

investors annual returns of 12% to 20%, depending on the specific project purportedly being funded. Defendants Farah and FRM falsely represented to investors that invested monies would be segregated and invested in the specific project that the investors had agreed to fund.

2. From at least 2005, the Defendants in fact did not segregate investor money and used investor money for a variety of purposes not authorized by the offering documents, including paying returns to earlier investors, paying personal expenses, paying operating expenses of FRM and CLM, including Defendants Farah's and Dodge's salaries, donating money to the Center Harbor Christian Church (a non-denominational church owned by Defendant Farah's father and of which Defendant Farah was the treasurer), and for personal investments in speculative businesses. By November 2009, the Defendants had diverted so much money from FRM and CLM that they had no funds left with which to operate and FRM and CLM abruptly ceased operations.

3. Through the activities alleged in this Complaint, Defendants Farah and FRM engaged in: (1) fraud in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 17q(a)]; (2) fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and (3) the offer and sale of unregistered securities, in violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)].

4. Through the activities alleged in this Complaint, Defendants Dodge and CLM engaged in: (1) fraud in the offer or sale of securities, in violation of Section 17(a) of Securities Act [15 U.S.C. § 17q(a)] and (2) fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule

10b-5 thereunder[17 C.F.R. § 240.10b-5], or in the alternative, conduct that aided and abetted Defendant Farah's and/or Defendant Financial Resources Mortgage's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

5. Accordingly, the Commission seeks among other things: (1) entry of a permanent injunction prohibiting the Defendants from further violations of the relevant provisions of the federal securities laws; (2) disgorgement of the Defendants' ill-gotten gains, plus pre-judgment interest; (3) the imposition of civil monetary penalties upon the Defendants due to the egregious nature of their violations; and (4) disgorgement by the Relief Defendant of all unjust enrichment and/or ill-gotten gain received from Defendants.

JURISDICTION AND VENUE

6. The Commission is an agency of the United States of America established by Section 4(a) of the Exchange Act [15 U.S.C. §78d(a)].

7. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§77t and 77v] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§78u and 78aa]. Venue is proper in this District because Defendants FRM and CLM and the Relief Defendant are headquartered in New Hampshire and Defendants Farah and Dodge live in New Hampshire. Many of the acts and practices alleged in this Complaint occurred in this District.

8. In connection with the conduct described in this Complaint, the Defendants directly or indirectly made use of the mails or the means or instruments of transportation and communication in interstate commerce.

9. The Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

DEFENDANTS

10. Scott D. Farah, age 46, is a resident of Meredith, New Hampshire. Defendant Farah was the president and founder of FRM, a mortgage brokerage company. His primary duties at FRM involved soliciting investors to fund construction and other loans.

11. Donald E. Dodge, age 66, is a resident of Belmont, New Hampshire. Defendant Dodge was the president, director, secretary, and treasurer of CLM, FRM's purported loan servicer. He is also principal of Dodge Financial, Inc. ("Dodge Financial"), a New Hampshire corporation that served as trustee for numerous trusts organized by the Defendants to hold interests in real estate in connection with the Defendants' fraudulent ponzi scheme, and owned and operated Greatland Project Development, Corp. ("Greatland"), a New Hampshire corporation involved in various transactions in connection with the Defendants' fraudulent ponzi scheme, including granting and holding numerous mortgages, despite having no other assets, or any income other than funds provided to it by CLM.

12. FRM was a mortgage brokerage company with a principal place of business at 15 Northview Drive in Meredith, New Hampshire.

13. CLM was an unlicensed loan servicing company incorporated in New Hampshire and Nevada, with a principal place of business in Meredith, New Hampshire, in the same building as FRM. CLM serviced all loans brokered through FRM.

RELIEF DEFENDANT

14. Center Harbor Christian Church is a non-denominational church founded, operated, and privately owned by Defendant Farah's father, Robert P. Farah. Robert Farah is the church's pastor. Until recently, Defendant Farah served as the church's treasurer. Center Harbor Christian Church was incorporated as a non-profit in New Hampshire in 1983.

DETAILED ALLEGATIONS

Background

15. In 1989, Defendants Farah and Dodge and two other individuals created the corporation now known as Financial Resources Mortgage, Inc. and served as co-owners. Approximately fifteen years ago, Defendant Farah became the sole owner of FRM.

16. In 2005, at the request of Defendant Farah, Defendant Dodge formed CLM to service all loans brokered by FRM. Dodge and CLM were responsible for, among other things, maintaining funds provided by investors to fund specific loans, disbursing funds to borrowers, and making interest payments to investors. At all times, Defendant Dodge was the sole owner of CLM.

17. Upon information and belief, Dodge and a business partner formed Dodge Financial in 1989, and at some later date Dodge became sole owner. Dodge Financial became the operating entity for CLM and as such, was the entity through which Defendant Dodge received his salary.

18. From at least 2005, Defendants Farah and FRM solicited investors to invest in loans to fund commercial real estate projects and other businesses.

19. Defendants Farah and FRM solicited investors, by among other methods, mailing postcards to persons whose names appeared on a targeted mailing list of previous private

mortgage lenders purchased from a commercial database company. The postcards lured investors by promising high-interest returns for private mortgage lenders.

20. When a prospect indicated an interest in being a private mortgage lender, Defendant Farah added the prospect's name to FRM's list of prospective lenders. Approximately every other week, Defendants Farah and FRM would mail all prospective lenders a two to five page summary of each approved borrower's request for funding (the "investment solicitation materials"). If interested in investing in a particular loan, prospective lenders would call Defendant Farah to request the full underwriting file. Typically, if the prospective lender decided to invest in the loan, the prospective lender would, at Defendant Farah's request, send the funds required for that particular loan to CLM by wire or postal mail.

21. For approximately the first two years of operations, CLM had one account at Citizens Bank dedicated to servicing loans structured by Defendants Farah and FRM, in which Defendants Dodge and CLM deposited all investor funds (CLM had several other accounts at Citizens Bank dedicated to other purposes, such as operations). At or around the end of its second year of operation, Defendant Dodge found it increasingly difficult to reconcile the massive CLM servicing account due to its numerous, frequent transactions, and therefore caused CLM to open a second loan servicing account at Citizens Bank. Thereafter, to assist in the account reconciliation process, Defendants Dodge and CLM alternated between the two servicing accounts every three months, using just one servicing account exclusively while allowing time for transactions in the other servicing account to clear. Defendants Dodge and CLM did not at any time segregate funds in the servicing accounts by individual investor or borrower. Any time an investor sent money to CLM to fund a particular project, the funds went

into one of the two servicing accounts. At no time did CLM have more than five accounts at Citizens Bank, nor did CLM ever have more than two loan servicing accounts.

22. FRM purportedly structured many loans that were set up so that the holder of the note and mortgage was a trust, on which Dodge Financial was trustee. Defendants used the trust structure so that more than one investor could fund a particular loan and yet all retain the first position as creditors, which among other things, made it easier for Farah to attract investors and thereby raise more funds for the Defendants' fraudulent scheme. When the loan was structured through a trust, the trust was the first position creditor, and each investor owned a beneficial interest in the trust proportionate to his, her, or its contribution to the loan. The Defendants achieved a similar result through "simultaneous closings" whereby Defendant Dodge's company, Greatland, was the holder of the note and mortgage and, at the closing of the loan transaction, simultaneously issued two or more assignments to the investors who had funded the loan, so that each investor held a first position.

23. Defendant Farah represented to prospective and actual investors that an investor's funds would be used to fund only the specific loan that the investor agreed to fund, and for no other purpose. The Defendants did not disclose to prospective and actual investors that, in fact, all investor funds were pooled together into the CLM servicing accounts from which the Defendants routinely withdrew funds for, among other things, funding other loans, paying returns to other investors, paying personal expenses, paying operating expenses of FRM and CLM, including Defendants Farah's and Dodge's salaries, donating money to charity, in particular the Center Harbor Christian Church (a non-denominational church owned by Defendant Farah's father and

of which Defendant Farah was the treasurer), and for personal investments in speculative businesses.

24. With respect to many of the loans, Defendant Farah told investors that there was a prepaid interest component. In these instances, Defendant Farah represented to investors that CLM would withhold one year's worth of interest (or some other amount depending on the term of the loan) from the borrower and reserve the funds in an escrow account from which to pay interest to the investor for one year (or other specified period). In fact, CLM in all instances pooled the prepaid interest in one of the general CLM servicing accounts at Citizens Bank and did not in any instance hold the reserve funds in a separate account for the particular loan for which it was reserved or for any particular investor.

25. Many of the loans structured by Defendant Farah and FRM were purportedly construction loans. For construction loans, only a portion of the total loan were to be disbursed to the borrower at closing. The Defendants represented to investors that the remainder of the principal, and any prepaid interest component, were to be held in an account maintained by CLM and disbursed over time as the construction progressed in response to requisitions periodically submitted by the borrower with proof of performance, such as an invoice. CLM maintained those funds [to the extent that they were maintained] in the commingled general servicing accounts at Citizens Bank.

26. Many of the loans structured by Defendant Farah and FRM were defaulted on by the borrowers. When a loan was defaulted on, CLM continued to pay interest to the investor out of its commingled servicing accounts at Citizens Bank.

27. In many instances, Defendants Farah and FRM represented to prospective investors that they planned to have more than one investor fund a loan. In those instances, Defendants Farah

and FRM indicated the required minimum investment in the investment solicitation materials. If an investor chose to provide only the minimum investment, or some amount less than the full amount requested by the borrower, Defendant Farah would direct the investor to send the funds to CLM, which would maintain them towards partial funding of the loan. However, a loan would not close, and no funds would be disbursed to the borrower, until fully funded, which could take weeks or even months.

28. Defendant Farah represented to investors that the borrower would pay, and the investor would receive, interest on the entire principal from the date of investment, even on loan requests that had not yet been fully funded and construction loans that had been only partially disbursed to the borrower. In fact, in these instances, CLM, FRM, or some combination thereof used investor money to make interest payments to investors.

29. Defendant Farah often encouraged investors to “rollover” principal funds towards a new loan, and thereby frequently avoided returning principal to investors. The Defendants used other investors’ funds from the CLM servicing accounts to pay “interest” to investors for the period between the payoff of the former loan and the closing of the new loan.

30. In June 2005, Defendant Farah, on his own behalf, as borrower, and Defendant Dodge, on behalf of CLM, as lender, signed a Discretionary Line of Credit Agreement. The Discretionary Line of Credit Agreement had an original ceiling of \$4 million that was later increased to \$10 million. Pursuant to the Discretionary Line of Credit Agreement, on numerous occasions, at Defendant Farah’s request, CLM transferred money from one of its loan servicing accounts maintained at Citizens Bank to one of FRM’s accounts at Citizens Bank, or to some third party specified by Defendant Farah.

31. From June 2005 to November 2009, Defendant Farah frequently drew off this line of credit, exceeding the \$10 million ceiling and misappropriating for his own use, and for the use of FRM, a total of at least \$20,348,321.43 of investor funds. Neither Defendant Farah nor Defendant Dodge disclosed to any prospective or actual investor that CLM had entered into a Discretionary Line of Credit, nor that investor monies had been and would continue to be used to fund the Discretionary Line of Credit.

Illustrative Fraud against Maine Investors

32. In the Fall of 2007, Defendant Farah and FRM sent a postcard marketing a higher rate of interest on mortgages to prospective investors (a husband and wife) residing in Kittery Point, Maine ("the Maine investors") whose names had appeared on the mailing list that Defendants Farah and FRM purchased from a commercial database. In or around November 2007, in response to the mailing, the Maine investors called the telephone number listed on the postcard and were put in contact with Defendant Dodge. Defendant Dodge told the Maine investors that Defendants Dodge and Farah had been working in the mortgage business for over twenty years and explained FRM's operations. Defendant Dodge scheduled an appointment for the Maine investors to meet personally with Defendants Dodge and Farah at the office of FRM in Meredith, New Hampshire.

33. In or around January 2008, the Maine investors met with Defendants Farah and Dodge at the office of FRM. Defendants Farah and Dodge also brought the Maine investors to CLM's office and introduced them to other employees of FRM and/or CLM. At the meeting, Defendant Farah told the Maine investors that high interest rates were available because the people applying for the loans had bad credit and therefore would not qualify for conventional mortgages. Defendant Farah told the Maine investors that, on a typical twelve month loan, FRM would hold

back from the borrower and maintain in an escrow account the equivalent of one year's worth of monthly interest payments, which would establish for the borrower a record of prompt payment, which would in turn enable the borrower to qualify for a conventional mortgage in the future.

34. Following the meeting, the Maine investors began receiving monthly solicitations from Defendant Farah via electronic mail and United States Postal Service, alerting them to various investment opportunities. The Maine investors soon learned through these mailings that the investment opportunities were not limited to mortgages or construction loans, and included other business loans. When interested in a particular investment opportunity, the Maine investors contacted Defendant Farah to indicate their interest. If the investment opportunity was still available, Defendant Farah sent to the Maine investors via overnight mail additional information such as the borrower's name, social security number, employment history, tax returns for the past 1-3 years, credit reports, and, if applicable, an appraisal of the property.

35. In all instances, the Maine investors provided money to CLM to fund loans to third parties with the belief that the invested funds would be deposited into a CLM bank escrow account. Defendant Farah told the Maine investors that he did not have access to any of the funds in any CLM bank account. In fact, indirectly, Defendant Farah had virtually unfettered access to the Maine investors' funds, and all other funds in the CLM servicing accounts, through the unsecured Discretionary Line of Credit Agreement he and Dodge had executed.

36. In most instances, the Maine investors' contribution to the loan made up only a portion of the total sum that the borrower purportedly requested. In some instances, the Maine investors received documents showing that their contribution to the loan was represented by a proportionate beneficial interest in a trust and that other investors who were funding the same

loan also held proportionate beneficial interests in the same trust. In all instances where their loan was made through a trust, Dodge Financial was identified as trustee of that trust.

37. The Maine investors raised a concern to Defendant Farah regarding whether the size of the bank account holding their invested funds would be at risk for exceeding the Federal Deposit Insurance Company ("FDIC") insurance limits. In response to their concern, Defendant Farah told the Maine investors that he used many separate accounts at many different banks. Defendant Farah told the Maine investors that the invested funds were kept in a separate account from the money of other investors and never in a bank account that exceeded the FDIC insurance limits. In fact, as was the case with all investor funds, the Maine investors' funds were never segregated and were instead deposited into one of CLM's two servicing accounts at Citizens Bank, which frequently had balances that substantially exceeded FDIC insurance limits.

38. In all instances in which a loan closed, the Maine investors received interest ranging from 13% to 20%, from the day the funds were received by CLM. Defendant Farah told the Maine investors that the borrowers were willing to fund interest payments prior to the closings, before any funds had been disbursed, because the borrowers who requested loans through FRM really needed the loans, typically did not qualify for conventional lending, and understood that it might take days, weeks, or months to find enough investors to fully fund the loan. Defendant Farah told the Maine investors that the borrowers understood that in order to get investors to commit to fund a portion of the loan, Defendant Farah had to offer investors a return on their investment from the day their money was invested, and the borrowers would have to pay that interest while Defendant Farah continued to raise the balance of the funds necessary to close the loan.

39. In fact, upon information and belief, borrowers did not pay interest prior to the closing of the loan. Instead, any interest was paid from CLM's commingled servicing account.

40. From 2008 through November 2009, the Maine investors invested in several loans through Defendants Farah and FRM, two of which are detailed below.

Earth Protection Systems, Inc.

41. In or around early to mid August 2008, Scott Farah notified the Maine investors of a lending opportunity requiring a minimum investment of \$50,000 for a term of twelve months at an interest rate of 20%. According to documents provided to the Maine investors by Scott Farah, the borrower, Oskar Klenart of Earth Protection Systems, was seeking a loan against purchase orders for his unique new product, the "Earth Cell Module" that purportedly not only stops erosion on shorelines, but also reverses the erosion damage that has already occurred to an area.

42. On or about August 29, 2008, the Maine investors deposited \$50,000 into a CLM account at Citizens Bank which allegedly resulted in a 2% beneficial ownership interest in the 2008 CPR Trust, for which Dodge Financial served as trustee. According to documents that one or more of the Defendants provided to the Maine investors, the 2008 CPR Trust held a \$2,500,000 promissory note. Prior their investment in the Earth Protection Systems, Inc. loan, Defendant Farah told the Maine investors that he had personally invested in the Earth Protection Systems, Inc. loan.

43. In fact, on information and belief, although Mr. Klenart did seek money from Farah to fund his project, he thought that he had entered into a lending agreement with Defendant Farah who was funding the loan with personal funds and Mr. Klenart was unaware of a promissory note or a trust.

44. The Maine investors believed that their \$50,000 investment would be used to fund the loan to Earth Protection Systems, Inc. on receipt of purchase orders and for no other purpose. They relied on CLM to process the loan by, among other things, making distributions to the borrower based on purchase orders, escrowing interest payments held in reserve from the borrower, and sending monthly interest payments to them.

Foreclosure Investment Borrower

45. In or around late October 2008, Defendant Farah telephoned one of the Maine investors and exclaimed, “. . . [h]ave I got a deal for you!” Defendant Farah proceeded to tell the Maine investor that he had known the borrower, a very successful business man, for over twenty years. Defendant Farah told the Maine investor that the borrower was in the business of buying foreclosures from banks all over the country at “pennies on the dollar” and then turning around and offering the mortgages back to the people who had been foreclosed upon at an affordable rate. Defendant Farah told the Maine investor that the borrower had been very successful in this business in the savings and loan crisis of the 1980’s and that the borrower would really “rake in money.” Scott Farah provided the Maine investors with a spreadsheet purporting to be the borrower’s ongoing business and with a letter purportedly signed by the borrower. Scott Farah told the Maine investors that he himself had invested a large “chunk of money” in the loan.

46. On or about November 12, 2008 the Maine investors invested \$50,000 in a purported loan to the borrower with an interest rate of 18% secured by a portfolio of residential mortgages. They received a letter from CLM acknowledging receipt of their \$50,000 and stating that they would earn 18% from November 13 until the date of closing and 18% from the date of closing. They received a first interest payment of \$1,972.60 for the period November 13, 2008 through

January 31, 2009. Thereafter, they received regular interest payments on their investment through October 30, 2009.

47. Despite receiving regular interest payments, the Maine investors never received closing papers concerning the purported loan. About four to six weeks after their November 2008 investment, one of the Maine investors began to call Defendant Farah periodically to ask why they had not received any paperwork on the loan. Each time, Defendant Farah told the Maine investor that the loan had not closed yet but that it would close within the next month.

Defendant Farah told the Maine investor that the reason the loan had not closed was because the government was in the process of changing the regulations and that the borrower did not want to proceed with the loan until the regulations were finalized. Defendant Farah urged the Maine investor not to worry because the borrower was making interest payments on the loan. In fact, upon information and belief, the borrower was not the source of the interest payments that CLM had been sending to the Maine investors in connection with their investment in the purported loan to the borrower. Instead, Donald Dodge and CLM were using pooled investor funds from the CLM servicing account to make interest payments to the Maine investors on the purported loan to the borrower.

48. Upon information and belief, although the borrower knew Defendant Farah he had never told Defendant Farah that he wanted to borrow money through FRM or otherwise do business with Defendant Farah.

49. The Maine investors believed that the Defendants would use their \$50,000 investment to fund the loan to the borrower secured by a portfolio of residential mortgages, and for no other purpose. The Maine investors relied on CLM to process the loan by, among other things,

making distributions to the borrower based on purchase orders, escrowing interest payments held in reserve from the borrower, and sending them the borrower's monthly interest payments.

C. The Relief Defendant.

50. The Center Harbor Christian Church ("CHCC") was established in 1983 by Scott Farah's father, who serves as its pastor. Scott Farah served as the Center Harbor Christian Church's treasurer from 1993 until recently, and Donald Dodge at one time served as an elder of the Center Harbor Christian Church.

51. CHCC received fund transfers from FRM totaling at least \$475,000 and from CLM totaling at least \$130,000. CHCC also received transfers totaling at least \$64,000 from Defendant Farah and his wife. The relationship between the Defendants and the Relief Defendant and the transfers indicate diversion and misuse of the investor funds.

FIRST CLAIM FOR RELIEF
(Violation of Section 17(a) of the Securities Act)

(All Defendants)

52. The Commission repeats and incorporates by reference the allegations in paragraphs 1-51 above as if set forth fully herein.

53. The Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have obtained or are obtaining money or property by means of untrue statements of material fact or omissions to state a material fact necessary in order to make the statements made, in the light of the circumstances under which

they were made, not misleading; or (c) have engaged or are engaging in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

54. As a result, the defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

SECOND CLAIM FOR RELIEF
(Violation of Section 10(b) of the Exchange Act and Rule 10b-5)

(All Defendants)

55. The Commission repeats and incorporates by reference the allegations in paragraphs 1-51 above as if set forth fully herein.

56. The Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) have engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

57. As a result, the Defendants have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

THIRD CLAIM FOR RELIEF
(Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5)

(Donald Dodge and C L and M, Inc.)

58. The Commission repeats and incorporates by reference the allegations in paragraphs 1-51 above as if set forth fully herein.

59. . Farah and FRM violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] as alleged in the Complaint.

60. Dodge and CLM knew or were reckless in not knowing that Farah's and FRM's conduct was improper and substantially assisted in the in the fraud alleged in the Complaint.

61. By the reason of the foregoing, Dodge and CLM aided and abetted Farah's and FRM's violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and are liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)].

FOURTH CLAIM FOR RELIEF
(Violations of Section 5(a) and 5(c) of the Securities Act)

(Scott Farah and Financial Resources Mortgage, Inc.)

62. The Commission repeats and incorporates by reference the allegations in paragraphs 1-51 above as if set forth fully herein.

63. The notes and equity interests issued by the Defendants are "securities" within the meaning of Section 2(1) of the Securities Act [15 U.S.C. §77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. §78c(a)(10)]. No registration statement was filed with respect to these securities, and no exemption from registration was available.

64. The Defendants, directly or indirectly: (a) have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been in effect and for which no exemption from registration has been available; and/or (b) have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed and for which no exemption from registration has been available.

65. As a result, the Defendants have violated and, unless enjoined, will continue to violate Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§77e(a), and (c)].

FIFTH CLAIM FOR RELIEF
(Unjust Enrichment)

(Relief Defendant)

66. The Commission repeats and incorporates by reference the allegations in paragraphs 1-51 of the Complaint as if set forth fully herein.

67. The Relief Defendant has received investor funds under circumstances dictating that, in equity and good conscience, it should not be allowed to retain such funds.

68. As a result, the Relief Defendant is liable for unjust enrichment and should be required to return its ill-gotten gains, in an amount to be determined by the Court.

PRAAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a preliminary injunction against Defendants Farah and Dodge, order freezing assets against Dodge and Center Harbor Christian Church, and order for other equitable relief against the Defendants and the Relief Defendant in the form submitted with the Commission's motion for such relief, and, upon further motion, enter a comparable preliminary injunction, order freezing assets, and order for other equitable relief;

B. Enter a permanent injunction restraining the Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§77e(a) and (c)] (Farah and FRM only);
2. Section 17(a) of the Securities Act [15 U.S.C. §77q(a)]; and
3. Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5];

C. Require the Defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

D. Order the Defendants to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)];

E. Require the Relief Defendant to disgorge all unjust enrichment and/or ill-gotten gain received from Defendants, plus prejudgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

F. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

G. Award such other and further relief as the Court deems just and proper.

Plaintiff hereby requests that this matter be tried before a jury.



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