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, 2003 and 2002, 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, 2003 and 2002, 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.

FISHBEIN & COMPANY, P.C.

Elkins Park, Pennsylvania
January 17, 2004

ASSETS

	December 31, 2003	December 31, 2002
Cash	$ 203,080	$ 259,771
Loans receivable	6,113,262	4,211,208
Accrued interest receivable	77,816	72,062
Prepaid expenses	3,438	7,879
Property and equipment - Net of accumulated depreciation of $63,471 - 2003 and $63,450 - 2002	360,624	331,632
Financing costs - Net of accumulated amortization of $128,197 - 2003 and $40,054 - 2002	113,192	122,438
	$ 6,871,412	$ 5,004,990

LIABILITIES AND STOCKHOLDER'S EQUITY

	2003	2002
LIABILITIES		
Notes payable - Bank	$ 1,690,000	$ 200,000
Subordinated investment certificates (Including accrued interest of $320,137 - 2003 and $434,575 - 2002)	3,857,742	3,992,904
Accounts payable and accrued expenses	40,006	16,882
Demand note payable - Stockholder	6,907	46,036
Income taxes payable		3,959
Deferred income taxes		5,500
	5,594,655	4,265,281
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	676,757	139,709
	1,276,757	739,709
	$ 6,871,412	$ 5,004,990

See notes to financial statements.

Statements of Income

	Year Ended December 31, 2003	2002
INCOME		
Interest		
Interest income	$ 1,175,733	$ 677,995
Interest expense	394,490	372,339
Net interest income	781,243	305,656
Brokerage fees	85,892	111,036
	867,135	416,692
OPERATING EXPENSES		
General and administrative	286,010	330,980
Depreciation and amortization	55,539	73,911
	341,549	404,891
INCOME FROM OPERATIONS	525,586	11,801
OTHER INCOME (EXPENSE)		
Rental income	6,000	6,000
Loss on disposal of equipment	(38)	
	5,962	6,000
INCOME BEFORE INCOME TAXES	531,548	17,801
INCOME TAXES (RECOVERY)	(5,500)	6,126
NET INCOME	$ 537,048	$ 11,675

See notes to financial statements.

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
BALANCE - JANUARY 1, 2002	2,000	$ 600,000	$ 128,034	$ 728,034
Net income			11,675	11,675
BALANCE - DECEMBER 31, 2002	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

See notes to financial statements.

Statements of Cash Flows

	Year Ended December 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 537,048	$ 11,675
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization of loan origination fees - Net	(150,509)	(100,714)
Depreciation of property and equipment	11,344	11,425
Amortization of financing costs	44,195	62,486
Loss on disposal of property and equipment	38	
Deferred income tax recovery	(5,500)	
Accrued interest on foreclosed loan	(9,216)	(112,708)
Increase in accrued interest on subordinated investment certificates (Includes $610,989 - 2003 and $50,447 - 2002 added to principal)	(803,636)	255,125
(Increase) decrease in		
Accrued interest receivable	(5,754)	(12,844)
Prepaid expenses	4,441	(2,190)
Increase (decrease) in		
Accounts payable and accrued expenses	23,124	13,820
Income taxes payable	(3,959)	(12,971)
Net cash provided by (used in) operating activities	(358,384)	113,104
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(4,140,932)	(3,496,925)
Loan payments received	2,324,533	2,228,636
Capitalization of costs to prepare property for sale		(50,176)
Proceeds from sale of property	74,070	531,532
Construction costs incurred	(34,815)	
Purchase of property and equipment	(5,559)	(11,216)
Net cash used in investing activities	(1,782,703)	(798,149)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs incurred	(34,949)	(28,128)
Proceeds of note and mortgage payable - Bank	2,565,000	200,000
Principal payments on note and mortgage payable - Bank	(1,075,000)	(531,307)
Proceeds from issuance of subordinated investment certificates	918,245	1,122,696
Principal payments on subordinated investment certificates	(249,771)	(151,396)
Net principal payments on demand note payable - Stockholder	(39,129)	(41,686)
Net cash provided by financing activities	2,084,396	570,179
NET DECREASE IN CASH	(56,691)	(114,866)
CASH - BEGINNING	259,771	374,637
CASH - ENDING	$ 203,080	$ 259,771

See notes to financial statements.

	Year Ended December 31, 2003	2002
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 485,804	$ 153,841
Income taxes	3,959	19,097

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended December 31, 2003 and 2002, the Company foreclosed on loans receivable which were in default, and took title to the properties. The balances of the loans were $64,854 and $368,648, plus accrued interest of $9,216 and $112,708, respectively.

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, 2003 and 2002, 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. Construction in Progress

The Company is constructing a new facility scheduled to be completed in 2004. As of December 31, 2003, the Company incurred and capitalized $34,815 in Construction in Progress. The estimated cost to be incurred in 2004 to complete construction of the facility is approximately $100,000.

g. Financing Costs and Amortization

Financing costs of $241,389 and $162,492 at December 31, 2003 and 2002, 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, 2004 - $27,530, 2005 - $19,599, 2006 - $16,763, 2007 - $9,869 and 2008 - $6,875.

h. 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.

i. Advertising Costs

Advertising costs are charged to expense as incurred. Total advertising costs, included in general and administrative expenses, were $2,881 and $2,679 for the years ended December 31, 2003 and 2002, respectively.

j. 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.

k. Reclassifications

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

2. LOANS RECEIVABLE

	December 31, 2003	December 31, 2002
Real estate secured loans	$ 6,494,813	$ 4,443,393
Unamortized origination costs (fees) - Net	(381,551)	(232,185)
	$ 6,113,262	$ 4,211,208

At December 31, 2003, the contractual maturities of real estate secured loans receivable are as follows:

	2004	2005	2006	2007	2008	Thereafter	Total
Real estate secured loans	$ 247,621	$ 263,920	$ 514,764	$2,026,147	$3,249,421	$ 192,940	$6,494,813
Unamortized origination costs (fees) - Net	(125,541)	(92,077)	(87,793)	(51,283)	(24,600)	(257)	(381,551)
	$ 122,080	$ 171,843	$ 426,971	$1,974,864	$3,224,821	$ 192,683	$6,113,262

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

	2003	2002
Land	$ 66,977	$ 66,977
Building	267,907	267,907
Building improvements	26,115	26,115
Office furniture and equipment	28,281	34,083
	389,280	395,082
Less accumulated depreciation	63,471	63,450
	325,809	331,632
Construction in progress	34,815	
	$ 360,624	$ 331,632

4. NOTES PAYABLE – BANK

	December 31, 2003	December 31, 2002
Note payable - Represents the balance of advances to date under a $2,000,000 line of credit; interest payable monthly at the greater of prime or 4.75% (the effective rate at December 31, 2003); 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.	$ 1,640,000	$ 200,000
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 4% at December 31, 2003); collateralized by the building and equipment.	50,000	
	$ 1,690,000	$ 200,000

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, 2003 mature as follows:

Year Ending December 31,	Amount (including accrued interest)	Interest Rate
2004	$ 212,573	6-10%
2005	184,325	8.25-10
2006	476,205	5-10
2007	264,554	8.5-10
2008	214,983	6-10
2009	133,430	10-10.25
2010	407,565	7-10.5
2011	91,564	10.5
2012	28,113	10.25
2013	950,509	8-9.5
2015	16,486	11
2016	2,687	10.5 - 11
2017	11,615	10.5 - 11
2018	863,133	8-10
	$ 3,857,742	

6. RELATED PARTY TRANSACTIONS

The demand note payable – stockholder bears interest at 7.5%; interest expense on this note was $2,438 and $5,660 for the years ended December 31, 2003 and 2002, respectively.

Compensation of $64,080 and $52,638 for the years ended December 31, 2003 and 2002, respectively, included in general and administrative expenses, and financing costs of $7,120 and $3,762 for the years ended December 31, 2003 and 2002, respectively, were paid to the stockholder for brokerage services rendered, based on a percentage of fees generated. In addition, a bonus of $60,000 was paid to the stockholder during the year ended December 31, 2002.

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).

During the years ended December 31, 2003 and 2002, the Company sold property with book values of $74,070 and $531,532, respectively, to the shareholder of the Company for the same amounts.

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 provision for income taxes consists of the following:

	Year Ended December 31,	
	2003	2002
Current	$	$ 6,126
Deferred	(5,500)	
	($ 5,500)	$ 6,126

The deferred 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, 2003 and 2002, respectively, was $71,200 and $116,400 (as indicated in Note 6).

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,		
2004	$	6,000
2005		6,000
2006		2,500
	$	14,500