

Independent Auditors' Report

To the Stockholders and Board of Directors
Southern Bancorp, Inc.

We have audited the accompanying consolidated balance sheet of Southern Bancorp, Inc. as of December 31, 2004 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Southern Bancorp, Inc. as of December 31, 2003 and for the two years then ended were audited by other auditors whose report, dated February 13, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 2004 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southern Bancorp, Inc. as of December 31, 2004 and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information on pages 21 and 22 has been subjected to the auditing procedures applied in the audit of the 2004 consolidated financial statements and is presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position and results of operations of the individual companies. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. However, in our opinion, the consolidating information on pages 21 and 22 is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 12 to financial statements, the Company restated its retained earnings as of December 31, 2001 and its net income for the year ended December 31, 2001 to properly reflect goodwill and deferred income taxes.

February 4, 2005

SOUTHERN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2004	2003
Assets		
Cash and due from banks	\$ 14,790,915	\$ 18,092,165
Federal funds sold	7,060,000	1,775,000
Total cash and cash equivalents	21,850,915	19,867,165
Interest-bearing deposits in other banks	3,644,268	7,437,770
Investment securities	196,809,679	159,865,453
Loans:		
Commercial, financial and agricultural	62,453,381	62,542,765
Real estate	117,092,499	99,240,138
Installment	20,277,395	20,152,006
Total loans	199,823,275	181,934,909
Allowance for loan losses	(5,990,788)	(5,428,199)
Net loans	193,832,487	176,506,710
Premises and equipment, net	18,431,130	14,502,056
Rental real estate, net	2,296,968	2,364,821
Goodwill	14,025,636	10,713,817
Other assets	18,144,407	17,281,732
Total Assets	\$469,035,490	\$408,539,524
Liabilities		
Deposits:		
Non-interest bearing demand	\$ 64,817,470	\$ 62,599,430
Interest-bearing demand	124,742,905	98,559,381
Savings	31,384,766	28,914,246
Time deposits less than \$100,000	119,976,965	107,866,912
Time deposits greater than or equal to \$100,000	58,077,888	56,642,858
Total deposits	398,999,994	354,582,827
Federal funds purchased and securities sold under agreements to repurchase	5,445,076	1,500,000
Federal Home Loan Bank advances and other short-term borrowings	5,914,950	3,015,445
Subordinated debentures	22,592,000	17,437,000
Note payable	851,639	-
Other liabilities	3,610,965	2,538,125
Total liabilities	437,414,624	379,073,397
Stockholders' Equity		
Common stock, \$1 par value; 500,000 shares authorized; shares issued and outstanding:		
Series A-1, 41,925 in 2004 and 2003	41,925	41,925
Series A-2, 42,990 in 2004 and 2003	42,990	42,990
Series A-3, 57,484 in 2004 and 2003	57,484	57,484
Series A-5, 9,091 in 2004 and 2003	9,091	9,091
Capital surplus	20,879,401	20,879,401
Retained earnings	9,972,239	7,396,174
Accumulated other comprehensive income	617,736	1,039,062
Total stockholders' equity	31,620,866	29,466,127
Total Liabilities and Stockholders' Equity	\$469,035,490	\$408,539,524

See accompanying notes to consolidated financial statements.

SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2004	2003	2002
Interest income			
Loans, including fees	\$13,851,934	\$13,783,018	\$14,246,791
Investment securities:			
Taxable	4,418,133	4,179,959	4,142,638
Tax exempt	2,039,452	949,193	570,444
Federal funds sold and other	246,300	380,799	515,534
Total interest income	<u>20,555,819</u>	<u>19,292,969</u>	<u>19,475,407</u>
Interest expense			
Deposits	4,696,481	5,124,324	6,050,032
Subordinated debentures	760,255	726,995	558,715
Other	363,612	264,044	292,361
Total interest expense	<u>5,820,348</u>	<u>6,115,363</u>	<u>6,901,108</u>
Net interest income	14,735,471	13,177,606	12,574,299
Provision for loan losses	720,372	953,198	2,258,976
Net interest income after provision for loan losses	14,015,099	12,224,408	10,315,323
Other income			
Service charges on deposit accounts	3,561,325	3,647,513	3,100,211
Net investment securities gains	17,566	32,390	552,726
Fees, commissions and other	1,885,605	3,086,720	2,481,847
	<u>5,464,496</u>	<u>6,766,623</u>	<u>6,134,784</u>
Other expense			
Salaries and employee benefits	8,508,148	7,658,253	7,798,944
Net occupancy and equipment expense	1,750,250	1,841,587	1,975,691
Other	5,918,535	5,820,089	4,327,188
	<u>16,176,933</u>	<u>15,319,929</u>	<u>14,101,823</u>
Income before income taxes	3,302,662	3,671,102	2,348,284
Income tax expense	351,597	661,290	443,755
Net income	<u><u>\$ 2,951,065</u></u>	<u><u>\$ 3,009,812</u></u>	<u><u>\$ 1,904,529</u></u>

See accompanying notes to consolidated financial statements.

SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at January 1, 2002, as restated	151,487	\$151,487	\$20,879,404	\$3,604,494	\$704,016	\$25,339,401
Comprehensive income:						
Net income	-	-	-	1,904,529	-	1,904,529
Other comprehensive income:						
Unrealized holding gains on investment securities available-for-sale (net of deferred taxes of \$546,552)	-	-	-	-	1,060,953	1,060,953
Less reclassification adjustment for gains included in net income (net of deferred taxes of \$187,927)	-	-	-	-	(364,799)	(364,799)
Comprehensive income						<u>2,600,683</u>
Dividends paid to Southern Financial Partners	-	-	-	(800,000)	-	(800,000)
Common stock issued	3	3	(3)	-	-	-
Balance at December 31, 2002, as restated	151,490	151,490	20,879,401	4,709,023	1,400,170	27,140,084
Comprehensive income:						
Net income	-	-	-	3,009,812	-	3,009,812
Other comprehensive loss:						
Unrealized holding losses on investment securities available-for-sale (net of deferred taxes of \$175,013)	-	-	-	-	(339,731)	(339,731)
Less reclassification adjustment for gains included in net income (net of deferred tax benefit of \$11,012)	-	-	-	-	(21,377)	(21,377)
Comprehensive income						<u>2,648,704</u>
Dividends paid to Southern Financial Partners	-	-	-	(322,661)	-	(322,661)
Balance at December 31, 2003, as restated	151,490	151,490	20,879,401	7,396,174	1,039,062	29,466,127
Comprehensive income:						
Net income	-	-	-	2,951,065	-	2,951,065
Other comprehensive loss:						
Unrealized holding losses on investment securities available-for-sale (net of deferred tax benefit of \$217,047)	-	-	-	-	(421,326)	(421,326)
Comprehensive income						<u>2,529,739</u>
Dividends paid to Southern Financial Partners	-	-	-	(375,000)	-	(375,000)
Balance at December 31, 2004	151,490	\$151,490	\$20,879,401	\$9,972,239	\$617,736	\$31,620,866

See accompanying notes to consolidated financial statements.

SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2004	2003	2002
Operating Activities			
Net income	\$ 2,951,065	\$ 3,009,812	\$ 1,904,529
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	720,372	953,198	2,258,976
Depreciation expense	1,075,989	1,136,735	969,200
Deferred income tax (benefit) provision	(180,534)	(113,096)	61,848
Net gains on sales of investment securities	(17,566)	(32,390)	(552,726)
Net (increase) decrease in other assets	(677,703)	884,354	(1,496,469)
Net increase (decrease) in other liabilities	823,131	(1,008,671)	137,890
Net cash provided by operating activities	<u>4,694,754</u>	<u>4,829,942</u>	<u>3,283,248</u>
Investing Activities			
Net decrease in interest bearing deposits in other banks	3,793,502	241,064	20,516,291
Purchases of investment securities	(87,228,307)	(95,777,580)	(137,636,861)
Proceeds from sales, maturities and calls of investment securities	50,570,381	89,937,967	65,351,883
Net decrease (increase) in loans	4,677,542	(6,276,415)	15,066,629
Purchase of bank owned life insurance	-	(1,489,041)	(1,280,000)
Net purchases of premises and equipment	(839,798)	(1,074,271)	(1,067,680)
Net purchases of rental real estate	(21,045)	102,471	-
Acquisitions, net of cash received	43,959,747	-	23,823,020
Net cash provided by (used in) investing activities	<u>14,912,022</u>	<u>(14,335,805)</u>	<u>(15,226,718)</u>
Financing Activities			
Net (decrease) increase in deposits	(30,099,246)	20,737,987	(17,212,414)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	3,945,076	(1,195,000)	2,520,938
Net increase (decrease) in Federal Home Loan Bank borrowings	2,899,505	(10,982,064)	10,062,405
Proceeds from note payable	3,000,000	-	-
Repayment on note payable	(2,148,361)	-	(1,850,000)
Proceeds from issuance of subordinated debentures	5,155,000	-	5,155,000
Dividend paid to Southern Financial Partners	(375,000)	(322,661)	(800,000)
Net cash (used in) provided by financing activities	<u>(17,623,026)</u>	<u>8,238,262</u>	<u>(2,124,071)</u>
Net increase (decrease) in cash and cash equivalents	1,983,750	(1,267,601)	(14,067,541)
Cash and cash equivalents at beginning of year	<u>19,867,165</u>	<u>21,134,766</u>	<u>35,202,307</u>
Cash and cash equivalents at end of year	<u>\$ 21,850,915</u>	<u>\$ 19,867,165</u>	<u>\$ 21,134,766</u>
Supplemental Disclosures			
Interest paid	<u>\$ 5,616,697</u>	<u>\$ 6,312,725</u>	<u>\$ 6,829,933</u>
Income taxes paid	<u>\$ 138,618</u>	<u>\$ 1,408,744</u>	<u>\$ 551,205</u>

See accompanying notes to consolidated financial statements.

SOUTHERN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004, 2003 and 2002

NOTE ONE - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Southern Bancorp, Inc. (the "Company"), formerly Southern Development Bancorporation, Inc., was incorporated in 1986 for the purpose of engaging in activities that foster economic development in economically disadvantaged rural and other less developed communities.

The Company operates four wholly-owned subsidiaries, Elk Horn Bank & Trust Company, a state chartered financial institution located in Arkadelphia, Arkansas; First National Bank of Phillips County, a nationally chartered financial institution located in Helena, Arkansas; Delta Southern Bank, a state chartered financial institution located in Ruleville, Mississippi; and Southern Property Corporation (previously named Opportunity Lands Corporation), a real estate development corporation engaged in low and moderate-income real estate development activities in rural communities, as well as four business trusts, Southern Development Capital Trust, Southern Development Statutory Trust I, Southern Development Statutory Trust II, and Southern Development Statutory Trust III (the "Trusts").

The Company and each of its bank subsidiaries are designated as Community Development Financial Institutions by the United States Treasury Department's Community Development Financial Institutions Fund (the "Fund").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions between consolidated affiliates have been eliminated.

Use of estimates

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America that require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Trust department assets

Property, other than cash deposits, held by the Company in a fiduciary or agency capacity for its customers is not included in the accompanying consolidated balance sheets, since such items are not assets of the Company.

Cash and cash equivalents

The Company considers cash, due from banks and federal funds sold to be cash and cash equivalents for purposes of the consolidated statements of cash flows. Federal funds sold generally mature within one to four days from the transaction date. In certain instances, the Company's federal funds sold and deposits with correspondent banks may significantly exceed the Federal Deposit Insurance Corporation's insurance limit. It is the Company's policy to only sell funds and place deposits with institutions it considers to be of high credit quality.

Investment securities

Investment securities are classified as available-for-sale and consist of securities the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Investment securities available-for-sale are carried at fair value, with unrealized gains and losses, net of deferred income taxes, reported as increases or decreases in accumulated other comprehensive income, a separate component of stockholders' equity.

The amortized cost of investment securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage or asset-backed securities, over the life of the security. Such amortization and accretion is included in interest income. Realized gains and losses and declines in value judged to be other than temporary are included in current earnings. The cost of securities sold for purposes of recognizing gains or losses is based on the specific identification method.

Loans and allowance for loan losses

Loans are reported at the principal amount outstanding, net of the allowance for loan losses. When loans are originated, collateral is obtained based on management's credit assessment of the customer. Interest income on loans is calculated using the simple interest method on daily balances of the principal amount outstanding.

Generally, the accrual of interest is discontinued on loans that are greater than ninety days delinquent or for which collection is doubtful. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans and income on such loans is recognized only to the extent that cash is received and where the future collection of principal is probable. Nonaccrual loans totaled approximately \$2,211,000 and \$2,386,000 at December 31, 2004 and 2003, respectively. Loans that were greater than ninety days delinquent and not on nonaccrual status at December 31, 2004 and 2003 totaled approximately \$274,000 and \$316,000, respectively.

The allowance for loan losses is maintained at a level that in management's judgment is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of various factors affecting the loan portfolio including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of expected future cash flows. The allowance is increased by a provision for loan losses that is charged to expense and reduced by loan charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Loans are charged off when management believes the collectibility of the principal balance is unlikely. Because of uncertainties associated with the estimation process, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Rental real estate

Rental real estate is stated at cost, less accumulated depreciation, with depreciation computed on a straight-line basis over the estimated useful lives of the assets. All costs associated with construction of rental real estate housing projects are capitalized as incurred. Rental income is recognized when earned. The Company leases residential real estate under operating leases with terms of one year or less. The Company leases non-residential real estate under various agreements with terms generally ranging from one to three years, which are accounted for as operating leases. Future minimum noncancellable lease payments receivable at December 31, 2004 were not significant.

Impairment of long-lived assets

Impairment losses on long-lived assets to be held and used are recognized whenever events or changes in circumstances result in the carrying value of assets exceeding the sum of the expected future cash flows. Measurement and recognition of impairment losses is based on the difference between fair value and book value of long-lived assets. Long-lived assets to be disposed of are reported at the lower of book value or fair value less cost to sell.

Other real estate owned

Other real estate owned is classified in other assets and includes property received in satisfaction of debt. Other real estate owned totaled \$1,688,588 and \$1,896,836 at December 31, 2004 and 2003, respectively. Other real estate owned is initially recorded and subsequently carried at the lower of cost or fair value less estimated selling cost. Any valuation adjustments required at the date of transfer are charged to the allowance for loan losses. Subsequently, unrealized losses and realized gains and losses on sales of other real estate owned are typically included in other expense. Operating results from other real estate are recorded in other noninterest expense.

Goodwill

Goodwill represents the excess of cost over the fair value of the net assets of acquired subsidiaries and branches. During 2002, the Company adopted the provisions of Statements of Financial Accounting Standards ("SFAS") Number 141, *Business Combinations*, Number 142, *Goodwill and Other Intangible Assets* and Number 147, *Acquisitions of Certain Financial Institutions*. As a result of the adoption of these standards, the Company ceased amortizing goodwill effective January 1, 2002 and now tests goodwill annually for impairment. The Company performed its annual impairment test of goodwill as of December 31, 2004 as required by SFAS 142. This test indicated no impairment of the Company's goodwill.

Advertising expense

Advertising costs, which are expensed as incurred, were \$454,009, \$205,083 and \$219,267 for the years ended December 31, 2004, 2003 and 2002, respectively.

Income taxes

The Company and its subsidiaries file consolidated federal and state income tax returns. It is the Company's practice to have its subsidiaries pay to or receive from the Company amounts based on the separately determined taxable income or loss of the subsidiaries.

Deferred taxes are provided based on the provisions of SFAS 109, *Accounting for Income Taxes*. SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Recent Accounting Pronouncements

Effective December 31, 2003, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities*, resulting in the deconsolidation of the Trusts and restatement of prior period financial statements for the effects of the deconsolidation. Accordingly, the Company's ownership interests in the Trusts are now reported as other assets and the subordinated debentures payable to the Trusts are now reported as liabilities in the Company's consolidated balance sheets. Additionally, distributions to the Trusts are now reported as interest expense in the Company's consolidated statements of income. The adoption of FIN 46 had no effect on previously reported net income.

NOTE TWO – ACQUISITIONS AND BUSINESS COMBINATIONS

On July 9, 2004, Delta Southern Bank acquired the assets and assumed the liabilities of five branch-banking operations previously owned by State Bank, in exchange for a cash payment from State Bank of \$43,959,747. The cash payment received was net of a \$5,311,421 premium due to State Bank from Delta Southern Bank for the purchase. This acquisition was accounted for as a purchase and, accordingly, the assets and liabilities of the branch banking operations were recorded at their estimated fair values at the date of acquisition. Goodwill totaling \$3,311,819 was recorded in connection with this acquisition. The results of operations of the acquired branches have been included in the operating results of Delta Southern Bank since the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on July 9, 2004:

	<u>State Bank Branches</u>
Cash and due from banks	\$ 690,060
Loans	22,723,691
Premises and equipment	4,076,367
Goodwill	3,311,819
Other assets	184,972
Total assets acquired	<u>30,986,909</u>
Deposits	(74,516,413)
Other liabilities	(430,243)
Total liabilities assumed	<u>(74,946,656)</u>
Net liabilities assumed	<u><u>\$(43,959,747)</u></u>

On November 3, 2003, the Company made a cash investment of \$262,504 into Dewitt Housing Limited Partnership (“Dewitt Housing”), a low-income housing development. Dewitt Housing owns and operates a low-income housing project for which low-income housing tax credits have been awarded. These tax credits will be available to the Company, subject to certain limitations, through 2014.

NOTE THREE - INVESTMENT SECURITIES

At December 31, 2004 and 2003, investment securities available-for-sale consisted of the following:

	December 31, 2004			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. government agency securities	\$ 73,743,505	\$ 176,325	\$ 342,574	\$ 73,577,256
State and municipal obligations	50,928,034	630,786	275,663	51,283,157
Mortgage and asset-backed securities	66,741,605	818,819	52,653	67,507,771
Other	4,460,575	12,720	31,800	4,441,495
	<u>\$195,873,719</u>	<u>\$1,638,650</u>	<u>\$ 702,690</u>	<u>\$196,809,679</u>

	December 31, 2003			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. government agency securities	\$ 47,339,407	\$ 245,346	\$ 45,288	\$ 47,539,465
State and municipal obligations	42,193,568	542,878	332,473	42,403,973
Mortgage and asset-backed securities	66,296,787	1,161,344	17,731	67,440,400
Other	2,461,356	20,259	-	2,481,615
	<u>\$158,291,118</u>	<u>\$1,969,827</u>	<u>\$ 395,492</u>	<u>\$159,865,453</u>

The components of gains and losses on sales of investment securities are as follows:

	Years Ended December 31,		
	2004	2003	2002
Gross gains on sales of securities	\$ 17,566	\$ 43,692	\$ 585,552
Gross losses on sales of securities	-	(11,302)	(32,826)
Net gains on sales of securities	<u>\$ 17,566</u>	<u>\$ 32,390</u>	<u>\$ 552,726</u>

Investment securities with a carrying value of approximately \$85,732,000 and \$69,320,000 were pledged as collateral to secure public deposits and for other purposes at December 31, 2004 and 2003, respectively. Accumulated other comprehensive income consists entirely of unrealized gains and losses on investment securities available-for-sale, net of related deferred income taxes of \$318,813, \$535,274, and \$721,299 at December 31, 2004, 2003, and 2002, respectively.

The amortized cost and estimated fair value of investment securities at December 31, 2004, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 2,496,905	\$ 2,512,189
Due after one year through five years	82,388,966	82,525,500
Due after five years through ten years	15,549,657	15,569,530
Due after ten years	28,891,336	28,889,441
Mortgage and other asset-backed securities	66,546,855	67,313,019
	<u>\$195,873,719</u>	<u>\$196,809,679</u>

NOTE FOUR – ALLOWANCE FOR LOAN LOSSES AND NONPERFORMING LOANS

Transactions in the allowance for loan losses are summarized below for the years ended December 31:

	2004	2003	2002
Balance at January 1	\$ 5,428,199	\$ 5,354,913	\$ 4,276,094
Allowance applicable to loans of acquired banks	500,000	-	122,732
Provision for loan losses	720,372	953,198	2,258,976
Charge-offs	(886,848)	(1,258,373)	(1,810,329)
Recoveries	229,065	378,461	507,440
Net charge-offs	<u>(657,783)</u>	<u>(879,912)</u>	<u>(1,302,889)</u>
Balance at December 31	<u>\$ 5,990,788</u>	<u>\$ 5,428,199</u>	<u>\$ 5,354,913</u>

The Company had loans totaling \$8,666,000 and \$10,890,000 that were specifically classified as impaired at December 31, 2004 and 2003, respectively. Loans totaling \$3,248,770 and \$2,879,546 had related specific allocations within the allowance for loan losses totaling \$770,935 and \$914,844 at December 31, 2004 and 2003, respectively. The average recorded investment in impaired loans during 2004 and 2003 was approximately \$9,177,000 and \$12,392,000, respectively.

NOTE FIVE – PREMISES AND EQUIPMENT

Premises and equipment consists of the following at December 31:

	2004	2003
Land	\$ 2,133,108	\$ 1,266,075
Building and building improvements	19,185,152	15,825,942
Furniture, fixtures and equipment	5,338,790	5,090,965
	<u>26,657,050</u>	<u>22,182,982</u>
Less accumulated depreciation	<u>(8,225,920)</u>	<u>(7,680,926)</u>
	<u>\$ 18,431,130</u>	<u>\$ 14,502,056</u>

NOTE SIX – OTHER ASSETS

Included in other assets in the accompanying consolidated balance sheets are investments in life insurance policies covering officers of the Company's banking subsidiaries. The Company's investment in these policies, which is carried at cash surrender value, totaled \$8,034,044 and \$7,621,323 at December 31, 2004 and 2003, respectively.

NOTE SEVEN – DEPOSITS

The following is a summary of scheduled maturities of time deposits at December 31:

	<u>2004</u>	<u>2003</u>
Up to one year	\$ 126,557,685	\$ 140,658,049
One year to two years	28,780,758	16,176,235
Two years to three years	15,164,949	3,761,866
Three years to four years	5,844,312	1,383,405
Four years to five years	1,546,745	2,340,479
Thereafter	<u>160,404</u>	<u>189,736</u>
Total time deposits	<u>\$ 178,054,853</u>	<u>\$ 164,509,770</u>

NOTE EIGHT – FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank advances and other short-term borrowings include Federal Home Loan Bank advances of \$5,800,000 and \$3,000,000, respectively, at December 31, 2004 and 2003. These advances are secured by certain residential, agricultural and commercial real estate loans and bear interest at a rate of 2.20%. All Federal Home Loan Bank advances and other short-term borrowings are scheduled to mature in 2004.

At December 31, 2004, the Company's banking subsidiaries had approximately \$72 million of unused borrowing availability under blanket floating lien security agreements with the Federal Home Loan Bank of Dallas.

NOTE NINE – SUBORDINATED DEBENTURES

The Company owns four Delaware business trusts (the "Trusts"). Each of the Trusts sold cumulative trust preferred securities to investors. The proceeds were used to purchase an equal principal amount of subordinated debentures of Southern Bancorp. Southern Bancorp has, through various contractual arrangements, fully and unconditionally guaranteed all obligations of the Trusts on a subordinated basis with respect to the preferred securities. The sole assets of each of the Trusts are the subordinated debentures issued by Southern Bancorp, Inc. to the Trusts.

Both the preferred securities and subordinated debentures may be prepaid, subject to regulatory approval, at the Company's election. Subject to certain limitations, portions of the subordinated debentures qualify as Tier One capital for regulatory capital adequacy purposes. The significant terms of the preferred securities and subordinated debentures for each of the Trusts are as follows:

Name of Trust	Rate	Maturity Date	Earliest Redemption Date Allowed	Issue Amount
Capital Trust	1% Fixed	June 19, 2031	June 19, 2006	\$ 3,003,000
Statutory Trust I	Three month LIBOR plus 3.6%; 6.11% at December 31, 2004	December 18, 2031	March 18, 2003 at 107.5% of the principal; otherwise December 18, 2006	9,279,000
Statutory Trust II	Three month LIBOR plus 3.25%; 5.80% at December 31, 2004	December 26, 2032	December 26, 2007	5,155,000
Statutory Trust III	Three month LIBOR plus 2.25%; 4.70% at December 31, 2004	December 15, 2034	December 15, 2009	5,155,000
Total Subordinated Debentures				<u>\$22,592,000</u>

NOTE TEN – NOTE PAYABLE

The Company has a note payable with an available borrowing limit totaling \$3,000,000, under which the Company may borrow at the bank's prime rate minus .75 basis points. The Company had \$851,639 outstanding under this note payable at December 31, 2004. Required repayments of the note payable are as follows as of December 31, 2004:

2005	\$ -
2006	250,000
2007	250,000
2008	250,000
2009	<u>101,639</u>
	<u>\$ 851,639</u>

NOTE ELEVEN – STOCKHOLDERS' EQUITY

The Company has five series of common stock authorized: Series A-1, nonvoting, convertible, 75,000 shares; Series A-2, voting, 100,000 shares; Series A-3, nonvoting, 100,000 shares; Series A-4, voting, 200,000 shares; and Series A-5, nonvoting, 25,000 shares. Series A-1, A-2 and A-3 Common Stock are equivalent in all respects other than voting and conversion rights and, with respect to dividends, rank junior to Series A-4 and A-5 Common Stock. Shares of Series A-4 Common Stock also rank junior to shares of Series A-5 Common Stock with respect to dividends. The Company also has 1,000 shares of \$1 per share preferred stock authorized, with none issued or outstanding.

Shares of Series A-1 Common Stock are convertible at the option of the holder into Series A-2 Common Stock on a one-for-one basis. Shares of Series A-1 Common Stock do not become convertible into shares of Series A-2 Common Stock for five years from the date of issue. In addition, no conversion of shares of Series A-1 Common Stock will be permitted if the conversion would cause the holder of such shares to become a bank holding company within the meaning of Section 2(a) of the Bank Holding Company Act of 1956, as amended, or the Arkansas Bank Holding Company Act.

In compliance with applicable federal and state bank regulations, the Company has issued non-recourse notes receivable totaling \$17,970 to the directors of First National Bank of Phillips County and Delta Southern Bank for the purchase of directors' qualifying shares in the Company. The notes receivable are netted against capital surplus in the accompanying consolidated financial statements.

NOTE TWELVE – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2004, the Company restated its previously issued 2003, 2002, and 2001 financial statements to reflect the correcting adjustments listed below. These adjustments relate primarily to acquisitions that occurred prior to 2002. These adjustments restated previously reported goodwill, deferred income taxes, which is included in other assets, and retained earnings as follows:

	<u>Goodwill</u>	<u>Other Assets</u>	<u>Retained Earnings</u>
Balance as previously reported, as of December 31, 2001	\$ 6,430,651	\$ 14,210,968	\$ 3,984,462
To correct deferred tax, asset, and goodwill balances	<u>772,525</u>	<u>(1,152,493)</u>	<u>(379,968)</u>
Balance as restated, as of December 31, 2001	<u>\$ 7,203,176</u>	<u>\$ 13,058,475</u>	<u>\$ 3,604,494</u>

NOTE THIRTEEN – INCOME TAXES

The components of income tax expense consists of the following for the years ended December 31:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income tax expense (benefit):			
Current			
Federal	\$ 502,136	\$554,816	\$381,907
State	<u>(2,789)</u>	<u>20,064</u>	<u>-</u>
	499,347	574,880	381,907
Deferred			
Federal	<u>(147,750)</u>	<u>86,410</u>	<u>61,848</u>
	<u>\$351,597</u>	<u>\$661,290</u>	<u>\$443,755</u>

The income tax provision computed at the federal statutory rate on pretax income differs from the reported tax provision primarily due to tax-exempt interest income, low-income housing credits, and amortization of goodwill.

The components of the net deferred tax asset (liability) are as follows at December 31:

	<u>2004</u>	<u>2003</u>
Deferred tax assets:		
Allowance for loan losses	\$1,423,704	\$1,402,372
Low income housing and rehabilitation credits	251,812	210,755
Other	<u>536,408</u>	<u>309,207</u>
	<u>2,211,924</u>	<u>1,922,334</u>
Deferred tax liabilities:		
Goodwill	999,295	803,183
Premises and equipment difference	917,843	142,563
Net unrealized gain on securities available-for-sale	318,227	535,274
Other	<u>295,372</u>	<u>362,546</u>
	<u>2,530,737</u>	<u>1,843,566</u>
Net deferred tax (liability) asset	<u>\$ (318,813)</u>	<u>\$ 78,768</u>

Included in deferred tax assets at December 31, 2004 and 2003 are \$251,812 and \$210,755, respectively, in tax credits that cannot be utilized currently by the consolidated group. These unused tax credits expire in 2020 through 2024. Management believes that sufficient taxable income will be generated in future periods to utilize the tax credits before their expiration dates. Accordingly, a valuation allowance has not been established.

NOTE FOURTEEN – EMPLOYEE BENEFIT PLAN

The Company maintains a retirement savings plan (the “Plan”) covering substantially all employees meeting certain age and length of service requirements. Under the Plan, for each participant’s salary deferral contribution of up to 6% of total compensation, the Company makes a 100% matching contribution. Company contributions to the Plan were \$281,524, \$226,990 and \$344,118 for the years ended December 31, 2004, 2003 and 2002, respectively.

On January 1, 2002, the Company amended the Plan to increase its matching contribution to 100% on the first 6% of participant salary deferral and to eliminate the discretionary profit sharing contributions. In previous years, the plan included a 50% match on the first 6% of a participant’s salary deferral plus a profit sharing contribution based on Company earnings.

NOTE FIFTEEN – COMMITMENTS AND CONCENTRATIONS

In the normal course of business, the Company has various commitments outstanding, including commitments to extend credit, standby letters of credit and mortgage loans in the process of origination which are not reflected in the accompanying consolidated financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for such commitments is represented by the contractual or notional amount of those instruments.

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but may include real estate, accounts receivable, inventory, property and equipment, and income-producing commercial properties. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheet.

The Company's commitments consisted of the following at December 31:

	<u>2004</u>	<u>2003</u>
Unfunded commitments to extend credit	\$35,490,000	\$37,375,000
Standby letters of credit	1,750,000	968,000
Mortgage loans in process of origination	<u>8,878,000</u>	<u>610,000</u>
	<u>\$46,118,000</u>	<u>\$38,953,000</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party and are primarily issued to support public and private borrowing arrangements and similar transactions. Because these instruments have fixed maturity dates, and often expire without being drawn upon, they do not generally present any significant liquidity risk to the Company. Mortgage loans in the process of origination represent amounts that the Company plans to fund within a period of approximately 60 days and which are intended for sale to investors in the secondary market.

The Company and each of its bank subsidiaries are designated as Community Development Financial Institutions by the United States Treasury Department's Community Development Financial Institutions Fund. Financial assistance in the form of equity contributions from the Fund have been received in order to assist the Company in expanding its development lending activities in the Arkansas and Mississippi Delta region. The Company, by accepting this assistance, has executed Assistance Agreements that impose certain performance goals, consisting primarily of benchmark levels of development lending to geographically and economically targeted individuals, as defined in the agreements. Failure to meet these performance goals may subject the Company to reduced levels of future funding or, under certain circumstances, require assistance received by the Fund to be repaid. Management believes the Company has achieved performance goals that will permit it to retain assistance received through December 31, 2004 and that it continues to qualify for future assistance from the Fund.

NOTE SIXTEEN – REGULATORY REQUIREMENTS AND RESTRICTIONS

In the normal course of business the Company and its subsidiaries enter into agreements, or are subject to regulatory requirements that result in cash, debt and dividend restrictions. A summary of the most restrictive items follows:

The Company's banking subsidiaries are required by the Federal Reserve Bank to maintain minimum balances of cash and non-interest bearing deposits with correspondent banks. At December 31, 2004, the Company's required minimum reserve balances totaled approximately \$8.4 million.

Under current Federal Reserve regulations, the Company's banking subsidiaries are limited in the amount they may loan to an affiliated organization, including the Company. Loans to the Company are required to be collateralized by specific U.S. and U.S. agency obligations. Loans to a single affiliate may not exceed 10% and loans to all affiliates may not exceed 20% of each bank's capital, surplus and undivided profits plus the allowance for loan losses less intangible assets. Based on these limitations, approximately \$4.2 million was available for loan to the Company on a secured basis at December 31, 2004.

The approval of the Comptroller of the Currency for the Company's national bank subsidiary is required if the total of all dividends declared by the national bank subsidiary in any calendar year exceeds the bank's net income for that year combined with its retained net income for the preceding two calendar years. The approval of the Arkansas and Mississippi State Banking Departments for the Company's state bank subsidiaries is required if the total of all dividends declared by the state bank subsidiaries in any calendar year exceeds 75% of current year net income plus 75% of prior year retained net income. As a result of dividend restrictions, approximately \$7.3 million of consolidated net assets of the Company's banking subsidiaries were available for transfer to the Company in the form of cash dividends at December 31, 2004.

The Company and its banking subsidiaries are subject to various regulatory capital requirements administered by federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its banking subsidiaries must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by bank regulators about components, risk weightings, and other factors. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

The Company and its banking subsidiaries are required to maintain the minimum Tier 1 leverage capital, Tier 1 risk based capital and total risk based capital ratios shown in the following table. The Company and its subsidiary banks meet all capital adequacy requirements to which they are subject.

At December 31, 2004 and 2003, the Company and its subsidiary banks were categorized as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the banking subsidiaries must maintain a Tier 1 leverage ratio, Tier 1 capital ratio and total risk based capital ratio of no less than 5%, 6% and 10%, respectively.

The following table presents both the actual and minimum capital ratios for the Company and its banking subsidiaries on December 31:

	2004	2003	Minimum Required
Tier 1 Leverage Capital Ratios:			
Southern Bancorp	6.04%	7.15%	3.00%
Elk Horn Bank & Trust Company	7.49%	6.79%	4.00%
First National Bank of Phillips County	10.20%	8.63%	4.00%
Delta Southern Bank	6.18%	8.97%	4.00%
Tier 1 Risk Based Capital Ratios:			
Southern Bancorp	11.02%	12.86%	4.00%
Elk Horn Bank & Trust Company	13.23%	12.67%	4.00%
First National Bank of Phillips County	18.66%	15.80%	4.00%
Delta Southern Bank	12.01%	15.66%	4.00%

	<u>2004</u>	<u>2003</u>	<u>Minimum Required</u>
Total Capital to Risk Weighted Assets Ratios:			
Southern Bancorp	17.00%	17.47%	8.00%
Elk Horn Bank & Trust Company	14.49%	13.93%	8.00%
First National Bank of Phillips County	19.93%	17.07%	8.00%
Delta Southern Bank	13.26%	16.92%	8.00%

NOTE SEVENTEEN – RELATED PARTY TRANSACTIONS

The Company engages in banking transactions with its executive officers and directors in the ordinary course of business. Such transactions have been on similar terms, including interest rates and collateral on loans, as those prevailing at the time for comparable transactions with others. In management’s opinion, these loans do not involve more than normal credit risk, interest-rate risk, or other potentially unfavorable aspects. Extensions of credit to such borrowers (including companies in which they are principal owners) were approximately \$18,166,000 and \$16,377,000 at December 31, 2004 and 2003, respectively. Only \$10,766,000 and \$11,856,000 of the total credit extended was outstanding as of December 31, 2004 and 2003, respectively.

In March 2003, the Company entered into a data processing, item processing, and network services contract with Smiley Technologies, Inc., an entity primarily owned by family members of a director of the Company. The Company also owns 10% of Smiley Technologies, Inc. Under the terms of the contract, the Company pays a base monthly fee (adjusted annually for inflation) plus additional charges based on volume. The initial contract term expires in 2010 and automatically renews for successive one-year terms unless either party provides six months advance notice of intent not to renew. The Company paid \$1,262,464 and \$623,826 for these and other services during 2004 and 2003, respectively. Future minimum payments due under this contract total \$1.14 million per year for 2005 through 2008 and \$1.71 million thereafter.

During 2004, 2003 and 2002, the Company received rental income of \$3,525, \$12,600 and \$24,000, respectively, and management fee income of \$144,064, \$225,946 and \$190,663, respectively, from Southern Financial Partners (“SFP”), a 501(c)(3) non-profit organization and a stockholder of the Company.

SFP and its wholly-owned subsidiary, Southern Ventures, Inc. maintained cash deposits with the Company’s subsidiary banks of \$5,467,479 and \$0, respectively, at December 31, 2004 and \$5,908,449 and \$573,449, respectively, at December 31, 2003.

During 2004 and 2003, the Company received management fee income of \$108,968 and \$119,214, respectively, from the Southern Good Faith Fund (“SGFF”), a 501(c)(3) non-profit organization whose board of directors is comprised primarily of members of the Company’s board of directors. Cash deposits maintained by SGFF with the Company’s subsidiary banks totaled \$1,512,923 and \$1,819,936 at December 31, 2004 and 2003, respectively.

NOTE EIGHTEEN – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company, in estimating its fair value disclosures for financial instruments, used the following methods and assumptions. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The valuation techniques are significantly affected by assumptions used, including discount rates and estimates of future cash flows. In that regard, derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of a financial instrument. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Also, the

fair value estimates presented are based on pertinent information available to management as of December 31, 2004 and 2003.

Investment securities - Fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using market prices for similar securities.

Loans – Fair value is estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers of similar credit quality and for similar remaining maturities.

Life insurance policies – Fair value of these investments, which are carried at cash surrender value, approximates carrying value.

Deposit liabilities – The fair value of demand and savings deposits is equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for variable rate time deposits approximate their fair value at the reporting date. Fair values for fixed rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on those deposits.

Federal Home Loan Bank advances and other short-term borrowings and Subordinated debentures – Fair value is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

Off-balance-sheet instruments – Fair value is estimated using the fees currently charged to enter into similar arrangements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties' credit standing for loan commitments and letters of credit and the estimated amount the Company would receive or pay to terminate or replace the contract at current market rates for the remainder of the off-balance sheet instruments. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and committed rates. The fair value of off-balance-sheet instruments at December 31, 2004 and 2003 is estimated to equal their contractual amounts.

Many of the Company's assets and liabilities are short-term financial instruments whose carrying values reported in the consolidated financial statements approximate fair value. These items include cash and cash equivalents, interest-bearing deposits in other banks, federal funds purchased and securities sold under agreements to repurchase, and accrued interest receivable and payable. The following table summarizes the estimated fair value of the Company's remaining on-balance sheet financial instruments as of December 31:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Investment securities	\$ 196,809,679	\$ 196,809,679	\$ 159,865,453	\$ 159,865,453
Loans, net of allowance	193,832,487	192,570,000	176,506,710	177,072,000
Life insurance policies	8,034,044	8,034,044	7,621,323	7,621,323
Financial liabilities:				
Deposits	398,999,994	397,239,000	354,582,827	353,760,000
FHLB advances and other				
short-term borrowings	5,914,950	5,872,000	3,015,445	3,014,000
Note payable	851,639	851,639	-	-
Subordinated debentures	22,592,000	22,592,000	17,437,000	17,437,000

NOTE NINETEEN – SOUTHERN BANCORP, INC. (PARENT COMPANY)

The following is a condensed balance sheet of the parent company at December 31:

	<u>2004</u>	<u>2003</u>
Assets		
Cash held at subsidiary banks	\$ 144,886	\$ 571,931
Investment in consolidated subsidiaries:		
Bank subsidiaries	51,080,348	42,175,312
Nonbank subsidiaries	2,676,480	3,136,688
Property and equipment	95,889	136,183
Other assets	<u>1,636,643</u>	<u>1,227,409</u>
	<u>\$55,634,246</u>	<u>\$47,247,523</u>
Liabilities and Stockholders' Equity		
Subordinated debentures	\$22,592,000	\$17,437,000
Note payable	851,639	-
Other liabilities	569,741	344,396
Stockholders' equity	<u>31,620,866</u>	<u>29,466,127</u>
	<u>\$55,634,246</u>	<u>\$47,247,523</u>

The following is a condensed income statement of the parent company for the three-year period ended December 31:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income			
Dividends from bank subsidiaries	\$ 1,014,000	\$ 1,522,661	\$ -
Other	<u>328,447</u>	<u>223,497</u>	<u>285,627</u>
Total income	<u>1,342,447</u>	<u>1,746,158</u>	<u>285,627</u>
Expenses			
Interest expense	811,894	726,995	580,848
Other	<u>2,079,468</u>	<u>1,430,385</u>	<u>1,472,469</u>
Total expense	<u>2,891,362</u>	<u>2,157,380</u>	<u>2,053,317</u>
(Loss) income before income tax benefit and equity in undistributed earnings (loss) of subsidiaries	(1,548,915)	(411,222)	(1,767,690)
Income tax benefit	(869,861)	(735,490)	(603,637)
Equity in undistributed earnings of subsidiaries	<u>3,630,119</u>	<u>2,685,544</u>	<u>3,068,582</u>
Net Income	<u>\$ 2,951,065</u>	<u>\$ 3,009,812</u>	<u>\$ 1,904,529</u>

The following is a condensed statement of cash flows for the parent company for the three-year period ended December 31:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Activities			
Net income	\$ 2,951,065	\$ 3,009,812	\$ 1,904,529
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed (earnings) loss of subsidiaries	(3,630,119)	(2,685,544)	(3,068,582)
Depreciation and amortization	36,360	38,825	37,009
Deferred tax (benefit) expense	(98,333)	210,764	83,211
Net (increase) decrease in other assets	(46,936)	(56,235)	733,902
Net increase (decrease) in other liabilities	225,345	246,779	(229,095)
Net cash (used in) provided by operating activities	<u>(562,618)</u>	<u>764,401</u>	<u>(539,026)</u>
Investing Activities			
Net sales (purchases) of premises and equipment	3,934	(64,796)	(52,366)
Acquisitions of subsidiaries, net of cash received	-	-	(97,804)
Capital contribution to subsidiaries	<u>(5,500,000)</u>	<u>(43,858)</u>	<u>(2,971,872)</u>
Net cash used in investing activities	<u>(5,496,066)</u>	<u>(108,654)</u>	<u>(3,122,042)</u>
Financing Activities			
Repayment of note payable	(2,148,361)	-	(1,695,000)
Proceeds from note payable	3,000,000	-	-
Proceeds from issuance of subordinated debentures	5,155,000	-	5,000,000
Dividend paid to Southern Financial Partners	<u>(375,000)</u>	<u>(322,661)</u>	<u>(800,000)</u>
Net cash provided by (used in) financing activities	<u>5,631,639</u>	<u>(322,661)</u>	<u>2,505,000</u>
Net (decrease) increase in cash and cash equivalents	<u>(427,045)</u>	<u>333,086</u>	<u>(1,156,068)</u>
Cash and cash equivalents at beginning of year	<u>571,931</u>	<u>238,845</u>	<u>1,394,913</u>
Cash and cash equivalents at end of year	<u>\$ 144,886</u>	<u>\$ 571,931</u>	<u>\$ 238,845</u>