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FISHBEIN
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certified public accountants
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INDEPENDENT AUDITOR'S REPORT

Stockholder and Director
Singer Financial Corp.
Philadelphia, Pennsylvania

We have audited the accompanying balance sheets of **SINGER FINANCIAL CORP.** as of December 31, 2004 and 2003, and the related statements of income, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Singer Financial Corp. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fishbein & Company, P.C.

Horsham, Pennsylvania
January 14, 2005

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SINGER FINANCIAL CORP.

Balance Sheets

ASSETS

	December 31, 2004	December 31, 2003
Cash	$ 60,722	$ 203,080
Loans receivable	7,023,038	6,113,262
Accrued interest receivable	82,163	77,816
Prepaid expenses	6,723	3,438
Property and equipment - Net of accumulated depreciation of $81,580 - 2004 and $63,471 - 2003	461,683	360,624
Financing costs - Net of accumulated amortization of $122,366 - 2004 and $128,197 - 2003	120,877	113,192
	$ 7,755,206	$ 6,871,412

LIABILITIES AND STOCKHOLDER'S EQUITY

	2004	2003
LIABILITIES		
Notes payable - Bank	$ 2,022,153	$ 1,690,000
Subordinated investment certificates (Including accrued interest of $246,788 - 2004 and $320,137 - 2003)	4,036,612	3,857,742
Accounts payable and accrued expenses	50,703	40,006
Demand note payable - Stockholder	30,302	6,907
	6,139,770	5,594,655
STOCKHOLDER'S EQUITY		
Preferred stock - No par value		
Authorized 500,000 shares		
Issued and outstanding - None		
Common stock - No par value		
Authorized 10,000 shares		
Issued and outstanding - 2,000 shares	600,000	600,000
Retained earnings	1,015,436	676,757
	1,615,436	1,276,757
	$ 7,755,206	$ 6,871,412

See notes to financial statements.

SINGER FINANCIAL CORP.

Statements of Income

	Year Ended December 31, 2004	Year Ended December 31, 2003
INCOME		
Interest		
Interest income	$ 1,209,658	$ 1,175,733
Interest expense	541,306	394,490
Net interest income	668,352	781,243
Brokerage fees	238,019	85,892
	906,371	867,135
OPERATING EXPENSES		
General and administrative	523,391	286,010
Depreciation and amortization	50,451	55,539
	573,842	341,549
INCOME FROM OPERATIONS	332,529	525,586
OTHER INCOME (EXPENSE)		
Rental income	6,000	6,000
Miscellaneous income	150	
Loss on disposal of equipment		(38)
	6,150	5,962
INCOME BEFORE INCOME TAXES	338,679	531,548
INCOME TAXES (RECOVERY)		(5,500)
NET INCOME	$ 338,679	$ 537,048

See notes to financial statements.

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
BALANCE - JANUARY 1, 2003	2,000	$ 600,000	$ 139,709	$ 739,709
Net income			537,048	537,048
BALANCE - DECEMBER 31, 2003	2,000	600,000	676,757	1,276,757
Net income			338,679	338,679
BALANCE - DECEMBER 31, 2004	2,000	$ 600,000	$ 1,015,436	$ 1,615,436

See notes to financial statements.

SINGER FINANCIAL CORP.

Statements of Cash Flows

	Year Ended December 31, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 338,679	$ 537,048
Adjustments to reconcile net income to net cash used in operating activities		
Amortization of loan origination fees - Net	(214,161)	(150,509)
Depreciation of property and equipment	18,109	11,344
Amortization of financing costs	32,342	44,195
Loss on disposal of property and equipment		38
Deferred income tax recovery		(5,500)
Accrued interest on foreclosed loan		(9,216)
Increase in accrued interest on subordinated investment certificates (Includes $272,046 - 2004 and $610,989 - 2003 added to principal)	(345,395)	(803,636)
(Increase) decrease in:		
Accrued interest receivable	(4,347)	(5,754)
Prepaid expenses	(3,285)	4,441
Increase (decrease) in:		
Accounts payable and accrued expenses	10,697	23,124
Income taxes payable		(3,959)
Net cash used in operating activities	(167,361)	(358,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(4,149,236)	(4,140,932)
Loan payments received	3,453,621	2,324,533
Proceeds from sale of property		74,070
Construction costs incurred	(93,925)	(34,815)
Purchase of property and equipment	(25,243)	(5,559)
Net cash used in investing activities	(814,783)	(1,782,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs incurred	(40,027)	(34,949)
Proceeds of note and mortgage payable - Bank	2,146,994	2,565,000
Principal payments on note and mortgage payable - Bank	(1,814,841)	(1,075,000)
Proceeds from issuance of subordinated investment certificates	705,418	918,245
Principal payments on subordinated investment certificates	(181,153)	(249,771)
Net principal advances (payments) on demand note payable - Stockholder	23,395	(39,129)
Net cash provided by financing activities	839,786	2,084,396
NET DECREASE IN CASH	(142,358)	(56,691)
CASH - BEGINNING	203,080	259,771
CASH - ENDING	$ 60,722	$ 203,080

See notes to financial statements.

	Year Ended December 31, 2004	2003
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 603,958	$ 485,804
Income taxes		3,959

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2003, the Company foreclosed on the loan receivable which was in default, and took title to the property. The balance of this loan was $64,854, plus accrued interest of $9,216.

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Business

The Company makes commercial loans to customers in Pennsylvania, New Jersey and Delaware, is a broker of commercial mortgage loans and a licensed broker of residential mortgages in Pennsylvania, and is subject to the risk associated with the real estate and mortgage loan markets in those areas.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash

The Company maintains its cash balances in one bank. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At times, the balances may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

d. Loans Receivable and Allowance for Credit Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees net of direct costs are deferred and amortized to interest income over the term of the loans using the interest method. Unamortized amounts are recognized in income when the loans are sold or paid in full.

An allowance for credit losses is provided as necessary based upon the expected collectibility of loans outstanding. At December 31, 2004 and 2003, no allowance for credit losses was deemed necessary.

e. Property and Equipment and Depreciation

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (ranging from 5 to 40 years).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financing Costs and Amortization

Financing costs of $243,243 and $241,389 at December 31, 2004 and 2003, respectively, incurred in connection with the public offering of subordinated investment certificates, are being amortized using the interest method over the term of the certificates. Estimated amortization of the financing costs is as follows: Year ending December 31, 2005 - $25,923 2006 - $23,087, 2007 - $15,469, 2008 - $12,279 and 2009 - $8,779.

g. Interest Income

Interest income from loans receivable is recognized using the interest method. Accrual of interest income is suspended when the receivable is contractually delinquent for ninety days or more. The accrual is resumed when the receivable becomes contractually current, and past due interest income is recognized at that time. In addition, a detailed review of the receivables will cause earlier suspension if collection is doubtful.

h. Advertising Costs

Advertising costs are charged to expense as incurred. Total advertising costs, included in general and administrative expenses, were $1,685 and $2,881 for the years ended December 31, 2004 and 2003, respectively.

i. Income Taxes

The Company has elected to be an S Corporation under the provisions of the Internal Revenue Code and the Pennsylvania S Corporation Statute. As a result, income and losses of the Company are passed through to its stockholder for federal and state income tax purposes. Accordingly, no provision is made for federal or state income taxes.

j. Reclassifications

Certain prior-year amounts have been reclassified to conform to current account classifications.

2. LOANS RECEIVABLE

	December 31, 2004	December 31, 2003
Real estate secured loans	$ 7,373,877	$ 6,494,813
Unamortized origination costs (fees) - Net	(350,839)	(381,551)
	$ 7,023,038	$ 6,113,262

At December 31, 2004, the contractual maturities of real estate secured loans receivable are as follows:

	2005	2006	2007	2008	2009	Thereafter	Total
Real estate secured loans	$ 342,350	$ 417,070	$ 1,855,582	$ 2,241,954	$ 2,371,018	$ 145,903	$ 7,373,877
Unamortized origination costs (fees) - Net	(64,255)	(94,078)	(68,541)	(47,629)	(17,105)	(134)	(350,839)
	$ 278,095	$ 322,992	$ 1,787,041	$ 2,194,325	$ 2,353,913	$ 145,769	$ 7,023,038

It is anticipated that a substantial portion of the loan portfolio will be renewed or repaid before contractual maturity dates. The above tabulation, therefore, is not to be regarded as a forecast of future cash collections.

3. PROPERTY AND EQUIPMENT

	2004	2003
Land	$ 66,977	$ 66,977
Auto	22,898	
Building	267,907	267,907
Building improvements	26,115	26,115
Leasehold improvements	128,739	
Office furniture and equipment	30,627	28,281
	543,263	389,280
Less accumulated depreciation	81,580	63,471
	461,683	325,809
Construction in progress		34,815
	$ 461,683	$ 360,624

4. NOTES PAYABLE – BANK

	December 31, 2004	December 31, 2003
Note payable - Represents the balance of advances to date under a \$2,500,000 line of credit; interest payable monthly at prime (an effective rate of 5.25% at December 31, 2004); collateralized by the loans receivable. The loan agreement also contains various restrictive covenants, including the following: aggregate debt less than the 300% of the sum of net worth and subordinated debt, and tangible net worth not less than \$3,000,000.	\$ 2,014,565	\$ 1,640,000
Note payable - Represents the balance of advances to date under a \$500,000 line of credit; interest payable monthly at prime (an effective rate of 5.25% at December 31, 2004); collateralized by the building and equipment.	7,588	50,000
	\$ 2,022,153	\$ 1,690,000

5. SUBORDINATED INVESTMENT CERTIFICATES

The Company has authorized the issuance through a public offering (as amended), under Regulation A of the Securities Act of 1933, of an aggregate of $5,000,000 of subordinated investment certificates. The certificates mature at various dates from one year to fifteen years after issuance, and bear interest at 1% over the rates paid by certain banks on similar certificates, with a minimum of 6% and a maximum of 12%. The minimum and maximum interest rates may be adjusted, from time to time, according to current business and market conditions. The certificates are subordinated to the Company's indebtedness for borrowed money whether incurred before or after the issuance of the certificates. The Company has the option to call any certificate for redemption before maturity with prior written notice by registered mail not less than 30 days before redemption.

Certificates outstanding at December 31, 2004 mature as follows:

Year Ending December 31,	Amount (including accrued interest)	Interest Rate
2005	$ 184,734	6 - 10
2006	265,933	5 - 10
2007	209,536	5 - 10
2008	89,246	6 - 10.5
2009	262,396	6 - 10
2010	432,341	7 - 10.5
2011	91,217	7 - 10.5
2012	73,577	9.5 - 10.25
2013	1,019,163	8 - 9.5
2014	70,721	8
2015	18,404	11
2016	2,999	11
2017	11,615	11
2018	890,646	9 - 10
2019	414,084	7 - 9.5
	$ 4,036,612	

6. RELATED PARTY TRANSACTIONS

The demand note payable – stockholder bears interest at 7.5%; interest expense on this note was $11,083 and $2,438 for the years ended December 31, 2004 and 2003, respectively.

Compensation of $71,172 and $64,080 for the years ended December 31, 2004 and 2003, respectively, included in general and administrative expenses, and financing costs of $7,908 and $7,120 for the years ended December 31, 2004 and 2003, respectively, were paid to the stockholder for brokerage services rendered, based on a percentage of fees generated.

The Company leases certain of its facilities to its stockholder under a five-year lease through May, 2006, at a monthly rental of $500 (see Note 8-b).

The stockholder leased office space to the company under a one-year lease, at a monthly rent of $750.

During the year ended December 31, 2003, the Company sold property with book values of $74,070 to the shareholder of the Company for the same amount.

7. INCOME TAXES

Prior to January 1, 2003, the Company had operated as a C Corporation. Effective January 1, 2003, the Company has elected S Corporation status. Earnings and losses after that date will be included in the personal income tax return of the stockholder and taxed depending on his personal tax strategy. As a result, the Company will not incur any additional income tax obligations, and future financial statements will not include a provision for income taxes. Prior to the change to S Corporation status, income taxes currently payable and deferred income taxes were recorded in the Company's financial statements.

The income tax provision in 2003 relates to the elimination of the deferred tax asset at the date the election for the change to Subchapter S Status was filed.

8. COMMITMENTS

a. Employment Contract

The Company is committed under an employment contract with its stockholder/director/Chief Executive Officer/President which expires in December, 2005, and which provides for annual compensation of $50,000. In addition to the base salary, the Board of Directors may award a bonus. Total compensation for the years ended December 31, 2004 and 2003, respectively, was $79,080 and $71,200 (as indicated in Note 6).

8. COMMITMENTS

b. Lease Commitment

The Company leases space to its stockholder under a five-year operating lease beginning in May, 2001 and expiring in May, 2006. Minimum future rentals to be received under this lease for the remaining lease term are as follows:

Year Ending December 31,		
2005	$	6,000
2006		2,500
	$	8,500