INDEX TO FINANCIAL STATEMENTS

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, 1999 and 1998, 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 generally accepted auditing standards. 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, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

FISHBEIN & COMPANY, P.C.

Elkins Park, Pennsylvania
January 14, 2000

SINGER FINANCIAL CORP.

BALANCE SHEETS

ASSETS

	December 31, 1999	1998
Cash	$ 11,611	$ 90,968
Loans receivable	3,271,478	2,114,178
Accrued interest receivable	26,264	26,250
Prepaid expenses	1,824	1,521
Property and equipment - Net of accumulated depreciation of $30,281 - 1999 and $20,678 - 1998	332,398	333,256
Financing costs - Net of accumulated amortization of $99,763 - 1999 and $100,275 - 1998	125,046	113,145
	$3,768,621	$2,679,318

LIABILITIES AND STOCKHOLDER'S EQUITY

	1999	1998
LIABILITIES		
Note and mortgage payable - Bank	$1,356,382	$ 538,538
Subordinated investment certificates (Including accrued interest of $111,009 - 1999 and $70,724 - 1998)	1,445,507	1,064,965
Accounts payable and accrued expenses	8,322	7,500
Demand note payable - Stockholder	481,340	644,998
Income taxes payable	13,000	3,600
Deferred income taxes	5,500	4,100
	3,310,051	2,263,701
COMMITMENT (Note 8)		
STOCKHOLDER'S EQUITY		
Preferred stock - No par value Authorized 500,000 shares Issued and outstanding - None		

See notes to financial statements.

Common stock - No par value Authorized 10,000 shares Issued and outstanding - 1,320 shares	396,000	396,000
Retained earnings	62,570	19,617
	458,570	415,617
	$3,768,621	$2,679,318

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF INCOME

	Year Ended December 31, 1999		Year Ended December 31, 1998	
INCOME				
Interest				
Interest income	$ 486,177		$ 323,041	
Interest expense	225,016		180,923	
Net interest income		261,161		142,118
Brokerage fees	54,373		29,082	
		315,534		171,200
OPERATING EXPENSES				
General and administrative	196,994		93,283	
Depreciation and amortization	66,777		62,552	
		263,771		155,835
INCOME FROM OPERATIONS	51,763		15,365	
RENTAL INCOME	6,000		6,000	
INCOME BEFORE INCOME TAXES	57,763		21,365	

See notes to financial statements.

INCOME TAXES	14,810	5,600
NET INCOME	$ 42,953	$ 15,765

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock Number of Shares	Common Stock Amount	Retained Earnings (Deficit)	Total
BALANCE - JANUARY 1, 1998	1,320	$ 396,000	$ 3,852	$ 399,852
Net income			15,765	15,765
BALANCE - DECEMBER 31, 1999	1,320	396,000	19,617	415,617
Net income			42,953	42,953
BALANCE - DECEMBER 31, 1999	1,320	$ 396,000	$ 62,570	$ 458,570

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 42,953	$ 15,765
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of loan origination costs (fees) - Net	(83,092)	(47,392)
Depreciation of property and equipment	9,603	8,182
Amortization of financing costs	57,174	54,370
Increase in accrued interest on subordinated investment certificates (Includes $22,493 - 1999 and $2,428 - 1998 added to principal)	62,778	44,730
Deferred income taxes	1,400	2,000
Increase in accrued interest receivable	(14)	(4,839)
Increase in prepaid expenses	(303)	(15)
Increase (decrease) in accounts payable and accrued expenses	822	(13,549)
Increase in income taxes payable	9,400	1,000
Net cash provided by operating activities	100,721	60,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(1,916,812)	(1,195,883)
Loan payments received	842,604	761,983
Purchase of property and equipment	(8,745)	(6,324)
Net cash used in investing activities	(1,082,953)	(440,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs incurred	(64,670)	(69,706)
Proceeds of note payable - Bank	1,291,211	9,068
Principal payments on note and mortgage payable - Bank	(477,772)	(4,854)
Proceeds from issuance of subordinated investment certificates	417,704	488,415
Principal payments on subordinated investment certificates	(99,940)	(35,605)
Net proceeds of (principal payments on) demand note payable - Stockholder	(163,658)	40,453
Net cash provided by financing activities	902,875	427,771
NET INCREASE (DECREASE) IN CASH	(79,357)	47,799

See notes to financial statements.

CASH - BEGINNING	90,968	43,169
CASH - ENDING	$ 11,611	$ 90,968

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF CASH FLOWS
(Continued)

	Year Ended December 31, 1999	1998
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 184,731	$ 148,869
Income taxes	19,010	2,600

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 1999, the note payable - bank with a balance of $298,003 was paid in full with the proceeds of a new note payable - bank.

During the year ended December 31, 1999, the mortgage payable - bank with a balance of $239,030 and financing costs of $4,405 were paid with the proceeds of a new mortgage payable - bank.

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

Use of Estimates

The presentation 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.

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.

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, 1999 and 1998, no allowance for credit losses was deemed necessary.

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 $8,682 incurred in obtaining the $300,000 line of credit (see Note 4) were amortized using the straight-line method over the three-year term of the agreement.

Financing costs of $4,405 incurred in obtaining the mortgage payable - bank are being amortized using the straight-line method over the twenty-year term of the agreement.

Financing costs of $220,404 and $204,738 at December 31, 1999 and 1998, 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.

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 receivables will cause earlier suspension if collection is doubtful.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are charged to expense as incurred. Total advertising costs, included in general and administrative expenses, were $16,585 and $15,345 for the years ended December 31, 1999 and 1998, respectively.

Income Taxes

The Company's effective income tax rate is higher than what would be expected if the statutory rates were applied to income from operations primarily because of expenses deductible for financial reporting purposes that are not deductible for income tax purposes.

Deferred income taxes are provided for the temporary difference in financial and income tax reporting of the recovery of the cost of property and equipment. For financial reporting, depreciation is provided as described above. For income tax reporting, the cost of property and equipment is being recovered using the methods and lives prescribed by the Internal Revenue Code.

2. LOANS RECEIVABLE

	December 31,	
	1999	1998
Real estate secured loans	$2,823,013	$1,801,450
Related company (see Note 6)	625,000	425,000
Unamortized origination costs (fees) - Net	(176,535)	(112,272)
	$3,271,478	$2,114,178

At December 31, 1999, the contractual maturities of real estate secured loans receivable are as follows:

	2000	2001	2002	2003	2004	Total
Real estate secured loans	$ 107,222	$ 119,521	$ 569,715	$ 540,943		$1,485,612
Unamortized origination costs (fees) - Net	(45,543)	(43,775)	(39,492)	(30,954)	(16,771)	(176,535)
	$ 61,679	$ 75,746	$ 530,223	$ 509,989		$1,468,841

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

	1999	1998
Land	$ 66,977	$ 66,977
Building	267,907	267,907
Office furniture and equipment	27,795	19,050
	362,679	353,934
Less accumulated depreciation	30,281	20,678
	$ 332,398	$ 333,256

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

4. NOTE AND MORTGAGE PAYABLE - BANK

	December 31, 1999	December 31, 1998
Note payable - Represents the balance of advances to date under a $200,000 line of credit expiring in April, 2000; advances limited to 80% of the aggregate outstanding principal balances of the loans securing the line of credit or 60% of the appraised value of the related real estate; interest payable monthly at prime plus 1/2% (an effective rate of 9% at December 31, 1999); principal balance due in April, 2000 collateralized by substantially all of the Company's assets	$1,107,649	$
Mortgage payable in monthly installments of $2,070 including interest at 7.75% through October, 2004; beginning in November 2004, payable in monthly installments of $2,221 including interest at 3.25% over the 5-year U.S. Treasury note rate; any remaining balance due in October, 2019; collateralized by the Company's land and building; guaranteed by the stockholder of the Company	248,733	
Note payable - Represents the balance of advances to date under a $300,000 three-year line of credit expiring in January, 1999; advances limited to 65% of the appraised value of the related real estate (held as collateral for loans receivable); payable in monthly installments based on the principal payments received on the related loans receivable; interest at prime plus 3% (an effective rate of 10.75% at December 31, 1998)		298,003
Mortgage payable in monthly installments of $2,132 including interest at 9.5% through April, 2002; balloon payment of approximately $231,700 including interest due in May, 2002; collateralized by the Company's land and building		240,535
	$1,356,382	$ 538,538

At December 31, 1999, principal payments on the note and mortgage payable - bank for the next five years are due as follows: Year ending December 31, 2000 - $1,113,414, 2001 - $6,228, 2002 - $6,729, 2003 - $7,268 and 2004 - $8,155.

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 $1,500,000 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, 1999, mature as follows:

Year Ending December 31,	Amount	Interest Rate(s)
2000	$ 331,895	8.75 - 9.5%
2001	121,733	9.5
2002	226,765	9.5 - 10
2003	136,698	10
2004	263,034	9.75 - 10
2005	1,000	10
2006	3,500	10
2007	69,885	10 - 10.5
2008	80,100	10.5
2009	92,551	10.5
2014	7,337	11
	1,334,498	
Accrued interest (Due currently)	111,009	
	$1,445,507	

6. RELATED PARTY TRANSACTIONS

At December 31, 1999 and 1998, a loan receivable of $625,000 and $425,000, respectively, is due from a company owned by a relative of the Company's stockholder (see Note 2). The loan is due on demand and bears interest at prime plus 1.625% (an effective rate of 10.125% at December 31, 1999). Interest income on this loan was $41,492 and $40,266 for the years ended December 31, 1999 and 1998, respectively.

The demand note payable - Stockholder bears interest at prime plus 1/2% (an effective rate of 9% at December 31, 1999); interest expense on this note was $18,352 and $50,266 for the years ended December 31, 1999 and 1998, respectively.

Compensation of $45,000 and $19,216 for the years ended December 31, 1999 and 1998, respectively, included in general and administrative expenses, and financing costs of $5,000 and $19,216 for the years ended December 31, 1999 and 1998, respectively, were paid to the stockholder for brokerage services rendered, based on a percentage of fees generated (see Note 8). In addition, a bonus of $36,000 for the year ended December 31, 1999, also included in general and administrative expenses, was awarded to the stockholder (see Note 8).

The Company leases certain of its facilities to its stockholder under a year-to-year operating lease at an annual rental of $6,000.

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

7. INCOME TAXES

The provision for income taxes consists of the following:

	Year Ended December 31, 1999	1998
Current		
Federal	$ 7,250	$ 2,200
State	6,160	1,551
	13,410	3,751
Less tax benefit of net operating loss carryforwards		151
	13,410	3,600
Deferred	1,400	2,000
	$ 14,810	$ 5,600

A reconciliation of income taxes at the federal statutory rate to the Company's tax provision is as follows:

	Year Ended December 31, 1999	1998
Federal income tax at statutory rate	$ 8,664	$ 3,205
State taxes - Net of federal tax	5,704	1,913
Nondeductible expenses	39	126
Other	403	356
	$ 14,810	$ 5,600

8. COMMITMENT

The Company is committed under an employment contract with its stockholder/director/Chief Executive Officer/President which expires in December, 2000, and which provides for annual compensation equal to 25% of income from fees plus 10% of interest earned, not to exceed $50,000 in any year (see Note 6). In addition to the base salary, a bonus may be awarded by the Board of Directors.