

EASTERN LIGHT CAPITAL, INCORPORATED

**Condensed Consolidated Balance Sheets
(unaudited)**

	June 30, <u>2010</u>	December 31, <u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 541,176	\$ 227,944
Marketable securities	160	147
Accounts receivable	520,911	524,717
Allowance for doubtful accounts	<u>(453,974)</u>	<u>(453,974)</u>
Net accounts receivable	66,937	70,743
Notes receivable:		
Mortgage notes receivable	1,580,090	2,690,737
Allowance for loan losses	<u>(20,000)</u>	<u>(310,000)</u>
Net notes receivable	1,560,090	2,380,737
Real estate owned	6,013,897	6,714,174
Other assets	<u>32,044</u>	<u>37,987</u>
Total assets	<u>\$ 8,214,304</u>	<u>\$ 9,431,732</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Senior mortgage debt	4,059,545	4,487,940
Other liabilities	<u>89,131</u>	<u>232,032</u>
Total liabilities	<u>4,148,676</u>	<u>4,719,972</u>
Stockholders' equity		
Preferred stock, \$.01 par value; 1,600,000 shares authorized; 213,820 shares issued and outstanding at June 30, 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 June 30, 2010 and December 31, 2009 at cost	<u>(229,179)</u>	<u>(229,179)</u>
Common stock, \$.01 par value; 2,000,000 shares authorized; 500,432 shares issued and outstanding at June 30, 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 June 30, 2010 and December 31, 2009 at cost	<u>(1,829,141)</u>	<u>(1,827,698)</u>
Accumulated other comprehensive income	(563)	(576)
Accumulated deficit	<u>(8,808,056)</u>	<u>(8,156,405)</u>
Total stockholders' equity	<u>4,065,628</u>	<u>4,711,760</u>
Total liabilities and stockholders' equity	<u>\$ 8,214,304</u>	<u>\$ 9,431,732</u>

See accompanying notes to condensed consolidated financial statements.

EASTERN LIGHT CAPITAL, INCORPORATED

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

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
REVENUES				
Interest income	\$ 29,627	\$ 75,464	\$ 60,794	\$ 122,529
Rental income	2,100	34,700	19,450	65,481
Other income	5,040	18,021	5,295	18,948
Total revenues	36,767	128,185	85,539	206,958
EXPENSES				
Interest expense on loans	-	8,817	-	21,423
Provision for loan losses	2,710	50,497	12,710	54,794
Provision for (recovery of) doubtful accounts	-	8,000	-	16,235
Expenses of real estate owned	57,906	47,387	101,620	115,831
Impairment of real estate owned	200,000	-	257,645	-
Wages and salaries	98,180	117,846	192,643	225,312
Non-income taxes	28	8,897	1,778	-
General and administrative	91,619	84,335	162,044	222,377
Total expenses	450,443	325,779	728,440	655,972
LOSS FROM OPERATIONS	(413,676)	(197,594)	(642,901)	(449,014)
Gain (loss) from retirement of debt	-	400,000	-	400,000
Gain (loss) on sale of real estate owned	27,378	-	27,378	2
Gain (loss) on securities transactions	-	(191,398)	(36,131)	55,157
Gain (loss) on investments	-	34,950	-	68,321
Total other income (loss), net	27,378	243,552	(8,753)	523,480
NET INCOME (LOSS)	\$ (386,298)	\$ 45,958	\$ (651,654)	\$ 74,466
PREFERRED DIVIDENDS	-	-	-	-
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ (386,298)	\$ 45,958	\$ (651,654)	\$ 74,466
NET INCOME (LOSS) PER COMMON SHARE - BASIC	\$ (1.10)	\$ 0.13	\$ (1.85)	\$ 0.20
NET INCOME (LOSS) PER COMMON SHARE - DILUTED	\$ (1.10)	\$ 0.12	\$ (1.85)	\$ 0.20
DIVIDENDS PAID PER PREFERRED SHARE	\$ -	\$ -	\$ -	\$ -
DIVIDENDS PAID PER COMMON SHARE	\$ -	\$ -	\$ -	\$ -

See accompanying notes to condensed consolidated financial statements.

EASTERN LIGHT CAPITAL, INCORPORATED

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

	Six Months Ended June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	\$ (651,654)	\$ 74,466
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	21,699	23,791
Realized gain (loss) on sale of REO	(27,387)	-
Retirement of debt	-	(400,000)
Stock based compensation expense	6,949	2,902
Provision for loan losses	12,710	54,794
Change in allowance for doubtful accounts	-	(74,464)
Impairment of real estate owned	257,645	-
Realized (gain) loss on sale of marketable securities	-	143,943
Change in accounts receivable	3,806	63,820
Change in other assets	5,943	(9,977)
Change in in other liabilities	(142,900)	240,640
Net cash provided by (used in) operating activities	(513,189)	119,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from (investment in) marketable securities	-	(296,753)
Proceeds from (investment in) real estate owned	1,676,170	(69,900)
Principal collected on mortgage notes receivable	57,938	175,172
Net cash (used in) investing activities	1,734,108	(191,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) senior mortgage loans payable	(906,244)	-
Proceeds from (payments of) Company loans payable	-	(1,605,184)
Purchase of treasury stock	(1,443)	(57,264)
Net cash provided by (used in) financing activities	(907,687)	(1,662,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	313,232	(1,734,014)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	227,944	1,974,687
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 541,176	\$ 240,673
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 66,288	\$ 26,607
Cash paid for taxes	\$ 1,628	\$ 12,940
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Foreclosures, net of reserves	\$ 1,231,287	\$ 591,430

See accompanying notes to condensed consolidated financial statements.