WeiserMazars LLP

Singer Financial Corporation

Financial Statements

December 31, 2012 and 2011

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Independent Accountants' Compilation Report

To the Stockholder and Director of
Singer Financial Corp.

We have compiled the accompanying the balance sheet of Singer Financial Corporation as of December 31, 2012, and the related statements of operations, stockholder's equity and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the Unites States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements for the year ended December 31, 2011, were audited by us, and we expressed an unqualified opinion on them in our report dated March 12, 2012, but we have not performed any auditing procedures since that date.

WeiserMazars LLP

May 16, 2013

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Singer Financial Corp.
Balance Sheets
December 31, 2012 (Compiled) and 2011 (Audited)
(See Independent Accountants' Compilation Report)

	2012 (Compiled)	2011 (Audited)
Assets		
Cash	$ 6,660	$ 27,756
Secured loans receivable:		
Loan portfolio	5,290,451	5,196,697
Stockholder	1,678,778	1,524,388
Affiliates	437,171	437,171
Accrued interest receivable	71,437	70,684
Due from affiliates	972,071	944,571
Due from stockholder	1,081,589	948,605
Prepaid expenses	8,155	5,905
Property and equipment, net	582,698	570,706
Financing costs, net	19,036	31,295
Total assets	$ 10,148,046	$ 9,757,778
Liabilities and Stockholder's Equity		
Liabilities		
Notes payable, bank	$ 1,138,945	$ 731,662
Notes payable	187,646	-
Subordinated investment certificates	6,521,681	6,474,051
	7,848,272	7,205,713
Commitments and contingencies		
Stockholder's equity		
Common stock, no par value; authorized 10,000 shares issued and outstanding 2,000 shares	600,000	600,000
Retained earnings	1,699,774	1,952,065
Total stockholder's equity	2,299,774	2,552,065
Total liabilities and stockholder's equity	$ 10,148,046	$ 9,757,778

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

Singer Financial Corp.
Statements of Operations
Years Ended December 31, 2012 (Compiled) and 2011 (Audited)
(See Independent Accountants' Compilation Report)

	2012 (Compiled)	2011 (Audited)
Income		
Interest		
Interest income	$ 658,605	$ 867,437
Interest expense	569,337	550,135
Net interest income	89,268	317,302
Brokerage and other fees	133,451	203,529
	222,719	520,831
Operating expenses		
General and administrative	409,363	441,001
Depreciation and amortization	35,701	53,638
	445,064	494,639
(Loss) income from operations	(222,345)	26,192
Other income (expense)		
Bank interest expense	(41,946)	(14,658)
Rental income	12,000	12,000
	(29,946)	(2,658)
Net (loss) income	$ (252,291)	$ 23,534

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

Singer Financial Corp.
Statements of Stockholder's Equity
Years Ended December 31, 2012 (Compiled) and 2011 (Audited)
(See Independent Accountants' Compilation Report)

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
Balance, January 1, 2011 (Audited)	2,000	$ 600,000	$ 2,078,531	$ 2,678,531
Net income			23,534	23,534
Distributions			(150,000)	(150,000)
Balance, December 31, 2011 (Audited)	2,000	600,000	1,952,065	2,552,065
Net loss			(252,291)	(252,291)
Balance, December 31, 2012 (Compiled)	2,000	$ 600,000	$ 1,699,774	$ 2,299,774

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

Singer Financial Corp.
Statements of Cash Flows
Years Ended December 31, 2012 (Compiled) and 2011 (Audited)
(See Independent Accountants' Compilation Report)

	2012 (Compiled)	2011 (Audited)
Cash flows from operating activities		
Net (loss) income	$ (252,291)	$ 23,534
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Amortization of loan origination fees	(82,165)	(91,028)
Depreciation of property and equipment	23,442	34,591
Amortization of financing costs	12,259	19,047
Increase in accrued interest on stockholder and related party loans	(4,955)	(337,846)
Increase in accrued interest on subordinated investment certificates	304,160	375,206
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accrued interest receivable	(8,160)	(12,032)
Prepaid expenses	(2,250)	(1,496)
Net cash (used in) provided by operating activities	(9,960)	9,976
Cash flows from investing activities		
Loans originated	(877,285)	(2,821,343)
Loan fees received	56,000	154,041
Loan payments received	667,668	2,683,509
Advances to stockholder	(132,984)	(306,124)
Advances to affiliates	(39,000)	(129,502)
Purchase of property and equipment	(35,434)	-
Net cash used in investing activities	(361,035)	(419,419)
Cash flows from financing activities		
Proceeds of notes payable, bank	780,000	1,275,000
Principal payments on notes payable, bank	(372,717)	(1,114,903)
Proceeds from issuance of subordinated investment certificates	-	355,281
Proceeds from notes payable	25,000	-
Principal payments on subordinated investment certificates	(82,384)	(90,886)
Stockholder's distributions	-	(150,000)
Net cash provided by financing activities	349,899	274,492
Net decrease in cash	(21,096)	(134,951)
Cash		
Beginning	27,756	162,707
Ending	$ 6,660	$ 27,756
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 398,532	$ 188,372

Supplemental disclosure of noncash investing and financing activities

Loans receivable plus accrued interest receivable totaling $247,729 and $332,828 were assumed by the stockholder of the Company during the years ended December 31, 2012 and 2011, respectively.

During the year ended December 31, 2012, a subordinated investment certificate, was transferred to a related company at a discount of $11,500.

During the year ended December 31, 2012, a matured subordinated investment certificate, with principal and accrued interest totaling $162,646, was changed into a note payable .

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

1. Summary of Significant Accounting Policies

Nature of Business
Singer Financial Corp. (the "Company") makes, holds, and services commercial loans to customers in Pennsylvania, New Jersey and Delaware. The Company 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.

Variable Interest Entities
Variable interest entities (VIEs) are primarily entities that lack sufficient equity to finance their activities without additional subordinated financial support from other parties or whose equity holders as a group lack certain power, obligations, or rights. All VIEs with which the Company is involved are evaluated to determine whether the Company has a controlling financial interest in the VIE and is, therefore, the primary beneficiary of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

The stockholder has a controlling financial interest in certain entities, including Leah One, Inc., Julia Two Corporation, and Vass, Inc. The Company has concluded that all three companies are VIEs, but do not require consolidation as Singer Financial Corporation is not the primary beneficiary.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash
The Company maintains its cash balances in one bank. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. 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.

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.

Loans go on non-accrual status after one hundred and twenty days with no payments. Interest is accrued on these loans for a maximum of ninety days. An allowance for credit losses is provided as necessary based upon the expected collectability of loans outstanding. All loans receivable are collateralized by the underlying real estate. At December 31, 2012 and 2011, no allowance for credit losses was deemed necessary since collateral values, based on management's appraisals, were considered adequate to cover outstanding loan balances.

Loans are transferred to the stockholder or affiliated companies (that are owned by the stockholder) when the stockholder or affiliated companies purchase the properties and assume the mortgage that the Company is holding. The loans are still collateralized by the real estate now owned by these related parties.

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)

Financing Costs and Amortization

Financing costs of $174,360 at December 31, 2012 and 2011, incurred in connection with the public offering of subordinated investment certificates, are being amortized on a straight-line basis over the average term of the certificates. Amortization expense was $12,259 and $19,047 for the years ended December 31, 2012 and 2011, respectively. Total accumulated amortization as of December 31, 2012 and 2011 was $155,324 and $143,065, respectively.

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.

Advertising Costs

Advertising costs are expensed as they are incurred. Total advertising costs, included in general and administrative expenses, were $12,204 and $17,241 for the years ended December 31, 2012 and 2011, respectively.

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. The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. Federal and state income tax examinations by tax authorities for years before 2008.

Subsequent Events

The Company has evaluated subsequent events through May 16, 2013, the date these financial statements were available for issuance. All subsequent events requiring recognition as of December 31, 2012, have been incorporated in these financial statements.

2. Loans Receivable, Portfolio

	2012 (Compiled)	2011 (Audited)
Real estate secured loans		
Current	$ 4,349,779	$ 4,800,691
On nonaccrual status	1,107,770	589,269
	5,457,549	5,389,960
Unamortized origination costs (fees), net	(167,098)	(193,263)
	$ 5,290,451	$ 5,196,697

At December 31, 2012, the contractual maturities of real estate secured loans receivable are as follows:

	2013	2014	2015	2016	2017	Total
Real estate secured loans	$ 2,638,824	$ 699,582	$ 660,902	$ 1,326,852	$ 131,389	$ 5,457,549
Unamortized origination fees, net	(58,615)	(40,399)	(36,695)	(27,070)	(4,319)	(167,098)
	$ 2,580,209	$ 659,183	$ 624,207	$ 1,299,782	$ 127,070	$ 5,290,451

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. Loans Receivable, Related Parties

	2012 (Compiled)	2011 (Audited)
Real estate secured loans		
Stockholder	$ 1,674,524	$ 1,519,552
Unamortized origination fees	4,254	4,836
	1,678,778	1,524,388
Affiliates	437,171	437,171
	2,115,949	1,961,559
Unsecured loans		
Affiliates	972,071	944,571
Stockholder	1,081,589	948,605
	$ 4,169,609	$ 3,854,735

4. Property and Equipment

	2012 (Compiled)	2011 (Audited)
Land	$ 66,977	$ 66,977
Auto	65,909	65,909
Building	267,907	267,907
Building improvements	241,722	206,289
Leasehold improvements	193,298	193,298
Office furniture and equipment	47,256	47,255
	883,069	847,635
Less accumulated depreciation	300,371	276,929
	$ 582,698	$ 570,706

5. Notes Payable, Bank

	2012 (Compiled)	2011 (Audited)
Note payable, advances under a $1,500,000 line of credit; interest payable monthly at prime rate, with a floor of 3.75%, (an effective rate of 3.75% at December 31, 2012); collateralized by the building and equipment; personally guaranteed by the stockholder; expires August 31, 2013.	$ 1,138,945	$ 731,662

The line of credit contains several financial covenants that were not met as of December 31, 2012.

6. Notes Payable

	2012	2011
Note payable to a third party individual; interest paid annually at a rate of 7%; unsecured; expires on October 31, 2027	$ 25,000	$ -
Note payable to a third party individual; interest paid annually at a rate of 6%; unsecured; expires on December 17, 2022	162,646	-
	$ 187,646	$ -

7. 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 5% and a maximum of 11%. 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, 2012 mature as follows:

Years Ending December 31,	Amount (including accrued interest)	Interest Rate (%)
2013	$ 909,686	5.0 - 9.5
2014	131,336	6.5 - 8
2015	206,151	5.7 - 11
2016	530,825	7.8 - 11
2017	183,183	6.6 - 8
2018	998,855	9 - 10
2019	596,362	8.1 - 9.5
2020	186,635	7 - 9
2021	1,327,186	9 - 10
2022	16,556	9
2024	530,869	8.9 - 9.3
2025	455,767	8.2 - 9.2
2026	448,270	7.9 - 9.2
	$ 6,521,681	

8. Related Party Transactions

The Company advances funds to the stockholder, to companies affiliated by common ownership, or to a company owned by a relative of the Company's stockholder. These loans are noninterest-bearing.

Occasionally, these affiliated companies or the stockholder purchase the properties of Singer Financial Corp.'s foreclosed loans. These affiliated companies then become responsible for the corresponding loan receivable. As of December 31, 2012, these loans bear interest at 8% annually. Total interest income from these related loans receivable were $4,955 and $337,846 for the years ended December 31, 2012 and 2011, respectively.

The Company leases certain of its facilities to its stockholder under a year-to-year lease, expiring May, 2013. For each of the years ended December 31, 2012 and 2011, rental income was $12,000.

The stockholder leases office space to the Company under a year-to-year lease, at a monthly rent of $750. Rent expense was $9,000 for each of the years ended December 31, 2012 and 2011.

During the years ended December 31, 2012 and 2011, the stockholder assumed loans receivable and accrued interest of $247,729 and $332,828, respectively, from debtors of the Company.

9. Contingent Liabilities

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance, are without merit if not covered, or in the event of unfavorable disposition, would not have a material effect on the financial position, results of operations or cash flows of the Company.

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