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FINANCIAL RESOURCES NATIONAL, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
AND
INDEPENDENT AUDITORS' REPORT

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

FINANCIAL RESOURCES NATIONAL, INC.

DECEMBER 31, 2007 AND 2006

TABLE OF CONTENTS

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

Connor & Associates, P.C.

CERTIFIED
PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Financial Resources National, Inc.:

We have audited the accompanying balance sheets of Financial Resources National, Inc. (a New Hampshire corporation) as of December 31, 2007 and 2006 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. The financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Financial Resources National, Inc. as of December 31, 2007 and 2006, 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.

Connor & Assoc PC

Manchester, New Hampshire
February 15, 2008

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

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FINANCIAL RESOURCES NATIONAL, INC.

BALANCE SHEETS

DECEMBER 31, 2007 and 2006

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	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 3)	$ 132,677	$ 235,552
Commissions receivable	220,397	291,060
Current portion of notes receivable (Note 4)	375,000	375,000
Allowance for loan losses (Note 4)	(125,000)	(125,000)
Current portion notes receivable, preferred shareholders (Note 6)	-	17,500
Total current assets	603,074	794,112
Notes receivable, preferred shareholders less current portion shown above (Note 6)	-	223,300
	-	223,300
Property and equipment, at cost (Note 1)	105,841	65,883
Less - Accumulated depreciation	43,743	31,760
	62,098	34,123
	$ 665,172	$1,051,535
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Demand and short-term notes payable (Note 5)	$ -	$ 12,608
Accounts payable	103,704	77,723
Accrued expenses (Note 7)	192,900	95,054
Deferred taxes (Note 2)	85,950	101,526
Total current liabilities	382,554	286,911
LONG-TERM DEBT (Notes 5 and 6)	18,618	218,913
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY:		
Common stock - $1 par value, 1,000,000 shares authorized, 15,000 shares issued and outstanding (Note 10)	15,000	15,000
Preferred stock subscribed, $1,000 par value, 393.50 shares pending (Note 6)	-	393,500
Preferred stock, $1,000 par value, 0 shares authorized, 138 shares issued and outstanding (Note 8)	-	138,000
Additional paid-in capital	462,950	462,950
Retained earnings	(213,950)	(463,739)
	264,000	545,711
	$ 665,172	$1,051,535

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

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

FINANCIAL RESOURCES NATIONAL, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

	2007	2006
REVENUE	$6,025,220	$7,199,541
OPERATING EXPENSES:		
Mortgage expense	1,519,163	3,167,693
Commissions	1,454,357	1,297,829
Interest expense	177,520	373,293
Client fees expense	129,429	144,342
Advertising and promotion	69,964	95,091
Salaries and related payroll taxes	840,299	795,703
Rent (Note 7)	178,684	167,939
Fees	2,138	2,267
Telephone	27,186	36,878
Insurance	47,359	87,796
Postage	58,194	62,977
Supplies	4,032	22,329
Maintenance	129,270	99,469
Professional expenses (Note 7)	521,842	402,770
Client refunds	39,036	47,701
Travel and entertainment	3,523	-
Utilities	19,812	16,052
Contributions	85,715	92,150
Office (Note 1)	321,545	244,692
Depreciation	11,983	5,605
Miscellaneous	2,761	2,071
Provision for credit losses (Note 4)	-	-
	5,643,812	7,164,647
INCOME FROM OPERATIONS	381,408	34,894
OTHER INCOME (EXPENSES):		
Interest income (Note 6)	45	28,896
Rental income	-	3,380
	45	32,276
INCOME BEFORE PROVISION FOR INCOME TAXES	381,453	67,170
PROVISION (CREDIT) FOR TAXES (Note 2):		
Current	147,240	870
Deferred	(15,576)	(236,074)
	131,664	(235,204)
NET INCOME	$ 249,789	$ 302,374

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

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

FINANCIAL RESOURCES NATIONAL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

	Common Stock	Preferred Stock	Preferred Stock Subscribed	Additional Paid-In Capital	Retained Earnings
Balance, December 31, 2005 (Note 9)	$15,000	$392,000	$ 991,500	$342,950	$(694,293)
Contributions	-	-	-	120,000	-
Net income	-	-	-	-	302,374
Dividends	-	-	-	-	(71,820)
Shares redeemed	-	(254,000)	(598,000)	-	-
Balance, December 31, 2006	$15,000	$138,000	$ 393,500	$462,950	$(463,739)
Contributions	-	-	-	-	-
Net income	-	-	-	-	249,789
Dividends	-	-	-	-	-
Shares redeemed	-	(138,000)	(393,500)	-	-
Balance, December 31, 2007	$15,000	$ -	$ -	$462,950	$(213,950)

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

Exhibit to:

Appendix A Page A-10
Paragraph 13,14,15

FINANCIAL RESOURCES NATIONAL, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 249,789	$ 302,374
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	11,983	5,605
(Increase) decrease in the following assets:		
Cash escrow	-	142,449
Commissions receivable	70,663	(291,060)
Increase (decrease) in the following liabilities:		
Accounts payable	25,981	(54,229)
Accrued expenses and deferred taxes	82,270	(567,108)
Net cash provided by (used in) operating activities	440,686	(461,969)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	(39,958)	(23,173)
Payments (advances) on notes receivable	-	-
(Increase) payments on participation notes receivable	-	1,269,064
Payments (advances) preferred shareholders notes receivable	240,800	307,000
Net cash provided by investing activities	200,842	1,552,891
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from (repayments) officer notes payable	(43,761)	-
Advances (repayments) from short-term financing	(169,142)	(176,550)
Contributions of additional paid in capital	-	120,000
Redemption of preferred stock	(138,000)	(254,000)
Redemption of preferred stock subscribed	(393,500)	(598,000)
Dividend paid	-	(71,820)
Net cash provided by (used in) financing activities	(744,403)	(980,370)
NET INCREASE (DECREASE) IN CASH	(102,875)	110,552
CASH AND CASH EQUIVALENTS, beginning of year	235,552	125,000
CASH AND CASH EQUIVALENTS, end of year	$ 132,677	$ 235,552

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2007	2006
CASH PAID DURING THE YEAR FOR:		
Interest	$ 177,520	$ 373,293
Income taxes	$ 11,340	$ 870

The accompanying notes to financial statements are an integral part of these statement

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

FINANCIAL RESOURCES NATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

1. Summary of significant accounting policies:

Nature of operations - Financial Resources National, Inc. ("the Company") is a New Hampshire corporation that derives a significant portion of its income from commissions on the brokerage of mortgages with various unrelated third party finance companies. Additionally, the Company brokers private financing and purchases and sells various notes, accounts and mortgages receivable on the secondary market and will occasionally provide financial funding on a short term financing basis to individuals and businesses. The primary geographic funding area is the Northeast with secondary revenue sources throughout the continental United States.

Cash and cash equivalents - For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue recognition - Brokerage fees are recorded as revenue when due using the accrual method.

Depreciation - The Company for financial statement purposes provides for depreciation of its property and equipment based on the straight line method. The estimated useful lives used are as follows:

	Years
Furniture and fixtures	5 - 7
Equipment	5 - 7

Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related depreciation allowances, and any gain or loss is recognized.

Use of estimates - Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising costs - The Corporation expenses all advertising costs as incurred in accordance with AICPA Statement of Position 93-7 "Reporting on Advertising Costs". Advertising and marketing expenses for the years ended December 31, 2007 and 2006 amounted to $69,964 and $95,091, respectively.

Fair values of financial instruments - The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents. The carrying amounts of cash and short term instruments approximate their fair value.

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

1. Summary of significant accounting policies (continued):

Notes receivable. All current notes receivable that have no significant change in credit risk are reflected at their carrying values.

Fair values for loans classified as long-term and for impaired loans are estimated using the underlying collateral values as of the date of the accompanying financial statements.

2. Federal income taxes:

The Company for financial statement purposes provides for income taxes based on current financial income at current tax rates. The Company for tax purposes reports its income under the cash method of accounting. Deferred income taxes are provided for the differences between these accounting methods and at December 31, 2007, the Company's deferred tax liability was $85,950, the amount deemed necessary to provide for future tax liabilities created between the two methods of accounting.

3. Bank accounts:

At December 31, 2007, the carrying amount of the Company's cash balance was $132,677 and the bank balance was $263,777. Of these amounts, $100,000 was covered by federal depository insurance.

4. Notes receivable:

Notes receivable, included in the accompanying financial statements, are reported at their outstanding unpaid principal balances reduced by any charge off or specific valuation accounts and net of any deferred fees or costs on originated loans or unamortized premiums or discounts on purchased loans. Management intends to hold the included notes for the foreseeable future or until maturity.

The Company's note receivable at December 31, 2007 consisted of a secured note that had matured at December 31, 2002. The Company has secured various judgements including a supreme court judgement against the payees and co-makers. The Company for financial purposes, is no longer accruing interest on the note. The value has been discounted to its collectable value.

Allowance for loan losses is increased by charges to income and decreased by chargeoffs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. Management has recorded a $125,000 allowance for loan losses due to the fact that these participation notes receivable, are in default and will take time and resources to collect the full face amounts of the notes.

4. Notes receivable (continued):

The following is a schedule of principal payments scheduled for notes receivable for the year ended December 31:

2008	$375,000

5. Notes payable:

Various individuals have advanced funds on an unsecured basis. The notes bear interest ranging between 18% and 24%. Interest is paid or accrued monthly at the discretion of the note holder.

At December 31, 2006, there was one remaining note payable that required monthly installment payments of interest and principal amounting to $3,105 through April 2014. The note is unsecured but contains default provisions that entitle the holder, upon default, to be issued preferred stock amounting to 180 shares in the Company. This note was paid in full during the year ended December 31, 2007.

6. Related party transactions:

The Company's common stock shareholder has advanced funds on an open account, unsecured, non-interest bearing basis to the Company. At December 31, 2007 and 2006, the balance was $18,618 and $62,379, respectively. The balance is reflected in long-term debt in the accompanying financial statements.

The Company as of December 31, 2006 had certain notes receivable that have been advanced by related subscribed or issued preferred shareholders that held 344 shares amounting to $344,000. The majority of these notes receivable are unsecured and non-interest bearing or contain provisions allowing the offset of interest due the Company against preferred dividends payable to the respective shareholder. These shareholders advances were repaid and their corresponding shares were redeemed during the year December 31, 2007.

For the year ended December 31, 2006 interest income reflects $28,896 offset from related preferred shareholder notes receivable, respectively.

7. Commitments and contingencies:

Rent - The Company is a tenant at will and leases its office facilities at a monthly rent of approximately $9,456. Additionally, the Company is obligated to pay utilities and upkeep of the property. The lease is between the Company and a trust and allows the tenant to terminate the tenancy by providing the lessor with a 30 day written notice. Rent expense for the years ended December 31, 2007 and 2006 amounted to $178,684 and $167,939, respectively.

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15

7. Commitments and contingencies (continued):

Office machine rental - The Company leases various office equipment under operating leases that require monthly payments of $5,472 through January 2008 decreasing amounts thereafter through June 2010. These lease expenses have been recorded in office expense.

8. Preferred stock:

The Company at December 31, 2006 had issued 138 shares of $1,000 par value, preferred stock. Additionally, the Company at December 31, 2006 had 393.5 shares of $1,000 par value preferred stock that has been subscribed for, but not issued as of December 31, 2006. The issued and subscribed preferred securities accrued and paid cash distributions at a rate of 12% per annum. Dividends paid on these shares for the year ended December 31, 2006 amounted to $71,820. The shares were all redeemed during the year ended December 31, 2007.

9. Prior period adjustment:

It was discovered during the year ended December 31, 2006, that the Company had additional preferred stock that had been subscribed to several years ago that was not recorded. Inquiries were made of the custodian that holds the stock and it was discovered that an additional 55.5 shares of preferred stock with a par value of $1,000 each, were being held. Therefore, the statements of stockholders' equity has been restated to reflect the additional shares of preferred stock subscribed totalling $55,500 with a corresponding decrease in retained earnings. There was no tax impact of restating the accompanying financial statements.

10. Company name change:

The Company amended and restated their articles of incorporation effective December 12, 2007 to change the name of the Corporation from Financial Resources and Assistance of the Lakes Region, Inc. to Financial Resources National, Inc. Additionally, the Company changed the authorized shares of capital from 15,000 to 1,000,000 shares.

Exhibit to:

Appendix A Page A-10
Paragraph 13, 14, 15