 bankruptcy through counsel.⁴³

F. Executory Contracts and Unexpired Leases

53. The Trustee reviewed contracts and executory contracts revealed from her investigation. The Trustee has obtained an order rejecting the executory contract with SN Servicing Corporation and an order rejecting the executory contracts and unexpired leases set forth on the list attached hereto as Exhibit "2".⁴⁴

⁴³ The monitoring of the Chapter 13 bankruptcy cases was eliminated from the servicing contract in an effort to save the Estate from additional servicing fees associated therewith.

⁴⁴ See Dkt. Nos. 705 and 718.

G. Response to Regulatory Inquiries

54. The Trustee and her counsel have had to respond to a variety of subpoenas, inquiries, complaints and correspondence regarding borrower complaints to regulators, better business bureaus and state agencies.

H. Trustee's Recommendation to Date

55. The Trustee does not recommend dismissal or conversion of this case. Dismissal of this bankruptcy case could have a negative impact on the criminal prosecution of Dickson and could negatively impact the Servicer's ability to service the loans, who would for all practical purposes have no client on whose behalf it could act. Thus, borrowers could be harmed in addition to the Estate's creditors since no one could respond to further the operation of the business and comply with regulatory demands. Additionally, many borrowers of the Debtor are in bankruptcy themselves and the failure to act timely in said cases and respond to bankruptcy notices could seriously interfere with collections from borrowers owing the Estate money. Similarly, a Chapter 7 trustee would have to obtain authority to operate the Debtor's business – authority the Trustee already has by operation of law – to maximize Estate recoveries.

56. Moreover, the Trustee has numerous claims and causes of action that need to be pursued on behalf of the Estate. The Trustee intends to proceed with a variety of examinations under Fed. R. Bankr. Proc. 2004 and/or depositions in her adversary proceeding⁴⁵ to investigate these claims.

⁴⁵ See *supra* footnote 1.

57. The Trustee will take the Rule 2004 examination of Dickson on December 17, 2014. This examination is intended to be focused on the location of the Estate's assets only.⁴⁶ The results of that examination will dictate the order in which future actions are pursued.

58. The Trustee expects in the near future to file a disclosure statement and a plan of liquidation which will propose to resolve the adversary proceedings initiated by the Debtor, provide distributions to creditors and establish protocols and funding sufficient to support the prosecution of the Trustee's Adversary Proceeding, asset searches and liquidation, and any related Estate causes of action for a stated period of time.⁴⁷

WHEREFORE, the Trustee files her Statement in the above-referenced Chapter 11 proceeding.

DATED: December 17, 2014.

Respectfully submitted,

KRISTINA M. JOHNSON,
TRUSTEE OF THE ESTATE OF
COMMUNITY HOME
FINANCIAL SERVICES, INC.

By: s/ Kristina M. Johnson
KRISTINA M. JOHNSON

KRISTINA M. JOHNSON, CHAPTER 11
TRUSTEE OF THE ESTATE OF COMMUNITY
HOME FINANCIAL SERVICES, INC.
Jones Walker LLP
190 East Capitol Street, Suite 800 (39201)
Post Office Box 427
Jackson, Mississippi 39205-0427
Telephone: (601) 949-4785
Facsimile: (601) 949-4804
kjohnson@joneswalker.com

⁴⁶ See Dkt. Nos. 887 and 908.

⁴⁷ The exact terms of the plan have not yet been decided. The Trustee provides this general description to satisfy 1106(a)(3)-(5).

CERTIFICATE OF SERVICE

I hereby certify that on December 17, 2014, I electronically filed the foregoing with the Clerk of the Court using the ECF system which sent notification of such filing to the parties set forth in the Electronic Mail Notice List as of the date hereof, including the following:

Ronald H. McAlpin, Esq.
ronald.mcalpin@usdoj.gov

Luther M. Dove, Esq.
lukedove@dovechill.com

Jim F. Spencer, Jr., Esq.
jspencer@watkinseager.com

Stephanie M. Rippee, Esq.
srippee@watkinseager.com

Eileen N. Shaffer
enslaw@bellsouth.net

DATED: December 17, 2014.

s/Kristina M. Johnson _____

EXHIBIT “1”

AO 91 (Rev. 11/11) Criminal Complaint

UNITED STATES DISTRICT COURT

for the

Southern District of Mississippi

Filed

MAR 1 2014

United States of America

v.

William D. Dickson a/k/a Butch Dickson

U.S. Magistrate Judge

Case No. 3:14-mj-521-FKB

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of 11/5/2013 through 1/7/2014 in the county of Hinds in the Southern District of Mississippi, the defendant(s) violated:

Code Section

18 U.S.C. Section 1349

Offense Description

Conspiracy to Commit Bank Fraud

This criminal complaint is based on these facts:

See the affidavit of FBI Special Agent Bradley Hentschel, attached to this application and incorporated herein by reference.

☒ Continued on the attached sheet.



Complainant's signature

Bradley Hentschel, Special Agent, FBI

Printed name and title

Sworn to before me and signed in my presence.

Date: 3/10/2014



Judge's signature

City and state: Jackson, Mississippi

F. Keith Ball, United States Magistrate Judge

Printed name and title

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI

COMPLAINT

I, Bradley Hentschel, affiant, having been duly sworn, hereby depose and state that:

I. Background Information of Lead Agent

1. I, Bradley Hentschel, have been a Special Agent of the Federal Bureau of Investigation ("FBI") since July 2010. I am assigned to FBI's Jackson, Mississippi Office, which has investigative responsibility for federal crimes committed in the State of Mississippi within the jurisdiction of the FBI. During my employment as an FBI Special Agent, I have received training on the investigation of white collar crimes, and I have conducted and, otherwise, participated in numerous white collar criminal investigations, including some which involve financial fraud and embezzlement.

2. The information contained in this Affidavit is based on my training and experience; on my personal knowledge and observations made during the course of this investigation; on information conveyed to me by other agents and witnesses; and on my review of records, documents, and other physical evidence. This Affidavit is intended only to show that there is sufficient probable cause for the requested arrest warrant and, thus, does not set forth all of my knowledge about this matter.

3. The matters detailed in this Affidavit concern the investigation of a number of companies and individuals, including, but not limited to WILLIAM D. DICKSON, also known as BUTCH DICKSON; COMMUNITY HOME FINANCIAL SERVICES ("CHFS"); THE W. W. WARREN FOUNDATION; VICTORY CONSULTING GROUP ("VCG"); and others known and unknown, for violations of Title 18 U.S.C. § 1349, which makes it a crime for any person to knowingly conspire with another person to commit bank fraud. There is probable

cause to believe that WILLIAM D. DICKSON, a/k/a Butch Dickson, and others have conspired to commit bank fraud. Bank fraud is criminalized by Title 18 U.S.C. § 1344, which makes it a crime for anyone to execute, or attempt to execute, a scheme or artifice to defraud a financial institution or to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises.

II. Facts and Circumstances

4. CHFS is a Jackson, Mississippi-based home mortgage lending company.

5. From at least in or about July 2008 through in or about February 2014, William D. Dickson was the President, Director and Secretary of CHFS. Prior to that time, he was President and Director.

6. On or about May 23, 2012, CHFS declared Chapter 11 bankruptcy in the United States Bankruptcy Court for the Southern District of Mississippi.

7. According to a Bankruptcy Court Order, CHFS was prohibited from making unauthorized transfers or expenditures of cash collateral subject to bankruptcy protection. Bankruptcy Court orders issued to CHFS required that CHFS continue collecting on existing mortgage loans in CHFS' management portfolio and secure these ongoing collections in accounts subject to bankruptcy protection.

8. There is probable cause to believe that WILLIAM D. DICKSON, a/k/a Butch Dickson, and others known and unknown, have conspired to knowingly and intentionally commit bank fraud and to violate the Bankruptcy Court's Orders by transferring without legal authority and without the Court's approval, cash collateral out of accounts subject to bankruptcy protection.

9. Between November 5, 2013, and January 7, 2014, WILLIAM D. DICKSON, a/k/a Butch Dickson, and others known and unknown, conspired to wire approximately \$9,095,000.00 from accounts subject to bankruptcy protection to accounts owned and/or controlled by WILLIAM D. DICKSON, a/k/a Butch Dickson and/or in which WILLIAM D. DICKSON, a/k/a Butch Dickson has a financial interest.

10. On or about November 5, 2013, approximately \$900,000.00 was wired from the DIP operating account via HSBC Bank USA to a Banco Panameno account held in the name of the W.W. Warren Foundation, a company in which WILLIAM D. DICKSON, a/k/a Butch Dickson, holds a financial interest.

11. On or about November 12, 2013, approximately \$795,000.00 was wired from the DIP operating account to the same Banco Panameno account held in the name of the W.W. Warren Foundation.

12. On or about November 25, 2013, approximately \$700,000.00 was wired from the DIP operating account to a Wells Fargo account in the name of VICTORY CONSULTING GROUP, INC. (VCG), a company operated and/or controlled by WILLIAM D. DICKSON, a/k/a Butch Dickson.

13. On or about January 7, 2014, VCG, approximately \$450,000.00 was wired from a VCG Wells Fargo account to the same Banco Panameno account held in the name of the W.W. Warren Foundation.

14. On or about December 11, 2013, approximately \$3,500,000.00 was wired from the EFP escrow account to the same Banco Panameno account held in the name of the W.W. Warren Foundation.

15. On or about December 11, 2013, approximately \$2,000,000.00 was wired from the BHT escrow account to the same Banco Panameno account held in the name of the W.W. Warren Foundation.

16. On or about December 19, 2013, approximately \$1,200,000.00 was wired from the DIP operating account to the same Banco Panameno account held in the name of the W.W. Warren Foundation.

17. Each of the wire transfers was made at a Wells Fargo Bank, a federally insured financial institution, by a person yet identified, who represented to bank personnel that he or she had the authority to authorize these wire transfers, when in truth, he or she had no such authority.

18. On or about December 23, 2013, in response to these above-described unauthorized and unlawful bank wire transfers, the Bankruptcy Court appointed an emergency trustee as the representative of CHFS' Chapter 11 estate.

19. According to immigration records, WILLIAM D. DICKSON, a/k/a Butch Dickson, last traveled from the United States to Costa Rica on January 6, 2014. On that date, WILLIAM D. DICKSON, a/k/a Butch Dickson, flew on American Airlines flight 2438 from Miami, Florida, to San Jose, Costa Rica. As of March 7, 2014, immigration records do not indicate that WILLIAM D. DICKSON, a/k/a Butch Dickson, has returned to the United States since that time.

20. The Bankruptcy Trustee has made numerous turnover demands regarding these funds, none of which have resulted in the recovery of the subject Bankruptcy assets.

21. Based on business records CHFS provided to the Bankruptcy Court, CHFS' monthly cash receipts are substantial. CHFS reported monthly cash receipts as \$1,618,898.05 for the period between August 1 to August 31, 2013. For the period beginning September 1 and

ending September 31, 2013, CHFS reported monthly cash receipts of \$1,620,051.51. In the latest report furnished by CHFS to the Bankruptcy Court, CHFS had \$2,223,875.06 in cash receipts between October 1 and October 30, 2013.

22. CHFS collected payments on its mortgage portfolios in three primary ways: in-person, mail, and online payments. As previously discussed, CHFS remains under its obligation to accept and retain all proceeds it receives from mortgages for the benefit of the Bankruptcy estate. Causing said funds to be routed to accounts and locations unknown to the Bankruptcy Court and Trustee conceals those funds from the Bankruptcy Court and Trustee.

23. On February 5, 2014, the Bankruptcy Trustee visited CHFS' known physical location and discovered that the physical office had been emptied and was no longer operational. As a result, CHFS could no longer make collections in person at that address, and, could only collect payments via mail or online, or at a physical location unknown to the Bankruptcy Court and Trustee.

24. Bank records and other credible evidence reveal that WILLIAM D. DICKSON, a/k/a Butch Dickson, has moved CHFS' principal place of business from Jackson, Mississippi, to Panama. The evidence further reveals that CHFS claims to have set up to continue running its business, two branch offices – one in Panama and another in Costa Rica. Since CHFS has left Mississippi, the Bankruptcy Trustee has exercised its right to receive all incoming mail sent to CHFS' Jackson, Mississippi address for the purpose of receiving and depositing the mortgage payments of CHFS customers.

25. Investigation has uncovered a conspiracy to reroute new loan collections from CHFS customers away from its mailing address in Jackson, Mississippi, to undisclosed mailboxes in order to prevent the Bankruptcy Trustee from securing said funds.

26. CHFS and other conspirators have steered mail away from the Trustee by directing its mortgagees to mail their mortgage payments to a Las Vegas address; payments received at the Las Vegas address are then re-shipped by an unknown person or persons to CHFS in Costa Rica. According to information provided to the Bankruptcy Trustee by a former CHFS employee, CHFS opened a "virtual office" in Las Vegas in approximately mid-2013. This office was established and connected to a commercial registered agent who serviced the post office box in Las Vegas. In late 2013, CHFS began sending its mortgagees their account statements that were accompanied by self-addressed envelopes bearing the Las Vegas post office box address. According to the former CHFS employee, CHFS mail that had been sent to the post office box was re-packaged and forwarded to Costa Rica.

27. Once the Bankruptcy Trustee discovered the Las Vegas address, CHFS made another attempt to divert income away from the Bankruptcy Trustee. On February 1, 2014, a change of address form was submitted to the U.S. Postal Service via the Postal Service website that directed mail addressed to the CHFS physical location at 234 East Capitol Street, Jackson, Mississippi, to be forwarded to 8610 NW 72nd Street, #725, Miami, Florida. The change of address was billed to a Visa credit card held in the name of "WILLIAM DICKSON." The Internet Protocol address assigned to the computer used to submit the change of address shows that the computer was located in Costa Rica at the time the change of address was submitted.

28. Open source searches identified several businesses located at address 8610 NW 72nd Street, Miami, Florida, including, but not limited to, Interworld Freight, Inc., and EParcel-Xpress, Inc.

29. The 72nd Street Address in Miami address has also appeared as the payment address on CHFS statements that were being sent to CHFS mortgagees as late as February 17,

2014. The Miami address has been printed on envelope labels which appear to be pasted over the Las Vegas post office box address. These envelopes bearing the Miami address labels were accompanied by statements directing borrowers to forward payment to the Miami address.

30. Investigation has uncovered evidence that CHFS is depositing payments subject to bankruptcy protection into an account outside the United States that is yet unknown to the Trustee. On December 26, 2013, WILLIAM D. DICKSON, a/k/a Butch Dickson, sent a letter to a CHFS customer confirming CHFS' acceptance of the customer's short sale and CHFS lien release. The customer then sent to CHFS' Jackson address a check in the amount satisfying the loan.

31. Later, the customer received a letter dated February 12, 2014, from Banvivienda, a Panama bank associated with Banco Panameno, acknowledging receipt of the check. The letter indicated the bank was "acting as agent for our client" and did not cash the check. Instead, the bank returned the check with instructions to wire the payoff amount via HSBC Bank USA to Banvivienda. The letter listed the payee as Community Home Financial Services, Inc. The returned check was endorsed for deposit to a Banvivienda account in the name of Community Home Financial Services.

32. In addition to having CHFS loan payments forwarded to new addresses, WILLIAM D. DICKSON, a/k/a Butch Dickson, and his co-conspirators have taken other actions to prevent the Trustee from receiving CHFS mail in Jackson. For example, one CHFS borrower reported being contacted by an individual named "David," who purported to be a CHFS employee. "David" advised that mortgagee via telephone to submit the mortgagee's loan payment to CHFS online. When the mortgagee told "David" that the mortgagee would send

his/her payment to the Bankruptcy Trustee, "David" advised that CHFS was not in bankruptcy and was "healthy and strong."

33. Investigation uncovered another example of the conspiracy to divert incoming payments away from the Bankruptcy Trustee. On or about February 17, 2014, a CHFS borrower received a demand letter from CHFS stating that CHFS would take various legal actions against the borrower if the borrower did not pay the full balance of the borrower's loan, a total of \$12,977.70. This letter bore the typed name and title of "William Dickson, President – Community Home Financial Services, Inc.," and directed payment to the Miami address. (Affiant's Note: The borrower provided documentation that the balance of the loan, \$12,409.82, was paid off in November of 2013.)

34. The investigation has also uncovered evidence that certain email accounts are being used by persons involved in the conspiracy to re-route CHFS mortgage payments away from the Bankruptcy Trustee. On or about February 20, 2014, an individual utilizing e-mail account briannichol13@gmail.com contacted a CHFS customer to provide the aforementioned Miami address as the current CHFS payment address. This customer also received a CHFS statement dated February 20, 2014, listing the Miami address as the current CHFS address.

35. The e-mail account briannichol13@gmail.com was used on another occasion to send account information to a CHFS customer. On or about February 22, 2014, a third-party mortgage lender contacted CHFS to request payoff information for a CHFS customer, who was attempting to refinance his CHFS loan. The third-party lender spoke with a CHFS employee via telephone who identified himself as "Brian". "Brian" directed the lender to request payoff information from CHFS by submitting the request via email to briannichol13@gmail.com. Per

“Brian’s” instructions, the lender sent an e-mail confirming the payoff request to e-mail account briannichol13@gmail.com.

36. In response to the third-party lender’s request, an individual utilizing account briannichol13@gmail.com provided a pay-off statement to another CHFS employee named Reshonda Rhodes at email address rrhodes@dminet.biz. This pay-off statement, which listed a total amount of \$53,293.40, was dated February 22, 2014. (Affiant’s Note: During the course of the investigation, I have learned that Reshonda Rhodes is an employee of CHFS and frequent traveler to Central America.)

37. On or about Monday, February 24, 2014, an individual utilizing e-mail address rrhodes@dminet.biz forwarded the pay-off statement for the loan referenced *supra* in paragraph 34 to the third-party lender. This pay-off statement did not direct the third-party lender to make payment to the Bankruptcy Trustee.

38. The investigation has determined that an individual utilizing the CHFS e-mail account attributed to WILLIAM D. DICKSON, a/k/a Butch Dickson, corresponded with CHFS customers regarding CHFS records as late as February, 2014. On February 10, 2014, a CHFS customer sent an e-mail to account butch@dminet.biz requesting tax information from the CHFS customer’s account. An individual utilizing the e-mail account butch@dminet.biz responded on February 14, 2014, by providing the customer’s payment history from 2013, and signed the e-mail as “wdd”. The alias associated with this e-mail account is “BUTCH DICKSON”.

39. Internet service provider searches for “dminet.biz” indicate this domain is hosted in the country of Panama.

40. On March 5, 2014, website hosting service US Next, which hosts the CHFS website, completed a recorded phone call with Colby Dickson regarding the status of payment on

their web hosting account with CHFS (Affiant's note: COLBY DICKSON is the son of WILLIAM D. DICKSON, a/k/a Butch Dickson, and was the top wage earner at CHFS in 2013). During the recorded call, Colby Dickson indicated that WILLIAM D. DICKSON, a/k/a Butch Dickson, still controls CHFS. When asked about payment for web hosting services, the status of the bankruptcy, and where US Next should direct mortgage payments collected online, Colby Dickson indicated any questions about normal business operations should be directed to WILLIAM D. DICKSON, a/k/a Butch Dickson. To that end, COLBY DICKSON provided a direct contact telephone number for WILLIAM D. DICKSON.

41. On March 7, 2014, the Bankruptcy Trustee received a FedEx bill for the CHFS account indicating that WILLIAM D. DICKSON, a/k/a Butch Dickson, and others conducted transactions between Central America and the United States on behalf of CHFS.

42. On January 28, 2014, CHFS employee Reshonda Rhodes sent a package from what appears to be a CHFS office in Costa Rica to "WILLIAM D. DICKSON," Discount Mortgage, Inc., 234 Capitol Street, Jackson, Mississippi (Affiant's Note: This Jackson address is the former physical location of CHFS).

43. On January 30, 2014, an individual identified as Xinia Avila sent a package from the same apparent CHFS office in Costa Rica to Carol Runnels (Affiant's Note: Investigation has identified Carol Runnels as the secretary for CHFS in Jackson). This package was sent to the same Jackson address as referenced in paragraph 40. On the same date, an individual identified as Brian Nichol sent a package from the same Costa Rica address to the aforementioned Jackson address.

44. On January 31, 2014, an individual noted only as "William D D" sent a package from the same Costa Rica address as referenced in paragraphs 40 and 41. This package was sent

to address 6830 Via Del Uro, Suite 105, San Jose, California. Investigation determined this address is occupied by a company called "My FBI Report". According to the company's website, My FBI Report is a division of National Credit Reporting authorized to expedite the process of obtaining a personal FBI criminal report. More specifically, this service assists individuals in sending personal fingerprints to the FBI's fingerprint database. The company's website lists several reasons for ordering a personal FBI criminal report, including personal review, foreign travel or work, work or student visas, adoption requirements, attorney requests, challenge errors and inaccurate information, and court related matters.

CONCLUSION

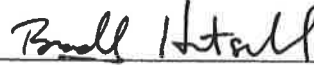
45. Based on the forgoing, I request that the Court issue the proposed complaint and arrest warrant for WILLIAM D. DICKSON, a/k/a Butch Dickson for a violation of Title 18 U.S.C. § 1349.

REQUEST FOR SEALING

46. I further request that the Court order that all papers in support of this application, including the affidavit, complaint, and arrest warrant, be sealed until further order of the Court. These documents discuss an ongoing criminal investigation that is neither public nor known to

all of the targets of the investigation. Accordingly, there is good cause to seal these documents
because their premature disclosure may seriously jeopardize that investigation.

Respectfully submitted,



Bradley Hentschel
Special Agent
Federal Bureau of Investigation

Subscribed and sworn to before me on March 10, 2014



Hon. F. Keith Ball
UNITED STATES MAGISTRATE JUDGE

EXHIBIT “2”

Exhibit B: List of the Executory Contracts Rejected

1. Contract with Central Parking System for use of parking spaces at the Regions Parking Garage (Account Number 2900072-10546)
2. Contract with C Spire Wireless for cell phones (Account Number 0030808795)
3. Contract with Otis Elevator related to elevator maintenance. (Customer Number 414123)
4. Lease with PitneyBowes of certain mail service equipment. (Lease Number 8918873)
5. Contract with Waste Management of Jackson Hauling related to garbage service. (Account Number 780001757700784)
6. Contract with Entergy related to electricity service (Account Number 47823927)
7. Contract with Entergy related to electricity service (Account Number 47823984)