



SUSAN NELSON LEDUC, CRCM
Regulatory Specialist

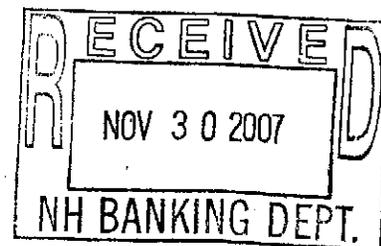
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November 30, 2007

HAND DELIVERED

Kimothy C. Griffin
Consumer Credit Administrator
New Hampshire Banking Department
64B Old Suncook Road
Concord, New Hampshire 03301



Re: Financial Resources & Assistance of the Lakes Region, Inc. (5902-MB)
Response to Examination Report (Exam Date: June 11, 2007)

Dear Mr. Griffin:

As requested, on behalf of our client, Financial Resources & Assistance of the Lakes Region, Inc. ("FR&A"), we are hereby responding to the Report of Examination noted above as provided to FR&A with cover letter dated October 5, 2007 and received by FR&A on October 9, 2007. We appreciate your extension of our due date to November 30 for response.

Please note the following responses to each of the noted comments and observations in the Report of Examination:

1. Change in Name; Ownership; Location (RSA 397-A:10, III & IV)

FR&A is duly notified of these licensing requirements with respect to a branch; FR&A provided the required notice on June 15, 2007, and it has no other branch locations within New Hampshire.

2. License Surrender (RSA 397-A:10-a, I, (a))

FR&A surrendered the original license when it provided notice on June 15, 2007.

3. Change in Name; Ownership; Location (RSA 397-A:10, I)

FR&A has made a concerted effort to ensure that it is using its proper corporate name in all circumstances. Additionally, it is currently working to change its corporate name (to Financial Resources National, Inc.) which we anticipate will

GALLAGHER, CALLAHAN & GARTRELL, P.C.

AUGUSTA

BOSTON

COI

Exhibit to:

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be effective 1/1/2008. Notice of such a name change will be provided to the New Hampshire Banking Department.

The web site was revised and corrected on June 13, 2007.

The signage for the closed Manchester branch has been removed and said removal has been separately confirmed by [REDACTED]

The telephone directories have been contacted and correction of the name has been requested.

Flyers and marketing materials bearing the incorrect corporate name have been destroyed or corrected to reflect the proper legal name of the company. Generally, prospective customers are referred to the company's web site, www.franational.com for marketing information. All email signatures, business cards and letterhead reflect the proper legal name of the company

The contract with [REDACTED] has been revised and amended to reflect the proper legal name of the company.

Loan documents and disclosure forms are limited in field length and cannot accommodate the entire legal name of the company. The anticipate change to its legal name should solve this problem.

All loan documents will be prepared using the complete legal name of the company.

The company does not intend to use a trade name in New Hampshire, and therefore, will not be providing any filing relating to the use of a trade name to the New Hampshire Banking Department.

4. Change in Name; Ownership; Location (RSA 397-A:10, IV)

Confirmation of the status of this issue has been requested and will be forwarded to the Department when received. We believe that there are no outstanding shares and that the discrepancy is purely a clerical error.

5. Record Keeping (RSA 397-A:11, I)

The control list for inactive loan applications (withdrawn or denied) is maintained in a separate stand-alone data base which is used for tracking and to ensure proper record retention and destruction (in compliance with the state 3-year record retention requirement). The adverse action (withdrawal or denial) notice date is used as the start of the 3-year record retention period. Files will be

Exhibit to:

shredded after the 3-year period passes. There is also a quality control review of the information that is input to this control list data base to ensure all information is correct.

6. Regulation B and the Equal Credit Opportunity Act – 12 CFR 202.9(a) and 202.12(b). (RSA 397-A:2, III)

Adverse Action (AA) notices have been sent to all withdrawn or denied loan applications as of June 11, 2007. The automated underwriting program, Calyx Point PDS, is now set up to track all files and to indicate when an Adverse Action notice must be sent. When the AA notice is produced (either by FR&A or by the lender), a copy is placed in the loan file. There is a quality control review to ensure the notice is correct and provided when required.

7. Reports (RSA 397-A:13, V)

- a. A copy of the 2006 Federal Tax return is attached.
- b. FR&A does not prepare quarterly financial statements and does not choose to pay its CPA to prepare quarterly financial statements unless there is a regulatory requirement to do so.
- c. The preparation and retention of work papers and source documents to support the filing of the Annual Report will be reformatted to include the information that was missing from the previous work papers.
- d. Schedules A and B were provided on June 15, 2007.
- e. The format of the inactive loan list has been changed to include "denied" or "withdrawn" labels. The list of active loans is being revised to reflect the format that is currently desired by the NH Banking Department. A state-specific list can be generated at any time. Additional quality-controls have been put in place to ensure that the data in the data base is accurate.

The active and inactive loans lists now are subject to a quality control review to ensure that information is properly entered (to avoid, for example, inputting Richmond, NH instead of Richmond, VA).

A list of loans originated and funded by the licensee was provided on June 15, 2007.

#12 on the Officer Questionnaire: All forms of verification of income for stated-income loans will be included in the file.

#42 on the Officer Questionnaire: Reconciliations of bank statements are now being completed every 3 months to ensure the correction of errors and discrepancies.

Exhibit to:

#49 on the Officer Questionnaire: When FR&A is acting as loan broker, the title/loan closing agent is contracting with the lender. When FR&A is acting in its capacity as lender, then FR&A most commonly uses the Law Office of Gould & Burke as its title/loan closing agent. Michael Burke, on behalf of the Law Office of Gould & Burke, has signed a contract which addresses consumer information safeguards and related issues. See copy attached.

#53 of the Officer Questionnaire: FR&A is re-writing its company manual to reflect strong instructions to loan officers and other staff members regarding the processing and disclosure of non-traditional mortgages. FR&A has also implemented a Tangible Net Benefit form to help ensure that the loan product is a good option for the borrower. Documentation verifying the borrower's ability to repay (debt to income ratios) is included on the underwriting sheet. The documentation of compliance with the Commissioner's Order has been added to the document checklist which is used for quality control review.

8. Policy Standards for Safeguarding Consumer Information – 16 CFR 314. (RSA 397-A:2, III)

The Information Security Policy has been revised to contemplate the monitoring of service providers which serve in the capacity as closing agent for FR&A. Additionally, the Information Security Policy will be evaluated and adjustments to the policy will be performed at least annually.

9. NH Banking Commissioner's Order re Non-Traditional Mortgage Products – 11/13/2006. (RSA 397-A:2, III)

See the response above to issue 7 (#53).

10. Registration; Fees; Terms; Renewal (RSA 397-B, I and 397-B:4, I(a))

When FR&A acted as lender for 1 loan in 2005 and for 5 loans in 2006, it erroneously classified those loans as "commercial." If new consumer loans (1-4 family, owner occupied) are closed by FR&A as lender, it is likely that FR&A (as a licensed mortgage lender) will service those loans itself.

11. Record Keeping (RSA 397-A:11, I)

A variety of loan documents were missing from files (although several of the documents that were noted to be missing were also discovered to actually be in the files). FR&A has enhanced its quality control review process with a checklist to ensure that all required documents are either in file or are replaced in the file before filing.

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12. Balloon Payment Disclosure Statement (BAN 2504.01)

FR&A has enhanced its quality control review process with a checklist to ensure that all required documents are provided and either retained in file or are replaced in the file before filing.

13. GFE YSP Disclosure - RESPA – 24 CFR 3500.7(c) and Appendix A, B & C. (RSA 397-A:2, III)

Yield spread premiums will be disclosed as a dollar range on all GFEs going forward. Additionally, line #801 will not be used to disclose fees paid to the broker (only fees paid to the lender).

14. GFE YSP Disclosure - RESPA – 24 CFR 3500.2, 3500.8 and Appendix A (RSA 397-A:2, III)

The quality control review will compare the (most recent) GFE to the closing HUD-1 to ensure that all fees that collected are properly disclosed on the GFE.

15. HUD-1 Broker Fee Disclosure - RESPA – 24 CFR 3500.2, 3500.8 and Appendix A (RSA 397-A:2, III)

All broker fees are now being disclosed on line #808; only lender fees will be disclosed on lines #801 or 802.

16. HUD-1 Restricted Lines and Fee Disclosure - RESPA – 24 CFR 3500.8 and Appendix A, B & C (RSA 397-A:2, III)

FR&A has relayed this concern to its closing agent. The quality control review will also ensure that fees are properly disclosed as noted in Appendix A to RESPA.

17. HUD – 1 Disclosure of Appraisal Fee paid outside of closing - RESPA – 24 CFR 3500.7(a)(2), 3500.8 and Appendix A (RSA 397-A:2, III)

The proper completion of the HUD-1 form has been reviewed with our closing agent. Appraisals are customarily paid for by the borrower at the door when the appraiser inspects the property, and therefore noted as "paid outside closing" on the HUD-1.

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18. HUD-1 Disclosure of Ultimate Recipient of Funds - RESPA – 24 CFR 3500.8 and Appendix A, Section L (RSA 397-A:2, III)

To ensure that all ultimate third party recipients are properly disclosed on the HUD-1 form, the Residential Managing Officer reviews the HUD-1 form for accuracy prior to closing.

19. GFE & HUD-1 Invoices to support third party fees - RESPA – 24 CFR 3500.14

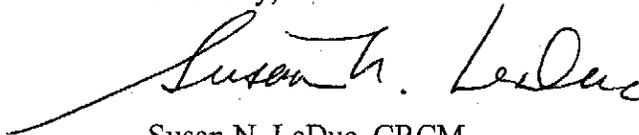
As part of the quality control review, all third party fees will be matched with the invoices in file to ensure they are accurately disclosed and collected. Up-charging of third party fees is prohibited.

20. Relationship Disclosure Statement - RESPA – 24 CFR 3500.7(e)

The Calyx software provides a GFE Provider Relationship form for all involved in the process of the loans. This form will be used to disclose our relationship with Gould & Burke, Korkosz Appraisal Services, and CBC Innovis.

We trust that this responds to your request. If you have any questions, please contact me at 603-545-3617.

Sincerely,



Susan N. LeDuc, CRCM

Enclosures

cc: Scott D. Farah (letter only; no enclosures)

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A Check if: 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 required (attach Sch. M-3) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGI Number, street, and room or suite no. If a P.O. box, see instructions. PO BOX 1158 City or town State ZIP code MEREDITH NH 03253	B Employer identification number 02-0433840 C Date incorporated 1/1/1989 D Total assets (see instructions) \$ 1,068,200
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E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	1a Gross receipts or sales	7,199,541	b Less returns and allowances	
	2 Cost of goods sold (Schedule A, line 8)		c Bal ▶	7,199,541
	3 Gross profit. Subtract line 2 from line 1c		1c	7,199,541
	4 Dividends (Schedule C, line 19)		2	
	5 Interest		3	7,199,541
	6 Gross rents		4	
	7 Gross royalties		5	28,896
	8 Capital gain net income (attach Schedule D (Form 1120))		6	3,380
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		7	
	10 Other income (see instructions—attach schedule)		8	
	11 Total income. Add lines 3 through 10		9	
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)		10	
	13 Salaries and wages (less employment credits)		11	7,231,817
	14 Repairs and maintenance		12	76,000
	15 Bad debts		13	655,275
	16 Rents		14	99,469
	17 Taxes and licenses		15	125,000
	18 Interest		16	167,939
	19 Charitable contributions		17	64,428
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)		18	373,293
	21 Depletion		19	2,788
	22 Advertising		20	12,045
	23 Pension, profit-sharing, etc., plans		21	
	24 Employee benefit programs		22	95,091
	25 Domestic production activities deduction (attach Form 8903)		23	
	26 Other deductions (attach schedule)		24	
	27 Total deductions. Add lines 12 through 26		25	
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		26	5,535,397
	29 Less: a Net operating loss deduction (see instructions)	29a	27	7,206,725
b Special deductions (Schedule C, line 20)	29b	28	25,092	
30 Taxable income. Subtract line 29c from line 28 (see instructions)		29c	0	
31 Total tax (Schedule J, line 10)		30	25,092	
Tax and Payments	32a 2005 overpayment credited to 2006	32a	31	3,764
	b 2006 estimated tax payments	32b		
	c 2006 refund applied for on Form 4466	32c		
	d Tax deposited with Form 7004	32d		
	e Credits: (1) Form 2439 (2) Form 4136	32e		
	f Credit for federal telephone excise tax paid (attach Form 8913)	32f		
	g Estimated tax penalty (see instructions). Check if Form 2220 is attached	32g		
	33 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed		32h	0
	34 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		33	179
	35 Enter amount from line 35 you want: Credited to 2007 estimated tax	0	34	3,943
36 Refunded		35	0	
		36	0	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

Preparer's signature

[Signature]

Date

11/19/2007

Check if self-employed

Preparer's SSN or PTIN

P00069042

Firm's name (or yours if self-employed), address, and ZIP code

H.R. BLOCK
 241 UNION AVE
 LACONIA

State NH

EIN 02-0341127

Phone no. (603) 524-0951

ZIP code 03246

Form **4562**

Depreciation and Amortization

(Including Information on Listed Property)

OMB No. 1545-0172

2006

Attachment
Sequence No. 67

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return FINANCIAL RESOURCES & ASSISTANCE OF	Business or activity to which this form relates 1120 - FINANCIAL	Identifying number 02-0433840
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Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See the instructions for a higher limit for certain businesses	1	108,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation	3	430,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	108,000

(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6		
7 Listed property. Enter the amount from line 29		7
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7		8 0
9 Tentative deduction. Enter the smaller of line 5 or line 8		9 0
10 Carryover of disallowed deduction from line 13 of your 2005 Form 4562		10
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)		11
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11		12 0
13 Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12		13 0

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2006	17	8,734
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19 a 3-year property						
b 5-year property						
c 7-year property		23,173	7	HY	200DB	3,311
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

Section C - Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20 a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21 Listed property. Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	12,045
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form 4562 (2006)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	0
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	0

- 9a Check all methods used for valuing closing inventory:
- (i) Cost
 - (ii) Lower of cost or market
 - (iii) Other (Specify method used and attach explanation.) ▶
- b Check if there was a writedown of subnormal goods. ▶
- c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970). ▶
- d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO. 9d
- e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No
- f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	70	0
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	80	0
3	Dividends on debt-financed stock of domestic and foreign corporations	see instruct.	0
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	0
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	0
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	70	0
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	80	0
8	Dividends from wholly owned foreign subsidiaries	100	0
9	Total. Add lines 1 through 8. See instructions for limitation		0
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	0
11	Dividends from affiliated group members	100	0
12	Dividends from certain FSCs	100	0
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4 ▶	0	
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b ▶		0

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 SCOTT FARAH	[REDACTED]	100.00%	100.00%	%	76,000
		%	%	%	0
		%	%	%	0
		%	%	%	0
		%	%	%	0
2 Total compensation of officers					76,000
3 Compensation of officers claimed on Schedule A and elsewhere on return					0
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					76,000

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	3,764
3	Alternative minimum tax (attach Form 4626)		3	
4	Add lines 2 and 3		4	3,764
5a	Foreign tax credit (attach Form 1118)		5a	
b	Qualified electric vehicle credit (attach Form 8834)		5b	
c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 8844		5c	
d	Credit for prior year minimum tax (attach Form 8827)		5d	
e	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912		5e	
6	Total credits. Add lines 5a through 5e		6	0
7	Subtract line 6 from line 4		7	3,764
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10	3,764

Schedule K Other Information (see instructions)

	Yes	No		Yes	No
1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____				
2	See the instructions and enter the: a Business activity code no. ▶ 522291 b Business activity ▶ FINANCIAL c Product or service ▶ MORTGAGE SERVICE				
3		X	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		
4		X	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶ _____		
5	X		At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶ 100.00%		
6			During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316). If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
7			At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If "Yes," enter: (a) Percentage owned ▶ _____ and (b) Owner's country ▶ _____		X
			c The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶ _____		
8			Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
9			Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____		
10			Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____		
11			If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3) must be attached or the election will not be valid.		
12			Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ _____		
13			Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ _____		X

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Exhibit to:

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		267,449		235,552
2a Trade notes and accounts receivable	1,094,800		391,060	
b Less allowance for bad debts	(125,000)	969,800	125,000	266,060
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule)		17,500		17,500
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	355,329		378,502	
b Less accumulated depreciation	(40,669)	314,660	(52,714)	325,788
11a Depletable assets				
b Less accumulated depletion	()	0		0
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()	0	()	0
14 Other assets (attach schedule)		530,300		223,300
15 Total assets		2,099,709		1,068,200
Liabilities and Shareholders' Equity				
16 Accounts payable		131,952		77,723
17 Mortgages, notes, bonds payable in less than 1 year		358,299		12,608
18 Other current liabilities (attach schedule)		426,088		196,580
19 Loans from shareholders		49,772		
20 Mortgages, notes, bonds payable in 1 year or more				218,913
21 Other liabilities (attach schedule)		337,600		
22 Capital stock: a Preferred stock	1,328,000		531,500	
b Common stock	15,000	1,343,000	15,000	546,500
23 Additional paid-in capital		342,950		462,950
24 Retained earnings—Appropriated (attach schedule)				
25 Retained earnings—Unappropriated		(889,952)		(447,074)
26 Adjustments to shareholders' equity (attach schedule)				
27 Less cost of treasury stock		()		
28 Total liabilities and shareholders' equity		2,099,709		1,068,200

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

1 Net income (loss) per books	-99,536	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	35,266	Tax-exempt interest \$	0
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):	0		
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	
b Charitable contributions \$ 89,362		b Charitable contributions \$	
c Travel and entertainment \$			
Reduction of expenses for off	89,362		
6 Add lines 1 through 5	25,092	9 Add lines 7 and 8	0
		10 Income (page 1, line 28)—line 6 less line 9	25,092

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	-889,952	5 Distributions:	
2 Net income (loss) per books	-99,536	a Cash	
3 Other increases (itemize):		b Stock	
Provision for deferred taxes 235,204		c Property	
Correction adjustment 307,210		6 Other decreases (itemize):	
	542,414		
4 Add lines 1, 2, and 3	-447,074	7 Add lines 5 and 6	0
		8 Balance at end of year (line 4 less line 7)	-447,074

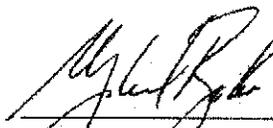
Consumer Information Safeguards.

(A) As a service provider to Financial Resources and Assistance of the Lakes Region, Inc., a financial institution that is subject to the Gramm-Leach-Bliley Act and Federal Trade Commission regulations (16 C.F.R. §§ 313 - 314), that may receive, maintain, process, or otherwise access non-public customer information (as defined in the above regulations) through provision of services directly to **Financial Resources and Assistance of the Lakes Region, Inc., Michael Burke, Attorney representing the Law Offices of Gould & Burke of, 15 Northview Drive, Meredith New Hampshire, 03253**, agrees to implement and maintain appropriate safeguards to: (1) insure the security and confidentiality of non-public customer information; (2) protect against any anticipated threats or hazards to the security or integrity of such information; and (3) protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

(B) **Michael Burke** agrees that should it, for any reason, not be able to provide or maintain appropriate safeguards to fulfill its obligations under Paragraph 1(A), it will immediately inform **Financial Resources and Assistance of the Lakes Region, Inc.** of such inability and such inability on **Michael Burke**'s part will serve as justification for **Financial Resources and Assistance of the Lakes Region, Inc.**'s termination of this contract at anytime after the inability becomes known to **Financial Resources and Assistance of the Lakes Region, Inc.** **Michael Burke** agrees to hold **Financial Resources and Assistance of the Lakes Region, Inc.** harmless for any and all damages it may incur from **Financial Resources and Assistance of the Lakes Region, Inc.**'s termination of this contract pursuant to this provision.

(C) **Michael Burke** agrees that it will fully indemnify, reimburse, and otherwise make whole **Financial Resources and Assistance of the Lakes Region, Inc.** should **Financial Resources and Assistance of the Lakes Region, Inc.** be held liable to any party or entity (private or public) for any compromise or misappropriation of non-public customer information because of a failure of **Michael Burke** to provide or maintain appropriate safeguards as defined in Paragraph 1(A) of this contract. Such indemnification shall include, but is not limited to, all actual and punitive damages or fines paid by **Financial Resources and Assistance of the Lakes Region, Inc.**, any lost revenue due to a court or administrative injunction, and all attorneys' fees and costs. Further, **Michael Burke** agrees to reimburse **Financial Resources and Assistance of the Lakes Region, Inc.** for all costs **Financial Resources and Assistance of the Lakes Region, Inc.** incurs in enforcing this provision.

Dated: 10/24/07 By: _____



Michael Burke