

Alternative Reporting Standard: Pink® Basic Disclosure Guidelines

Federal securities laws, such as Rules 10b-5 and 15c2-11 of the Securities Exchange Act of 1934 ("Exchange Act") as well as Rule 144 of the Securities Act of 1933 ("Securities Act"), and state Blue Sky laws, require issuers to provide *current information* to the public markets. With a view to facilitating compliance with these laws, OTC Markets Group has created these Pink Basic Disclosure Guidelines ("Guidelines").¹ These Guidelines set forth the disclosure obligations that make up the "Alternative Reporting Standard" for Pink companies. These Guidelines have been designed to encompass the "Catch All" information required in Rule 15c2-11,² however they have not been reviewed by the U.S. Securities and Exchange Commission or any state securities regulator. We use information provided by companies under these Guidelines to designate the appropriate tier in the Pink Market: Current Information or Limited Information.³

These Guidelines may be amended from time to time, in the sole and absolute discretion of OTC Markets Group, with or without notice. The information provided by companies under these Guidelines is subject to our [Privacy Policy](#).

Pink Current Information Tier

Companies that make the information described below publicly available on a timely basis may qualify for the Current Information Tier.

Qualification Process:

1. **Subscribe to the OTC Disclosure & News Service:** by submitting an application through [Gateway](#). Allow OTC Markets 2-4 weeks of application processing time.
2. **Upload Initial Disclosure:** Upload the following documents through OTCIQ:
 - **All Quarterly Reports** for Current Fiscal Year – must include Disclosure Statement and Financial Reports listed below
 - **Annual Report** for Most Recently Completed Fiscal Year– must include Disclosure Statement and Financial Reports listed below
 - **Annual Report** for Prior Completed Fiscal Year – must include Financial Reports listed below
 - **Disclosure Statements:** Disclosure information pursuant to these Guidelines for the applicable period. (see the fillable form starting on Page 4).
 - **Financial Statements:** Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited. Required financial statements include:
 - Audit Letter, if audited
 - Balance Sheet
 - Statement of Income
 - Statement of Cash Flows
 - Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
 - Notes to Financial Statements

¹ This is not legal advice, and OTC Markets Group makes no assurance that compliance with our disclosure requirements will satisfy any legal requirements.

² Publication of information pursuant to these Guidelines does not guarantee or ensure that the Company will be designated as having "current information" or eligible for public quotations pursuant to Rule 15c2-11 or any other applicable regulation.

³ OTC Markets Group may require companies with securities designated as Caveat Emptor to make additional disclosures in order to qualify for the Pink Current Information tier.

3. **Attorney Letter** (only required if not providing audited financials): If financial statements are not audited by a PCAOB registered firm, companies must retain U.S. counsel to review their disclosure and provide a letter to OTC Markets Group with respect to adequate current information by providing the following:
 - Attorney Letter Agreement: The attorney must submit a signed Attorney Letter Agreement according to the [Attorney Letter Agreement Instructions](#). The attorney is required to submit an Attorney Letter Agreement for each company that engages the attorney for the purpose of providing this Letter.
 - Attorney Letter: After a qualified attorney reviews the Disclosure Statement, upload the "Attorney Letter With Respect to Current Information" in accordance with the [Attorney Letter Guidelines](#) through OTCIQ. Attorney Letters must reference all required reports as set forth in Section 2 above.
4. **Verified Profile**: The Company must verify the Company Profile through OTCIQ, including, but not limited to, a complete list of officers, directors, and service providers; outstanding shares; a business description; contact information; and the name of all company insiders. Company insiders are defined as the beneficial owner of more than 10% of the outstanding units or shares of any class of any equity security of the issuer.
5. **OTC Markets Group Processing of Disclosure**: Allow OTC Markets Group to process the posted documents (typically three to five business days) and provide any comments. Companies will only be evaluated for Current Information once all required documentation has been submitted. A new Attorney Letter is required upon amendment of any referenced report.
6. **Ongoing Disclosure Requirements**: To qualify for Current Information on an ongoing basis, companies must:
 - Upload reports through OTCIQ on the following schedule:
 - Quarterly Report within **45 days** of the quarter end
 - Annual Report within **90 days** of the fiscal year end
 - Attorney Letter within **120 days** of the fiscal year end
 - Maintain a Verified Profile. At least once every six months, review and verify the Company's profile information through OTCIQ.

Pink Limited Information Tier

Companies that make the information described below publicly available through OTCIQ may qualify for the Limited Information Tier.

7. **Annual Financial Statements**: Companies must upload the below financial statements for a completed Fiscal Year within the past 16 months. Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.
 - Audit Letter, if audited
 - Balance Sheet
 - Statement of Income
 - Statement of Cash Flows
 - Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
 - Notes to Financial Statements
8. **Verified Profile**: The Company must verify the Company Profile through OTCIQ, including, but not limited to, a complete list of officers, directors, and service providers; outstanding shares; a business description; contact information; and the name of all company insiders. Company insiders are defined as the beneficial owner of more than 10% of the outstanding units or shares of any class of any equity security of the issuer.
9. **Ongoing Disclosure Requirements**: To Qualify for Limited Information on an ongoing basis, companies must:
 - Upload reports through OTCIQ on the following schedule:
 - Annual Report (including the required financial statements outlined in Item 8) within 120 days of the fiscal year end

- Review and Verify the Company's profile information through OTCIQ at least once every 12 months.

Current Reporting of Material Corporate Events

In addition to the disclosure requirements above, companies are expected to release quickly to the public any news or information regarding corporate events that may be material to the issuer and its securities (including adverse information). Persons with knowledge of such events are considered to be in possession of material nonpublic information and may not buy or sell the issuer's securities until or unless such information is made public. If not included in the issuer's previous public disclosure documents or if any of the following events occur after the publication of such disclosure documents, the issuer shall publicly disclose such events by disseminating a news release **within four (4) business days** following their occurrence and posting such news release through an Integrated Newswire or OTCIQ.⁴

Material corporate events include:

- Entry into or termination of a material definitive agreement
- Completion of an acquisition or disposition of assets, including but not limited to merger transactions
- Creation of a direct financial obligation or an obligation under an off-balance sheet arrangement of an issuer
- Triggering events that accelerate or increase a direct financial obligation or an obligation under an off-balance sheet arrangement
- Costs associated with exit or disposal activities
- Material impairments
- Sales of equity securities
- Material modification to rights of security holders
- Changes in issuer's certifying accountant
- Non-reliance on previously issued financial statements or a related audit report or completed interim review
- Changes in control of issuer
- Departure of directors or principal officers; election of directors; appointment of principal officers
- Amendments to articles of incorporation or bylaws; change in fiscal year
- Amendments to the issuer's code of ethics, or waiver of a provision of the code of ethics
- Any changes to litigation the issuer may be involved in, or any new litigation surrounding the issuer
- Officer, director, or insider transactions in the issuer's securities
- Disclosure of investor relations, marketing, brand awareness, and stock promotion activities which might reasonably be expected to materially affect the market for its securities or otherwise deemed material by the issuer
- Changes to the company's shell status
- Other events the issuer determines to be material

⁴ "Integrated Newswire" shall mean a newswire service that is integrated with the OTC Disclosure & News Service and is included on OTC Markets Group's list of Integrated Newswires, as published on <https://www.otcm Markets.com/corporate-services/products/disclosure-and-news-service>

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

QUEEN CITY INVESTMENTS, INC.

P.O. BOX 891, LONG BEACH, CA 90801

(562) 437-0011

[Insert Company Email]

[SIC Code]

Annual Report

For the period ending 12/31/2022 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

47,245 shares as of 03/06/2024

47,245 shares as of 12/31/2023

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁵ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

⁵ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

N/A

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

N/A

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

The address(es) of the issuer's principal executive office:

302 Pine Avenue, 2nd Floor, Long Beach, CA 90802

The address(es) of the issuer's principal place of business:

☒ Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Equinity Trust Company, LLC
Phone: 415-366-8087
Email: Tiffany.Hill@equiniti.com
Address: 6201 15th Avenue, Brooklyn, NY 11219-5498

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:

QUCT

Exact title and class of securities outstanding:	Queen City Investments Inc. common stock_____	
CUSIP:	74823W109_____	
Par or stated value:	<u>\$2.00</u>	
Total shares authorized:	<u>300,000</u>	<u>as of date: 3/06/24</u>
Total shares outstanding:	<u>47,245</u>	<u>as of date: 3/06/24</u>
Total number of shareholders of record:	<u>55</u>	<u>as of date: 3/06/24</u>

All additional class(es) of publicly quoted or traded securities (if any):

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ <u>as of date: _____</u>
Total shares outstanding:	_____ <u>as of date: _____</u>
Total number of shareholders of record:	_____ <u>as of date: _____</u>

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ <u>as of date: _____</u>
Total shares outstanding:	_____ <u>as of date: _____</u>
Total number of shareholders of record:	_____ <u>as of date: _____</u>

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	_____
CUSIP (if applicable):	_____
Par or stated value:	_____
Total shares authorized:	_____ <u>as of date: _____</u>
Total shares outstanding (if applicable):	_____ <u>as of date: _____</u>
Total number of shareholders of record (if applicable):	_____ <u>as of date: _____</u>

Exact title and class of the security:	_____
CUSIP (if applicable):	_____
Par or stated value:	_____
Total shares authorized:	_____ <u>as of date: _____</u>
Total shares outstanding (if applicable):	_____ <u>as of date: _____</u>
Total number of shareholders of record (if applicable):	_____ <u>as of date: _____</u>

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

3. Describe any other material rights of common or preferred stockholders.

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance Date <u>1/1/22</u> Common: <u>47,739</u> Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation,	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per	Were the shares issued at a discount to market	Individual/ Entity Shares were issued to.	Reason for share issuance (e.g. for cash or debt conversion) - OR-	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.

	shares returned to treasury)			share) at Issuance	price at the time of issuance? (Yes/No)	*You must disclose the control person(s) for any entities listed.	Nature of Services Provided		
<u>12/31/22</u>	<u>cancellation</u>	<u>288</u>	_____	_____	_____	_____	_____	_____	_____
<u>12/31/23</u>	<u>cancellation</u>	<u>206</u>	_____	_____	_____	_____	_____	_____	_____

_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report:									
Ending _____ Balance									
Ending Balance:									
Date <u>12/31/23</u> Common: <u>47,245</u>									
Preferred: _____									

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐x Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
(Please ensure that these descriptions are updated on the Company's Profile on www.otcm Markets.com).

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Queen City is the parent company of two wholly owned subsidiaries, Farmers and Merchants Trust Company of Long Beach and Messer Land and Development Company, Inc. The company is a single member of two California Limited Companies. Queen City owns and leases commercial real estate and buildings in the State of California and conducts other business through its subsidiaries. Farmers and Merchants Trust Company is a licensed trust company that provides a full array of investment management and fiduciary services. Messer land is a cattle ranch in central California, which breeds and raises cattle for sale at market.

- B. List any subsidiaries, parent company, or affiliated companies.

Farmers and Merchants Trust Company and Messer Land Development Co. Inc.

- C. Describe the issuers' principal products or services.

Fiduciary Trust Services, Real Estate and Alternative Investments.

5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

FMB Financial Center located in Torrance, California is a retail, strip mall, office building and a stand-alone retail spaces
Fourth Street Property located in Long Beach, California is a commercial building occupied by one tenant: Burger King
Santa Barbara Property located in the city of Santa Barbara, California is a commercial building with multi-tenant office
Goleta Property located in the city of Goleta is a commercial retail building.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Daniel K. Walker</u>	<u>Manager</u>	<u>Long Beach, California</u>	<u>18,936</u>	<u>Common</u>	<u>40%</u>	<u>Palomar Enterprises No. 2</u>
<u>Daniel K. Walker</u>	<u>President</u>	<u>Long Beach, California</u>	<u>5,486</u>	<u>Common</u>	<u>11%</u>	<u>Farmers and Merchants Trust Company of Long Beach</u>
<u>Christine M. Walker-Bowman</u>	<u>EVP, COO</u>	<u>Long Beach, California</u>	<u>5</u>	<u>Common</u>	<u>>1%</u>	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

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

N/A

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

N/A

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

N/A

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

N/A

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

N/A

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Paul Hastings LLP
Address 1: P. O. Box 894803
Address 2: Los Angeles, CA 90189-4803
Phone: _____
Email: _____

Accountant or Auditor

Name: _____
Firm: Windes, Inc.
Address 1: P. O. Box 87
Address 2: Long Beach, CA 90801
Phone: 562-304-1270
Email: _____

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

Twitter: _____
Discord: _____
LinkedIn: _____
Facebook: _____
[Other] _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____

Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Financial Statements

A. The following financial statements were prepared in accordance with:

☐ IFRS

☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)⁶:

Name: Windes, Inc.

Title: _____

Relationship to Issuer: Auditor

Describe the qualifications of the person or persons who prepared the financial statements: CPA, CFE

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Daniel K. Walker certify that:

1. I have reviewed this Disclosure Statement for Queen City Investments;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under

⁶ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: 03/12/24



Daniel K. Walker, President and Chairman of the Board

Principal Operating Officer:

I, Christine M. Walker-Bowman certify that:

1. I have reviewed this Disclosure Statement for Queen City Investments;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: 03/12/24



Christine M. Walker-Bowman, Executive Vice President and Chief Operating Officer

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders'
of Queen City Investments, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Queen City Investments, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Queen City Investments, Inc. and subsidiaries as of December 31, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Queen City Investments, Inc. and subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Queen City Investments, Inc. and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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, including omissions, 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 consolidated 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 Queen City Investments, Inc. and subsidiaries' 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 Queen City Investments, Inc. and subsidiaries' 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.



Long Beach, California
March 28, 2024

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 8,443,530	\$ 5,220,949
Securities held-to-maturity (fair value of \$23,878,664 – 2023; \$24,687,463 – 2022) (Note 2)	24,734,582	26,093,744
Alternative investments (Note 3)	1,854,418	1,774,180
Breeding herd, net (Note 4)	360,453	196,994
Property and equipment, net (Note 5)	29,896,738	29,208,978
Notes receivable	55,000	133,317
Operating lease right-of-use asset (Note 8)	768,851	812,747
Other assets (Note 6)	<u>2,526,681</u>	<u>2,026,145</u>
TOTAL ASSETS	<u><u>\$ 68,640,253</u></u>	<u><u>\$ 65,467,054</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Accounts payable and accrued expenses	\$ 1,164,891	\$ 1,041,839
Other liabilities	154,963	157,084
Operating lease liability (Note 8)	797,517	826,928
Deferred taxes (Note 9)	<u>1,620,987</u>	<u>1,487,917</u>
	<u>3,738,358</u>	<u>3,513,768</u>
CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 300,000 shares	94,490	94,902
Additional paid-in capital	49,045	49,259
Retained earnings	<u>64,758,360</u>	<u>61,809,125</u>
	<u>64,901,895</u>	<u>61,953,286</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 68,640,253</u></u>	<u><u>\$ 65,467,054</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the Year Ended	
	December 31,	
	2023	2022
TRUST FEES AND COMMISSIONS	\$ 14,918,003	\$ 14,348,867
INTEREST	563,189	391,393
GAIN ON SALE OF CATTLE	865,184	750,714
RENTAL INCOME	3,360,965	2,967,119
OTHER INCOME	<u>262,343</u>	<u>360,967</u>
	<u>19,969,684</u>	<u>18,819,060</u>
OPERATING EXPENSES		
Personnel and benefits	7,814,956	7,565,832
Equipment and other ranch expenses	682,921	761,591
Professional services	2,732,184	2,344,235
Rental operating expenses	1,868,991	1,438,377
General business expenses	1,701,635	1,430,243
Interest expense	<u>-</u>	<u>68,905</u>
	<u>14,800,687</u>	<u>13,609,183</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	5,168,997	5,209,877
PROVISION FOR INCOME TAXES	<u>1,503,236</u>	<u>1,571,673</u>
NET INCOME	<u><u>\$ 3,665,761</u></u>	<u><u>\$ 3,638,204</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Equity</u>
BALANCE, JANUARY 1, 2022	47,739	\$ 95,478	\$ 49,558	\$ 59,005,534	\$ 59,150,570
NET INCOME				3,638,204	3,638,204
SHARES RETIRED	(288)	(576)	(299)	(359,453)	(360,328)
DIVIDENDS PAID				(475,160)	(475,160)
BALANCE, DECEMBER 31, 2022	47,451	94,902	49,259	61,809,125	61,953,286
NET INCOME				3,665,761	3,665,761
SHARES RETIRED	(206)	(412)	(214)	(244,076)	(244,702)
DIVIDENDS PAID				(472,450)	(472,450)
BALANCE, DECEMBER 31, 2023	47,245	\$ 94,490	\$ 49,045	\$ 64,758,360	\$ 64,901,895

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,665,761	\$ 3,638,204
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,078,335	923,175
Loss on disposal of equipment	3,037	-
Amortization of premium on securities held-to-maturity	133,312	231,321
Amortization on operating lease assets	43,896	298,435
Change in deferred taxes	133,070	179,743
Changes in operating assets and liabilities:		
Breeding herd, net of depreciation	(163,459)	87,698
Other assets	(500,536)	(169,095)
Accounts payable and accrued expenses	123,052	185,705
Operating lease liabilities	(29,411)	(284,254)
Other liabilities	(2,121)	6,458
Net Cash Provided By Operating Activities	<u>4,484,936</u>	<u>5,097,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital call payments, alternative investments	(120,000)	(737,308)
Proceeds from alternative investments	39,762	675,944
Purchases of securities held-to-maturity	(4,768,875)	(4,016,402)
Proceeds from maturity of securities held-to-maturity	5,994,725	6,989,340
Purchases of property and equipment	(1,769,132)	(727,857)
Collection of notes receivable	133,317	-
Issuance of notes receivable	(55,000)	(13,317)
Net Cash (Used In) Provided By Investing Activities	<u>(545,203)</u>	<u>2,170,400</u>

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

	For the Year Ended	
	December 31,	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	-	(4,000,000)
Repurchase of stock	(244,702)	(360,328)
Dividends paid	(472,450)	(475,160)
Net Cash Used In Financing Activities	(717,152)	(4,835,488)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 3,222,581	 2,432,302
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 5,220,949	 2,788,647
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 8,443,530</u>	 <u>\$ 5,220,949</u>

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Queen City Investments, Inc. and its subsidiaries is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of Queen City Investments, Inc.'s management, who is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements for December 31, 2023 and 2022.

Organization and Nature of Business

Queen City Investments, Inc. (Queen City) and its subsidiaries are incorporated under the laws of the state of California. Queen City is the parent company of its two wholly owned subsidiaries, Farmers and Merchants Trust Company of Long Beach (the Trust Co.) and Messer Land and Development Company, Inc. (Messer Land). Queen City is the single member of QCI Real Estate Holdings LLC and QCI Capital Holdings LLC (QCI Capital). The accounts of these LLCs are included in the consolidated financial statements. Queen City owns and leases commercial real estate and buildings in California and conducts other business through its subsidiaries.

The Trust Co. is a licensed trust company that provides a full array of investment management and fiduciary services to individual investors, corporations, and estates. These services include investment management, personal trust services, custody services, and administration of employee benefit plans.

Messer Land's primary operation is a cattle ranch located in central California. The ranch breeds and raises cattle for sale at market.

Basis of Presentation

The consolidated financial statements of the company include the accounts of Queen City Investments, Inc. and its subsidiaries (collectively, the company) after the elimination of all material intercompany transactions.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Estimates and Assumptions

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, fair value of investments, and the provision for current and deferred taxes. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

Fair Value Measurements

The company follows the provisions of accounting guidance required for fair value measurements and disclosures of financial assets and liabilities and nonfinancial items that are recognized or disclosed at fair value on a recurring and nonrecurring basis. This guidance defines fair value, establishes a fair value hierarchy for measuring fair value under U.S. GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, level 2 inputs consist of observable inputs other than quoted prices for identical assets, and level 3 inputs are unobservable and have the lowest priority. The company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the company measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when level 1 or level 2 inputs were not available. The company's assessment of the significance of a particular input to the fair value measurements requires management's judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The fair value disclosed in Note 2 for securities held-to-maturity is based on quoted market prices in an inactive market and, therefore, level 2.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the consolidated financial statements, the company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2023 and 2022 and throughout the years then ended, the company maintained cash and cash equivalent balances in excess of federally insured limits. Historically, the company has not experienced any losses due to such concentration of credit risk.

Securities Held-to-Maturity

Securities held-to-maturity at December 31, 2023 and 2022 consist of state and municipal bonds and U.S treasury securities. In accordance with accounting guidance, and based on the company's intentions regarding these instruments, the company has classified all marketable debt securities as held-to-maturity and has accounted for these investments at amortized cost. The amortization of premiums and discounts are recognized in interest income using a method that approximates the effective-interest method. The company has the ability and intent to hold the investments to maturity.

Allowance for Credit Losses

Securities Held-to Maturity and Accrued Interest Receivables

The allowance for credit losses on debt securities held-to-maturity is estimated using the current expected credit loss (CECL) methodology. Any expected credit loss is provided through the allowance for credit loss on held-to-maturity securities and is deducted from the amortized cost basis of the security so that the consolidated balance sheets reflects the net amount the company expects to collect. Nearly all the company's held-to-maturity debt securities are issued by the U.S. government and state entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero-credit loss expectation on these securities.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses

Securities Held-to Maturity and Accrued Interest Receivables (Continued)

Accrued interest receivable on held-to-maturity debt securities totaled approximately \$175,000 and \$137,000 as of December 31, 2023 and 2022, respectively, and is included within other assets on the company's consolidated balance sheets. This amount is excluded from the estimate of expected credit losses. Generally, held-to-maturity debt securities are classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed against interest income.

Other Financial Instruments

The company measures expected credit losses on trust fees receivable and leasing commissions receivable, included in other assets on the consolidated balance sheets, and non-related party notes receivable based on a range of relevant information, such as past events, current conditions, and reasonable and supportable forecasts. Management considers forward-looking factors including, but not limited to, historical loss experience, current economic conditions, and changes in borrower creditworthiness. As of December 31, 2023 and 2022, there was no expected credit loss provision for these accounts.

Alternative Investments

The company has equity investments in certain private companies for which fair value is not readily determinable. These alternative investments are accounted for under the measurement alternative in accordance with ASU No. 2016-01, *Financial Instruments-Overall* (Topic 825). Under the measurement alternative, the company measures these non-marketable investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Alternative Investments (Continued)

Valuations of alternative investments are inherently more complex due to the lack of readily available market data. Recording upward and downward adjustments to the carrying value of the alternative investments as a result of observable price changes requires quantitative assessments of the fair value of investments and involves the use of estimates. Management has performed a qualitative and quantitative analysis of each investment individually and determined no impairment or observable price change adjustments are required for the years ended December 31, 2023 and 2022.

Breeding Herd

The breeding herd is stated at cost. Depreciation is computed using the straight-line method over five years.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed principally using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Leasehold improvements as lessee and tenant improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Maintenance and repairs, including costs of minor replacements, are charged to operations as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset's carrying value is adjusted to fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as appropriate. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets. To date, no impairment has been recorded.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Revenue From Contracts with Clients

The company primarily derives its revenue from contracts lessors providing investment and management, custodial, and trust services. As such, revenue for these services is recognized when the performance obligations related to the underlying transaction are completed. The company earned approximately 75% and 76% of its revenue from trust fees and commissions for providing these services during the years ended December 31, 2023 and 2022, respectively.

The company also derives revenue from contracts with lessors leasing commercial real estate and buildings in California. As such, revenue for these services is recognized on the first day of each month. The company earned approximately 17% and 16% of its revenue from rental income for the years ended December 31, 2023 and 2022, respectively.

A performance obligation is a promise in a contract to transfer a distinct good or service to the client. For all contracts with clients, the client contracts provide distinct services for an established rate, such as executing investment transactions, performing trust services or providing use of the leased space. For any contracts with multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative standalone selling price of each distinct service in the contract. The relative standalone selling price of each distinct service is generally observable as they are laid out in each contract.

Provision for Income Taxes

In filing its federal and state income tax returns, Queen City combines its results of operations with its subsidiaries. Current and deferred income taxes are allocated to Queen City and its subsidiaries as if each were a separate taxpayer. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. Valuation allowances are provided against assets, which are not likely to be realized.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Provision for Income Taxes (Continued)

The company had various deferred tax assets and liabilities made up primarily of the expected future tax effects of the current year's state franchise and income tax accrual and the difference in depreciation method and investment basis for book and tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of the differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense.

The company recognizes the tax benefits from uncertain tax positions taken or expected to be taken in a tax return 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. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. Additionally, previously recognized tax positions that no longer meet the more-likely-than-not threshold should be derecognized in the first financial reporting period in which that threshold is no longer met. Changes in recognition or measurement will be reflected in the period in which the change in judgment occurs. The company had no material adjustments to its liabilities for unrecognized income taxes and believes their estimates are appropriate based on current facts and circumstances.

The company's income tax filings are subject to audit by various taxing authorities. The statute of limitations for federal and state purposes is three and four years, respectively. In evaluating the company's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered.

There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which the company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to, or further interpretations of, regulations.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

Beginning January 1, 2022, the company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and its related amendments, which replaces the incurred loss methodology with an expected loss methodology referred to as the CECL methodology. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU also requires the company to use forward-looking information to better formulate its credit loss estimates.

The ASU permits the use of either a prospective transition method or a modified-retrospective transition method with the cumulative-effect adjustment to the opening balance of retained earnings. The company has elected the use of the modified-retrospective transition method. The transition method selected resulted in no adjustment to the opening balance of retained earnings.

Reclassification

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the 2023 consolidated financial statement presentation.

Subsequent Events

In preparing these consolidated financial statements, the company's management has evaluated events and transactions for potential recognition or disclosure through March 28, 2024, the date the consolidated financial statements were available to be issued, and has determined that there were no items to disclose.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 2 – Securities Held-to-Maturity

Cost and fair value of securities held-to-maturity at December 31, 2023 are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Loss</u>	<u>Value</u>
U.S. Treasury securities	<u>\$ 24,734,582</u>	<u>\$ 14,234</u>	<u>\$ (870,152)</u>	<u>\$ 23,878,664</u>

Cost and fair value of securities held-to-maturity at December 31, 2022 are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Loss</u>	<u>Value</u>
State and municipal bonds	\$ 1,006,716	\$ 740	\$ (2,031)	\$ 1,005,425
U.S. Treasury securities	<u>25,087,028</u>	<u>2,127</u>	<u>(1,407,117)</u>	<u>23,682,038</u>
	<u>\$ 26,093,744</u>	<u>\$ 2,867</u>	<u>\$ (1,409,148)</u>	<u>\$ 24,687,463</u>

Securities held-to-maturity consists of the following:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Maturities due		
Within one year or less	\$ 7,948,290	\$ 6,003,068
After one year through five years	<u>16,786,292</u>	<u>20,090,676</u>
	<u>\$ 24,734,582</u>	<u>\$ 26,093,744</u>

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 3 – Alternative Investments

In April 2018, the company, through QCI Capital, contributed \$500,000 to CapRock Partners Fund IV, L.P. (Fund IV). An additional \$500,000 capital contribution was made during the year ended December 31, 2019. The company received returns of capital totaling \$626,000 in 2022 resulting in a capital balance of \$324,000 at December 31, 2022. The company received returns of capital totaling \$39,762 in 2023 resulting in a capital balance of \$284,000 at December 31, 2023. The company's investment represents approximately 4% of Fund IV. Fund IV is an investment vehicle of CapRock Partners, an investment firm focused on private industrial real estate.

In March 2019, the company, through QCI Capital, purchased 500 preferred units of Nadavon Investment Partners LLC for \$500,000 through a confidential private placement. These preferred units entitle the company to receive a priority distribution of 100% of the amount invested, a cumulative preferred return equal to ten percent (10%) per annum, compounded annually, and 500 Class A common units. In August 2020, the company participated in the buyout of another shareholder's preferred units increasing its investment by \$75,000 and adding 1,630 Class B common units. In March 2022, the company purchased an additional 455 Class B common units for a purchase price of \$125,125. Nadavon Investment Partners LLC is an investment vehicle of Nadavon Capital Partners, an investment firm focused on financial technology.

In February 2020, the company, through QCI Capital, entered into an agreement to become a limited partner of and to contribute up to \$500,000 to CapRock Partners Value Add Industrial Fund III, L.P. (Fund III). As of December 31, 2023 and 2022, the company has contributed \$270,000 and 150,000 of its Funding III capital commitment, respectively. The company's investment commitment represents less than 1% of Fund III.

In April 2022, the company, through QCI Capital, purchased 318,000 Series F preferred shares of Genea Energy Partners, Inc. for \$500,000 through a confidential private placement. The shares are convertible to common stock, are eligible for an 8% per annum dividend at the declaration of the Board of Directors of Genea Energy Partners and carry liquidation preference to all previously issued preferred and common shares. Genea Energy Partners, Inc. automates overtime HVAC, sub-metered billing, and access control for owners of commercial real estate.

In October 2022, the company, through QCI Capital, entered into an agreement to become a limited partner of and contribute up to \$1,000,000 to CapRock Bridge Fund II (Fund II). As of December 31, 2023 and 2022, the company has contributed \$100,000 of its Fund II capital commitment. The company's investment commitment represents approximately 3% of Fund II.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 4 – Breeding Herd

A summary of the breeding herd, at cost, is as follows:

	December 31,	
	2023	2022
Breeding herd	\$ 492,720	\$ 364,337
Less accumulated depreciation	<u>(132,267)</u>	<u>(167,343)</u>
	<u><u>\$ 360,453</u></u>	<u><u>\$ 196,994</u></u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled approximately \$119,000 and \$115,000, respectively.

NOTE 5 – Property and Equipment

A summary of property and equipment at cost, including rental properties, is as follows:

	December 31,	
	2023	2022
Buildings	\$ 11,370,615	11,370,615
Furniture and equipment	3,481,533	3,303,432
Building and leasehold improvements	4,607,528	4,583,566
Tenant improvements	<u>4,746,177</u>	<u>3,741,448</u>
	24,205,853	22,999,061
Less accumulated depreciation and amortization	<u>(9,471,381)</u>	<u>(8,541,803)</u>
	14,734,472	14,457,258
Construction in progress	602,749	192,203
Land	<u>14,559,517</u>	<u>14,559,517</u>
	<u><u>\$ 29,896,738</u></u>	<u><u>\$ 29,208,978</u></u>

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 – Property and Equipment (Continued)

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 totaled approximately \$1,078,000 and \$923,000, respectively.

Included in property and equipment at December 31, 2023 and 2022 is approximately \$27,200,000 and \$25,979,000, respectively, of productive rental properties with related accumulated depreciation of \$7,029,000 and \$6,209,000, respectively.

NOTE 6 – Other Assets

Other assets consists of the following:

	December 31,	
	2023	2022
Trust fees receivable	\$ 1,405,348	\$ 1,327,019
Leasing commissions, net	160,611	181,001
Interest receivable	155,493	115,452
Prepaid taxes	320,914	242,078
Prepaid expenses	247,108	86,561
Loan fees, net	12,888	25,074
Utility deposit	6,745	6,745
Other receivables	<u>217,574</u>	<u>42,215</u>
	<u><u>\$ 2,526,681</u></u>	<u><u>\$ 2,026,145</u></u>

NOTE 7 – Line of Credit

During 2021, the company entered into a line of credit agreement with a non-related financial institution whereby it may borrow up to \$6,000,000. The line of credit bears interest at the greater of the Prime Rate (8.50% at December 31, 2023) or 2.50%. There was no outstanding balance on the line of credit for each of the years ended December 31, 2023 and 2022. The agreement expired in February 2024 and was not renewed.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 8 – Leasing Arrangements

Lessee Arrangements

The Company has various operating leases with affiliated and non-related parties for office space which end at various dates through December 2027. The facilities' lease agreements includes renewal options which can extend the lease terms up to four years. The exercise of these renewal options is at the sole discretion of the company, and only lease options that the company believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The following summarizes the line items in the consolidated balance sheets which include amounts for operating leases as follows:

	For the Year Ended	
	December 31,	
	2023	2022
Operating lease right-of-use assets:		
Affiliated parties	\$ 703,102	\$ 686,926
Other	65,749	125,821
	<u>\$ 768,851</u>	<u>\$ 812,747</u>
	For the Year Ended	
	December 31,	
	2023	2022
Operating lease liabilities:		
Affiliated parties	\$ 729,852	\$ 699,262
Other	67,665	127,666
	<u>\$ 797,517</u>	<u>\$ 826,928</u>

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 8 – Leasing Arrangements (Continued)

Lessee Arrangements (Continued)

The components of operating lease expenses that are included in general business expenses in the consolidated statements of income were as follows:

	For the Year Ended	
	December 31,	
	2023	2022
Operating lease costs:		
Affiliated parties	\$ 278,413	\$ 229,721
Other	60,995	79,996
Variable and short-term lease costs	65,625	264,171
	<u>\$ 405,033</u>	<u>\$ 573,888</u>

The following summarizes the cash flow information related to leases for the year ended December 31, 2023:

	Affiliated		
	Parties	Other	Total
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 263,999	\$ 60,925	\$ 324,924
Noncash investing and financing activity:			
Right-of-use asset obtained in exchange for operating lease liability	\$ 277,514	\$ -	\$ 277,514

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 8 – Leasing Arrangements (Continued)

Lessee Arrangements (Continued)

The following summarizes the cash flow information related to leases for the year ended December 31, 2022:

	<u>Affiliated Parties</u>	<u>Other</u>	<u>Total</u>
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 217,386	\$ 78,150	\$ 295,536
Noncash investing and financing activity:			
Right-of-use asset obtained in exchange for operating lease liability in adoption ASC 842	\$ 906,897	\$ 204,285	\$ 1,111,182

The weighted-average remaining lease term and discount rate of the December 31, 2023 were as follows:

Weighted-average remaining lease term - operating leases	3.57
Weighted-average discount rate - operating leases	2.02%

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 8 – Leasing Arrangements (Continued)

Lessee Arrangements (Continued)

The maturities of operating lease liabilities as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Affiliated Parties</u>	<u>Other</u>	<u>Total</u>
2024	\$ 214,813	\$ 62,752	\$ 277,565
2025	176,887	5,242	182,129
2026	181,629	-	181,629
2027	186,674	-	186,674
Total discounted cash flow	760,003	67,994	827,997
Less present value discount	(30,151)	(329)	(30,480)
	<u>\$ 729,852</u>	<u>\$ 67,665</u>	<u>\$ 797,517</u>

Lessor Arrangements

The company leases commercial property to various tenants under noncancelable operating leases that expire at various dates through January 2033. The lease agreements provide for specific monthly payments plus reimbursement of a percentage share of common operating expenses.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 8 – Leasing Arrangements (Continued)

Lessor Arrangements (Continued)

The following is a summary of minimum future rental income under these noncancelable operating leases:

<u>Year Ending December 31,</u>	<u>Affiliated Parties</u>	<u>Other</u>	<u>Total</u>
2024	\$ 362,878	\$ 1,973,252	\$ 2,336,130
2025	373,799	1,658,385	2,032,184
2026	116,860	1,562,001	1,678,861
2027	66,734	1,155,566	1,222,300
2028	-	901,112	901,112
Thereafter	<u>-</u>	<u>3,566,100</u>	<u>3,566,100</u>
	<u>\$ 920,271</u>	<u>\$ 10,816,416</u>	<u>\$ 11,736,687</u>

NOTE 9 – Provision for Income Taxes

The provision for income taxes consists of the following:

	<u>For the Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current:		
Federal	\$ 797,680	\$ 826,057
State	572,485	565,873
Deferred	<u>133,071</u>	<u>179,743</u>
	<u>\$ 1,503,236</u>	<u>\$ 1,571,673</u>

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 9 – Provision for Income Taxes (Continued)

Deferred tax assets and liabilities consists of the following:

	For the Year Ended December 31,	
	2023	2022
Deferred tax assets		
Current year tax	\$ 55,366	\$ 60,591
Deferred tax liabilities		
Excess of tax depreciation over book	(1,676,353)	(1,548,508)
Net deferred tax liabilities	<u>\$ (1,620,987)</u>	<u>\$ (1,487,917)</u>

The following schedule indicates how the provision for income taxes varies from the expected rate:

	For the Year Ended December 31,	
	2023	2022
Expected provision for federal and state income taxes	\$ 1,528,445	\$ 1,532,376
Tax effect of permanent differences:		
Tax-exempt dividends	(3,606)	(8,793)
Nondeductible expenses	3,139	48,090
Other	(24,742)	-
	<u>\$ 1,503,236</u>	<u>\$ 1,571,673</u>

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 – Related-Party Transactions

Under an exchange-of-services agreement, Farmers and Merchants Bank (the Bank), a related- party, provides administrative, accounting, and data processing services, as well as office space, to the Trust Co. at various times throughout the years ended December 31, 2023 and 2022. The Trust Co. provides trustee and financial management services to the Bank and maintains deposits with the Bank. The exchange of services agreement provides for periodic settlement of amounts which may be owed by one party to the other, and such amounts were not material at December 31, 2023 and 2022. The benefits received from the Bank, which were charged to operations during the years ended December 31, 2023 and 2022, totaled approximately \$256,000 and \$407,000, respectively.

The Bank leases a branch location from the company, which expires February 2026. Under the lease agreement, the company received approximately \$325,000 and \$312,000 of rental income and common area maintenance charges from the Bank for the years ended December 31, 2023 and 2022, respectively. The future rental income from the Bank is included in the summary of minimum future rentals in Note 8.

The company leases office space from the Bank under various lease agreements, which end at various dates through December 2027. Rent expense paid to the Bank under these agreements totaled approximately \$224,000 and \$217,000 during the years ended December 31, 2023 and 2022, respectively. The future minimum lease payments to the Bank are included in the summary of future minimum lease payments in Note 8.

Queen City and the Bank have a substantial percentage of their respective outstanding shares held by common shareholders, which include some directors of the Queen City and the Trust Co. In addition, certain officers and/or directors of Queen City and the Trust Co. are also officers and/or directors of the Bank.

NOTE 11 – Profit-Sharing and Safe Harbor Plan

The Trust Co. has a profit-sharing and safe harbor plan covering substantially all eligible employees of the Bank and the Trust Co. The annual contributions are a percentage of employee compensation based on available net profits. The percentage may range from 3% to 15%, at the discretion of the board of directors. The profit-sharing and safe harbor expense for the years ended December 31, 2023 and 2022 was approximately \$592,000 and \$551,000, respectively.

QUEEN CITY INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 12 - Contingencies

Pledged Assets

At December 31, 2023 and 2022, corporate assets of the Trust Co., with a book value of approximately \$806,000 and \$819,000, respectively, have been pledged to the Treasurer of the State of California to ensure the faithful performance of fiduciary duties.

Contingent Liabilities

The Trust Co. has trust assets under administration at fair market value of approximately \$6.31 billion and \$5.74 billion, representing 1,557 and 1,448 accounts as of December 31, 2023 and 2022, respectively. These amounts are not included in the accompanying consolidated balance sheets.

The Trust Co., as a fiduciary, has responsibility for the proper administration of all assets held in trust and, therefore, has a contingent liability for any loss of assets or breach of fiduciary duty. The company's management believes that the fiduciary insurance coverage held by the company is sufficient to cover any potential losses.

NOTE 13 – Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

	For the Year Ended	
	December 31,	
	2023	2022
Income taxes	\$ 1,690,670	\$ 1,139,000
Interest	\$ -	\$ 68,905