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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, 2000 and 1999, 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, 2000 and 1999, 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 12, 2001

SINGER FINANCIAL CORP.

BALANCE SHEETS

ASSETS

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Cash	\$ 61,710	\$ 11,611
Loans receivable	3,701,248	3,271,478
Accrued interest receivable	69,600	26,264
Prepaid expenses	2,258	1,824
Property and equipment - Net of accumulated depreciation of \$40,707 - 2000 and \$30,281 - 1999	340,842	332,398
Financing costs - Net of accumulated amortization of \$112,564 - 2000 and \$99,763 - 1999	<u>118,791</u>	<u>125,046</u>
	<u>\$4,294,449</u>	<u>\$3,768,621</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Notes and mortgage payable - Bank Subordinated investment certificates (Including accrued interest of \$166,838 - 2000 and \$137,338 - 1999)	\$1,702,207	\$1,356,382
Accounts payable and accrued expenses	1,683,162	1,445,507
Demand note payable - Stockholder	21,429	8,322
Income taxes payable	408,470	481,340
Deferred income taxes	3,400	13,000
	<u>5,500</u>	<u>5,500</u>
	<u>3,824,168</u>	<u>3,310,051</u>

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 - 1,320 shares	396,000	396,000
Retained earnings	<u>74,281</u>	<u>62,570</u>
	<u>470,281</u>	<u>458,570</u>
	<u>\$4,294,449</u>	<u>\$3,768,621</u>

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF INCOME

	<u>Year Ended December 31.</u>	
	<u>2000</u>	<u>1999</u>
INCOME		
Interest		
Interest income	\$ 537,829	\$ 486,177
Interest expense	<u>325,122</u>	<u>225,016</u>
Net interest income	212,707	261,161
Brokerage fees	<u>50,755</u>	<u>54,373</u>
	<u>263,462</u>	<u>315,534</u>
OPERATING EXPENSES		
General and administrative	203,849	196,994
Depreciation and amortization	<u>53,502</u>	<u>66,777</u>
	<u>257,351</u>	<u>263,771</u>
INCOME FROM OPERATIONS	6,111	51,763
RENTAL INCOME	<u>9,000</u>	<u>6,000</u>
INCOME BEFORE INCOME TAXES	15,111	57,763
INCOME TAXES	<u>3,400</u>	<u>14,810</u>
NET INCOME	<u>\$ 11,711</u>	<u>\$ 42,953</u>

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF STOCKHOLDER'S EQUITY

YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>Common Stock</u>		<u>Retained</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Earnings</u>	
	<u>of Shares</u>			
BALANCE - JANUARY 1, 1999	1,320	\$ 396,000	\$ 19,617	\$ 415,617
Net income	—	—	<u>42,953</u>	<u>42,953</u>
BALANCE - DECEMBER 31, 1999	1,320	396,000	62,570	458,570
Net income	—	—	<u>11,711</u>	<u>11,711</u>
BALANCE - DECEMBER 31, 2000	<u>1,320</u>	<u>\$ 396,000</u>	<u>\$ 74,281</u>	<u>\$ 470,281</u>

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF CASH FLOWS

Year Ended December 31,
2000 1999

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 11,711	\$ 42,953
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization of loan origination costs (fees) - Net	(82,008)	(83,092)
Depreciation of property and equipment	10,426	9,603
Amortization of financing costs	43,076	57,174
Increase in accrued interest on subordinated investment certificates (Includes \$17,882 - 2000 and \$22,493 - 1999 added to principal)	47,382	62,778
Deferred income taxes		1,400
Increase in accrued interest receivable	(43,336)	(14)
Increase in prepaid expenses	(434)	(303)
Increase in accounts payable and accrued expenses	13,107	822
Increase (decrease) in income taxes payable	(9,600)	9,400
Net cash provided by (used in) operating activities	(9,676)	100,721

CASH FLOWS FROM INVESTING ACTIVITIES

Loans originated	(1,352,033)	(1,916,812)
Loan payments received	1,004,271	842,604
Purchase of property and equipment	(18,870)	(8,745)
Net cash used in investing activities	(366,632)	(1,082,953)

CASH FLOWS FROM FINANCING ACTIVITIES

Financing costs incurred	(36,821)	(64,670)
Proceeds of note and mortgage payable - Bank	880,819	1,291,211
Principal payments on note and mortgage payable - Bank	(534,994)	(477,772)
Proceeds from issuance of subordinated investment certificates	281,825	417,704
Principal payments on subordinated investment certificates	(91,552)	(99,940)
Net principal payments on demand note payable - Stockholder	(72,870)	(163,658)
Net cash provided by financing activities	426,407	902,875

NET INCREASE (DECREASE) IN CASH

50,099 (79,357)

CASH - BEGINNING

11,611 90,968

CASH - ENDING

\$ 61,710 \$ 11,611

See notes to financial statements.

SINGER FINANCIAL CORP.

STATEMENTS OF CASH FLOWS

(Continued)

Year Ended December 31,
2000 1999

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for

Interest

\$ 286,865

\$ 176,409

Income taxes

13,000

19,010

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2000, the note payable - bank with a balance of \$1,267,649 was paid in full with the proceeds of a new note payable - bank.

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.

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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, 2000 and 1999, 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 \$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 \$226,950 and \$220,404 at December 31, 2000 and 1999, 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.

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

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 \$20,305 and \$16,585 for the years ended December 31, 2000 and 1999, respectively.

Income Taxes

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

<u>December 31,</u>		
<u>2000</u>		<u>1999</u>
Real estate secured loans	\$3,239,375	\$2,823,013
Related company (see Note 6)	625,000	625,000
Unamortized origination costs (fees) - Net	<u>(163,127)</u>	<u>(176,535)</u>
	<u>\$3,701,248</u>	<u>\$3,271,478</u>

At December 31, 2000, the contractual maturities of real estate secured loans receivable are as follows:

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Total</u>		
Real estate secured loans		\$ 138,741		\$ 267,429	\$ 258,682	\$1,595,053	\$ 979,470
Unamortized origination costs (fees) - Net		<u>(45,626)</u>		<u>(43,804)</u>	<u>(39,620)</u>	<u>(26,970)</u>	<u>(7,107)</u>
	<u>\$ 93,115</u>	<u>\$ 223,625</u>		<u>\$ 219,062</u>	<u>\$1,568,083</u>		<u>\$ 972,363</u>

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

<u>2000</u>		<u>1999</u>
Land \$ 66,977		\$ 66,977
Building		267,907
Building improvements		14,900
Office furniture and equipment		<u>31,765</u>
381,549		362,679
Less accumulated depreciation		<u>40,707</u>
		<u>30,281</u>

\$ 340,842

\$ 332,398

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

4. NOTES AND MORTGAGE PAYABLE - BANK

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Note payable - Represented the balance of advances to date under a \$2,000,000 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 10% at December 31, 2000); principal balance repaid during 2000; was collateralized by substantially all of the Company's assets		\$
\$1,107,649		
Note payable - Represents the balance of advances to date under a \$2,000,000 line of credit expiring in June, 2001; advances limited to 80% of the net outstanding amount of eligible receivables; interest payable monthly at prime plus 1/4% (an effective rate of 9.75% at December 31, 2000); principal balance due in June, 2001; collateralized by substantially all of the Company's assets. The loan agreement also contains various restrictive covenants, including the following: leverage not greater than 1.75:1 and tangible net worth not less than \$1,750,000.		1,458,468
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		<u>243,739</u>
<u>248,733</u>		
		<u>\$1,702,207</u>
<u>\$1,356,382</u>		

At December 31, 2000, principal payments on the note and mortgage payable - bank for the next five years are due as follows: Year ending December 31, 2001 - \$1,464,634, 2002 - \$6,661, 2003 - \$7,196, 2004 \$8,077 and 2005 - \$10,299.

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

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, 2000, mature as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>	<u>Interest Rate(s)</u>
2001	\$ 275,124	8.25 - 9.5%
2002	188,535	9.25 - 10
2003	379,265	9.25 - 10
2004	260,595	9.75 - 10
2005	72,822	9.75 - 10
2006	2,500	10
2007	125,494	10 - 10.5
2008	80,404	10.5
2009	64,000	10.5
2010	8,382	10.5
2014	7,337	11
2015	<u>51,866</u>	11
	1,516,324	
Accrued interest (Due currently)	<u>166,838</u>	
	<u>\$1,683,162</u>	

6. RELATED PARTY TRANSACTIONS

At December 31, 2000 and 1999, a loan receivable of \$625,000 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 11.125% at December 31, 2000). Interest income on this loan was \$61,750 and \$41,492 for the years ended December 31, 2000 and 1999, respectively.

The demand note payable - Stockholder bears interest at 7.5%; interest expense on this note was \$33,935 and \$18,352 for the years ended December 31, 2000 and 1999, respectively.

Compensation of \$45,000 for each of the years ended December 31, 2000 and 1999, respectively, included in general and administrative expenses, and financing costs of \$5,000 for each of the years ended December 31, 2000 and 1999, respectively, were paid to the stockholder for brokerage services rendered, based on a percentage of fees generated. 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.

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

Beginning in 2000, this amount was increased to \$9,000.

Loans receivable at December 31, 2000 include a mortgage loan with a principal balance of \$183,598 due from a company related by common ownership. For the year ended December 31, 2000, no interest was charged to this company.

SINGER FINANCIAL CORP.

NOTES TO FINANCIAL STATEMENTS

7. INCOME TAXES

The provision for income taxes consists of the following:

	<u>Year Ended December 31.</u>	
	<u>2000</u>	<u>1999</u>
Current		
Federal	\$ 2,000	\$ 7,250
State	<u>1,400</u>	<u>6,160</u>
	13,410	
Deferred		
<u>1,400</u>		
<u>\$ 3,400</u>	<u>\$ 14,810</u>	

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

	<u>Year Ended December 31.</u>	
	<u>2000</u>	<u>1999</u>
Federal income tax at statutory rate	\$ 2,267	\$
8,664		
State taxes - Net of federal tax	1,190	5,704
Nondeductible expenses		39
Other (<u>57</u>)	<u>403</u>	
<u>\$ 3,400</u>	<u>\$ 14,810</u>	