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FINANCIAL RESOURCES & ASSISTANCE  
OF THE LAKES REGION, INC.

FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005  
AND  
INDEPENDENT AUDITORS' REPORT

LINDA  
Thank you very  
much  
Rich Pollock

Exhibit to:

Appendix A Page A-9  
Paragraph 2

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

DECEMBER 31, 2006 AND 2005

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Exhibit to:

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Paragraph 2



Connor & Associates, P.C.

CERTIFIED  
PUBLIC  
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Financial Resources & Assistance of the Lakes Region, Inc.:

We have audited the accompanying balance sheets of Financial Resources & Assistance of the Lakes Region, Inc. (a New Hampshire corporation) as of December 31, 2006 and 2005 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 & Assistance of the Lakes Region, Inc. as of December 31, 2006 and 2005, 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 & Associates PC*

Manchester, New Hampshire  
March 9, 2007

Exhibit to:

Appendix A Page A-9  
Paragraph 2

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

BALANCE SHEETS

DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 3)	\$ 235,552	\$ 125,000
Escrow cash (Note 8)	-	142,449
Commissions receivable	291,060	-
Current portion of notes receivable (Note 4)	375,000	-
Participation notes receivable (Note 5)	-	1,644,064
Allowance for loan losses (Note 5)	(125,000)	(125,000)
Current portion notes receivable, preferred shareholders (Note 7)	<u>17,500</u>	<u>17,500</u>
Total current assets	<u>794,112</u>	<u>1,804,013</u>
Notes receivable, preferred shareholders less current portion shown above (Note 7)	<u>223,300</u>	<u>530,300</u>
	<u>223,300</u>	<u>530,300</u>
Property and equipment, at cost (Note 1)	65,883	42,710
Less - Accumulated depreciation	<u>31,760</u>	<u>26,155</u>
	<u>34,123</u>	<u>16,555</u>
	<u>\$1,051,535</u>	<u>\$2,350,868</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Demand and short-term notes payable (Note 6)	\$ 12,608	\$ 345,692
Accounts payable	77,723	131,952
Accrued expenses (Note 8)	95,054	426,088
Deferred taxes (Note 2)	<u>101,526</u>	<u>337,600</u>
Total current liabilities	<u>286,911</u>	<u>1,241,332</u>
LONG-TERM DEBT (Notes 6 and 7)	<u>218,913</u>	<u>62,379</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock - \$1 par value, 15,000 shares authorized, 15,000 shares issued and outstanding	15,000	15,000
Preferred stock subscribed, \$1,000 par value, 393.50 shares pending (Note 7)	393,500	991,500
Preferred stock, \$1,000 par value, 0 shares authorized, 138 shares issued and outstanding (Note 9)	138,000	392,000
Additional paid-in capital	462,950	342,950
Retained earnings	<u>(463,739)</u>	<u>(694,293)</u>
	<u>545,711</u>	<u>1,047,157</u>
	<u>\$1,051,535</u>	<u>\$2,350,868</u>

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

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUE	\$ <u>7,199,541</u>	\$ <u>8,114,115</u>
OPERATING EXPENSES:		
Mortgage expense	3,167,693	3,433,714
Commissions	1,297,829	990,656
Interest expense	373,293	651,141
Client fees expense	144,342	181,180
Advertising and promotion	95,091	121,550
Salaries and related payroll taxes	795,703	810,137
Rent (Note 8)	167,939	129,814
Fees	2,267	14,254
Telephone	36,878	35,567
Insurance	87,796	76,361
Postage	62,977	43,331
Supplies	22,329	50,504
Maintenance	99,469	43,252
Professional expenses (Note 8)	402,770	488,480
Client refunds	47,701	31,303
Travel and entertainment	-	6,265
Utilities	16,052	31,967
Contributions	92,150	96,126
Office (Note 1)	244,692	227,241
Depreciation	5,605	4,232
Miscellaneous	2,071	1,342
Provision for credit losses (Note 4)	-	-
	<u>7,164,647</u>	<u>7,468,437</u>
INCOME FROM OPERATIONS	34,894	645,698
OTHER INCOME (EXPENSES):		
Interest income (Note 7)	28,896	65,136
Rental income	<u>3,380</u>	<u>27,001</u>
	<u>32,276</u>	<u>92,137</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>67,170</u>	<u>737,835</u>
PROVISION (CREDIT) FOR TAXES (Note 2):		
Current	870	14,868
Deferred	<u>(236,074)</u>	<u>337,600</u>
	<u>(235,204)</u>	<u>352,468</u>
NET INCOME	\$ <u>302,374</u>	\$ <u>385,367</u>

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

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Preferred Stock Subscribed</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>
Balance, December 31, 2004 (Note 10)	\$15,000	\$392,000	\$1,049,500	\$342,950	\$(909,494)
Contributions	-	-	-	-	-
Net income	-	-	-	-	385,367
Dividends	-	-	-	-	(170,166)
Shares redeemed	-	-	(58,000)	-	-
Balance, December 31, 2005	\$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	<u>\$15,000</u>	<u>\$138,000</u>	<u>\$ 393,500</u>	<u>\$462,950</u>	<u>\$(463,739)</u>

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

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 302,374	\$385,367
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	5,605	4,232
(Increase) decrease in the following assets:		
Cash escrow	142,449	(142,449)
Commissions receivable	(291,060)	-
Increase (decrease) in the following liabilities:		
Accounts payable	(54,229)	62,393
Accrued expenses and deferred taxes	<u>(567,108)</u>	<u>605,050</u>
Net cash provided by operating activities	<u>(461,969)</u>	<u>914,593</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of capital assets	(23,173)	-
Payments (advances) on notes receivable	-	300,000
(Increase) payments on participation notes receivable	1,269,064	(926,080)
Payments (advances) preferred shareholders notes receivable	307,000	-
Payments (advances) received from related party notes receivable, net	-	<u>115,632</u>
Net cash provided by (used in) investing activities	<u>1,552,891</u>	<u>(510,448)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances from (repayments) officer notes payable	-	(21,277)
Advances (repayments) from short-term financing	(176,550)	(29,702)
Contributions of additional paid in capital	120,000	-
Redemption of preferred stock	(254,000)	-
Redemption of preferred stock subscribed	(598,000)	(58,000)
Dividend paid	<u>(71,820)</u>	<u>(170,166)</u>
Net cash provided by (used in) financing activities	<u>(980,370)</u>	<u>(279,145)</u>
<b>NET INCREASE IN CASH</b>	<b>110,552</b>	<b>125,000</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b><u>125,000</u></b>	<b><u>-</u></b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 235,552</u></b>	<b><u>\$125,000</u></b>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2006</u>	<u>2005</u>
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	\$373,293	\$651,141
Income taxes	\$ 870	\$ 14,868

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

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

1. Summary of significant accounting policies:

Nature of operations - Financial Resources & Assistance of the Lakes Region, 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 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:

	<u>Years</u>
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, 2006 and 2005 amounted to \$95,091 and \$121,550, 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.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

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, 2006, the Company's deferred tax liability was \$101,526, the amount deemed necessary to provide for future tax liabilities created between the two methods of accounting.

3. Bank accounts:

At December 31, 2006, the carrying amount of the Company's cash balance was \$235,552 and the bank balance was \$335,252. Of these amounts, \$225,252 was not 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, 2006 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.

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

4. Notes receivable (continued):

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

2007	<u>\$375,000</u>
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5. Participation notes receivable:

The participation notes receivable reflects the Company's net receivable after reduction for other participants portions of the notes. The Company's participation notes receivable at December 31, 2005 were interest bearing and secured by various real estate and assets of the payees. The Company sold all of its participation notes during the year ended December 31, 2006 for an aggregate price of \$1,344,064 and paid in full all participating parties.

6. Notes payable:

Various individuals have advanced funds on an unsecured basis. The notes bear interest ranging between 14% 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.

The following is a schedule of principal payments scheduled for long-term debt for the years ended December 31, :

2007 (included in current liabilities)	\$ 12,608
2008	16,655
2009	19,142
2010	22,000
2011	25,286
Thereafter	<u>73,451</u>
	<u>\$169,142</u>

7. Related party transactions:

The Company's common stockholder has advanced funds on an open account, unsecured, non-interest bearing basis to the Company. At December 31, 2006 and 2005, the balance was \$62,379. The balance is reflected in long-term debt in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

7. Related party transactions (continued):

Certain notes receivable have been advanced to related subscribed or issued preferred shareholders. Subscribed preferred shareholders accounting for 344 shares or \$344,000, have also outstanding notes receivable to the Company amounting to \$240,800. 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.

For the years ended December 31, 2006 and 2005 interest income reflects \$28,896 and \$65,136 offset from related preferred shareholder notes receivable, respectively.

8. Commitments and contingencies:

Rent - The Company is a tenant at will and leases its office facilities at a monthly rent of approximately \$12,000. 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 year ended December 31, 2006 and 2005 amounted to \$167,939 and \$129,814, respectively.

Office machine rental - The Company leases various office equipment under operating leases that require monthly payments of \$6,499 through July 2007 and decreasing amounts thereafter through June 2010. These lease expenses have been recorded in office expense.

Contingency - The State of New Hampshire's Bureau of Securities Regulation issued a Staff Petition for Relief on November 8, 2001. The Company entered into a consent agreement with the Bureau in January, 2007 to correct issues raised by the Bureau and to be compliant with conditions stipulated in the agreement. The Company has taken all the steps necessary in the agreement and was compliant with the conditions stipulated as of the date of these financial statements.

Escrow cash - The Company was also involved in a lawsuit at December 31, 2005 that was settled in the year ended December 31, 2006. The Court had ordered certain funds to be set aside by the Company pending the resolution of the case. These funds are shown in the accompanying balance sheet as escrowed cash. This lawsuit was settled by the Company at no further loss.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

9. Preferred stock:

The Company has issued 138 shares of \$1,000 par value, preferred stock. Additionally, the Company has 393.50 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 accrue and pay cash distributions at a rate of 12% per annum. Dividends paid on these shares for the years ended December 31, 2006 and 2005 amounted to \$71,820 and \$170,166, respectively.

10. 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.