

**EASTERN LIGHT CAPITAL, INCORPORATED**

**Condensed Consolidated Balance Sheets  
(unaudited)**

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,936	\$ 227,944
Marketable securities	167	147
Accounts receivable	523,081	524,717
Allowance for doubtful accounts	<u>(453,974)</u>	<u>(453,974)</u>
Net accounts receivable	69,107	70,743
Notes receivable:		
Mortgage notes receivable	2,680,498	2,690,737
Allowance for loan losses	<u>(320,000)</u>	<u>(310,000)</u>
Net notes receivable	2,360,498	2,380,737
Real estate owned	6,668,792	6,714,174
Other assets	<u>35,017</u>	<u>37,987</u>
Total assets	<u><u>\$ 9,153,517</u></u>	<u><u>\$ 9,431,732</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Senior debt	4,537,940	4,487,940
Other liabilities	<u>163,648</u>	<u>232,032</u>
Total liabilities	<u><u>4,701,588</u></u>	<u><u>4,719,972</u></u>
Stockholders' equity		
Preferred stock, \$.01 par value; 1,600,000 shares authorized; 213,820 shares issued and outstanding at March 31, 2010 and December 31, 2009	2,138	2,138
Additional paid in capital - preferred stock	5,509,728	5,509,728
Less treasury stock: 16,919 preferred shares at March 31, 2010 and December 31, 2009 at cost	(229,179)	(229,179)
Common stock, \$.01 par value; 2,000,000 shares authorized; 500,432 shares issued and outstanding at March 31, 2010 and December 31, 2009	5,005	5,005
Additional paid in capital - common stock	9,415,696	9,408,747
Less treasury stock: 148,950 and 148,550 common shares at March 31, 2010 and December 31, 2009 at cost	(1,829,141)	(1,827,698)
Accumulated other comprehensive income	(556)	(576)
Accumulated deficit	<u>(8,421,762)</u>	<u>(8,156,405)</u>
Total stockholders' equity	<u><u>4,451,929</u></u>	<u><u>4,711,760</u></u>
Total liabilities and stockholders' equity	<u><u>\$ 9,153,517</u></u>	<u><u>\$ 9,431,732</u></u>

See accompanying notes to condensed consolidated financial statements.

**EASTERN LIGHT CAPITAL, INCORPORATED**

**Condensed Consolidated Statements of Operations**  
(unaudited)

	Three Months Ended March 31	
	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Interest income	\$ 31,167	\$ 47,065
Rental income	17,350	30,781
Other income	255	927
Total revenues	<u>48,772</u>	<u>78,773</u>
<b>EXPENSES</b>		
Interest expense on loans	---	12,606
Provision for loan losses	10,000	4,297
Provision for (recovery of) doubtful accounts	---	8,235
Expenses of real estate owned	43,714	68,444
Impairment of real estate owned	57,645	---
Wages and salaries	94,463	107,466
Non-income taxes	1,750	12,276
General and administrative	70,426	116,869
Total expenses	<u>277,998</u>	<u>330,193</u>
<b>LOSS FROM OPERATIONS</b>	(229,226)	(251,420)
Gain (loss) on sale of real estate owned	---	2
Gain (loss) on securities transactions	(36,131)	246,555
Gain (loss) on investments	---	33,371
Total other income, net	<u>(36,131)</u>	<u>279,928</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (265,357)</u>	<u>\$ 28,508</u>
<b>PREFERRED DIVIDENDS</b>	<u>---</u>	<u>---</u>
<b>NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS</b>	<u>\$ (265,357)</u>	<u>\$ 28,508</u>
<b>NET INCOME (LOSS) PER COMMON SHARE - BASIC</b>	<u>\$ (0.76)</u>	<u>\$ 0.08</u>
<b>NET INCOME (LOSS) PER COMMON SHARE - DILUTED</b>	<u>\$ (0.76)</u>	<u>\$ 0.08</u>
<b>DIVIDENDS PAID PER PREFERRED SHARE</b>	<u>\$ ---</u>	<u>\$ ---</u>
<b>DIVIDENDS PAID PER COMMON SHARE</b>	<u>\$ ---</u>	<u>\$ ---</u>

See accompanying notes to condensed consolidated financial statements.

**EASTERN LIGHT CAPITAL, INCORPORATED**

**Condensed Consolidated Statements of Cash Flows  
(unaudited)**

	Three Months Ended March 31	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (loss)	\$ (265,357)	\$ 28,508
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,895	11,896
Deferred carrying costs	(12,143)	---
Stock-based compensation expense	6,949	1,449
Provision for loan losses	10,000	4,297
Change in allowance for doubtful accounts	---	(13,217)
Impairment of real estate owned	57,645	---
Realized gain on sale of marketable securities	---	(279,926)
Change in accounts receivable	1,636	(8,717)
Change in other assets	2,970	(13,000)
Change in in other liabilities	(68,384)	771,791
Net cash provided by (used in) operating activities	(254,789)	503,081
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (investment in) marketable securities	---	(2,104,547)
Proceeds from real estate owned	---	(37,448)
Capital improvements on real estate owned	(12,015)	---
Principal collected on mortgage notes receivable	10,239	13,864
Net cash (used in) investing activities	(1,776)	(2,128,131)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (payments of) loans payable	50,000	(827)
Purchase of treasury stock	(1,443)	(2,341)
Preferred dividends paid	---	---
Common dividends paid	---	---
Net cash provided by (used in) financing activities	48,557	(3,168)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(208,008)	(1,628,218)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	227,944	1,974,687
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 19,936	\$ 346,469
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 150	\$ 13,433
Cash paid for taxes	\$ 555	\$ 8,676
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Foreclosures, net of reserves	\$ ---	\$ 400,000

See accompanying notes to condensed consolidated financial statements.