

**HERITAGE CAPITAL CREDIT CORPORATION**

**A Florida Corporation**

**For the Period Ended June 30, 2006**

**Information Provided Pursuant to  
Rule 15c2-11 of the Securities and  
Exchange Act of 1934, as Amended**

**DISCLOSURE STATEMENT**  
**PURSUANT TO RULE 15c2-11**  
**OF THE SECURITIES AND EXCHANGE ACT OF 1934**

Current Information Regarding

**HERITAGE CAPITAL CREDIT CORPORATION**

The following information is provided to assist securities brokerage firms with “due diligence” compliance. This information is set forth below as to HERITAGE CAPITAL CREDIT CORPORATION (referred to as “we,” “us,” “our” or the “Company”). We were incorporated on August 22, 1989, in the State of Florida, as Executive Telecard Corp. of Florida (hereinafter referred to as “the Issuer”). This information is provided for the purpose of providing information to broker-dealers trading in the securities of the Issuer in compliance with Rule 15c2-11(a)(5) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

**Part A          General Company Information**

**Item 1.          Exact Name of Issuer and Predecessor:**

Issuer:            Heritage Capital Credit Corporation

**Item 2.          Address of Issuer’s Principal Executive Offices:**

Heritage Capital Credit Corporation  
200 W. 9th Street, Suite 300  
Wilmington, DE 19801  
Telephone No.: 302-778-4222  
Facsimile No.: 302-778-1023  
Email Address: info@heritagecapitalcreditcorp.com

**Item 3.          State and Date of Incorporation:**

We were incorporated on August 22, 1989, in the State of Florida, as Executive Telecard Corp. of Florida.

**Item 4. Name and Address of Transfer Agent:**

Interwest Transfer Co.  
1981 4800 South, Suite 100  
Salt Lake City, UT 84117  
Telephone No.: (801) 272-9294

Our transfer agent is registered under the Exchange Act.

**Item 5. Nature of the Issuer's Business:**

**A. Business Development**

**1. *The form of organization of the Issuer;***

We are a Florida corporation.

**2. *The year that the Issuer (or any predecessor) was organized;***

We were incorporated on August 22, 1989, in the State of Florida, as Executive Telecard Corp. of Florida.

**3. *The Issuer's fiscal year end date;***

Our fiscal year end date is December 31.

**4. *Whether the Issuer (and/or any predecessor) has been in bankruptcy, receivership or any similar proceeding;***

We have never been in bankruptcy, receivership or any similar proceeding.

**5. *Whether the Issuer has made any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business;***

None.

**6. *Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments;***

None.

**7. Any change of control;**

None.

**8. Any increase in 10% or more of the same class of outstanding equity securities;**

On March 29, 2006, we issued 20,000,300 shares of our common stock to Ed Johnson, as a result of stock he purchased as of the year ended December 31, 2005, thereby increasing our outstanding equity securities by more than 10%.

We sold 6,500,000 shares to First Independent Financial Group, 11,326,506 shares to Ed Johnson, and 9,856,506 shares to Gwendolyn Carol Johnson, as of the year ended December 31, 2005, thereby increasing our outstanding equity securities by more than 10%.

**9. Describe any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization;**

Effective on the opening of business on Thursday, April 1, 2004, our issued and outstanding shares of common stock underwent a 1-for-500 reverse stock split.

**10. Any delisting of the Issuer's securities by any securities exchange or NASDAQ or deletion from the OTC Bulletin Board; and**

Our securities have never been delisted by any securities exchange or NASDAQ or deleted from the OTC Bulletin Board.

**11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the Issuer that could have a material effect on the Issuer's business, financial condition, or operations. Any current, past or pending trading suspensions by a securities regulator.**

First Independent Financial Group, our affiliate, has a dispute concerning the terms of a Secured Promissory Note. Pursuant to the terms of an escrow agreement, 97,000,000 shares of our common stock that were held as security for repayment of the note are being held in escrow pending the outcome of this dispute.

We are a party to a lawsuit brought against us and seven of our former subsidiaries in the 15th Judicial Circuit in and for Palm

Beach County. Any liability that we may incur as a result of this lawsuit has been assumed by our prior management.

## **B. Business of Issuer**

Our primary services along with our affiliated companies include structuring financial lending products. We are using commercial real estate property as our point of entry into the Collateralized Debt Obligation (“CDO”) market space. The CDO structure allows us to provide financing for commercial real estate without taking real estate risk and further turn over our capital without the normal lending risk, thereby allowing us to recognize our fee income and a higher profit margin.

We are a holding company through which our subsidiary is engaged primarily in the commercial property lending business, as well as in other financial services that are in large part related to the real estate market. As described herein, our activities are grouped in four distinct business segments.

### Commercial Mortgage Lending Segment

Primarily through our principal subsidiary, Independent Capital Credit Corporation (“ICCC”), we engage in real estate lending, which entails the processing, origination, sale (typically through securitization) and servicing of commercial mortgage loans. We originate commercial mortgage loans in excess of \$10 million and make the loans available to qualified borrowers nationwide.

### Capital Markets Segment

We specialize in off-balance sheet arrangements relating to the securitization of our commercial loans using a proprietary loan product. Our mortgage loan securitizations are normally structured as sales, in accordance with SFAS 140, which involves the transfer of the mortgage loans to “qualified special-purpose entities” that are not subject to consolidation. In a securitization, an entity transferring the assets is able to convert those assets into cash. Special-Purpose Entities (“SPE”) used in such securitizations obtain cash to acquire the assets by issuing securities to investors.

### Credit Provider Segment

We provide a credit enhancement feature, which is funded inside the commercial loans for the protection against default for the life of the loans. This credit enhancement feature is an asset belonging to the

borrower and is returned to the borrower at the end of the loan period, thereby building cash equity for the borrower.

### Proprietary Technology Segment

We have licensed software, which was created in 1997. The Certificate of Registration was issued by the Copyright Office in accordance with Title 17, United States Code. The effective date of registration is July 25, 2000 and amended February 13, 2001, under the name “Access Channel.” This software provides the platform for underwriting, servicing and securitizing commercial property loans and proprietary loan products.

Also, we have an Internet website access located at [www.heritagecapitalcreditcorp.com](http://www.heritagecapitalcreditcorp.com) and make annual reports and quarterly reports on Form 15c2-11 and all amendments to these reports available, free of charge on the website, as soon as reasonably practicable after such material is electronically filed with or furnished to, the electronic quote system OTC through [www.pinksheets.com](http://www.pinksheets.com). Our website [www.heritagecapitalcreditcorp.com](http://www.heritagecapitalcreditcorp.com), also includes news reports and additional information about us and links to all related companies.

*Each of the Our four business segments is more fully described the “Company Segments” section of this Report.*

### **Principal Sources of Revenue**

Our principal sources of revenue have been application and consulting fees from borrowers. The projected principal sources of revenue for the various business activities are expected to be:

- Gains from the sale of securities;
- Net interest earned on commercial loans and securities held for sale;
- Fees and other remuneration earned for providing servicing for the commercial loans;
- Net Credit Provider fees earned;
- Fees received for providing loan closing services; and
- Gains from instruments and securities used in connection with our interest rate risk management activities.

### **Financing of Operations**

In that we are not a bank and we do not take deposits, our access to capital is critical to our survival. We have significant short-term, medium-term and long-term financing needs for our lending operations. To mitigate the short term needs, we have established a process of entering into an

agreement to fund commercial loans for potential borrowers (“Commercial Loans”) and pre-closing on that agreement (where pre-closing documents are held in escrow) pending funding. Once the pre-closing has occurred, we have the flexibility of funding the commercial loan through the use of bank financing, if available, or the use of proceeds from our debt securities, when issued. This short term funding provides us with the opportunity to sell the Medium Term Notes (“MTN”) which are used to pay off the short-term financing and satisfy our medium-term financing needs. Once the medium-term financing needs have been met and the commercial loans have been rated by a national rating agency as “A” or better, we have the option to use our long-term financing vehicle to purchase and hold to maturity the commercial loans. We plan to meet these financing needs by tapping the institutional debt and equity markets.

We have funded the early stages of development of our operations through the sales of our common stock. We have used these funds to develop and facilitate the origination of commercial loans. At the time of the funding of the commercial loans, we will receive a one time fee for origination along with ongoing fees for servicing the commercial loans.

We will use the MTN as a means for funding the Commercial Loans. The MTN are used as a revolving credit line allowing our SPE(s) to season before applying for an investment grade rating of “A” or better from a national rating agency. To rate the SPE, the rating agency looks solely to the assets of the SPE. We have not applied for a rating with the national rating agency and we will independently rate the SPE. Our performance does not expect to impact, positively or negatively, the rating of the SPE.

## **Company Segments**

### Commercial Lending

The Commercial Lending Segment includes Loan Processing and Origination, Loan Closing Services, and Loan Servicing Sectors.

The Loan Processing and Origination Sector produce the contractual obligations to fund the commercial loans.

The Loan Closing Services Sector provides pre-closing for the securitization process.

The Loan Servicing Sector supports the administration of the commercial loans in our servicing portfolio that includes the performance of our investments in the Mortgage Servicing Revenue (“MSR”) and other retained interest in each SPE.

### Capital Markets

The Capital Markets Segment includes the securitization of each commercial note, the preparation of legal documents, the processing through the rating agencies, the pricing of the securities and the negotiation with the broker-dealer selling group that purchases the securities.

### Credit Provider

The Credit Provider Segment provides the link to the commercial property loan and provides the liquidity of that commercial loan in case of any cash flow short falls received from the leases or other revenues underlying the commercial loans. This support is provided through the life of the commercial loan, which runs approximately 40 years. For this service, the credit provider receives a fee from the borrower that is paid directly from the trustee of the SPE. Additionally, the credit provider may have to pay the principal and interest payment on the commercial loan when and if the commercial loan needs those payments.

### Proprietary Technology Segment

We use our licensed proprietary software platform of Access Channel to provide a high level of service to our customers and to maximize the efficiency of our operations. The Software underwrites services and securitizes commercial loans. The software has allowed us to maintain a low cost of processing and origination that is expected to produce a high pre-tax profit margin.

Management believes that our proprietary software plays an integral role in maintaining our productivity and efficiency. This software works in tandem with document management, data warehousing, and intellectual intelligence in collaborative systems with Internet capabilities and relationship management.

Currently, we use the Internet as an efficient source of information for potential customers and as a means of facilitating transactions with our business partners with plans to further develop its proprietary software and incorporate other proprietary software integration. Our website also includes information about us at [www.heritagecapitalcreditcorp.com](http://www.heritagecapitalcreditcorp.com) and [our subsidiary Independent Capital Credit Corporation.](#)

## **Commercial Lending Sectors**

### *Loan Processing and Origination Sector*

#### Types of Loans Produced

Using our proprietary loan product, we originate a commercial note secured by a first mortgage lien on commercial property, cash and marketable securities. The majority of our commercial notes are non-conforming and securitized into a mortgage-backed security. The average origination size has been \$28 million. To date, we have \$740 million of contractual obligations pending funding.

#### Underwriting Criteria Used

Our commercial note standards comply with the criteria established by the Software:

- Fully secured by multifamily units, strip shopping centers, commercial buildings, commercial plants, hotels or other real estate related assets that fit our proprietary loan product.
- All properties must meet the general underwriting criteria as established by the rating agencies.

#### Debt to Income Ratios

Generally, the commercial note debt will not exceed the criteria established under Access Channel.

#### Sale of Loans Produced

As a mortgage lender, we sell all of our contractual obligations originated to the SPEs through their securitization structure.

The commercial notes are securitized into a proprietary loan product with a credit enhancement issued by a credit provider that guarantees the principal and interest payment on the real estate securing the commercial note. Each commercial note is later pooled into a long term SPE and held until maturity. We receive servicing fees over the life of each commercial note, which is structured as 35+ years with 10-year lockout on prepayments.

### *Loan Closing Sector*

The Loan Closings are presently outsourced to a law firm whose area of concentration is securities, real estate, land use and zoning, business transactions, commercial law and title-related services.

### *Loan Servicing Sector*

The Loan Servicing is provided through the Access Channel, licensed software, which is outsourced to a third-party company that has been in business for more than 10 years and services more than \$15 billion in assets. The servicing provides a spread on servicing revenue on its MSR's and a substantial profit margin.

In servicing the SPEs, we and the third-party service provider, use Access Channel software to perform loan servicing functions in exchange for fees and other remuneration. The servicing functions include an automated system that performs the following: collecting and remitting loan payments, responding to borrower inquiries, accounting for principal and interest, holding custodial funds for payment of property taxes and insurance premiums, alerting the service provider of the following stages: Good Standing, Probation, Workout and Trustee Control and Default. These stages are normally alerted to the service provider each month and they give the service provider 24-36 months advance warning before the credit provider payments are required.

For performing these functions, we receive a fee ranging generally from 25 to 50 basis points annually on the remaining SPEs asset balances. The servicing fees are collected by the trustee each month from each trust account of the SPE. These funds will be remitted net of third-party cost to us by the SPE trustee each month. In addition, we may charge fees to the borrower on a per hour basis for additional services and late charges relative to payments and receive substantial prepayments penalties if the mortgage loan is prepaid during the ten-year lock out period.

Information concerning the following specific items is provided to the extent material to an understanding of the issuer:

***1. Issuer's primary and secondary SIC Codes;***

Primary: 6199

***2. If the Issuer has never conducted operations, is in the development stage or is currently conducting operations;***

We are currently conducting operations.

**3. *If the Issuer is considered a “shell company” pursuant to SEC Rule 405 of the Securities Act of 1933;***

We are not a “shell company” pursuant to SEC Rule 405 of the Securities Act of 1933.

**4. *State the names of any parent, subsidiary, or affiliate of the Issuer, and describe its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure document;***

Our only subsidiary, Independent Capital Credit Corporation (“ICCC”), packages and originates loans and sells them to a Funding Conduit for funding sponsored by First Independent Financial Group. The financial results of ICCC are included in the financial statements attached to this disclosure statement.

First Independent Financial Group is an affiliate. The financial results of First Independent Financial Group are not included in the financial statements attached to this disclosure statement.

**5. *Effect of existing or probable governmental regulations on the business;***

We are regulated by a variety of state laws applicable to businesses in general.

**6. *An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers;***

During 2004, we spent a total of \$976,404 on research and development activities, \$347,000 of which was paid by First Independent Financial Group, a greater-than-10% shareholder.

During 2005, we spent a total of \$2,509,932 on research and development activities, \$1,290,078 of which was paid by First Independent Financial Group, a greater-than-10% shareholder.

**7. *Costs and effects of compliance with environmental laws (federal, state and local); and***

None.

8. *Number of total employees and number of full-time employees.*

As of June 30, 2006, we had nine full-time employees.

C. **Investment Policies**

Not applicable.

**Item 6. Nature of Products and Services Offered:**

A. *Principal products or services, and their markets;*

Our primary services along with our affiliated companies include structuring financial lending products. We are using commercial real estate property as our point of entry into the Collateralized Debt Obligation (“CDO”) market space. The CDO structure allows us to provide financing for commercial real estate without taking real estate risk and further turn over our capital without the normal lending risk, thereby allowing us to recognize our fee income and a higher profit margin.

B. *Distribution methods of the products or services;*

We distribute through many different sources, including our website, current clients and word of mouth..

C. *Status of any publicly announced new products or services;*

We announced the origination of 21 BCLOC Loans on April 20, 2005.

D. *Competitive business conditions, the issuer’s competitive position in the industry, and methods of competition;*

Over the last two years the direct commercial lending market has increased over 75%. We believe this will continue as the industry undergoes consolidation, lower interest rates, more sophisticated products and global investments.

To compete effectively in this environment, we have invested capital in developing the final stages of the Access Channel Software, which allows us to compete at the same operational and technological level as our competitors.

The trends in the commercial property lending business have become more capital intensive and thus access to capital at a

competitive cost is critical. As a result of these factors, the commercial lending industry had undergone much consolidation. In 2004, there were 58 Top Direct Lenders and in 2005 there were 46. This represents a decrease of 26%. However, the volume of business grew from \$134 billion in 2004 to \$235 billion in 2005, an increase of 75%. The top 25 commercial lenders controlled 66% of the commercial market in 2004 and 97% in 2005. (Source:www.cponline.com.)

We will sponsor a series of entities that will allow us to access the capital markets through the use of the same vehicles and investment instruments as our competitors use. Such access is critical for us to survive. Coupling this with our proprietary software and the effect of funding our contractual obligations, on a pro forma basis we would have been listed as number 21 and number 24 in 2004 and 2005 respectively, putting us among the top direct commercial lenders in the country.

Additionally, the Access Channel Software allows us to bring new borrowers to the commercial lending market, which would have added to the 75% increase in the industry growth that occurred in 2005 over 2004. Also, our Software allowed us to source, process and originate commercial loans at an extremely low cost (of \$0.001 per million) in 2003, 2004 and 2005. We expect this low cost to continue and allow us as a small company to compete with the top direct lenders at a high pre-tax profit margin.

***E. Sources and availability of raw materials and the names of principal suppliers;***

Not Applicable.

***F. Dependence on one or a few major customers;***

We do not depend on one or a few major customers.

***G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration; and***

ICCC has a license with Access Channel, Inc. to use the Access Channel Software. The software underwrites, services and securitizes commercial loans. We pay a one-time license fee of \$45,000 for each loan funded and \$4,500 annually.

**H. *The need for any government approval of principal products or services. Discuss the status of any requested government approvals.***

None.

**Item 7. Nature and Extent of Issuer's Facilities:**

Our corporate headquarters is located at 200 W. 9th Street, Suite 300, Wilmington, DE 19801. We entered into a lease agreement dated June 1, 2004, which is a 5 year lease commitment. Rental payments for 2005 were \$124,181. Future minimum annual payments under this lease obligation are as follows: \$133,463 for 2006, \$142,528 for 2007, \$151,584 for 2008, and \$86,708 for 2009.

We entered into a second lease dated November 21, 1997 for additional office space in the amount of \$400 per month with a lease renewal clause after each two-year term. The second lease was terminated in June 2005.

We do not own any property or properties for which the book value amounts to 10 percent or more of the total assets of the Company and its consolidated subsidiaries for the last fiscal year.

**Part B Share Structure and Issuance History**

**Item 8. Exact Title and Class of Securities Outstanding:**

We are currently authorized to issue two classes of stock, common stock and preferred stock. The CUSIP for our common stock is 42722Y 10 4. Our common stock is publicly traded on the Pink Sheets under the symbol "HCPC." Our preferred stock does not have a CUSIP and is not publicly traded.

**Item 9. Par Value or Stated Value of Securities Outstanding:**

Our common stock has a par value of \$0.001 per share. Our preferred stock has a par value of \$0.001 per share.

**Item 10. Number of Shares or Total Amount of the Securities Outstanding As of (i) the End of the Issuer's Most Recent Fiscal Quarter, (ii) the Issuer's Most Recent Fiscal Year End, and (iii) the Current Date:**

### Common Stock

We are authorized to issue 250,000,000 shares of common stock, par value \$0.001.

As of the end of our fiscal year, December 31, 2005, we had 137,203,542 shares of common stock issued and outstanding, held by approximately 500 shareholders of record. Of those 137,203,542 shares of common stock, 11,000,000 were free trading, but all but 3,793,281 were held in an escrow.

### Preferred Stock

We are authorized to issue 10,000,000 shares of preferred stock, par value \$0.001, the rights, privileges, and preferences of which may be set by the Board of Directors without further shareholder approval.

As of the end of the quarter ended June 30, 2006, we had one class of preferred stock. Our Series A Convertible Preferred Stock had 1,000,000 shares authorized and no shares issued and outstanding. All shares of Series A Convertible Preferred Stock which had been previously issued have been cancelled, and there are now no shares of preferred stock issued or outstanding.

As of December 31, 2005, we had one class of preferred stock. Our Series A Convertible Preferred Stock had 1,000,000 shares authorized and no shares issued or outstanding. All shares of Series A Convertible Preferred Stock which had been previously issued have been cancelled, and there are now no shares of preferred stock issued or outstanding.

### **Item 11. List of Securities Offerings and Shares Issued for Services in the Past Two Years:**

Within the last two year periods ending on the date of our last fiscal year and as of the date of this Disclosure Statement, the following events have resulted in changes in total shares outstanding of our securities:

Gwendolyn Carol Johnson, our Chairman of the Board and President, has invested \$495,606 through December 2005. We issued 9,856,506 shares of stock to her. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

Ed Johnson has invested \$1,465,114 through December 2005. We issued 38,546,383 shares of common stock to him. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

As of December 2005, we had sold 6,500,000 shares of our common stock to First Independent Financial Group, our largest shareholder, for a capital infusion of \$181,935. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

In September, 2004, we issued 210,000 shares of common stock to our Directors for initially agreeing to serve on the Board. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and was in the following amounts:

|  |               |
|--|---------------|
| Tony Grant – HCPC Director   | 30,000        |
| Walter Hinchcliffe – HCPC Director   | 30,000        |
| Carol Johnson – HCPC Director  | 30,000        |
| Charles E. Mitchell – HCPC Director  | 30,000        |
| Kevin Pickard – HCPC Director  | 30,000        |
| Byron Rambo – HCPC Director  | 30,000        |
| Gordon Hall – Director and Chairman of the Board<br>of First Independent Financial Group | <u>30,000</u> |
| Total  | 210,000       |

On April 5, 2004, in connection with the conversion of a portion of an outstanding promissory note, and after giving effect to a 1-for-500 reverse stock split, we issued an aggregate of 11,000,000 shares of common stock in exchange for the conversion of \$110,000 of debt, to Christiana Corporate Services, Inc., as escrow agent, which was later transferred to The Lebrecht Group, APLC, as escrow agent, with the shares to be delivered to certain third parties when certain pre-determined events occurred. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

On April 5, 2004, in connection with the acquisition of Independent Capital Credit Corporation (hereinafter “ICCC”), and after giving effect to a 1-for-500 reverse stock split, we issued an aggregate of 100,000,000 shares of common stock, restricted in accordance with Rule 144, to First Independent Financial Group, the sole shareholder of ICCC. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

**Part C      Management and Control Structure**

**Item 12.      Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons:**

**A.      Executive Officers and Directors.**

*1. Management*

Our directors and executive officers are as follows:

| <b>Name</b>             | <b>Title</b>  |
|-------------------------|---|
| Gwendolyn Carol Johnson | Chairman of the Board, President and Chief Executive Officer    |
| Walter J. Hinchcliffe   | Director, Vice Chairman, Chair of Operations                    |
| Kevin Pickard, CPA      | Director, Chair of Audit Committee                              |
| Sandra Battaglia, Esq.  | Senior Vice President, Transactions                             |
| Ryan L. Braddock        | Vice President and Director of Risk Management and Underwriting |
| Johanna W. Daye         | Vice President and Director of Marketing                        |
| Richard L. Razzeca      | Vice President, Capital Markets                                 |

**Gwendolyn Carol Johnson** has been our Chairman of the Board, President and Chief Executive Officer since 2003. She also currently serves as the President and Chief Executive Officer of First Independent Financial Group. From 1995 to 2003, she was the Senior Vice President of GMAC Mortgage Corporation where she focused on business development, meeting the requirements of the Community Reinvestment Act and buying and selling affordable housing loans with commercial banks. She currently serves on the board of directors of First Independent Financial Group and Merl Holdings, Inc.com. At the conclusion of the quarter ended June 30, 2006, she owned 5,671,506 shares of our securities.

**Walter J. Hinchcliffe** has been one of our directors since April 2004. He serves as the Vice Chair and Chair of the Operations Committee. He is a Director and Vice Chairman of First Independent Financial Group. He has been the managing partner of Reed Wilson & Co. since 1976. He also

currently serves as a director and the President of Laser Recording Systems. At the conclusion of the quarter ended June 30, 2006, he owned 430,000 shares of our securities.

**Kevin Pickard, CPA** has been a director and our Chair of the Audit Committee since April 2004. He has been the President of Pickard and Company CPA Financial since 1998. From 1996 to 1998, he was Manager and Partner with Singer Lewak Greenbaum & Golstein, LLP. From 1994 to 1996, he was Senior Manager with Coopers & Lybrand, LLP (currently know as PricewaterhouseCoopers). He is not currently a member of any other public board of directors. At the conclusion of the quarter ended June 30, 2006, he owned 30,000 shares of our securities.

**Sandra Battaglia, Esq.** has been our Senior Vice President of Transactions since January 2005. She also currently serves as the Senior Vice President of Transactions of First Independent Financial Group. From 2002 to 2005, she was Of Counsel at Balick and Balick. From 2001 to 2002, she was Special Counsel for Cozen & O'Connor and from 1994 to 2001, she was Senior Vice President, General Counsel of Peninsula United Methodist Homes, Inc. She is not currently a member of any other public board of directors. At the conclusion of the quarter ended June 30, 2006, she owned no shares of our common stock.

**Ryan L. Braddock** has been our Vice President and Director of Risk Management and Underwriting since May 2003. He also currently serves as the Vice President and Director of Risk Management and Underwriting of First Independent Financial Group. From August 2003 to May 2004, he worked as an independent financial analysis consultant. From November 2001 to August 2003, he was an independent financial consultant for National Self-Help Investment Plan. From August 2000 to November 2001, he was a financial advisor for the Merrill Lynch U.S. Private Client Group. From November 1999 to July 2000, he was the Assistant Controller for MHIC. From November 1998 to November 1999, he was a CRA modeler and project analyst for GMAC Mortgage Corporation and from May 1994 to November 1998, he was a business analyst and modeler for MFG. He is not currently a member of any other public board of directors. At the conclusion of the quarter ended June 30, 2006, he owned 1,000,000 shares of our securities.

**Johanna W. Daye** has been our Vice President and Director of Marketing since 2003. She also currently serves as the Vice President and Director of Marketing of First Independent Financial Group. From 1998 to 2001, she was an account manager/project manager in the marketing department of GMAC Residential Corporation where she focused on advertising, compliance and direct mail. From 1997 to 1998, she was the Assistant Category Manager in the Stroehmann Bakeries, Inc. sales department

where she focused on category and tradeshow management and from 1990 to 1996, she was the Marketing Coordinator for Super John's Home Improvement. She is not currently a member of any other public board of directors. At the conclusion of the quarter ended June 30, 2006, she owned no shares of our common stock.

**Richard L. Razzeca** joined the company in May 2006, as Vice President, Capital Markets. Rick has 17 years experience in financial services, working for Beneficial, now a subsidiary of HSBC and Prudential Financial. Rick spent the last 4 years as President of RLR Financial Services and RLR Consulting, brokering both residential and commercial loans, serving as issuer agent on small IPO's and consulting for firms gearing up for private placements. He has established relationships with retail mortgage originators, banks and realtors and has conducted specialized business education and training through Beneficial Management Institute.

**2. General Partners;**

None.

**3. Control Persons;**

Please see the above disclosure for Gwendolyn Carol Johnson, Walter J. Hinchcliffe, Kevin Pickard, CPA, Sandra Battaglia, Esq., Ryan L. Braddock, and Johanna W. Daye.

In addition, First Independent Financial Group, of which Gwendolyn Carol Johnson and Walter J. Hinchcliffe are officers and directors, is a greater-than-10% shareholder. As of the date we provided information in response to this item, it owned 103,500,000 shares of our common stock

**B. Legal/Disciplinary History**

To the best of our knowledge, none of the foregoing persons has, during the last five years, been the subject of the following except as follows:

**1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);**

None.

**2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent**

*jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;*

None.

3. *A finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the CFTC, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or*

None.

4. *The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.*

None.

#### **C. Disclosure of Certain Relationships**

Gwendolyn Carol Johnson, our Chairman of the Board, President and Chief Executive Officer is married to Ed Johnson who is one of our shareholders. Furthermore, two adult children of Gwendolyn Carol Johnson are shareholders of the Company.

We have a note receivable with an affiliated company, Heritage Capital Investment Corporation, in the amount of \$39,064 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and become due on January 1, 2008.

We have a note receivable with Relm Real Estate Holdings, a related company, in the amount of \$3,525 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

We have a note receivable with a First Equity Growth Trust, a related company, in the amount of \$293 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

We have a note receivable with a First Life Financial Corporation, a related company, in the amount of \$109 for the quarter ending June 30,

2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

We have a note payable with a First Independent Financial Group, a related company, in the amount of \$137,292 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

We have a long term note payable with First Independent Financial Group, in the amount of \$233,640 for the quarter ending June 30, 2006. The note was an acquired liability at acquisition and carries an interest rate of 12%.

**D. Disclosure of Conflicts of Interest**

Our largest investor is First Independent Financial Group (FIFG) who provides us and affiliated companies with management in order to achieve our desired business model.

Therefore, certain conflicts of interest have existed and will continue to exist between management, their affiliates and the Company. Management does not have other interests outside the related company’s business model to which they devote their attention. Management may continue to do so notwithstanding the fact that management’s time is devoted to the business of all the affiliated companies.

**Item 13. Beneficial Owners**

The following table sets forth, as of June 30, 2006, certain information with respect to the Company’s equity securities owned on record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than five percent (5%) of each class of the Company’s outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

**Common Stock**

| <b><u>Title of Class</u></b> | <b><u>Name and Address Of Beneficial Owner (3)</u></b> | <b><u>Amount and Nature of Beneficial Ownership</u></b> | <b><u>Percent Of Class (2)</u></b> |
|------------------------------|--|---|------------------------------------|
| Common Stock                 | Gwendolyn Carol Johnson (1)(4)                         | 5,671,506   | 3..57%                             |
| Common Stock                 | Sandra Battaglia, Esq.                                 | 0   | 0%                                 |
| Common Stock                 | Ryan L. Braddock                                       | 1,000,000   | <1%                                |

|                                    |   |             |        |
|------------------------------------|---|-------------|--------|
| Common<br>Stock<br>Common<br>Stock | Johanna W. Daye   | 18,500      | <1%    |
| Common<br>Stock                    | Walter J. Hinchcliffe (1)   | 430,000     | <1%    |
| Common<br>Stock                    | Kevin Pickard, CPA (1)  | 30,000      | <1%    |
| Common<br>Stock                    | First Independent Financial Group<br>200 W. 9th Street, Suite 102<br>Wilmington, DE 19801 | 103,500,000 | 65.07% |
| Common<br>Stock                    | Ed Johnson (4)  | 38,546,383  | 24.23% |
| Common<br>Stock                    | All Directors and Officers<br>As a Group (3 persons)                                      | 7,150,006   | 4.49%  |

(1) Indicates a Director and/or Officer of the Company. In addition, Gwendolyn Carol Johnson and Walter J. Hinchcliffe, our officers and directors, are also officers and directors of First Independent Financial Group.

(2) Based on 159,063,842 shares outstanding as of June 30, 2006. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person

(3) Unless otherwise noted, the address of each beneficial owner is c/o Heritage Capital Credit Corporation, 200 W. 9th Street, Suite 300, Wilmington, DE 19801.

(4) Gwendolyn Carol Johnson, our Chairman of the Board, President and Chief Executive Officer, is married to Ed Johnson. Consequently, the shares owned by each are attributed to the other. Together, they are the beneficial owners of 44,217,889 shares or 27.80% of the Company.

**Item 14. The Name of Any Outside Providers that Advise the Issuer on Matters Relating to the Operations, Business Development and Disclosure.**

***1. Investment Banker;***

None.

***2. Promoters;***

None.

**3. *Counsel;***

Our corporate and securities legal counsel is The Lebrecht Group, APLC, located at 9900 Research Drive, Irvine, California, 92618, telephone number: (949) 635-1240 and website address is www.thelebrechtgroup.com.

**4. *Accountant or Auditor;***

Our independent auditor is McBride Shopa & Company, P.A. 270 Professional Drive, Wilmington, DE 19807.

**5. *Public Relations Consultant;***

None.

**6. *Investor Relations Consultant; and***

None.

**7. *Any Other Advisor(s) that Assisted, Advised, Prepared or Provided Information With Respect to this Disclosure Documentation.***

None.

**Part D      Financial Information**

**Item 15.      Adequate Disclosure of the Issuer's or its Predecessor's Current Financial Position:**

**A.      Provide a List Describing the Attached Financial Statements, the Balance Sheet Date and the Date Published;**

- Our unaudited financial statements as of and for the quarter ended June 30, 2006, are enclosed herewith.
- Our financial statements as of and for the end of the last two fiscal years ended December 31, 2005 is unaudited and December 31, 2004 is audited and restated, respectively, and are enclosed herewith.

**B.      Provide a Summary of the Types of Information that the Issuer Will Provide to Security Holders in the Future and the Schedule for Providing This Information.**

In the future, we will provide the information required by Rule 15c2-11 to security holders.

**Item 16. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor Has Been in Existence:**

Our financial statements as of the end of the last two fiscal years ended December 31, 2005 is unaudited and December 31, 2004 is audited and restated, and are enclosed herewith.

Dated this 29<sup>th</sup> day of September, 2006, at Wilmington, Delaware.

HERITAGE CAPITAL CREDIT CORPORATION

*Gwendolyn Carol Johnson* /s/

By: Gwendolyn Carol Johnson  
Its: President

# **Heritage Capital Credit Corporation**

## **Consolidated Financial Statement**

**Quarter Ended June 30, 2006**

# HERITAGE CAPITAL CREDIT CORPORATION

June 30, 2006

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date on the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Attached hereto are the financial statements for Heritage Capital Credit Corporation unaudited ending June 30, 2006.

The December 31, 2005 and 2004 year end adjustments may change when the audited statements are available and further adjustments may be forthcoming upon receipt of an independent third-party valuation of the Company's assets, which could result in further revisions.

**I, Gwendolyn Carol Johnson, President of Heritage Capital Credit Corporation on this 29<sup>th</sup> day of September 2006, hereby certify that the financial statements filed herewith and all the notes thereto fairly represent in all aspects, the financial position and results of operations of the periods presented in conformity with generally accepted accounting principles (GAAP) in the United States.**

**The undersigned hereby states that the President has read the information set forth herein above, and attests hereby to the best of her knowledge and belief; such information is true and correct.**

**For the six months ended June 30, 2006**

**Signed this 29<sup>th</sup> day of September 2006.**

**HERITAGE CAPITAL CREDIT CORPORATION**

*Gwendolyn Carol Johnson /s/*

**Gwendolyn Carol Johnson, President**

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**HERITAGE CAPITAL CREDIT CORPORATION**  
**Financial Highlights**  
**(unaudited)**

**Consolidated Balance Sheet**

| <b>Condensed Balance Sheet</b>                    | <b><u>June 30, 2006</u></b> | <b><u>March 31, 2006</u></b> | <b><u>Restatement<br/>Dec.31,2005</u></b> | <b><u>June 30, 2005</u></b> |
|---|-----------------------------|------------------------------|---|-----------------------------|
| <b>Assets</b>                                     |                             |                              |   |                             |
| Current Assets                                    |                             |                              |   |                             |
| Cash/Accounts Receivable                          | \$ 289,651                  | \$ 270,325                   | \$ 238,105                                | \$ 278,153                  |
| Pre Pairs / Deposits                              | 3,640                       | 3,640                        | 3,640                                     | 28,640                      |
| <b>Total Current Assets</b>                       | <b><u>293,291</u></b>       | <b><u>273,965</u></b>        | <b><u>241,745</u></b>                     | <b><u>306,793</u></b>       |
| Property and Equipment                            |                             |                              |   |                             |
| Furniture and Equipment                           | 41,060                      | 41,060                       | 41,060                                    | 41,060                      |
| Less: Accum. Depreciation                         | (10,265)                    | (8,554)                      | (6,843)                                   | (2,281)                     |
| <b>Total Properties</b>                           | <b><u>30,795</u></b>        | <b><u>32,506</u></b>         | <b><u>34,217</u></b>                      | <b><u>38,779</u></b>        |
| Other Assets                                      |                             |                              |   |                             |
| Loan Rec. - related party                         | 42,991                      | 42,461                       | 152,525                                   | 28,429                      |
| <b>Total Other Assets</b>                         | <b><u>42,991</u></b>        | <b><u>42,461</u></b>         | <b><u>152,525</u></b>                     | <b><u>28,429</u></b>        |
| <b>Total Assets</b>                               | <b><u>\$ 367,077</u></b>    | <b><u>\$ 348,932</u></b>     | <b><u>\$ 428,487</u></b>                  | <b><u>\$ 374,001</u></b>    |
| <b>Liabilities</b>                                |                             |                              |   |                             |
| Current Liabilities                               |                             |                              |   |                             |
| Accounts Payable                                  | \$ 387,772                  | \$ 377,368                   | \$ 360,140                                | \$ 390,788                  |
| Bank Payable                                      | 39,328                      |                              |   |                             |
| Unearned Revenue                                  | 358,571                     | 358,571                      | 358,571                                   | 322,143                     |
| Demand Note Payable                               | 233,640                     | 228,240                      | 222,840                                   | 207,000                     |
| <b>Total Current Liabilities</b>                  | <b><u>1,019,311</u></b>     | <b><u>964,179</u></b>        | <b><u>941,551</u></b>                     | <b><u>919,931</u></b>       |
| Other Liabilities                                 |                             |                              |   |                             |
| Capital Lease                                     | 35,760                      | 37,390                       | 39,020                                    | 40,380                      |
| Loan Payable - related party                      | 137,292                     | 70,265                       |   | 517,843                     |
| <b>Total Long Term Liabilities</b>                | <b><u>173,052</u></b>       | <b><u>107,655</u></b>        | <b><u>39,020</u></b>                      | <b><u>558,223</u></b>       |
| <b>Total Liabilities</b>                          | <b><u>1,192,363</u></b>     | <b><u>1,071,835</u></b>      | <b><u>980,571</u></b>                     | <b><u>1,478,154</u></b>     |
| Shareholders' Equity                              |                             |                              |   |                             |
| Common Stock                                      | 167,261                     | 165,761                      | 165,761                                   | 118,375                     |
| Additional Paid In Capital                        | 2,356,939                   | 2,320,939                    | 2,320,939                                 | 802,626                     |
| Retained Earnings                                 | (3,349,486)                 | (3,209,603)                  | (3,038,784)                               | (2,025,154)                 |
| <b>Total Shareholder's Equity</b>                 | <b><u>(825,286)</u></b>     | <b><u>(722,903)</u></b>      | <b><u>(552,084)</u></b>                   | <b><u>(1,104,153)</u></b>   |
| <b>Total Liabilities and Shareholders' Equity</b> | <b><u>\$ 367,077</u></b>    | <b><u>\$ 348,932</u></b>     | <b><u>\$ 428,487</u></b>                  | <b><u>\$ 374,001</u></b>    |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## Consolidated Income Statement

|                                     | Three months ended     |                     | Six months ended       |                     |
|-------------------------------------|------------------------|---------------------|------------------------|---------------------|
|                                     | June 30,               |                     | June 30,               |                     |
|                                     | 2006                   | 2005                | 2006                   | 2005                |
| <b>Condensed income statement</b>   |                        |                     |                        |                     |
| Revenues                            |                        |                     |                        |                     |
| Application fees                    | \$ -                   | \$ 4,500            | \$ -                   | \$ 54,976           |
| Consultant fees                     | 20,662                 | 27,864              | 57,134                 | 57,678              |
| <b>Total Revenues</b>               | <b>20,662</b>          | <b>32,364</b>       | <b>57,134</b>          | <b>112,654</b>      |
| Cost of Revenues                    |                        |                     |                        |                     |
| Consulting Expense                  | 20,662                 | 30,884              | 57,134                 | 67,651              |
| Management fees                     | 10,331                 | 16,182              | 28,567                 | 56,327              |
| <b>Total Cost of Revenues</b>       | <b>30,993</b>          | <b>47,066</b>       | <b>85,701</b>          | <b>123,978</b>      |
| <b>Gross Margin</b>                 | <b>(10,331)</b>        | <b>(14,702)</b>     | <b>(28,567)</b>        | <b>(11,324)</b>     |
| Expenses                            |                        |                     |                        |                     |
| General and Administrative          | 121,303                | 307,880             | 264,330                | 547,971             |
| <b>Total Expenses</b>               | <b>121,303</b>         | <b>307,880</b>      | <b>264,330</b>         | <b>547,971</b>      |
| <b>Operating Income (Loss)</b>      | <b>(131,634)</b>       | <b>(322,582)</b>    | <b>(292,897)</b>       | <b>(559,295)</b>    |
| Other Revenue or Expense            |                        |                     |                        |                     |
| Interest Income                     | 15,899                 | 1,282               | 35,900                 | 1,964               |
| Interest Expense                    | (24,149)               | (11,798)            | (53,705)               | (21,702)            |
| <b>Total Other Revenue or (Exp)</b> | <b>(8,250)</b>         | <b>(10,516)</b>     | <b>(17,805)</b>        | <b>(19,738)</b>     |
| <b>Net Income (Loss)</b>            | <b>\$ (139,884.00)</b> | <b>\$ (333,098)</b> | <b>\$ (310,702.00)</b> | <b>\$ (579,033)</b> |
| Earnings Per Share                  |                        |                     |                        |                     |
| Weighted Average Shares             | 158,926,342            | 121,998,866         | 158,926,342            | 121,998,866         |
| Basic Earnings Per Share            | (less than \$.01)      | (less than \$.01)   | (less than \$.01)      | (less than \$.01)   |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**\$740 Million in Loan Contractual Obligations Originated  
For Commercial BCLOC Loans**

| Year Ended 2003<br>Originated<br>Purchased | Year Ended 2004<br>Originated | Year Ended 2005<br>Originated |
|--|-------------------------------|-------------------------------|
| \$ 6,500,000                               | \$ 3,630,000                  | \$ 42,963,000                 |
| 6,000,000                                  | \$ 23,500,000                 | 5,000,000                     |
| 20,900,000                                 | \$ 16,000,000                 | 53,334,000                    |
| 3,000,000                                  | \$ 7,142,857                  | 78,314,000                    |
|  | \$ 31,472,000                 | 245,909,000                   |
|  | \$ 5,000,000                  |                               |
|  | \$ 5,000,000                  |                               |
|  | \$ 2,000,000                  |                               |
|  | \$ 1,000,800                  |                               |
|  | \$ 7,261,438                  |                               |
|  | \$ 67,859,105                 |                               |
|  | \$ 14,285,714                 |                               |
|  | \$ 17,500,000                 |                               |
|  | \$ 25,000,000                 |                               |
|  | \$ 48,557,142                 |                               |
|  | \$ 2,352,941                  |                               |
|  | \$ 1,075,000                  |                               |
| <b>Total</b>                               | <b>\$ 278,636,997</b>         | <b>\$ 425,520,000</b>         |

Note: The above list consists of the following 26 real estate related projects:

- Commercial Office Buildings 2
  - Apartment Buildings 6
  - Hotels 6
  - Manufacturing Operations 2
  - Adult Care Centers 4
  - Single Purpose Operations 4
  - New Housing Developments 2
- 26

The accompanying notes are an integral part of these Consolidated Financial Statements.

**HERITAGE CAPITAL CREDIT CORPORATION**  
**NOTES TO CONSOLIDATE FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – THE COMPANY AND LINES OF BUSINESS**

**Company**

Heritage Capital Credit Corporation (the Company) was incorporated under the laws of the State of Florida on August 22, 1989 and has adopted a fiscal year ending December 31. The Company has one wholly owned subsidiary; Independent Capital Credit Corporation (“ICCC”); a company incorporated under the laws of the State of Delaware on September 19, 1994 and has adopted a fiscal year ending December 31. Heritage is a publicly traded company quoted on the OTC National Quote System under the symbol “HCPC”.

**Industry**

The primary services of ICCC and its affiliated companies include real estate lending, as well as other related financial services to individuals and businesses that qualify based on ICCC’s proprietary automated underwriting software formula. The Company has four loan products: BCLOC, CLOC, M-CAP and T-CAP. They are all credit enhanced with an account from a related company. The Company originates contractual obligation, which are closed as a Commercial BCLOC loans, funded and sold in tandem on a non recourse basis to a company sponsored Special Purpose Entity (SPE) as a Collateralized Debt Obligation (CDO) which is an affiliate of the Company that will hold the beneficial interest until final maturity.

**Basis of Accounting**

The Company’s financial statements have been prepared under the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Money received before it can be recognized is shown as Unearned Revenue on the Balance Sheet. Revenues are recognized, when the funds are non-refundable and also recognized when all parties reach a non-rescinding written agreement and all loans are funded. Expenses are recognized when services have been incurred.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date on the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

### Property and Equipment:

The Company made no purchases of property or equipment in the quarter of June 30, 2006.

### Loss Per Common Share:

The Company has adopted Financial Accounting Standards Board (FASB) Statement No. 128, "Earnings per Share". The Statement establishes standards for computing and presenting earnings per share (EPS). It replaced the presentation of primary EPS with a presentation of basic EPS and also requires dual presentation of basic and diluted EPS on the face of the income statement. The statement was retroactively applied to the prior loss per share but did not have any effect. The basic loss per share was computed by dividing the Company's net loss by the weighted average number of common shares outstanding during the period. There is no presentation of diluted loss per share as the effect of common stock options, warrants and convertible debt amount are anti-dilutive.

## NOTE 3 – RELATED PARTY TRANSACTIONS

The Company has a note receivable with an affiliated company, Heritage Capital Investment Corporation, in the amount of \$39,064 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and become due on January 1, 2008.

The Company has a note receivable with related companies, in the amount of \$3,525 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

The Company has a note receivable with a related party, in the amount of \$293 quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008

The Company has a note receivable with a related party, in the amount of \$109 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

The Company has a note payable with a related party, in the amount of \$137,292 for the quarter ending June 30, 2006. The note was incurred for working capital and carries an interest rate of 5% and becomes due on January 1, 2008.

The Company has a Long Term Note Payable with the parent company, First Independent Financial Group, in the amount of \$233,640 for the quarter ending June 30, 2006. The note was an acquired liability at acquisition and carries an interest rate of 12% .

#### **NOTE 4 - STOCKHOLDERS EQUITY**

##### **PREFERRED STOCK:**

None Authorized

##### **COMMON STOCK:**

The Company has authorized 250,000,000 common shares with a \$.001 par value of which 159,063,842 shares were issued and outstanding at the end of June 30, 2006.

#### **NOTE 5 - CONFLICTS OF INTEREST**

The Company's largest Investor is First Independent Financial Group (FIFG) and as such, management is provided by FIFG to the Company and related companies to achieve the business model that impacts the Company and all of the affiliated companies.

Therefore, certain conflicts of interest have existed and will continue to exist between management, their affiliates and the Company. Management does not have other interests outside the related company's business model to which they devote their attention. Management may continue to do so notwithstanding the fact that management's time is devoted to the business of all the affiliated companies.

**NOTE 6 - LITIGATION, CONTINGENCIES, OPERATING AND CAPITAL LEASES**

**The Company has no disputes in the quarter of June 30, 2006.**

**From time to time in the normal course of business the Company may be involved in litigation. The Company's management is not aware of any asserted or unasserted claims and therefore feels any such proceedings to have an immaterial effect on the financial statements.**

**The Company's management has not bound the Company with any contingencies other than those through the normal course of business.**

**The Company has receivables as noted in footnote 3 which are considered non-rescinding, however the Company has not received funds on the receivables and expects to receive these amounts once the Company has evidence of funding for the "Loan Contractual Obligations Originated- For Commercial BCLOC Loans" (see page 6).**

**Operating Lease**

During 2004 the company entered into a 5-year lease commitment for corporate office space. Rent payments were in the amount of \$64,701 year to date ending June 30, 2006 and \$32,350 for the quarter ending June 30, 2006.

**Capital Lease**

**The Company lease office equipment under the terms of a lease agreement which expires in February 2010, with year to date payments of \$3,260 at June 30, 2006. The lease has been recorded as a capital lease, with interest imputed at 19%. The annual lease payments as of June 30, 2006 are as follows:**

|                                      | <u>Year Ended</u> |                  |
|--------------------------------------|-------------------|------------------|
|                                      | <u>12-31</u>      |                  |
|                                      | <u>2006</u>       | <u>\$ 6,684</u>  |
|                                      | <u>2007</u>       | <u>13,259</u>    |
|                                      | <u>2008</u>       | <u>13,259</u>    |
|                                      | <u>2009</u>       | <u>13,259</u>    |
|                                      | <u>2010</u>       | <u>2,211</u>     |
|                                      |                   | <u>48,672</u>    |
| Amount representing interest expense |                   | <u>12,912</u>    |
| Capital lease obligation             |                   | <u>\$ 35,760</u> |