Southern California Business Development Corporation
Financial Statements
As of and for the Year Ended June 30, 2013
with Accountants' Compilation Report

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
801 South Grand Avenue, Suite 400 ▪ Los Angeles, CA 90017-4646 ▪ Ph. (213) 873-1700 ▪ Fax (213) 873-1777 ▪ www.vasquezcpa.com

Accountants' Compilation Report

To the Board of Directors of
Southern California Business Development Corporation

We have compiled the accompanying balance sheet of Southern California Business Development Corporation as of June 30, 2013 and the related statements of operations, shareholders' equity and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the compilation in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Vasquez & Company LLP

Los Angeles, California
March 14, 2014

ASSETS

Cash and cash equivalents	$	973,320
Loans receivable, net of allowance for credit losses		3,230,000
Accrued interest receivable		51,000
Total assets	$	4,254,320

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities		
Income tax payable	$	14,159
Shareholders' equity		
Common stock - $1 par value, 4,200,000 shares authorized, 4,160,000 shares issued and outstanding		4,160,000
Additional paid-in capital		40,000
Retained earnings		40,161
Net shareholders' equity		4,240,161
Total liabilities and shareholders' equity	$	4,254,320

See accompanying notes and accountants' compilation report.

Interest income		
Loans	$	68,000
Other		87
Gross interest income		68,087
Expenses		
Contract research expenses		2,661
Professional fees		4,145
Management fees		4,626
Other		490
Total expenses		11,922
Income before income tax		56,165
Income tax expense, net		27,686
Net income	$	28,479

See accompanying notes and accountants' compilation report.

Southern California Business Development Corporation
Statement of Shareholders' Equity
Year ended June 30, 2013

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at July 1, 2012	$ 4,160,000	40,000	$ 11,682	$ 4,211,682
Net income	-	-	28,479	28,479
Balance at June 30, 2013	$ 4,160,000	40,000	$ 40,161	$ 4,240,161

See accompanying notes and accountants' compilation report.

Cash flows from operating activities		
Net income	$	28,479
Adjustment to reconcile net income to		
net cash provided by operating activities		
Change in operating assets and liabilities		
Income tax payable		1,815
Net increase in cash and cash equivalents		30,294
Cash and cash equivalents at beginning of year		943,026
Cash and cash equivalents at end of year	$	973,320

Supplemental disclosure of cashflow information		
Taxes paid during the year	$	29,516

See accompanying notes and accountants' compilation report.

NOTE 1 NATURE OF ACTIVITIES

The Southern California Business Development Corporation (the Company) was incorporated in September 1992 and commenced business in April 1993 as a for-profit consortium of 27 California banks. The Company's focus is community reinvestment by targeting small businesses with growth opportunities in Los Angeles, California. In August 1999, the Company decided to terminate its own lending program and to assist its target market through supporting the activities of Los Angeles LDC, Inc. (LALDC), a not-for-profit, community development financial services corporation, based in Los Angeles, CA. Accordingly, in August 1999 it sold its loan portfolio to LALDC, liquidated its securities portfolio and loaned $2,500,000 to LALDC using a subordinated fixed rate promissory note. In December 2000, September 2002, and September 2005, the Company granted additional loans of $500,000, $200,000 and $200,000, respectively, to LALDC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

A material estimate that is particularly susceptible to change relates to the determination of the allowance for loan losses. Management believes that the allowance for loan losses is adequate. While management uses available information to estimate potential losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

Loans Receivable

Loans receivable are generally reported at the principal amount outstanding, net of unearned income, deferred loan fees and allowance for credit losses. Interest income is accrued daily as earned on all loans. Interest income is not recognized on loans receivable if collection of the interest is deemed by management to be unlikely.

The Company has a policy to discontinue the accrual of interest and transfer loans to nonaccrual (cash basis) status when reasonable doubt exists with respect to the timely collectibility of such interest and principal. A nonaccrual loan may be restored to accrual basis when future payments are no longer in doubt.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's contractual interest rate or, as a practical expedient, at the loan's observable market price at fair value of the collateral. Loans are considered impaired when it is deemed probable that the Company will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision and Allowance for Credit Losses

The Company maintains an allowance for credit losses at a level considered by management adequate to cover probable losses on loans. The allowance for credit losses is increased by charges to income and decreased by charge-offs (net of recoveries). The allowance for credit losses is based on management's periodic analysis of the loan portfolio after giving consideration to the character of the loan portfolio, current economic conditions, past loss experience and such other factors as deserve current recognition in estimating credit losses. Although management uses the best information available to make these estimates, future adjustments to the allowance may be necessary because of economic, operating and other conditions that may be beyond the Company's control.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. The Company's policy is to invest cash in excess of operating requirements in income producing investments.

The Federal Deposit Insurance Corporation (FDIC) insures 100% of non-interest bearing accounts and up to $250,000 per depositor on interest bearing accounts per insured bank. The Company maintains cash balances at one financial institution located in Southern California. As of June 30, 2013, the Company’s uninsured funds totaled $723,320.

NOTE 3 LOANS RECEIVABLE

On August 27, 1999, the Company granted a loan to Los Angeles LDC, Inc. for $2,500,000, repayable on September 1, 2009. The loan is collateralized by a subordinated fixed rate promissory note. Interest is payable annually on September 30. In October 2002, the Company reduced the interest rate from 5% to 4%.

On December 22, 2000, the Company granted an additional loan to Los Angeles LDC, Inc. for $500,000, repayable on September 1, 2009. The loan is collateralized by a subordinated fixed rate promissory note. Interest is payable annually on September 30. In October 2002, the Company reduced the interest rate from 5% to 4%.

On September 30, 2002, the Company granted an additional loan to Los Angeles LDC, Inc. for $200,000 repayable on September 1, 2009. The loan is collateralized by a subordinated fixed rate promissory note. Interest is payable annually on September 30, at the rate of 4%.

On September 30, 2005, the Company granted an additional loan to Los Angeles LDC, Inc. for $200,000 repayable on September 1, 2009. The loan is collateralized by a subordinated fixed rate promissory note. Interest is payable annually, at the rate of 4% commencing September 30, 2006.

NOTE 3 LOANS RECEIVABLE (CONTINUED)

On September 30 of each year commencing in 2005, unless the Company delivers a termination notice to Los Angeles LDC, Inc. prior to September 30 of each such year, the maturity of each loan will automatically be extended by one additional year. However, the Company is under no obligation to provide any such extension. Such one-year extensions shall continue indefinitely, until the Company notifies Los Angeles LDC, Inc. of its determination not to extend the maturity.

The Company's Board of Directors approved the extension of all the loans granted to Los Angeles LDC totaling $3,400,000 to September 30, 2013. In addition, effective October 1, 2011, the Company reduced the interest rates on the loans to 2%. On October 1, 2013, the Company extended the maturity date of all the loans to March 31, 2014.

As set out by each subordinated note, Los Angeles LDC, Inc. agreed to adhere to several covenants, during the term of the notes. These covenants deal with the business activity and loan products of Los Angeles LDC, Inc., maintenance of specific percentage loan loss reserves, defined capital, loan, and subordinated debt ratios, annual audits, quarterly financial, loan and delinquency reports, and annual certification of adherence to the covenants. The Company's Board of Directors subsequently reduced the loan loss reserve requirement to 3%.

An analysis of the change in allowance for credit losses for the year ended June 30, 2013, follows:

Balance at beginning of year	$	170,000
Recoveries of loans previously written off, net of expenses		-
Provision (credit) charged to income		-
Balance at end of year	$	170,000

The Company did not have any impaired loans as of June 30, 2013.

NOTE 4 MANAGEMENT SERVICES AGREEMENT WITH LOS ANGELES LDC, INC.

In March 2002, the Company entered into a management services agreement with Los Angeles LDC, Inc. in which the Company agreed to compensate Los Angeles LDC, Inc. for general administrative services. The Company also agreed to pay Los Angeles LDC, Inc. 50% of any recovery obtained from certain written-off loans.

NOTE 5 INCOME TAXES

Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax basis of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the expected amount to be realized.

The provision for income taxes for the year ended June 30, 2013 consists of the following:

Current		
Federal	$	24,160
State		3,526
		27,686
Deferred		
Federal		-
State		-
		-
	$	27,686

The principal types of differences between assets and liabilities for financial statement and income tax return purposes are allowance for credit losses and net operating loss carry forwards. These differences resulted in a deferred tax asset. The deferred tax asset is recognized in the accompanying balance sheet as follows at June 30, 2013:

Deferred tax assets:		
Net operating loss carryforward	$	-
Allowance for credit losses		60,000
		60,000
Valuation allowance		(60,000)
	$	-

Management believes that the valuation allowance at June 30, 2013 should be maintained at 100% of the deferred tax asset amount. The valuation allowance will be assessed each year-end and adjusted as necessary based on management's estimates of the realizability of the asset.

NOTE 6 CONCENTRATION OF CREDIT RISK

As of June 30, 2013, the Company has concentrated its loans to one entity, Los Angeles LDC, Inc. in the total amount of $3,400,000 as described in Note 3.

NOTE 7 SUBSEQUENT EVENTS

Subsequent to June 30, 2013 and through March 14, 2014, the date through which management evaluated subsequent events and on which the financial statements were issued, the Company did not identify any subsequent events that require adjustments or disclosures in the financial statements.