SOUTHERN CALIFORNIA BUSINESS DEVELOPMENT CORPORATION

Financial Statements

June 30, 2008 and 2007

(With Independent Auditor's Report Thereon)

WILFRED J. COPELAND
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Independent Auditor's Report

The Board of Directors
Southern California Business Development Corporation:

I have audited the accompanying balance sheets of Southern California Business Development Corporation as of June 30, 2008 and 2007 and the related statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern California Business Development Corporation as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wilfred J. Copeland

October 31, 2008

SOUTHERN CALIFORNIA BUSINESS DEVELOPMENT CORPORATION

Balance Sheets

June 30, 2008 and 2007

Assets	2008	2007
Cash, and cash equivalents	$ 558,947	441,645
Loans receivable	3,400,000	3,400,000
Less allowance for credit losses	(170,000)	(170,000)
	3,230,000	3,230,000
Income taxes receivable	0	6,504
Accrued interest receivable	102,000	102,000
Total assets	$ 3,890,947	3,780,149
Liabilities and Shareholders' Equity		
Accounts payable	0	0
Total liabilities	0	0
Shareholders' equity		
Capital stock, $1 par value		
Class A – 4,000,000 shares authorized, 1,920,000 issued and outstanding	1,920,000	1,920,000
Class B – 3,500,000 shares authorized, 1,250,000 issued and outstanding	1,250,000	1,250,000
Class C – 2,500,000 shares authorized, 1,030,000 issued and outstanding	1,030,000	1,030,000
	4,200,000	4,200,000
Accumulated deficit	(309,053)	(419,851)
Net shareholders' equity	3,890,947	3,780,149
Total liabilities and shareholders' equity	$ 3,890,947	3,780,149

See accompanying notes to financial statements

SOUTHERN CALIFORNIA BUSINESS DEVELOPMENT CORPORATION

Statements of Operations

Years ended June 30, 2008 and 2007

	2008	2007
Interest income:		
Loans	$ 136,000	136,000
Other	2,658	2,284
Gross interest income	138,658	138,284
Provision (credit) for credit losses	0	0
Net interest income after credit for credit losses	138,658	138,284
Expenses		
Grant paid to Los Angeles LDC, Inc.	0	50,000
Professional fees	7,981	7,451
Management services	4,700	4,214
Other	2,675	3,135
Total expenses	15,356	64,800
Income before income taxes	123,302	73,484
Income tax expense	12,504	7,069
Net income	$ 110,798	66,415

See accompanying notes to financial statements

SOUTHERN CALIFORNIA BUSINESS DEVELOMPENT CORPORATION

Statements of Shareholders' Equity

Years ended June 30, 2008 and 2007

		Capital Stock				
		Class A	Class B	Class C	Accumulated deficit	Total
Balance at July 1, 2006	$	1,920,000	1,250,000	1,030,000	(486,266)	3,713,734
Comprehensive income:						
Net income					66,415	66,415
Comprehensive income						66,415
Balance at June 30, 2007		1,920,000	1,250,000	1,030,000	(419,851)	3,780,149
Comprehensive income:						
Net income					110,798	110,798
Comprehensive income						110,798
Balance at June 30, 2008	$	1,920,000	1,250,000	1,030,000	(309,053)	3,890,947

See accompanying notes to financial statements

SOUTHERN CALIFORNIA BUSINESS DEVELOMPENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2008 and 2007

		2008	2007
Cash Flows from Operating Activities:			
Net income	$	110,798	66,415
Adjustments to reconcile net income to net cash provided by operations:			
Decrease (increase) in income tax receivable		6,504	(6,504
Net cash provided by operating activities		117,302	59,911
Cash Flows from Investing Activities:			
Loan granted to Los Angeles LDC Inc.		0	0
Net cash used in investing activities		0	0
Net increase (decrease) in cash		117,302	59,911
Cash and cash equivalents at beginning of year		441,645	381,734
Cash and cash equivalents at end of year	$	558,947	441,645
Supplemental cash flow information:			
Income taxes paid	$	6,000	13,000

See accompanying notes to financial statements

SOUTHERN CALIFORNIA BUSINESS DEVELOPMENT CORPORATION

Notes to Financial Statements

June 30, 2008 and 2007

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 focus of the company 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 my 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 or 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.

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 due to 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 Company maintains cash balances at one financial institution located in Southern California. Accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2008, these uninsured funds totaled $458,947.

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 secured 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 secured 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 secured by a subordinated fixed rate promissory note. Interest is payable annually on September 30, at the rate of 4%.

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

On September 30 of each year commencing in 2005, unless the Company delivers a termination notice to Los Angeles LDC, Inc. to the contrary 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.

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 Board of Directors of the Company subsequently reduced the loan loss reserve requirement to 3%.

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

		2008	2007
Balance, at beginning of year	$	170,000	170,000
Recoveries of loans previously written off, net of expenses		0	0
Provision (credit) charged to income		0	0
Balance at end of year	$	170,000	170,000

The Company did not have any impaired loans as of June 30, 2008 or 2007.

Note 4 – Grant to Los Angeles LDC, Inc.

In January 2007, the Company's Board of Directors approved a grant of $50,000 to Los Angeles LDC, Inc. to assist it in its program of work to meet its community development goals.

Note 5 – 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 the provision of general administrative services. The Company also agreed to pay Los Angeles LDC, Inc. 50% of any recovery obtained from certain written off loans.

Note 6 – 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, 2008 and 2007 consists of the following:

	2008	2007
Current		
Federal	$ 12,504	7,069
State		0
	12,504	7,069
Deferred		
Federal	0	0
State	0	0
	0	0
	$ 12,504	7,069

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 carryforwards. These differences resulted in a deferred tax asset. The deferred tax asset is recognized in the accompanying balance sheets as follows at June 30:

	2008	2007
Deferred tax asset:		
Net operating loss carry forward	$ 64,000	108,000
	64,000	108,000
Valuation allowance	(64,000)	(108,000)
	$ 0	0

Management believed that the valuation allowance at June 30, 2008 and 2007 should be maintained at 100% of the deferred tax asset amount. The valuation allowance will be assessed each year and adjusted as necessary based on management's estimates of the realizability of the asset. As of June 30, 2008, the Company had federal net operating loss carryforwards of approximately $190,000, which expire through 2012. Net California operating loss carryforwards expired in 2002.

Note 7 – Concentration of Credit Risk

As of June 30, 2008 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.