BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE
CONSOLIDTAED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE

Consolidated Financial Statements
September 30, 2024 and 2023

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blackburne & Sons Realty Capital Corporation
and Affiliate
Sacramento, California

Opinion
We have audited the accompanying consolidated financial statements of Blackburne & Sons Realty Capital Corporation and Affiliate, which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blackburne & Sons Realty Capital Corporation and Affiliate, as of September 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blackburne & Sons Realty Capital Corporation and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blackburne & Sons Realty Capital Corporation and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blackburne & Sons Realty Capital Corporation and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blackburne & Sons Realty Capital Corporation and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Boden Klein & Sneesby

BODEN KLEIN & SNEESBY
Certified Public Accountants
Roseville, California

December 20, 2024

BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE

Consolidated Balance Sheets
September 30, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash	$ 52,335	$ 84,341
Mortgage servicing rights	573,338	569,333
Prepaid expenses	11,061	13,437
Other receivables	61,584	49,589
Total current assets	698,318	716,700
Property and equipment, net	14,560	9,169
Other assets:		
Mortgage servicing rights - net of current portion	716,690	636,089
Investment in partnerships	160,101	159,339
Right of use asset - operating	74,753	120,038
Intangible asset, net	14,552	23,152
Total other assets	966,096	938,618
TOTAL ASSETS	$ 1,678,974	$ 1,664,487
Borrower and investor custodial accounts (segregated in special accounts - excluded from corporate assets)	$ 896,490	$ 685,833

See notes to consolidated financial statements.

BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE

Consolidated Balance Sheets
September 30, 2024 and 2023

LIABILITIES AND STOCKHOLDERS' EQUITY

	2024	2023
Current liabilities:		
Accounts payable	$ 54,838	$ 14,365
Accrued expenses	56,433	52,232
Income taxes payable	548	3,910
Shareholder note payable	221,282	238,062
Lease liability - operating	53,987	48,719
Total current liabilities	387,088	357,288
Non-current liabilities:		
Lease liability - operating	28,883	82,870
Deferred income taxes	301,028	292,004
Total liabilities	716,999	732,162
Stockholders' equity:		
Common stock - no par value, authorized, issued and outstanding, 100 shares	100	100
Additional paid-in capital	90,312	90,312
Retained earnings	871,563	841,913
Total stockholders' equity	961,975	932,325
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,678,974	$ 1,664,487
Borrower and investor custodial accounts (segregated in special accounts - excluded from corporate assets)	$ 896,490	$ 685,833

See notes to consolidated financial statements.

BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE

Consolidated Statements of Income and Retained Earnings
For the Years Ended September 30, 2024 and 2023

	2024	2023
Revenues:		
Servicing fees	$ 732,669	$ 702,373
Loan commissions	526,344	557,514
Amortization of mortgage servicing rights	84,606	125,959
Software licensing fees	50,856	4,429
Property management fees	50,372	50,930
Fund management fees	24,000	21,950
Video and manual sales	7,321	11,368
Total revenue	1,476,168	1,474,523
Expenses:		
Salaries	665,296	673,712
Salaries - George Blackburne	120,488	138,942
Salaries - Francisca Blackburne	62,328	62,328
Other expenses	107,476	81,211
Outside consultants	64,046	28,538
Payroll taxes	63,527	63,128
Office rent	55,519	50,580
Marketing	50,162	58,128
Insurance	48,528	43,286
Retirement plan contributions	45,062	47,861
Legal	38,311	39,852
Employee benefits	23,210	10,562
Accounting	17,778	4,679
Tax and license	12,343	10,042
Equipment leases	10,769	-
Loan arrangement fees	9,861	8,195
Telephone and utilities	9,717	9,088
Depreciation	9,546	9,107
Automobile	9,400	10,167
Office expense	9,175	9,815
Education	5,029	1,440
Travel	4,730	4,821
Maintenance and repairs	3,022	11,642
Bad debts	-	11,100
Total expenses	1,445,323	1,388,224
Income from operations	30,845	86,299

See notes to consolidated financial statements.

BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE

Consolidated Statements of Income and Retained Earnings
For the Years Ended September 30, 2024 and 2023

	2024	2023
Income from operations (continued)	$ 30,845	$ 86,299
Other income (expense):		
Interest expense	(14,062)	(15,887)
Income from partnerships	762	1,087
Other fees and income	23,800	87,766
Total other income (expense)	10,500	72,966
Income before income taxes	41,345	159,265
Income tax expense	11,695	84,058
NET INCOME	29,650	75,207
Retained earnings, beginning of year	841,913	766,706
RETAINED EARNINGS, END OF YEAR	$ 871,563	$ 841,913

See notes to consolidated financial statements.

BLACKBURNE & SONS REALTY CAPITAL CORPORATION AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 29,650	$ 75,207
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,546	9,107
Amortization & impairment of mortgage servicing rights	486,768	506,869
Additions to mortgage servicing rights	(571,374)	(632,828)
Accrued interest, shareholder note payable	13,220	13,382
(Income) from partnerships	(762)	(1,087)
Deferred income taxes	9,024	76,957
Changes in operating assets and liabilities:		
Prepaid expenses	2,376	1,714
Prepaid income taxes	-	1,591
Other receivables	(11,995)	6,572
Accounts payable	40,473	(51,199)
Accrued expenses	4,201	22,233
Income taxes payable	(3,362)	3,910
Deferred rent	-	(13,341)
Lease liability / right of use asset - operating	(3,434)	11,551
Net cash provided by operating activities	4,331	30,638
Cash flows from investing activities:		
Purchase of property and equipment	(6,337)	-
Net cash (used) in investing activities	(6,337)	-
Cash flows from financing activities:		
Proceeds from shareholder note payable	-	40,000
(Payments) on shareholder note payable	(30,000)	(65,000)
(Payments) on line of credit	-	(90,000)
Contributions to capital	-	90,000
Net cash (used) in financing activities	(30,000)	(25,000)
Net (decrease) increase in cash	(32,006)	5,638
Cash, beginning of year	84,341	78,703
CASH, END OF YEAR	$ 52,335	$ 84,341

See notes to consolidated financial statements.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. *Organization -*
Blackburne & Sons Realty Capital Corporation (formerly Blackburne & Brown Mortgage Company, Inc.) (the Company) was incorporated in 1980 in the state of California. The Company is engaged in the origination and servicing of real estate loans secured by deeds of trust throughout the United States.

b. *Principles of consolidation -*
The consolidated financial statements include the accounts of Blackburne & Sons Realty Capital Corporation and its affiliate, C-Loans, Incorporated. All material inter-company transactions have been eliminated in consolidation.

c. *Standards of reporting -*
The Company prepares its financial statements using the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Loan servicing and origination revenue represents fees earned for servicing and originating mortgage loans. Servicing and origination revenue is recognized as earned, unless collection is doubtful.

d. *Revenue recognition –*
Revenue from the performance of various services is recognized when the services are performed. Generally, this occurs at a point in time. Performance obligations are typically satisfied upon the performance of the service. The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

e. *Use of estimates -*
In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

f. *Financial instruments -*
The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate their fair values.

g. *Cash equivalents -*
The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company maintains bank accounts at one financial institution. At times, bank account balances may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company has not incurred losses related to these investments.

h. *Mortgage servicing rights, amortization and impairment -*
The Company recognizes as separate assets the rights to service mortgage loans for others based on their relative fair values. Amortization of mortgage servicing rights (MSRs) is based on the ratio of net servicing income received in the current period to total net servicing income

projected to be realized from the MSRs. Projected net servicing income is in turn determined on the basis of the estimated future balance of the underlying mortgage loan portfolio, which declines over time from prepayments and scheduled loan amortization. The Company estimates future prepayment rates based on current interest rate levels, other economic conditions and market forecasts, as well as relevant characteristics of the servicing portfolio, such as loan types, interest rate stratification and recent prepayment experience. MSRs are periodically assessed for impairment, which is recognized in the statement of income during the period in which impairment occurs as an adjustment to the corresponding valuation allowance. For purpose of performing its impairment evaluation, the Company analyzes its portfolio on the basis of certain risk characteristics including loan type and note rate.

i. *Property and equipment -*
Property and equipment are stated at cost. The policy of the Company is to provide for depreciation over the estimated useful lives of the assets using the straight line method. The estimated useful lives range from five to seven years. Maintenance and repairs are charged to expense when incurred. Expenditures for additions and improvements, where significant in amount, are capitalized.

j. *Leases*
The Company recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Company is the lessee in noncancellable operating leases for office space and office equipment. The Company determines if an arrangement is a lease, or contains a lease, at inception of the contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable and if not, the Company uses its incremental borrowing rate based on the information available at the commencement date of the leases. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e. present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The lease cost associated with short-term leases is recognized on a straight-line basis.

k. *Income taxes -*
The Company accounts for income taxes under generally accepted accounting principles, which require 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. Deferred tax assets and liabilities result from temporary differences in reporting for tax purposes and financial purposes.

The Company adopted accounting for uncertainty in income taxes and thereafter recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater that 50% likelihood of being realized upon ultimate settlement. There was no impact to the Company's financial statements as a result of the implementation of this principle.

The Company files tax returns in the United States federal jurisdiction and in the state of California. The Company's federal income tax returns for the tax years 2020 and forward remain subject to examination by the Internal Revenue Service. The Company's California income tax returns for the years 2019 and forward remain subject to examination by the Franchise Tax Board.

l. *Advertising -*
The Company's policy is to expense advertising costs as they are incurred.

m. *Borrower and investor custodial accounts -*
Borrower and investor custodial accounts consists of trust fund cash accounts which are segregated from other corporate assets and maintained by the Company in accordance with Sections 2830 and 2834 of the Regulations of the California Real Estate Commissioner.

n. *Reclassifications*
Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2024	2023
Furniture and fixtures	$ 37,674	$ 37,674
Equipment	55,784	49,447
Computer equipment	19,028	19,028
Vehicles	51,005	51,005
Software	55,832	55,832
Total	219,323	212,986
Less: accumulated depreciation	204,763	203,817
Net property and equipment	$ 14,560	$ 9,169

NOTE 3 - INTANGIBLE ASSET

Intangible asset consists of internet domain names with a cost of $127,500, and accumulated amortization of $112,948 and $104,348 at September 30, 2024 and 2023, respectivley. Management reviews the intangible asset for impairment annually. Impairment losses are recorded in other expense on the income statement. No impairment loss was recorded for the years ended September 30, 2024 and 2023.

NOTE 4 - MORTGAGE SERVICING RIGHTS

The activity in MSRs was as follows:

	2024	2023
Balance at beginning of period	$ 1,205,422	$ 1,079,463
Additions	571,374	632,828
Scheduled amortization & reduction due to early loan payoffs	(486,768)	(506,869)
Reserve for impairment	-	-
Mortgage servicing rights, net	$ 1,290,028	$ 1,205,422

The estimated fair value of recognized MSRs for the years ended September 30, 2024 and 2023 was $1,290,028 and $1,205,422, respectively. The fair value was determined by discounting estimated net future cash flows from mortgage servicing activities using appropriate discount and prepayment rates. The gross amount of expected future servicing revenue (net of related servicing costs) before applicable discounting for the years ending September 30, 2024 and 2023 was approximately $1,751,808 and $1,629,073, respectively.

NOTE 5 - SHAREHOLDER NOTE PAYABLE

The Company has an unsecured note payable in the amount of $221,282 and $238,062 at September 30, 2024 and 2023, respectively, to the principal officer and sole shareholder of the Company. The note was due on October 1, 2024, but the due date has been extended to October 1, 2025 with interest at 6%. The Company accrued $13,220 and $13,382 of interest expense for the years ended September 30, 2024 and 2023, respectively.

NOTE 6 - TRANSACTIONS WITH RELATED PARTY

During the years ended September 30, 2024 and 2023, the Company collected management fees, including shared expenses, in the amount of $6,000 and $4,050, respectively from Blackburne & Brown Mortgage Fund I, a California limited partnership (the Fund). The Company is the general partner of the Fund. The Company's capital balance with the fund was $41,329 and $41,568 at September 30, 2024 and 2023, respectively, and is included on the balance sheet as Investment in Partnerships.

The Company has an ownership interest in Blackburne & Brown Mortgage Fund II (Fund II), a California limited partnership, and provides various management services to Fund II. The Company collected management fees in the amount of $18,000 and $17,900 for the years ended September 30, 2024 and 2023, respectively. Additionally, the Company received $24,390 and $31,894, respectively, in servicing revenue from Fund II for the years ended September 30, 2024 and 2023. The Company's capital balance with Fund II was $72,932 and $71,931 at September 30, 2024 and 2023, respectively, and is included on the balance sheet as Investment in Partnerships.

The Company has a profits and loss interest in Blackburne & Brown Equity Preservation Fund, LLC (LLC), manages the LLC and receives various fees for services performed. The Company received no management fees for the years ended September 30, 2024 and 2023.

NOTE 7 - INCOME TAXES

The components of deferred tax assets (liabilities) at September 30, 2024 and 2023 are as follows:

	2024	2023
Deferred Tax Asset:		
Accounts payable and accrued expenses	$ 44,784	$ 25,885
State taxes	14,653	14,085
Net operating loss	111,010	113,058
Total deferred tax asset	170,447	153,028
Valuation allowance	(84,118)	(83,938)
Deferred tax asset, net	86,329	69,090
Deferred Tax Liability:		
Mortgage servicing rights	(384,943)	(359,696)
Depreciation and amortization	(2,414)	(1,398)
Deferred tax liability, net	(387,357)	(361,094)
Deferred tax liability, net	$ (301,028)	$ (292,004)

The provision for income tax expense (benefit) consists of the following components:

	2024	2023
Current:		
Federal	$ 1,071	$ 5,501
State	1,600	1,600
Total current	2,671	7,101
Deferred:		
Federal	6,910	77,837
State	2,114	(880)
Total deferred	9,024	76,957
Total income tax expense (benefit)	$ 11,695	$ 84,058

Deferred income taxes are recognized for tax consequences of "temporary differences" by applying enacted statutory rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities. The tax effects of temporary differences that give rise to the deferred tax liability results from the use of accelerated methods of depreciation of property and equipment and the cash basis of accounting for tax purposes.

Net operating losses in the amount of $377,613 begin expiring in 2036.

NOTE 8 - COMMITMENTS

Operating Lease

The Company leases its main office space under an operating lease with monthly base payments of $4,631 expiring in March 2026. The agreement stipulated three months of rent abatement beginning in January 2021 with annual increases of monthly rent payments. Office rent expense was $55,519 and $50,580, respectively for the years ended September 30, 2024 and 2023. The weighted average remaining lease term is 1.5 years, and the weighted average discount rate is 7%.

The estimated minimum lease commitments for the succeeding years are as follows:

Year Ended September 30,		
2025	$	58,093
2026		29,476
Total future lease payments		87,569
Less: operating lease liability, current		(53,987)
Operating lease liability, noncurrent		(28,883)
Present value adjustment	$	4,699

NOTE 9 - RETIREMENT PLAN

On October 1, 1993, the Company established a profit sharing plan that covers substantially all employees. The Company may contribute to the plan an amount designated by the Board of Directors to the extent permissible under the Internal Revenue Code. The Company contributed $20,000 to the plan for each year ended September 30, 2024 and 2023, respectively.

On October 1, 2006, the Company adopted a 401(k) defined contribution plan. The plan covers all employees meeting certain eligibility requirements. The Company contributes an amount, (i.e. safe harbor contribution) determined by the Internal Revenue Code. For the years ended September 30, 2024 and 2023, the Company contributed $25,062 and $27,861, respectively, to the plan.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The Company originates and services loans secured by real estate. The Company performs credit evaluations of the potential borrowers and, generally, requires no additional collateral from them.

NOTE 11 - CASH FLOWS

For purposes of the statement of cash flows, interest paid by the Company was $841 and $2,506 for the years ended September 30, 2024 and 2023, respectively, and the Company paid income taxes of $6,033 and $1,600 for the years ended September 30, 2024 and 2023, respectively.

NOTE 12 - CONTINGENCIES

The Company is involved in various lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements. Management believes that losses resulting from these matters, if any, would be covered under the Company's insurance policy and would not have a material effect on the financial position of the Company.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated the potential for subsequent events through the available for issuance date of the financial statements, December 20, 2024.