

The State of New Hampshire

Mailing Address

State House Room 204
Concord, New Hampshire 03301-4989
Telephone (603) 271-1463
Facsimile (603) 271-7933



Location

State House Annex
25 Capitol St.
Concord, New Hampshire 03301

Department of State Bureau of Securities Regulation

6/17/2003

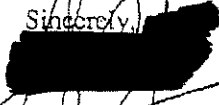
Suzanne Gorman, Esq.
Senior Assistant AG
33 Capitol Street
Concord, NH 03301

Re: Scott Farah and Financial Resources and Assistance of the Lakes Region, Inc.
("FRA")

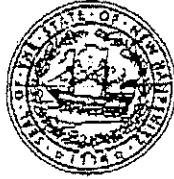
Dear Suzanne:

This letter is a follow-up to our conversation on 6/12/2003. Thank you for spending the time assisting our office. Yesterday, 6/16/2003, the above named Respondents were notified that negotiations for settlement of the state's claims would terminate and the state will proceed to a hearing on 7/8/2003. The investors were also notified by letter of the same date that there will be a hearing to determine the outcome of the alleged violations of unregistered and unlicensed securities transactions and that we represent the state and not the investors. I will wait to hear from you regarding the issue of securing assets for the benefit of the investors. Our hearing date remains 7/8/2003.

Sincerely,


Jeffrey Spill
Staff Attorney

cc:file
via fax



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Department of State
Bureau of Securities Regulation

FAX COVER SHEET

TO: Suzanne Gorman

COMPANY: AG Office

DATE: 6/17/03

FAX NUMBER: 271- [REDACTED]

FROM: J. Spill

TELEPHONE NUMBER TO CALL IN CASE OF PROBLEMS: 603-271-1463

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 2

COMMENTS: _____

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TDD Access: Relay NH 1-800-735-2964

***** -COMM. JOURNAL- ***** DATE JUN-17-2003 TIME 08:17

MODE = MEMORY TRANSMISSION START=JUN-17 08:16 END=JUN-17 08:17

FILE NO. =004

STN NO.	COMM.	ONE-TOUCH/ ABR NO.	STATION NAME/EMAIL ADDRESS/TELEPHONE NO.	PAGES	DURATION
001	OK	*	92712110	002/002	00:00:51

NH BUREAU SECURITIES

***** 603 271 7933 *****

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Department of State
 Bureau of Securities Regulation

FAX COVER SHEET

TO: Ernie Green

COMPANY: AG Office

DATE: 6/17/03

FAX NUMBER: 271- [REDACTED]

FROM: J. Spill

TELEPHONE NUMBER TO CALL IN CASE OF PROBLEMS: 603-271-1463

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Department of State Bureau of Securities Regulation

January 23, 2003

Taryn Johnson
[REDACTED]

Re: Scott Farah and Financial Resources and Assistance
of the Lakes Region, Inc. (the "Company")

Dear Ms. Johnson:

6/12/03

Sue Gorman

From: Jeff Spill

"Bureau"), Department of State, Bureau of Securities Regulation, under the Uniform Securities Act RSA 421-B (the "Act"). In connection with the investigation of the above-referenced investment with the Act. Based upon the results of our investigation, your investment in the Company sold to you was not a qualified investment and its principal, Scott Farah, have been notified of this. We have provided your name and address to the Bureau of Securities Regulation and a conditional agreement regarding these

We are not authorized to bring a civil action to enforce the Act on behalf of individual investors. Therefore, you may not bring any claim you may have. We represent that we are not providing you or provide you with legal or financial advice, nor act as your personal attorney or representative.

Our settlement negotiations with the Company may lead to a formal offer by the Company for you to either confirm or rescind your investment with the Company. If so, you will receive further information from the Company regarding such offer at a later date.

DEPT OF JUSTICE
03 JUL 12 11:12:43

If you have any questions, please call me.

Sincerely,

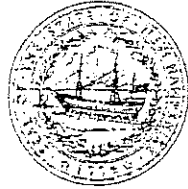
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Jeffrey Spill
Staff Attorney

js/kr

cc:file

The State of New Hampshire



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Department of State
Bureau of Securities Regulation

January 23, 2007

Taryn Johnson
[REDACTED]

Re: Scott Farah and Financial Resources and Assistance
of the Lakes Region, Inc. (the "Company")

Dear Ms. Johnson:

The Bureau of Securities Regulation (the "Bureau"), Department of State, State of New Hampshire, is responsible for administering the Uniform Securities Act RSA 421-B (the "Act"). The Bureau has been conducting an investigation of the above-referenced Company with respect to its compliance with the Act. Based upon the results of our investigation, the Bureau believes that your investment in the Company sold to you was done in violation of the Act. The Company and its principal, Scott Farah, have been cooperating with the Bureau, and have provided your name and address to the Bureau. The Bureau and the Company have reached a conditional agreement regarding these alleged violations.

Be advised that in our role as regulator, we are not authorized to bring a civil action to obtain recovery of an investment on behalf of individual investors. Therefore, you may wish to consult a private attorney regarding any claim you may have. We represent the state in this matter, and can neither represent you or provide you with legal or financial advice, nor act as your personal attorney or representative.

Our settlement negotiations with the Company may lead to a formal offer by the Company for you to either confirm or rescind your investment with the Company. If so, you will receive further information from the Company regarding such offer at a later date.

If you have any questions, please call me.

Sincerely,

A large black rectangular redaction box covering the signature area.


Jeffrey Spill
Staff Attorney

js/kr

cc:file

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE

IN THE MATTER OF:)	ORDER TO SHOW CAUSE
Scott D. Farah,)	ORDER TO CEASE AND DESIST
Financial Resources and Assistance)	
Of the Lakes Region, Inc.)	INV00-007
and T. Gary Coyne)	
)	
RESPONDENTS)	

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:26-a.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:23, the Secretary of State has the authority to issue and cause to be served an order requiring any person appearing to him to be engaged or about to be engaged in any act or practice constituting a violation of RSA 421-B or any rule or order thereunder, to cease and desist from violations of RSA 421-B.

Pursuant to RSA 421-B:24, I, any person who willfully violates a cease and desist order issued pursuant to RSA 421-B:23 shall be guilty of a class B felony.

Pursuant to RSA 421-B:26, the Secretary of State has the authority to suspend, revoke or deny any registration or license and to impose administrative penalties of up to \$2,500.00 for each violation of New Hampshire securities law and rules.

Pursuant to RSA 421-B:26, V, after notice and hearing, the Secretary of State may enter an order of rescission, restitution or disgorgement to any person who has violated RSA 421-B.

Pursuant to RSA 421-B:22, II the Secretary of State may require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which the Secretary of State deems relevant or material to an inquiry.

NOTICE OF RIGHT TO REQUEST A HEARING

The above named respondents have the right to request a hearing on this order to cease and desist and order to show cause, as well as the right to be represented by counsel. Any such request for a hearing shall be in writing, shall be signed by the respondents, or by the duly authorized agent of the above named respondents, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301.

Under the provisions of RSA 421-B:23, I, if respondents fail to request a hearing on the cease and desist order within 30 calendar days of receipt of this order, respondents shall be deemed in default, and this order to cease and desist shall, on the thirty-first day, become permanent.

Upon request for a hearing being received by the Bureau of Securities Regulation, in the manner and form indicated above, a hearing shall be held not later than 10 days after such request is received by the Bureau, after which hearing, and within 20 days of the date of the hearing, the Secretary of State, or such other person authorized by statute, shall issue a further order vacating or modifying this order, or making it permanent, as the circumstances require.

STATEMENT OF ALLEGATIONS

The allegations contained in the Staff Petition for Relief dated November 5, 2001 (a copy of which is attached hereto) are incorporated by reference hereto.

ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the allegations contained in the Staff Petition, if proved true and correct, form the legal basis of the relief requested,

It is hereby ORDERED, that:

1. The Respondents are hereby ordered to immediately cease and desist from the above indicated acts and from in any other way violating RSA 421-B;
2. The Respondents are hereby ordered to produce within ten (10) days the requested information as specified in the Staff Petition and letters of the Bureau dated April 19, 2001, May 8, 2001 and May 10, 2001, copies attached.
3. The Respondents are hereby ordered to show cause why the administrative relief, including the penalties, requested in the Staff Petition should not be imposed; and
4. Failure to request a hearing within 30 days of the date of receipt of this Order shall result in a default judgment being rendered and administrative penalties being imposed upon the defaulting Respondents.

SIGNED,
WILLIAM M. GARDNER
SECRETARY OF STATE
BY HIS DESIGNEE:

Dated: 11/8/01


ROBERT P. AMBROSE
DEPUTY SECRETARY OF STATE

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
CONCORD, NEW HAMPSHIRE

_____)	
)	
STAFF PETITION FOR RELIEF)	
IN THE MATTER OF:)	
)	
Scott D. Farah,)	
Financial Resources and Assistance)	
of the Lakes Region, Inc.,)	No. INV00-007
and T. Gary Coyne)	
)	
Respondents)	
_____)	

STATEMENT OF FACTS

I. The Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as "the Bureau"), hereby petitions the Director, and makes the following statements of fact:

1. Financial Resources and Assistance of the Lakes Region, Inc. (hereinafter "FRA"), is a business entity with a principal office located at 15 Northview Drive, PO Box 1158, Meredith, New Hampshire 03235. FRA was incorporated in the State of New Hampshire on or about 5/18/89. Scott D. Farah (hereinafter "Farah"), is the President and sole owner of FRA. FRA is a licensed New Hampshire mortgage broker and small loan lender engaged in the business of consumer and mortgage lending. T. Gary Coyne (hereinafter "Coyne"), is the sole proprietor of Coyne Associates located at 60 Pleasant Street, PO Box 568, Meredith, New Hampshire 03235. Coyne, is also engaged in the business of consumer and mortgage lending, and during all times material to this petition, his principal office was located at the address of FRA, and he used the letter head and office equipment of FRA. During all times material to this petition, Coyne acted with the apparent and or actual authority of Farah and FRA.
2. On or about January 1996, investor #1, of Pompano Beach, Florida, was introduced to Coyne through a friend. Through a series of phone conversations with Coyne, investor #1 agreed to invest in a series of promissory notes dated 2/26/96, 2/29/96, and 3/19/96. Investor #1 was lead to believe by Coyne, that he was working with FRA. The 2/26/96 note was

issued by Coyne from his office location at FRA in the amount of \$20,000, and investor #1 made a check out to FRA in the amount of \$20,000 for this note. The note has no maturity date and promises to pay investor #1 \$500.00 per month while the note was outstanding. \$500.00 payments were made by Coyne for eleven months and then the payments stopped. Coyne paid back the principal of \$20,000 in December of 1997. The \$20,000 principal was due and payable on demand. The 2/29/96 note was issued by Coyne for \$60,000 from his office at the FRA location, and investor #1 made a check out for \$50,000 to FRA for this note which promises to pay investor #1 \$10,000 in interest plus the principal and was to mature on 6/29/96. The 3/19/96 note was issued by Farah and FRA from the FRA Meredith office location to investor #1 in the amount of \$22,500, and investor #1 wire transferred \$20,000 for this note to FRA. The note was to mature on 5/19/96. Investor #1 was paid \$23,000 on this note on or about 10/25/96.

3. Investor #1 was induced by Coyne to invest in the three promissory notes listed in paragraph 2 through statements by Coyne that the money would be invested in mortgages. In actuality, the money for the 2/26/96 and 3/19/96 notes was placed in the general operating account of FRA and commingled with the funds of FRA for general operating expenses. Neither Coyne, Farah, or any representative of FRA informed investor #1 of this material information.
4. FRA and Farah issued additional promissory notes as follows: On or about 3/5/99, investor #2 was issued a note for \$5,000. On or about 7/2/99, investor #3 was issued a note for \$10,000. On or about 7/2/99, investor #4 was issued a note for \$15,042.61. On or about 8/31/99, investor #5 was issued a note for \$10,000. On or about 2/1/00, investor #6 was issued a note for \$29,000. On or about 2/24/00, investor #7 was issued a note for \$8,000. On or about 2/4/00, investor #8 was issued a note for \$15,000. On or about 3/7/00, investor #9 was issued a note for \$25,000. On or about 4/12/00, investor #10 was issued a note for \$7,000. On or about 6/5/00, investor #11 was issued a note for \$30,000. On or about 6/26/00, investor #12 was issued a note for \$10,000. On or about 6/26/00, investor #13 was issued a note for \$7,000. On or about 7/18/00, investor #14 was issued a note for \$11,000. On or about 9/15/00, investor #8 was issued a note for \$5,000. On or about 10/11/00, investor #15 was issued a note for \$11,310.41. On or about 10/18/00, investor #16 was issued a note for \$179,000. On or about 12/1/00, investor #8 was issued a note for \$20,000, and on or about 1/11/01, investor #17 was issued a note for \$60,000. These notes have a term of repayment ranging from 10 days to indefinite, and a range of effective interest rate from 0% to 119%.
5. During the investigation into the promissory notes listed in this petition, the Bureau, by letters dated 4/19/01, 5/8/01, and 5/10/01, requested additional relevant and material information from Coyne, Farah, and FRA. (The letters

are attached to this petition). The 5/8/01 letter to Coyne was sent certified mail and received by Coyne on 5/10/01. The 5/10/01 letter to Farah and FRA was sent certified mail and received by Farah and FRA on or about 5/14/01. No information was received by the Bureau from Coyne, Farah, or FRA, as a result of those letters.

6. Based on Bureau records, at the time of the issuance of the promissory notes listed in paragraph 4 of the Statement of Facts, Farah and FRA, did not have license or authority to do so by the State of New Hampshire, and the promissory notes were not registered, exempt from registration, or a federal covered security as defined by RSA 421-B.

STATEMENTS OF LAW

II. The Bureau hereby petitions the Director and makes the following statements of law under the New Hampshire Revised Statutes Annotated, RSA 421-B, and regulations thereunder (hereinafter referred to as the Act):

1. Coyne, Farah, and FRA, are each a "Person" within the meaning of RSA 421-B:2.
2. The promissory notes are "securities" within the meaning of RSA 421-B:2.
3. The distribution of the securities listed above constitute "sales" within the meaning of RSA 421-B:2.
4. Farah, and FRA, is an "issuer-dealer" within the meaning of RSA 421-B:2.
5. Pursuant to RSA 421-B:3,II, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly: To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. Coyne violated this section by indicating to investor #1 that the money for the 2/26/96 and 3/19/96 promissory notes listed above would be invested in mortgages and by omitting the actual fact that the money would be deposited in the sole bank account of FRA which was used for the general business operations of FRA. Farah and FRA violated this section by failing to inform investor #1 of this material fact.
6. Pursuant to RSA 421-B:8,III, the Secretary of State may require at any reasonable time and in any reasonable manner from any person or company subject to the chapter, statements, reports, including reports audited by independent public accountants, answers to questionnaires and

other information, and evidence thereof, in whatever form he designates, and at such reasonable intervals as he may choose. Coyne, Farah, and FRA, are in violation of this section for not producing the requested information.

7. Pursuant to RSA 421-B:22,I(f), the Secretary of State may require an issuer to report to him all transactions as they pertain to any security. Such reports shall be made within 10 days after the demand. Coyne, Farah, and FRA, are in violation of this section for not producing the requested information.
8. Pursuant to RSA 421-B:22,II, for the purpose of any investigation, hearing or proceeding under RSA 421-B, the secretary of state or any officer designated by him may subpoena witnesses, compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the secretary of state deems relevant or material to the inquiry. Coyne, Farah, and FRA, are in violation of this section for not producing the requested information.
9. Pursuant to RSA 421-B:11, I, it is unlawful for any person to offer or sell any security in this state unless it is registered under RSA 421-B, exempt under RSA 421-B:17, or a federal covered security for which the fee has been paid and notice has been filed as required by RSA 421-B:11,I-a. Farah, and FRA, are in violation of this section for distributing securities in New Hampshire that were not registered, exempt from registration, or federal covered securities.
10. Pursuant to RSA 421-B:6,I, it is unlawful for any person to transact business in this state as a issuer-dealer unless such person is licensed under RSA 421-B or exempt from licensing. Farah, and FRA, is in violation of this section for transacting business in securities in New Hampshire as an unlicensed issuer-dealer.
11. Pursuant to RSA 421-B:17,V, and RSA 421-B:11,I-b(a) and (c), the burden of proving an exemption, preemption, or an exception from a definition is upon the person claiming it.
12. Pursuant to RSA 421-B:23, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Coyne, Farah, and FRA, are subject to this section for violations of RSA 421-B:3, 421-B:6, 421-B:8, 421-B:11, and 421-B:22.

13. Pursuant to RSA 421-B:26,III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. Coyne is subject to a suspension, revocation, or denial, and a fine for violations of RSA 421-B:3, 421-B:8, and 421-B:22. Farah and FRA are subject to a suspension, revocation, or denial, and a fine for violations of RSA 421-B:3, 421-B:6, 421-B:8,421-B:11, and 421-B:22.
14. Pursuant to RSA 421-B:26,III-a, every person who directly or indirectly controls a person liable under paragraph III, every principal executive officer, or director of such person, may, upon hearing, and in addition to any other penalty provided by law, be subject to such suspension, revocation, or denial of any registration or license, or administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation, and such administrative action or fine may be imposed in addition to any criminal penalties imposed pursuant to RSA 421-B:24 or civil liabilities imposed pursuant to RSA 421-B:25. Farah and FRA are subject to this section.
15. Pursuant to RSA 421-B:26,V, after notice and hearing, the Secretary of State may enter an order of rescission, restitution, or disgorgement directed to a person who has violated RSA 421-B. Coyne, Farah, and FRA are subject to his section for violations of RSA 421-B.

RELIEF REQUESTED

III. The Bureau makes the following requests for relief in the above-referenced matter as permitted under the Act.


1. Find as fact the statements contained in section I of the Statements of Fact.
2. Make conclusions of law relative to the statements contained in section II of the Statements of Law.
3. Pursuant to RSA 421-B:23, issue an order to cease and desist against Coyne, Farah, and FRA, for violations under the Act pursuant to RSA 421-B:23.
4. Assess administrative fines and penalties of \$2,500 per violation against Coyne totaling \$5,000, and against Farah and FRA of \$2,500 per violation totaling \$95,000, for the above-referenced violations under the Act.

5. Order the Respondents to produce the following information: The promissory notes listed in the 4/19/01 letter to Coyne, and items #1 (years 2000 and 2001 only), #2, and #3 listed in the 4/19/01 letter to Farah and FRA.
6. Issue an order denying, suspending, and revoking, any license and registration privileges of the Respondents pursuant to RSA 421-B:26,III and 421-B:26,III-a.
7. Take any other just and equitable relief as permitted under the Act including but limited to rescission, restitution, or disgorgement.

RIGHT TO AMEND

The Bureau's staff reserves the right to amend this Petition for Relief and requests that the Director of Securities Regulation take further enforcement action.

Respectfully submitted by:


Jeffrey D. Spill
Staff Attorney

11/5/01
Date

The State of New Hampshire

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Department of State Bureau of Securities Regulation

4/19/01

Ruth Hall, Esq.
[REDACTED]

Re: Financial Resources and Assistance ("FRA")

Dear Atty Hall:

Thank you for opening the files to our review on 4/17/01. We obtained copies of promissory notes going back two years to 1999. Pursuant to RSA 421-B:8 and 421-B:22 please provide copies of the following additional items:

1. A copy of FRA's check book ledger, checking account ledger, and checking account statements going back to 1/1/96.
2. A copy of a commitment letter dated 1/29/96 from Invest Inc. signed by John Lane. (Mr. Coyne says you have a copy of this letter.)
3. Mr. Farah indicated on 4/17/01 that he issued stock as collateral on promissory notes issued to McCauley and Purens. Provide a copy of any stock ledger, shareholder list, and any evidence that this stock was issued as collateral. Mr. Farah's financial statements indicate that there is outstanding common and preferred stock. Account for all the shares outstanding or issued and redeemed since 1/1/96.

Please provide this information within ten days of this letter.

Thank you.

Sincerely,

Jeffrey Spill
Staff Attorney

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Department of State
Bureau of Securities Regulation

5/8/2001

T. Gary Coyne
[REDACTED]

Re: Coyne Associates

Dear Mr. Coyne:

Reference is made to my request for information dated 4/19/2001, and I enclose a copy for your review. I feel I have given you sufficient opportunity to comply with that request. You should be aware that if I am forced to issue a subpoena for said records, if successful at hearing, the state would be entitled to recover the costs associated with any part of this investigation, and further, failure to comply in itself would be considered a violation of RSA 421-B:22.I(f) and or 421-B:8.III. You have ten days from the date of this letter to respond.

Thank you.

Sincerely,

Jeffrey Spill
Staff Attorney

cc:File

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Department of State Bureau of Securities Regulation

5/10/2001

Scott Farah
Financial Resource and Assistance of the Lakes Region, Inc.
15 Northview Drive
PO Box 1158
Meredith, NH 03253

Dear Mr. Farah:

Reference is made to my request for information dated 4/19/2001, and I enclose a copy for your review. Also, since I know do not know who represents you, I am sending this request to you directly. I feel I have given you sufficient opportunity to comply with that request. You should be aware that if I am forced to issue a subpoena for said records, if successful at hearing, the state would be entitled to recover the costs associated with any part of this investigation, and further, failure to comply would in itself be considered a violation of RSA 421-B:22.I(f) and or 421-B:8.III. You have ten days from the date of this letter to respond.

Thank you.

Sincerely,

Jeffrey Spill
Staff Attorney

Cc:File

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Department of State
Bureau of Securities Regulation

4/19/01

T. Gary Coyne
[REDACTED]

Re: Request for records

Dear Mr. Coyne:

As a follow-up to my examination of your records on 4/13/01, please provide a copy of the following promissory notes we located in your file:

1. Note from Coyne to Rollock dated 3/1/96 for \$2,000.
2. Note from Coyne to Rollock dated 2/16/96 for \$1,100.
3. Note from Coyne to Purens dated 1/8/96 for \$11,000.
4. Note from Coyne to Delaney dated 6/30/96 for \$6,000.
5. Note from Coyne to Delaney dated 8/30/96 for \$6,000.
6. Note from Coyne to Delaney dated 4/30/96 for \$6,000.
7. Note from Coyne to Rollock dated 4/29/97 for \$2,200.
8. Note from Coyne to Leonard dated 7/25/97 for \$10,000.
9. Note from Coyne to Devine dated 12/15/95 for \$22,000.
10. Note from Coyne to Rollock dated 7/14/99 for \$4,500.
11. Note from Coyne to Sojcher dated 4/28/97 for \$2,500.

RSA 421-B:22 and 421-B:8 authorizes the Secretary of State to investigate violations of RSA 421-B. and to obtain copies of your records. Please provide this information within 10 days of this letter.

Thank you.

Sincerely,

Jeffrey Spill
Staff Attorney
Cc:File

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE



IN THE MATTER OF:)
) HEARING ORDER
SCOTT D. FARAH)
FINANCIAL RESOURCES &) INV00-007
ASSISTANCE OF THE LAKES)
REGION, INC., AND)
T. GARY COYNE)

WHEREAS, an Order to Cease and Desist and Order to Show Cause in the above entitled matter was issued on November 8, 2001, and

WHEREAS, a hearing in this matter was scheduled for September 10, 2002, and

WHEREAS, any request for continuance of the hearing shall comply with the provisions of RSA 421-B:26-a, IX and X, and

WHEREAS, Respondent T. Gary Coyne, through motion dated September 9, 2002 requested said hearing be continued to October 8, 2002, having obtained the assent of all parties to this action for such continuance, and

WHEREAS, on September 13, 2002 the Bureau of Securities Regulation filed an amendment to its Staff Petition dated November 5, 2001, and

WHEREAS, on September 27, 2002 Respondent Scott D. Farah, Financial Resources & Assistance of the Lakes Region, Inc. moved for joinder of the Bureau's Staff Petition of November 5, 2001 and amended Petition of September 13, 2002, and requests said hearing scheduled for October 8, 2002 be continued to October 22, 2002, and


WHEREAS, Respondent Scott D. Farah, Financial Resources & Assistance of the Lakes Region, Inc. obtained the assent of all parties to this action for such joinder and continuance,

THEREFORE, it is hereby ORDERED that:

1. For the purposes of this particular request for continuance only, the exigent circumstances requirement of RSA 421-B:26-a shall be deemed to have been met.
2. The Bureau of Securities Regulation Staff Petition of November 5, 2001 and Amended Petition of September 13, 2002 are hereby joined for hearing,
3. A hearing on the above-entitled matter shall be held at 10:00 a.m. on Tuesday, October 22, 2002 at the offices of the Bureau of Securities Regulation, Third Floor, State House Annex, Concord, New Hampshire 03301.

SIGNED,
WILLIAM M. GARDNER
SECRETARY OF STATE
BY HIS DESIGNEE:

Dated: _____


BARRY J. GLENNON
HEARINGS OFFICER

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
CONCORD, NEW HAMPSHIRE

_____)	
STAFF PETITION TO AMEND)	
STAFF PETITION FOR RELIEF)	
IN THE MATTER OF:)	
)	
Scott D. Farah,)	
Financial Resources and Assistance)	
of the Lakes Region, Inc.,)	
and T. Gary Coyne)	NoINV.00-007
)	
Respondents)	
_____)	

STATEMENT OF FACTS

I. The Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as "the Bureau"), hereby petitions to amend the Staff Petition For Relief dated 11/5/2001, by making the following additional statements of fact:

1. Financial Resources and Assistance of the Lakes Region, Inc. (hereinafter "FRA"), is a business entity with a principal office located at 15 Northview Drive, PO Box 1158, Meredith, New Hampshire 03235. FRA was incorporated in the State of New Hampshire on or about 5/18/89. Scott D. Farah (hereinafter "Farah"), is the President and sole owner of FRA. FRA is a licensed New Hampshire mortgage broker and small loan lender engaged in the business of consumer and mortgage lending.
2. On 11/15/2001 a Staff Petition For Relief was filed with the Director of the Bureau alleging violations of RSA 421-B:3, 421-B:6, 421-B:8, 421-B:11, and RSA 421-B:22. Pursuant to said petition a Cease and Desist Order was executed on 11/8/2001, which ordered the Respondents to cease and desist, produce information, and to show cause why relief and penalties should not be imposed. Following said Order to Cease and Desist, Respondents, Farah and FRA produced information which contains evidence of additional violations of RSA 421-B in the issuance of preferred stock of FRA.
3. FRA and Farah issued shares of preferred stock of FRA as follows: On or about 5/96, investor #18 was issued 10 shares. On or about 5/96, investor #18 was

issued 90 shares. On or about 7/96, investor #19 was issued 113 shares. On or about 7/96, investor #18 was issued 80 shares. On or about 9/96, investor #20 was issued 30 shares. On or about 12/96, investor #19 was issued 8 shares. On or about 1/97, investor #16 was issued 68 shares. On or about 4/99, investor #21 was issued 5 shares. On or about 3/00, investor #9 was issued 25 shares. On or about 7/00, investor #22 was issued 39 shares. On or about 7/00, investor #23 was issued 4 shares. On or about 7/00, investor #24 was issued 19 shares. On or about 8/00, investor #11 was issued 40 shares. On or about 10/00, investor #16 was issued 86 shares. These shares have a dividend rate of 12%.

4. FRA and Farah issued additional preferred stock as follows: On or about 1/02, investor #25 was issued 34 shares and investor #26 was issued 34 shares. FRA and Farah redeemed 5 shares of preferred stock on or about 2/02 from investor #21.
5. Based on Bureau records, at the time of the issuance of the preferred shares listed in paragraph 3 of the Statement of Facts, Farah and FRA, did not have license or authority to do so by the State of New Hampshire, and the shares were not registered, exempt from registration, or a federal covered security as defined by RSA 421-B.
6. Based on Bureau records, at the time of the issuance and redemption of the preferred shares listed in paragraph 4 of the Statement of Facts, Farah and FRA, were under a Cease and Desist Order of the New Hampshire Secretary of State dated 11/08/01, and said transactions were conducted without issuer-dealer licensure or approval of the Bureau.

STATEMENTS OF LAW

II. The Bureau hereby petitions the Director to amend the Staff Petition For Relief dated 11/5/2002 by making the following additional statements of law under the New Hampshire Revised Statutes Annotated, RSA 421-B, and regulations thereunder (hereinafter referred to as the Act):

1. Farah, and FRA, are each a "Person" within the meaning of RSA 421-B:2.
2. The preferred stock of FRA are "securities" within the meaning of RSA 421-B:2.
3. The distribution of the securities listed above constitute "sales" within the meaning of RSA 421-B:2.
4. Farah, and FRA, is an "issuer-dealer" within the meaning of RSA 421-B:2.

5. Pursuant to RSA 421-B:11, I, it is unlawful for any person to offer or sell any security in this state unless it is registered under RSA 421-B, exempt under RSA 421-B:17, or a federal covered security for which the fee has been paid and notice has been filed as required by RSA 421-B:11,I-a. Farah, and FRA, are in violation of this section for distributing securities in New Hampshire that were not registered, exempt from registration, or federal covered securities.
6. Pursuant to RSA 421-B:6,I, it is unlawful for any person to transact business in this state as a issuer-dealer unless such person is licensed under RSA 421-B or exempt from licensing. Farah, and FRA, is in violation of this section for transacting business in securities in New Hampshire as an unlicensed issuer-dealer.
7. Pursuant to RSA 421-B:17,V, and RSA 421-B:11,I-b(a) and (c), the burden of proving an exemption, preemption, or an exception from a definition is upon the person claiming it.
8. Pursuant to RSA 421-B:23, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Farah, and FRA, are subject to this section for violations of RSA421-B:6, and 421-B:11.
9. Pursuant to RSA 421-B:26,I and II, any person who knowingly or negligently violates any rule or order of the secretary of state may, upon hearing, except where another penalty is expressly provided, be subject to such suspension, revocation, or denial of any registration or license, including the forfeiture of any application fee, or administrative fine for each violation in lieu of or in addition to such suspension or revocation as may be applicable under this RSA 421-B for violation of the provision to which such rule or order relates.
10. Pursuant to RSA 421-B:26,III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. Farah and FRA are subject to a suspension, revocation, or denial, and a fine for violations of RSA 421-B:6, and 421-B:11.
11. Pursuant to RSA 421-B:26,III-a, every person who directly or indirectly controls a person liable under paragraph III, every principal executive

officer, or director of such person, may, upon hearing, and in addition to any other penalty provided by law, be subject to such suspension, revocation, or denial of any registration or license, or administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation, and such administrative action or fine may be imposed in addition to any criminal penalties imposed pursuant to RSA 421-B:24 or civil liabilities imposed pursuant to RSA 421-B:25. Farah and FRA are subject to this section.

12. Pursuant to RSA 421-B:26,V, after notice and hearing, the Secretary of State may enter an order of rescission, restitution, or disgorgement directed to a person who has violated RSA 421-B. Farah, and FRA are subject to his section for violations of RSA 421-B.

RELIEF REQUESTED

III. The Bureau makes the following amended requests for relief in the above-referenced matter as permitted under the Act.

1. Find as fact the statements contained in section I of the Statement of Fact in the Staff petition For Relief with amendments.
2. Make conclusions of law relative to the statements contained in section II of the Statements of Law in the Staff Petition For Relief with amendments.
3. Pursuant to RSA 421-B:23, issue an order to cease and desist against Coyne, Farah, and FRA, for violations under the Act pursuant to RSA 421-B:23.
4. Assess administrative fines and penalties of \$2,500 per violation against Coyne totaling \$5,000, and against Farah and FRA of \$2,500 per violation totaling \$137,500.
5. Issue an order denying, suspending, and revoking, any license and registration privileges of the Respondents pursuant to RSA 421-B:26,I, 421-B:26,II, 421-B:26,III and 421-B:26,III-a.
6. Take any other just and equitable relief as permitted under the Act including but limited to rescission, restitution, or disgorgement.

Respectfully submitted by:



Jeffrey D. Spill
Staff Attorney

9/13/02

Date

I hereby certify that a copy of the within Petition To Amend was forwarded this 13th day of September, 2002, to Attorney Denis Maloney, counsel for Respondents Scott Farah and FRA, and Michael Burke, counsel for T. Gary Coyne.



Jeffrey D. Spill
Staff Attorney

9/13/02

Date

Gallagher, Callahan & Gartrell, P.A.

P.O. Box 1415
Concord, NH 03302-1415

Phone (603) 228-1181
Fax (603) 224-7588

FAX TRANSMITTAL SHEET

Date: January 14, 2003

To: BARRY J. GLENNON
HEARINGS OFFICER

Fax#: 271-7933

From: Denis J. Maloney

Total Number of Pages: 10 Time Sent: _____

IF YOU DO NOT RECEIVE THIS FAX PROPERLY, PLEASE CONTACT
LISA TILLOTSON (603) 228-1181, ext. 238.

Remarks: In re Scott D. Farah and Financial Resources & Assistance of the
Lakes Region, Inc., INV 00-007 – attached please find Joint Motion for
Continuance of Scheduled Hearing. Thank you.

File #:



Signature of Fax Operator

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Gallagher, Callahan & Gartrell, P.A.

P.O. Box 1415
Concord, NH 03302-1415

Phone (603) 228-1181
Fax (603) 224-7588

FAX TRANSMITTAL SHEET

Date: January 14, 2003

To: JEFFREY D. SPILL, ESQUIRE Fax#: 271-7933
Bureau of Securities Regulation

From: Denis J. Maloney

Total Number of Pages: 10 Time Sent: _____

IF YOU DO NOT RECEIVE THIS FAX PROPERLY, PLEASE CONTACT
LISA TILLOTSON (603) 228-1181, ext. 238.

Remarks: In re Scott D. Farah and Financial Resources & Assistance of the Lakes
Region, Inc., INV 00-007 -

Jeff - attached is copy of today's filing with the Presiding Officer, thank
you for your time yesterday.

DM
Signature of Fax Operator

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return the original message to us at the above address via regular mail. We will reimburse you for postage.



CHRISTOPHER C. GALLAGHER
MICHAEL R. CALLAHAN
DONALD E. GARTRELL
W. JOHN FUNK
EDWARD E. SHUMAKER, III
MICHAEL D. RUEDIG
ANNE C. McHEER
DENIS J. MALONEY
DAVID A. GARFUNKEL

DONALD J. PFANDSTEIN
ANDREW E. BILLS
DONALD R. SAXON
SUSAN B. HOLLINGER
ANDREA K. JOHNSTONE
MICHAEL H. RAMSDELL
DODD S. GRIFFITH
WALTER L. MARONET
ARI E. POLLACK

SETH L. SHORTLIFFE
LYNNMARIE C. GUSACK
JEANNE R. HEKRRICK
CELIA LEONARD WALKER
INGRID E. WHITE
JAMES D. KEROUAC
JON H. GARON
OF COUNSEL
ROBERT E. KIRBY
1961-1994

January 14, 2003

*VIA FACSIMILE AND
FIRST CLASS MAIL*

Bureau of Securities Regulation
Department of State
State of New Hampshire
State House, Room 204
Concord, New Hampshire 03301-4989

Attn: Barry J. Glennon, Hearings Officer


Re: In re Scott D. Farah and Financial Resources & Assistance
of the Lakes Region, Inc.; INV 00-007
Joint Motion for Continuance of Scheduled Hearing

Dear Mr. Glennon:

On behalf of Scott D. Farah and Financial Resources & Assistance of the Lakes Region, Inc. (collectively, "the Farah Respondents"), with respect to the above-referenced matter, enclosed please find a Joint Motion for Continuance of Scheduled Hearing, requesting an extension of the hearing presently scheduled for Tuesday, January 14, 2003 until Tuesday, April 29, 2003.

I am authorized to state that Jeffrey Spill, Esquire, counsel for the Bureau of Securities Regulation; and Phillip Brouillard, Esquire, co-counsel for the Farah Respondents, have each consented to the requested continuance. Please contact me with any questions or comments.

Very truly yours,


Denis J. Maloney

DJM/ldt
Enclosure

cc: Scott D. Farah
Financial Resources & Assistance of the Lakes Region, Inc.
Jeffrey D. Spill, Esquire
Philip Brouillard, Esquire

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GALLAGHER, CALLAHAN & GARTRELL, P.A.
274 NORTH MAIN STREET • P.O. BOX 1415 • CONCORD, NEW HAMPSHIRE 03302-1415
TEL. 603-228-1181 • 800-528-1181 • FAX 603-224-7588 • 603-226-3477
www.gcglaw.com

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
CONCORD, NEW HAMPSHIRE

IN THE MATTER OF:)
)
Scott D. Farah and)
Financial Resources & Assistance)
of the Lakes Region, Inc.)
)
)
Respondents)

No. INV 00-007

JOINT MOTION FOR CONTINUANCE OF SCHEDULED HEARING

NOW COMES Scott D. Farah & Financial Resources and Assistance of the Lakes Region, Inc., respondents in the above-entitled matter (collectively, "the Farah Respondents"), by and through their undersigned attorney, and respectfully move as follows:

1. That a certain Staff Petition for Relief, matter No. INV 00-007, dated November 5, 2001, (the "Staff Petition") was initiated against the Farah Respondents and T. Gary Coyne, as an additional respondent, alleging among other things, violations of the New Hampshire Uniform Securities Act, RSA Chapter 421-B et seq. ("Uniform Securities Act"). An Order to Show Cause and Order to Cease and Desist in this matter was issued on November 11, 2001.

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2. That the Bureau of Securities Regulation filed a certain Staff Petition to Amend Staff Petition for Relief dated September 13, 2002 (the "Amended Petition") alleging additional and distinct violations of the Uniform Securities Act by the Farah Respondents.

3. That by Hearing Order dated on or about October 10, 2002, the Amended Petition was joined for hearing together with the Staff Petition.

4. A hearing in this matter was most recently scheduled for Tuesday, January 14, 2003.

5. That counsel for the Farah Respondents and Staff counsel to the Bureau continue to explore settlement of the alleged claims as well as appropriate remedies arising from the matters alleged in the Staff Petition and the Amended Petition, and have, on or about this date, agreed that the Farah Respondents will take certain actions in lieu of proceeding with the subject administrative process. A true copy of the letter from counsel to the Farah Respondents to the Bureau is attached hereto and incorporated herein by reference.

6. That Jeffrey D. Spill, Staff counsel for the Bureau of Securities Regulation, and Phillip Brouillard, co-counsel for the Farah Respondents, have each been contacted and assents to the filing of this Joint Motion for Continuance of Scheduled Hearing. Further, I am authorized to state each such party is available for a rescheduled hearing on Tuesday, April 29, 2003.

Page 3

NOW THEREFORE, the Farah Respondents respectfully move the Secretary of State as follows:

- A. To continue the hearing scheduled for January 14, 2003 until April 29, 2003; and
- B. For such other relief as may be just and equitable under the circumstances.

Respectfully submitted,

Scott D. Farah and Financial Resources & Assistance of the Lakes Region, Inc.,

By and through their undersigned attorneys,
GALLAGHER, CALLAHAN & GARTRELL,
Professional Association

Dated: January 14, 2003

By: _____



Denis J. Maloney
P.O. Box 1415
Concord, NH 03302-1416
(603) 228-1181

Page 4

CERTIFICATION

I hereby certify that a copy of the Joint Motion for Continuance of Scheduled Hearing has been served this day to all interested parties in this proceeding, by mailing a copy of same, first class, postage prepaid, to Jeffrey Spill, Esquire, Staff Attorney for the Bureau of Securities Regulation; and Philip A. Brouillard, Esq., co-counsel for Scott D. Farah and Financial Resources & Assistance of the Lakes Region, Inc.

Dated: January 14, 2003

By:

A large black rectangular redaction covers the signature of Denis J. Maloney.

Denis J. Maloney

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CHRISTOPHER C. GALLAGHER
MICHAEL K. CALLAHAN
DONALD E. GARTRELL
W. JOHN FUNK
EDWARD F. KHUSMAKER, III
MICHAEL D. RUEDIG
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JEANNE P. HERRICK
CELIA LEONARD WAGNER
INGRID E. WHITE
JAMES D. KEROUAC
JON M. GARON
OF COUNSEL
ROBERT F. KIRBY
1961-1984

January 14, 2003

*VIA FACSIMILE AND
FIRST CLASS MAIL*

Bureau of Securities Regulation
Department of State
State of New Hampshire
State House, Room 204
Concord, New Hampshire 03301-4989

Attn: Jeffrey Spill, Esquire

Re: In re Scott D. Farah, Financial Resources & Assistance of the Lakes
Region, Inc., Respondents
No. INV00-007

Ladies and Gentlemen:

On behalf of Scott D. Farah and Financial Resources & Assistance of the Lakes Region, Inc. (the "Company"; collectively with Scott D. Farah, the "Farah Respondents"), for purposes of setting forth several material undertakings to be performed by the Company in lieu of presently scheduled administrative proceedings, the Farah Respondents hereby undertake and agree with the Bureau of Securities Regulation, Department of State, State of New Hampshire (the "Bureau"), as follows:

- The administrative proceedings scheduled for Tuesday, January 14, 2003 are hereby postponed until Tuesday, April 29, 2003 pending satisfaction of the undertakings expressed herein and subsequent execution of a formal Consent Agreement, as discussed further below, in this proceeding. The Farah Respondents will file a joint motion with the Presiding Officer in the administrative proceeding requesting a continuance until April 29, 2003, and will attach a true copy of this letter agreement thereto.

GALLAGHER, CALLAHAN & GARTRELL, P.A.

214 NORTH MAIN STREET • P.O. BOX 1415 • CONCORD, NEW HAMPSHIRE 03302-1415

TEL 603-228-1181 • 800-528-1181 • FAX 603-224-7588 • 603-226-3477

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Bureau of Securities Regulation

January 14, 2003

Page 2

- The Bureau will furnish a letter to each of the stakeholders of the Company, namely "holders" of shares of its preferred stock and notes, substantially in the form of the letter attached as Schedule 1 hereto. The Company will furnish the Bureau with the names and current addresses of each of such stakeholders within seven (7) days after the date hereof.
- The Company will not issue any new securities without the prior approval of the Bureau (for purposes hereof, the term securities shall include but is not limited to, shares of preferred stock and notes or "Accounts", so called). Neither the Company nor its agents will communicate with any stakeholder for the purpose of soliciting the stakeholder to keep or to sell his, her or its investment in the Company.
- Upon the prior request of a preferred holder or a note holder, the Company is authorized to pay-off and thereby redeem any outstanding preferred stock or note.
- The Company will subsequently undertake a rescission offer to the holders of its outstanding preferred stock and notes, such undertaking to be commenced at the discretion of the Bureau. The Company will cooperate with the Bureau in undertaking such a rescission offer, which will include full disclosure with respect to the Company's operations and financial status. The rescission offer must be fully funded by the Company.
- The Company will immediately commence procedures necessary to have its financial statements for the periods ended December 31, 2001 and 2002 prepared and audited by an independent third party, Connor & Associates, P.C. Any change in the identity of such auditor must be approved by the Bureau. The Company will furnish the Bureau with a complete copy of said audited financial statements as soon as they are finalized and received. Not later than April 14, 2003, the Company will file with the Bureau updated schedules listing the stakeholders of the Company and the amounts of their investments, substantially in the form of the schedules previously furnished to the Bureau. The Bureau may withdraw from this letter agreement at its own initiative following April 14, 2003, or in the event of a material adverse change in the financial condition of the Company.

Bureau of Securities Regulation
January 14, 2003
Page 3

- Following satisfactory completion of the rescission offer to the satisfaction of the Bureau, the parties will thereafter enter into a negotiated Consent Agreement in this matter in which, among other things, the Farah Respondents, without admitting or denying the allegations and findings set forth therein, including but not limited to compliance with the registration and licensing provisions of the Act for any sale of securities, will consent to certain findings, conclusions and undertakings set forth therein, included but not limited to the payment of an administrative fine in the amount of \$25,000.

Very truly yours,

Scott Farah
Financial Resources & Assistance of the
Lakes Region, Inc.

By Its Attorneys
Gallagher, Callahan & Gartrell, P.A.

By:



Denis J. Maloney

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Schedule 1

[Bureau Letterhead]

Name and Address of Stakeholder

Re: Scott Farah and Financial Resources and Assistance
of the Lakes Region, Inc. (the "Company")

Dear _____;

The Bureau of Securities Regulation (the "Bureau"), Department of State, State of New Hampshire, is responsible for administering the Uniform Securities Act RSA 421-B (the "Act"). The Bureau has been conducting an investigation of the above-referenced Company with respect to its compliance with the Act. Based upon the results of our investigation, the Bureau believes that your investment in the Company sold to you was done in violation of the Act. The Company and its principal, Scott Farah, have been cooperating with the Bureau, and have provided your name and address to the Bureau. The Bureau and the Company have reached a conditional agreement regarding these alleged violations.

Be advised that in our role as regulator, we are not authorized to bring a civil action to obtain recovery of an investment on behalf of individual investors. Therefore, you may wish to consult a private attorney regarding any claim you may have. We represent the state in this matter, and can neither represent you or provide you with legal or financial advice, nor act as your personal attorney or representative.

Our settlement negotiations with the Company may lead to a formal offer by the Company for you to either confirm or rescind your investment with the Company. If so, you will receive further information from the Company regarding such offer at a later date.

If you have any question, please call me.

Sincerely,

Jeffrey Spill
Staff Attorney

cc:file

FINANCIAL RESOURCES & ASSISTANCE
OF THE LAKES REGION, INC.

GCG 04/14/03

CAPITAL/DEBT SCHEDULE
(12/31/02)

I.	PREFERRED STOCK		
A)	Series A certificate	392 shares	392,000
B)	Series A w/o certificate	926 shares	926,000
C)	Series A w/o Certificate (1/02/02)	68 Shares	<u>68,000</u>
			\$1,386,000
II.	NOTES		
A)	5 NOTES; 14-25%		\$ 451,345
III.	ACCOUNTS		
A)	1 account; 18%		\$ <u>68,000</u>
	CURRENT CAPITAL/DEBT TOTAL (12/31/02)		\$1,905,345

SCHEDULE A
GCG 04/14/03

FINANCIAL RESOURCES
PREFERRED STOCK
outstanding as of 12/31/02
(certificates issued)

Name	Date	Dividend Rate	# Shares	Status
[REDACTED]	3/98	12%	111	Still outstanding
[REDACTED]	6/98	12%	32	Still outstanding
[REDACTED]	2/95	12%	15	Still outstanding
[REDACTED]	7/96	12%	113	Still outstanding
[REDACTED]	12/96	12%	8	Still outstanding
[REDACTED]	3/97	12%	2	Still outstanding
[REDACTED]	12/97	12%	15	Still outstanding
[REDACTED]	9/96	12%	30	Still outstanding
[REDACTED]	4/98	12%	9	Still outstanding
[REDACTED]	8/00	12%	40	Still outstanding
[REDACTED]	4/99	12%	17	Still outstanding

TOTAL:

392 SHARES

NOTES:

All shares \$1,000 par value per share

FINANCIAL RESOURCES
PREFERRED STOCK

Shares Sold But No Certificates Issued
outstanding as of 12/31/02

Name	Date	Dividend Rate	# Shares	Status
[REDACTED]		12%	344	Still outstanding
[REDACTED]		12%	61	Still outstanding
[REDACTED]		12%	36	Still outstanding
[REDACTED]		12%	401	Still outstanding
[REDACTED]		12%	28	Still outstanding
[REDACTED]		12%	34	Still outstanding
[REDACTED]		12%	22	Still outstanding

Total:

926 shares

*All shares \$1,000 par value per share

FINANCIAL RESOURCES

PREFERRED STOCK TO BE ISSUED AS
COLLATERAL FOR NOTES
AS OF 12/31/02

Name	Date	# Shares	Status
[REDACTED]	5/96	10	See below
[REDACTED]	5/96	90	See below
[REDACTED]	7/96	80	See below
[REDACTED]	1/97	68	See below
[REDACTED]	2/99	25	See below
[REDACTED]	10/00	86	See below
[REDACTED]	3/00	25	See below

TOTALS: 384 SHARES

[REDACTED] holds a promissory note outstanding for \$200,000. The shares were committed to be issued as additional collateral for the note. There have been no dividends paid to her, only interest under the note.

[REDACTED] holds a promissory note outstanding for \$158,000. The shares were committed to be issued as additional collateral for the note. There have been no dividends paid to her, only interest under the note.

[REDACTED] holds a promissory note outstanding for \$25,000. The shares were committed to be issued as additional collateral for the note. There have been no dividends paid to him, only interest under the note.

SCHEDULE D
GCG 04/14/03

FINANCIAL RESOURCES
PREFERRED STOCK

Shares Sold in 2002
(No Certificates Issued)

Name	Date	Dividend Rate	# Shares	Status
[REDACTED]	1/02	12%	34	outstanding
[REDACTED]	1/02	12%	34	outstanding

Total: 68 SHARES

FINANCIAL RESOURCES
NOTES

Balance as of 12/31/02

+ 2,236

Name	Date Issued	High Balance	12/31/02 Balance	Interest Rate	Status
[REDACTED]	8/01	33,636	38,345	14	
[REDACTED]	3/00	25,000	25,000	22	Secured by Preferred
[REDACTED]	10/00	179,000	158,000	25	Secured by Preferred
[REDACTED]	5/00	30,000	30,000	24	
[REDACTED]	?/96	200,000	200,000	18	Secured by Preferred See #1 below

TOTAL: \$451,345

Notes:

- 1) No promissory note was issued to evidence the obligation

FINANCIAL RESOURCES
ACCOUNTS
as of 12/31/02

Name	Open Date	High Balance	12/31/02 Balance	Interest Rate	Status
[REDACTED]	1/00	142,000	68,000	18	

12/31/02 total: \$68,000

Notes:

+ 5100

FINANCIAL RESOURCES

PREFERRED STOCK TO BE ISSUED AS
COLLATERAL FOR NOTES
AS OF 12/31/02

Name	Date	# Shares	Status
[REDACTED]	5/96	10	See below
[REDACTED]	5/96	90	See below
[REDACTED]	7/96	80	See below
[REDACTED]	1/97	68	See below
[REDACTED]	2/99	25	See below
[REDACTED]	10/00	86	See below
[REDACTED]	3/00	25	See below

TOTALS: 384 SHARES

[REDACTED] holds a promissory note outstanding for \$200,000. The shares were committed to be issued as additional collateral for the note. There have been no dividends paid to her, only interest under the note.

[REDACTED] holds a promissory note outstanding for \$158,000. The shares were committed to be issued as additional collateral for the note. There have been no dividends paid to her, only interest under the note.

[REDACTED] holds a promissory note outstanding for \$25,000. The shares were committed to be issued as additional collateral for the note. There have been no dividends paid to him, only interest under the note.

4/14/03

Financial Resources of the Lakes Region, Inc.
Asset Schedule

Name of Borrower	Principal Balance 12/31/02	Collateral	Term	Annual Interest Rate
[REDACTED]	103,458	Unsecured	N/A	0%
[REDACTED]	9,989	Unsecured	N/A	0%
[REDACTED]	4,184	Unsecured	N/A	0%
[REDACTED]	7,800	Equipment	12 months	18%
[REDACTED]	240,800	Unsecured	N/A	0%
[REDACTED]	33,000	Unsecured	Due	18%
[REDACTED]	215,000	Unsecured	N/A	0%

5000
250
250
3200
9720
30,000

*Preferred Shareholder

Financial Resources of the Lakes Region, Inc.
Asset Schedule

Name of Borrower	Principal Balance 12/31/02	Collateral	Term	Annual Interest Rate
[REDACTED]	3,900	Unsecured	N/A	0%
[REDACTED]	8,500	Unsecured	N/A	0%
[REDACTED]	2,000	Unsecured	5/03	24%
[REDACTED]	114,000	Real Estate	Due 12/02 Foreclosure-in- process	36%
National Inspection and Repair**	1,259,930 [717,984]****	Real Estate, Equipment, Accounts Receivable	Default; judgment; attached assets	72%

+ 12,000
- 5,000
- 0
- 18,000
126,140

* Preferred Shareholder

** Participation loan with one individual - represents Company's share of loans

**** Amount used for financial statements 12/31/02

**Financial Resources of the Lakes Region, Inc.
Asset Schedule**

Name of Borrower	Principal Balance 12/31/02	Collateral	Term	Annual Interest Rate
Creative Courier	233,280 [152,00]****	Real Estate, Equipment, Accounts Receivable	Default	48%
Insurance Options, Inc. ***	95,108	Personal guaranty	Due 1/06	14%
GROSS TOTAL	\$2,330,949			

*** Related Party

**** Amount used for financial statements 12/31/02

283,720

- 0 -

GCG 10/08/02 06/02/03

FINANCIAL RESOURCES
 SCHEDULE OF PREFERRED HOLDERS/BORROWERS
 AS OF 12/31/02

Name	Number of Shares (\$1,000 par)	Approximate Loan Amount	
[REDACTED]	143	\$ 110,000 103,458	- 500
[REDACTED]	34	21,000 9,989	- 250
[REDACTED]	22	13,000 4,184	- 250
[REDACTED]	344	240,800	
[REDACTED]	401	100,000 215,000	+ 30,000
[REDACTED]	36	11,300 3,900	+ 12,000
[REDACTED]	17	9,800 8,500	- 500
TOTALS	997	\$595,910 585,831	

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Gallagher, Callahan & Gartrell, P.A.

P.O. Box 1415
Concord, NH 03302-1415

Phone (603) 228-1181
Fax (603) 224-7588

FAX TRANSMITTAL SHEET

Date: April 28, 2003

To: JEFFREY D. SPILL, ESQUIRE Fax#: 271-7933
Bureau of Securities Regulation


From: Denis J. Maloney

Total Number of Pages: 6 Time Sent: 2:15pm

IF YOU DO NOT RECEIVE THIS FAX PROPERLY, PLEASE CONTACT
LISA TILLOTSON (603) 228-1181, ext. 238.

Remarks: In re Scott D. Farah and Financial Resources & Assistance of the Lakes
Region, Inc., INV 00-007 -

As discussed, for your review, draft motion to continue with added
undertakings/agreements of Farah Respondents. Please let me know if
acceptable to you, thank you



Signature of Fax Operator

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DRAFT
4/28/03

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
CONCORD, NEW HAMPSHIRE

IN THE MATTER OF:)
)
Scott D. Farah and)
Financial Resources & Assistance)
of the Lakes Region, Inc.)
)
)
Respondents)
)

No. INV 00-007

JOINT MOTION FOR CONTINUANCE OF SCHEDULED HEARING

NOW COMES Scott D. Farah & Financial Resources and Assistance of the Lakes Region, Inc., respondents in the above-entitled matter (collectively, "the Farah Respondents"), by and through their undersigned attorney, and respectfully move as follows:

1. That a certain Staff Petition for Relief, matter No. INV 00-007, dated November 5, 2001, (the "Staff Petition") was initiated against the Farah Respondents and T. Gary Coyne, as an additional respondent, alleging among other things, violations of the New Hampshire Uniform Securities Act, RSA Chapter 421-B et seq. ("Uniform Securities Act"). An Order to Show Cause and Order to Cease and Desist in this matter was issued on November 11, 2001.

Page 2

2. That the Bureau of Securities Regulation filed a certain Staff Petition to Amend Staff Petition for Relief dated September 13, 2002 (the "Amended Petition") alleging additional and distinct violations of the Uniform Securities Act by the Farah Respondents.

3. That by Hearing Order dated on or about October 10, 2002, the Amended Petition was joined for hearing together with the Staff Petition.

4. A hearing in this matter was most recently scheduled for Tuesday, April 29, 2003.

5. That counsel for the Farah Respondents and Staff counsel to the Bureau continue to explore settlement of the alleged claims as well as appropriate remedies arising from the matters alleged in the Staff Petition and the Amended Petition; pending such final resolution, in consideration of the Bureau's consent to this motion, the Farah Respondents agree to take certain actions in lieu of proceeding with the subject administrative process, as follows:

- a) comply with the undertakings and agreements set forth in that certain letter from counsel to the Farah Respondents to the Bureau dated January 14, 2003, the provisions of which are incorporated by reference as if set forth in full herein;
- b) on or before June 20, 2003, provide the Bureau with

- (I) a comprehensive business plan satisfactory to the Bureau which includes the value of any assets available to the Company and the planned liquidation or pledge of those assets to fund the payment of debt or rescission;
- (II) updated schedules of Company assets and capital/debt obligations in the form previously provided;
- (III) financial statements for the quarter ended March 31, 2003 in form compiled by Connor & Associates or other independent auditor approved by the Bureau.

6. That Jeffrey D. Spill, Staff counsel for the Bureau of Securities Regulation, and Phillip Brouillard, co-counsel for the Farah Respondents, have each been contacted and assents to the filing of this Joint Motion for Continuance of Scheduled Hearing. Further, I am authorized to state each such party is available for a rescheduled hearing on Tuesday, July 8, 2003.

NOW THEREFORE, the Farah Respondents respectfully move the Secretary of State as follows:

- A. To continue the hearing scheduled for April 29, 2003 until July 8, 2003;
and
- B. For such other relief as may be just and equitable under the circumstances.

Page 4

Respectfully submitted,

Scott D. Farah and Financial Resources &
Assistance of the Lakes Region, Inc.,

By and through their undersigned attorneys,
GALLAGHER, CALLAHAN & GARTRELL,
Professional Association

Dated: April 28, 2003

By: _____
Denis J. Maloney
P.O. Box 1415
Concord, NH 03302-1416
(603) 228-1181

Page 5

CERTIFICATION

I hereby certify that a copy of the Joint Motion for Continuance of Scheduled Hearing has been served this day to all interested parties in this proceeding, by mailing a copy of same, first class, postage prepaid, to Jeffrey Spill, Esquire, Staff Attorney for the Bureau of Securities Regulation; and Philip A. Brouillard, Esq., co-counsel for Scott D. Farah and Financial Resources & Assistance of the Lakes Region, Inc.

Dated: April 28, 2003

By: _____
Denis J. Maloney

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Gallagher, Callahan & Gartrell, P.A.

P.O. Box 1415
Concord, NH 03302-1415

Phone (603) 228-1181
Fax (603) 224-7588

FAX TRANSMITTAL SHEET

Date: May 22, 2003

To: JEFFREY D. SPILL, ESQUIRE Fax#: 271-7933
Bureau of Securities Regulation


From: Denis J. Maloney

Total Number of Pages: 15 Time Sent: 3:49pm

IF YOU DO NOT RECEIVE THIS FAX PROPERLY, PLEASE CONTACT
LISA TILLOTSON (603) 228-1181, ext. 238.

Remarks: In re Scott D. Farah and Financial Resources & Assistance of the Lakes
Region, Inc., INV 00-007

Final, signed audited financial statements for the year ended December
31, 2002, attached



Signature of Fax Operator

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CHRISTOPHER E. GALLAGHER
MICHAEL R. CALLAHAN
DONALD E. GARTRELL
W. JOHN FUNK
MICHAEL D. RUEDIG
ANNE G. SCHEER
DENIS J. MALONEY
DAVID A. CARHUNKEL

DONALD J. PRUNDSTEIN
ANDREW R. HILLS
DONALD K. SAXON
SUSAN K. HOLLINGER
ANDREA K. JOHNSTONE
MICHAEL D. KANISDELL
DODD N. GRIFFITH
WALTER L. MAHONEY
ARI R. POLLACK

SETH L. SHORTLIFFE
LYNMADE C. CUSACK
JIANNE S. HERRICK
CELIA LEONARD WAGNER
INGRID E. WHITE
JAMES D. KEROUAC
ROBERT E. KIRBY
1981-1994

May 22, 2003

*VIA FACSIMILE AND
FIRST CLASS MAIL*

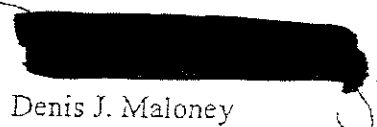
Jeffrey Spill, Esquire
Bureau of Securities Regulation
Department of State
State of New Hampshire
State House, Room 204
Concord, New Hampshire 03301-4989

Re: In re Scott D. Farah, Financial Resources & Assistance of the Lakes
Region, Inc., Respondents
No. INV 00-007

Dear Jeffrey:

On behalf of Scott D. Farah and Financial Resources & Assistance of the Lakes Region, Inc. (the "Company"), attached please find the audited financial statements of the Company for the year ended December 31, 2002. Please call me directly with your questions and comments, thank you.

Very truly yours,


Denis J. Maloney

DJM/ldt

Enclosures

cc: Scott D. Farah
Financial Resources & Assistance of the Lakes Region, Inc.
Philip Brouillard, Esquire

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GALLAGHER, CALLAHAN & GARTRELL, P.A.
214 NORTH MAIN STREET • P.O. BOX 1413 • CONCORD, NEW HAMPSHIRE 03302-1413
TEL 603-228-1181 • 800-528-1181 • FAX 603-224-7588 • 603-226-3477
gcglaw.com

FINANCIAL RESOURCES & ASSISTANCE
OF THE LAKE REGION, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2002
AND
INDEPENDENT AUDITORS' REPORT

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

DECEMBER 31, 2002

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Connor & Associates, P.C.

15-0000
15-0000

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Financial Resources & Assistance of the Lakes Region, Inc.:

We have audited the accompanying balance sheet of Financial Resources & Assistance of the Lakes Region, Inc. (a New Hampshire corporation) as of December 31, 2002 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. The financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Financial Resources & Assistance of the Lakes Region, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Connor & Associates, P.C.

Manchester, New Hampshire
April 14, 2003

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

BALANCE SHEET

DECEMBER 31, 2002

2002

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Notes 1 and 3)	\$ 8,919
Current portion of notes receivable, unsecured (Note 4)	308,800
Participation notes receivable (Notes 4 and 5)	717,984
Allowance for loan losses (Note 4)	(125,000)
Current portion notes receivable, preferred shareholders (Note 7)	<u>45,482</u>
	<u>956,185</u>
Notes receivable, preferred shareholders less current portion shown above (Note 7)	541,349
Notes receivable, related party (Note 7)	<u>95,108</u>
	<u>636,457</u>
Property and equipment, at cost (Note 1)	22,588
Less - Accumulated depreciation	<u>16,924</u>
	<u>5,664</u>
	<u>\$1,598,306</u>

The accompanying notes to financial statements
are an integral part of these statements.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

BALANCE SHEET

DECEMBER 31, 2002

2002

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Demand and short-term notes payable (Note 6)	\$ 519,346
Accounts payable	46,040
Accrued expenses (Note 8)	<u>193,295</u>
Total current liabilities	<u>758,681</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

STOCKHOLDERS' EQUITY:

Common stock - \$1 par value, 15,000 shares authorized, 15,000 shares issued and outstanding	15,000
Preferred stock subscribed, \$1,000 par value, 994 shares pending	994,000
Preferred stock, \$1,000 par value, 0 shares authorized, 392 shares issued and outstanding (Note 9)	392,000
Additional paid-in capital	242,950
Retained earnings	<u>(804,325)</u>
	<u>839,625</u>

\$1,598,306

The accompanying notes to financial statements
are an integral part of these statements.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.STATEMENT OF INCOMEFOR THE YEAR ENDED DECEMBER 31, 2002

	2002
REVENUE	<u>\$3,131,933</u>
OPERATING EXPENSES:	
Mortgage expense	918,459
Commissions	415,184
Interest expense	321,524
Client fees expense	114,893
Advertising and promotion	24,370
Salaries and related payroll taxes	210,441
Rent (Note 8)	77,450
Fees	49,424
Telephone	23,256
Insurance	34,548
Postage	13,108
Supplies	98,918
Maintenance	61,160
Professional expenses (Note 8)	109,833
Client refunds	24,783
Travel and entertainment	6,944
Utilities	7,575
Contributions	34,922
Office	39,246
Depreciation	2,701
Miscellaneous	3,733
Provision for credit losses (Note 4)	<u>125,000</u>
	<u>2,717,478</u>
INCOME FROM OPERATIONS	414,425
OTHER INCOME (EXPENSES):	
Interest income (Note 7)	<u>124,288</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	538,713
PROVISION FOR TAXES (Note 2)	<u>4,000</u>
NET INCOME	<u>\$ 534,713</u>

The accompanying notes to financial statements
are an integral part of these statements.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITYFOR THE YEAR DECEMBER 31, 2002

	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Preferred Stock Subscribed</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings</u>
Balance, December 31, 2000	\$15,000	\$500,000	\$597,000	\$ -	\$(1,216,899)
Contributed capital	-	-	-	242,950	-
Shares issued/subscribed	-	-	333,000	-	-
Net income	-	-	-	-	85,784
Dividends	-	-	-	-	(41,903)
Shares redeemed	-	(41,000)	-	-	-
Balance, December 31, 2001	\$15,000	\$459,000	\$930,000	\$242,950	\$(1,172,718)
Shares issued/subscribed	-	-	54,000	-	-
Net income	-	-	-	-	534,713
Dividends	-	-	-	-	(166,320)
Shares redeemed	-	(57,000)	-	-	-
Balance, December 31, 2002	<u>\$15,000</u>	<u>\$392,000</u>	<u>\$994,000</u>	<u>\$242,950</u>	<u>\$(804,325)</u>

The accompanying notes to financial statements
are an integral part of these statements.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.STATEMENT OF CASH FLOWSFOR THE YEAR DECEMBER 31, 2002

2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$534,713
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	2,701
Provision for credit losses	125,000
Increase (decrease) in the following liabilities:	
Accounts payable	19,321
Accrued expenses	<u>79,000</u>
Net cash provided by operating activities	<u>760,735</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of capital assets	-
Payments (advances) on notes receivable	(83,100)
Payments (advances) preferred shareholders notes receivable	(48,018)
Payments received from related party notes receivable, net	<u>98,199</u>
Net cash used in investing activities	<u>(32,719)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Advances (repayments) from short-term financing	(504,319)
Advances (repayments) on related party notes payable	(55,501)
Subscribed preferred stock	68,000
Preferred stock redeemed	(71,000)
Dividend paid	(166,320)
Net cash (used) provided by financing activities	<u>(729,140)</u>
NET INCREASE (DECREASE) IN CASH	(1,124)
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,043</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 8,919</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

2002

CASH PAID DURING THE YEAR FOR:	
Interest	\$321,524
Income taxes	\$ 2,495

The accompanying notes to financial statements are an integral part of these statements.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

1. Summary of significant accounting policies:

Nature of operations - Financial Resources & Assistance of the Lakes Region, Inc. ("the Company") is a New Hampshire corporation that derives a significant portion of its income from commissions on the brokerage of mortgages with various unrelated third party finance companies. Additionally, the Company purchases and sells various notes, accounts and mortgages receivable on the secondary market and will occasionally provide financial funding on a short term financing basis to individuals and businesses. The primary geographic funding area is the Northeast with secondary revenue sources throughout the continental United States.

Cash and cash equivalents - For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue recognition - Brokerage fees are recorded as revenue when due using the accrual method.

Depreciation - The Company for financial statement purposes provides for depreciation of its property and equipment based on the straight line method. The estimated useful lives used are as follows:

	<u>Years</u>
Furniture and fixtures	5 - 7
Equipment	5 - 7

Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related depreciation allowances, and any gain or loss is recognized.

Use of estimates - Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising costs - The Corporation expenses all advertising costs as incurred in accordance with AICPA Statement of Position 93-7 "Reporting on Advertising Costs". Advertising and marketing expenses for the years ended December 31, 2002 amounted to \$24,370.

Fair values of financial instruments - The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents. The carrying amounts of cash and short term instruments approximate their fair value.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 20021. Summary of significant accounting policies (continued):

Notes receivable. All current notes receivable that have no significant change in credit risk are reflected at their carrying values. Fair values for impaired loans are estimated using the underlying collateral values.

2. Federal income taxes:

The Company for financial statement purposes provides for income taxes based on current financial income at current tax rates. The Company for tax purposes reports its income under the cash method of accounting. Due to significant tax loss carry forwards, a deferred tax liability is not warranted in the accompanying financial statements. The Company at December 31, 2002 had federal net operating loss carry forwards that amounted to approximately \$745,000 that begin to expire in the year 2012. Additionally, the Company, at December 31, 2002 had state net operating loss carryforwards that amounted to approximately \$110,000 that begin to expire in the year 2005.

3. Bank accounts:

The Company's bank balance at December 31, 2002 was \$78,889 and was fully covered by federal depository insurance.

4. Notes receivable:

Notes receivable, included in the accompanying financial statements, are reported at their outstanding unpaid principal balances reduced by any charge off or specific valuation accounts and net of any deferred fees or costs on originated loans or unamortized premiums or discounts on purchased loans. Management intends to hold the included notes for the foreseeable future or until maturity.

Notes receivable at December 31, 2002 represent amounts due from individual and business loans that have been advanced or purchased from unrelated parties. The notes bear interest at various rates and \$42,800 of the notes were unsecured. The remaining notes receivable were secured by first mortgages on real estate. The secured notes receivable were in technical default by the mortgagees, and the Company was pursuing the collection or refinancing of these mortgages. These mortgages, for financial purposes are no longer accruing interest. As the fair market value of these mortgages exceeds the face amounts of the underlying secured mortgage, an allowance for non-performance has not been recorded in these financial statements.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

4. Notes receivable (continued):

Allowance for loan losses is increased by charges to income and decreased by chargeoffs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. As noted above, the fair market value exceeds the face amounts of these note receivables. However, management has recorded a \$125,000 allowance for loan losses due to the fact that these and the participation notes receivable, discussed below, are in default and will take time and resources to collect the full face amounts of the notes.

The following is a schedule of principal payments scheduled for notes receivable for the year ended December 31:

2003	<u>\$308,800</u>
------	------------------

5. Participation note receivable:

The participation note receivable reflects the Company's net receivable after reduction for other participants portions of the note. The Company's participation note receivable at December 31, 2002 was interest bearing and secured by various real estate and assets of the payees. The participant note receivable had matured at December 31, 2002 and the Company had obtained a judgement against the payee and a co-maker. The Company is negotiating extension terms as of the date of these financial statements.

6. Demand notes payable:

Various individuals have advanced funds on an unsecured demand basis. The notes bear interest ranging between 14% and 25%. Interest is paid or accrued monthly at the discretion of the note holder.

Certain of the demand notes totaling \$383,000 from unrelated individuals contain default provisions entitling the holder, upon default, to be issued preferred stock amounting to 384 shares in the Company.

7. Related party transactions:

The Company has advanced funds on an unsecured, 14% interest bearing basis to a related corporation that is owned by the Company's common stock shareholder. Payments amounting to \$120,203 including interest of \$21,804 were paid back on behalf of the related party during the year ended December 31, 2002. The note receivable balance from this related corporation at December 31, 2002 amounted to \$95,108.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

7. Related party transactions (continued):

The Company's common stockholder has advanced funds to the Company on an unsecured basis. At December 31, 2001, this common stockholder elected to contribute to additional paid in capital amounting to \$242,950.

Certain notes receivable have been advanced to related subscribed or issued preferred shareholders. Subscribed preferred shareholders accounting for 994 shares or \$994,000, have also outstanding notes receivable to the Company amounting to \$585,831. The majority of these notes receivable are unsecured and non-interest bearing or contain provisions allowing the offset of interest due the Company against preferred dividends payable to the respective shareholder.

Interest income reflects \$21,804 of interest received from a related party and \$101,045 offset from related preferred shareholder notes receivable.

8. Commitments and contingencies:

Rent - The Company is a tenant at will and leases its office facilities at a monthly rent of approximately \$6,500. Additionally, the Company is obligated to pay utilities and upkeep of the property. The lease is between the Company and a related trust and allows the tenant to terminate the tenancy by providing the lessor with a 30 day written notice. Rent expense for the year ended December 31, 2002 amounted to \$77,450.

Office machine rental - The Company leased various office equipment requiring payments of \$321 through October 2003.

Lawsuits - During the year ended December 31, 2002, a judgement was awarded to a plaintiff in the amount of \$118,600. The Company is appealing the judgement and is currently negotiating to settle this case for less than the judgement amount.

Additionally, the State of New Hampshire's Bureau of Securities Regulation issued a Staff Petition for Relief on November 8, 2001 alleging, among other things, that the issuance and sale of certain promissory notes constitute the unregistered sale of securities and that the Company was not licensed under New Hampshire law to engage in such activities. The Company is presently gathering and assembling the necessary information to respond to the Bureau's Order and a range of possible loss, if any, is not estimatable at this time.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 20029. Preferred stock:

The Company has issued 392 shares of \$1,000 par value, preferred stock. Additionally, the Company has 994 shares of \$1,000 par value preferred stock that has been subscribed for, but not issued as of December 31, 2002. The issued and subscribed preferred securities accrue and pay cash distributions at a rate of 12% per annum. Dividends paid on these shares for the year ended December 31, 2002 amounted to \$166,320.