**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**

**FINANCIAL STATEMENTS AND**
**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**YEARS ENDED APRIL 30, 2024 AND 2023**

**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**

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**YEARS ENDED APRIL 30, 2024 AND 2023**

CONTENTS

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of First Hartford Corporation and Subsidiaries

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of First Hartford Corporation and subsidiaries (the Company) as of April 30, 2024 and 2023, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended April 30, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2024 and 2023, and the results of their operations and their cash flows for each of the years in the two-year period ended April 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ Mahoney Sabol & Company, LLP

We have served as the Company's auditor since 2013.

Glastonbury, Connecticut
August 13, 2024

**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**APRIL 30, 2024 AND 2023**

**ASSETS**

| | 2024 | 2023 |
|---|---|---|
| Real estate and equipment: | | |
| Developed properties and property under construction | $277,289,300 | $283,748,995 |
| Equipment and leasehold improvements | 4,107,619 | 4,959,310 |
| | 281,396,919 | 288,708,305 |
| Less accumulated depreciation and amortization | (72,845,959) | (76,806,045) |
| | 208,550,960 | 211,902,260 |
| Properties held for sale | 20,164,438 | 3,761,335 |
| Cash and cash equivalents | 7,589,163 | 2,816,095 |
| Cash and cash equivalents – restricted | 585,928 | 1,208,796 |
| Marketable securities | 90,320 | 84,680 |
| Accounts and notes receivable, net | 5,347,895 | 6,026,404 |
| Other receivables | -0- | 1,043,736 |
| Deposits and escrow accounts | 30,272,103 | 8,226,462 |
| Prepaid expenses | 1,938,668 | 2,055,261 |
| Deferred expenses, net | 5,610,922 | 4,725,507 |
| Derivative asset | 1,796,476 | 982,333 |
| Investment in affiliates | 1,267,415 | 779,738 |
| Due from related parties and affiliates | 19,988 | 113,836 |
| Total assets | $283,234,276 | $243,726,443 |

See accompanying notes.

**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**APRIL 30, 2024 AND 2023**
**(continued)**

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | 2024 | 2023 |
|---|---|---|
| Liabilities: | | |
| Mortgages and other notes payable: | | |
| Construction loans payable | $30,615,523 | $16,256,585 |
| Mortgages payable | 192,969,096 | 185,845,211 |
| Mortgages payable – held for sale | 19,791,313 | -0- |
| Notes payable | 1,704,697 | 1,704,697 |
| Lines of credit | 9,970,000 | 2,375,000 |
| Less: Deferred debt issuance costs | (3,155,160) | (2,262,204) |
| | 251,895,469 | 203,919,289 |
| Accounts payable | 9,879,431 | 7,594,097 |
| Other payables | 1,399,264 | 2,490,902 |
| Accrued liabilities | 8,367,255 | 10,204,368 |
| Deferred income | 592,325 | 606,688 |
| Due to related parties and affiliates | 337,132 | 372,481 |
| Deferred tax liability | 3,108,166 | 4,726,595 |
| Total liabilities | 275,579,042 | 229,914,420 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| First Hartford Corporation | | |
| Preferred stock, $1 par value; $.50 cumulative and convertible; authorized 4,000,000 shares; no shares outstanding | -0- | -0- |
| Common stock, $1 par value; authorized 6,000,000 shares: issued 3,175,908 in 2024 and 2023, outstanding 2,278,664 in 2024 and 2023 | 3,175,908 | 3,175,908 |
| Capital in excess of par | 4,714,538 | 4,974,876 |
| Retained earnings | 13,366,539 | 17,179,038 |
| Treasury stock, at cost, 897,244 shares in 2024 and 2023 | (4,994,594) | (4,994,594) |
| Total First Hartford Corporation | 16,262,391 | 20,335,228 |
| Noncontrolling interests | (8,607,157) | (6,523,205) |
| Total shareholders' equity | 7,655,234 | 13,812,023 |
| Total liabilities and shareholders' equity | $283,234,276 | $243,726,443 |

See accompanying notes.

**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED APRIL 30, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| Revenues: | | |
| Rental income | $36,359,233 | $34,101,181 |
| Service income | 1,652,828 | 4,056,847 |
| Sales of real estate | 18,051,914 | 29,929,230 |
| Other revenues | 3,468,970 | 3,353,262 |
| | 59,532,945 | 71,440,520 |
| Operating costs and expenses: | | |
| Rental expenses (includes depreciation and amortization of $6,223,935 and $6,457,613 in 2024 and 2023, respectively) | 22,881,165 | 23,512,666 |
| Service expenses | 759,527 | 2,436,485 |
| Cost of real estate sales | 16,188,154 | 28,381,970 |
| Other expenses | 3,607,528 | 3,174,272 |
| Selling, general and administrative expenses | 10,253,333 | 9,627,168 |
| | 53,689,707 | 67,132,561 |
| Income from operations | 5,843,238 | 4,307,959 |
| Non-operating income (expense): | | |
| Equity in earnings (loss) of unconsolidated subsidiaries | 914,552 | (32,870) |
| Loss on defeasance | (108,442) | (599,064) |
| Other income, net | 315,879 | 1,670,260 |
| Gain on derivatives | 814,143 | 1,652,914 |
| Forgiveness of debt | -0- | 7,450,369 |
| Interest expense | (12,646,042) | (11,155,274) |
| | (10,709,910) | (1,013,665) |
| Income (loss) before income taxes | (4,866,672) | 3,294,294 |
| Income tax expense (benefit) | (2,290,265) | 604,084 |
| Consolidated net income (loss) | (2,576,407) | 2,690,210 |
| Net (income) loss attributable to noncontrolling interests | (1,236,092) | 360,684 |
| Net income (loss) attributable to First Hartford Corporation | $(3,812,499) | $3,050,894 |
| Net income (loss) per share – basic | $(1.67) | $1.34 |
| Net income (loss) per share – diluted | $(1.67) | $1.34 |
| Shares used in basic per share computation | 2,278,664 | 2,278,664 |
| Shares used in diluted per share computation | 2,278,664 | 2,278,664 |

See accompanying notes.

# FIRST HARTFORD CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
# FOR THE YEARS ENDED APRIL 30, 2024 AND 2023

| | Common Stock | Capital in Excess of Par | Accumulated Earnings | Treasury Stock | Total First Hartford Corporation | Noncontrolling Interests | Total |
|---|---|---|---|---|---|---|---|
| Balance, April 30, 2022 | $3,175,908 | $4,974,876 | $14,128,144 | $(4,994,594) | $17,284,334 | $(4,341,138) | $12,943,196 |
| Contributions | -0- | -0- | -0- | -0- | -0- | 153,079 | 153,079 |
| Distributions | -0- | -0- | -0- | -0- | -0- | (1,974,462) | (1,974,462) |
| Net income (loss) | -0- | -0- | 3,050,894 | -0- | 3,050,894 | (360,684) | 2,690,210 |
| Balance, April 30, 2023 | 3,175,908 | 4,974,876 | 17,179,038 | (4,994,594) | 20,335,228 | (6,523,205) | 13,812,023 |
| Distributions | -0- | -0- | -0- | -0- | -0- | (449,507) | (449,507) |
| Purchase of former noncontrolling interests in Rockland and Clarendon | -0- | (260,338) | -0- | -0- | (260,338) | (2,870,537) | (3,130,875) |
| Net income (loss) | -0- | -0- | (3,812,499) | -0- | (3,812,499) | 1,236,092 | (2,576,407) |
| Balance, April 30, 2024 | $3,175,908 | $4,714,538 | $13,366,539 | $(4,994,594) | $16,262,391 | $(8,607,157) | $7,655,234 |

See accompanying notes.

**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED APRIL 30, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| Operating activities: | | |
| Consolidated net income (loss) | $(2,576,407) | $2,690,210 |
| Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities: | | |
| Gain on sale of real estate | (1,863,760) | (1,547,260) |
| Equity in (earnings) loss of unconsolidated subsidiaries, net | (914,552) | 32,870 |
| Depreciation of real estate and equipment | 6,955,532 | 6,946,317 |
| Amortization of deferred expenses | 986,524 | 553,514 |
| Deferred income taxes | (1,618,429) | (8,674) |
| (Gain) loss on marketable securities | (5,640) | 52,640 |
| Forgiveness of debt | -0- | (7,450,369) |
| Loss on Clarendon refinance | 975,366 | -0- |
| Unrealized (gain) loss on derivatives | (814,143) | (1,652,914) |
| Changes in operating assets and liabilities: | | |
| Accounts, notes and other receivables | 1,722,245 | (846,446) |
| Deposits and escrows | (140,665) | 469,610 |
| Prepaid expenses | (295,338) | 398,862 |
| Deferred expenses | (2,203,616) | (2,186,604) |
| Accrued liabilities | (1,093,519) | 1,268,412 |
| Deferred income | (14,363) | (18,379) |
| Accounts and other payables | 1,193,696 | (221,220) |
| Net cash provided by (used in) operating activities | 292,931 | (1,519,431) |
| Investing activities: | | |
| Proceeds from sale of marketable securities | -0- | 318,937 |
| Purchases of equipment and tenant improvements | (983,603) | (252,900) |
| Distributions from equity investments | 426,875 | 360,000 |
| Purchase of former noncontrolling interests in Rockland and Clarendon | (3,130,875) | -0- |
| Proceeds from sales of real estate | 18,051,914 | 27,929,230 |
| Exchange of Tenancy in Commons (TICs) | -0- | (1,300,542) |
| Additions to developed properties and property under construction | (35,211,886) | (25,255,469) |
| Net cash provided by (used in) investing activities | (20,847,575) | 1,799,256 |

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See accompanying notes.

**FIRST HARTFORD CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED APRIL 30, 2024 AND 2023**
**(continued)**

| | 2024 | 2023 |
|---|---|---|
| Financing activities: | | |
| Contributions from noncontrolling interests | $-0- | $93,563 |
| Distributions to noncontrolling interests | (449,507) | (1,639,759) |
| Proceeds from: | | |
| Construction loans | 21,508,038 | 11,478,115 |
| Mortgages | 5,244,000 | 35,487,800 |
| Notes | -0- | -0- |
| Credit lines | 10,545,000 | 5,685,000 |
| Principal payments on: | | |
| Construction loans | (7,149,100) | (37,167,128) |
| Mortgages | (6,380,150) | (23,968,602) |
| Notes | -0- | -0- |
| Credit lines | (2,950,000) | (4,560,000) |
| Proceeds from Clarendon refinance | 4,278,064 | -0- |
| Advances (repayments) to related parties and affiliates, net | 58,499 | (924,286) |
| Net cash provided by (used in) financing activities | 24,704,844 | (15,515,297) |
| | | |
| Net change in cash and cash equivalents and restricted cash | 4,150,200 | (15,235,472) |
| Cash and cash equivalents and restricted cash, beginning of year | 4,024,891 | 19,260,363 |
| Cash and cash equivalents and restricted cash, end of year | $8,175,091 | $4,024,891 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| | | |
| Cash paid during the year for interest | $13,017,713 | $11,042,718 |
| Cash paid during the year for income taxes | $792,659 | $2,033,818 |
| | | |
| Non-cash Investing and Financing Activities: | | |
| Escrows funded by Clarendon refinance | $21,904,976 | $-0- |
| Non-cash distributions to noncontrolling interests | $-0- | $(334,703) |
| Non-cash contributions from noncontrolling interests | $-0- | $59,516 |
| Note receivable received for sale of real estate | $-0- | $2,000,000 |
| | | |
| Cash and cash equivalents | $7,589,163 | $2,816,095 |
| Cash and cash equivalents – restricted | 585,928 | 1,208,796 |
| Cash and cash equivalents and restricted cash, end of year | $8,175,091 | $4,024,891 |

See accompanying notes.

## 1. Summary of Significant Accounting Policies:

Description of Business

First Hartford Corporation (the Company or FHC) was incorporated in Maine in 1909 and is engaged in the purchase, development, ownership, management, and sale of real estate, all of which is considered the "Real Estate Operations" segment. The Company has a second segment "Fee for Service" in which the Company is engaged as a preferred developer for CVS, Cumberland Farms, and others (see Revenue Recognition below).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and all other entities in which the Company has a controlling financial interest. The latter includes those in which the Company has been determined to be the primary beneficiary of a variable interest entity or otherwise meets certain criteria as a sole general partner or managing member in accordance with the consolidation guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, included in the consolidated financial statements are the accounts of Rockland Place Apartments Limited Partnership ("Rockland") and Clarendon Hill Somerville Limited Partnership ("Clarendon"). As of April 30, 2023, the Company's ownership percentage in these variable interest entity partnerships was nominal.

On May 19, 2023, the Company bought out the 99.99% limited partnership interests in both Rockland and Clarendon for $930,140 and $2,200,735, respectively. After these transactions, the Company owns 100% and 99.99%, respectively, of Rockland and Clarendon. There was no income statement impact as a result of these two equity transactions.

All significant intercompany balances and transactions have been eliminated in consolidation.

## 1. Summary of Significant Accounting Policies (continued):

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted 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 as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Because the Company is engaged in the development and sale of real estate at various stages of construction, the operating cycle may extend beyond one year. Accordingly, following the usual practice of the real estate industry, the accompanying consolidated balance sheets are unclassified.

Statements of Cash Flows

In accordance with FASB ASC 230, the Company presents the change in total cash, cash equivalents, and restricted cash within the statement of cash flows. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers”. Revenue is recognized when, or as control of, the promised services or goods is transferred to our customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company’s contracts typically contain only one performance obligation.

The following is a description of the Company’s revenue recognition policies, updated for the effects of Topic 606, for the Company’s principal activities separated by our reportable segments as discussed further within Note 10.

Real Estate Operations Segment
*Rental Income* – Rental income is recognized on a straight-line basis over the terms of the respective leases and consists of base rent and reimbursements for certain costs such as real estate taxes, utilities, insurance, common maintenance, and other recoverable costs as provided in the lease agreements. There are no contingent rents. If conditions of rent are not met, certain tenants may have rights to pay percentage rent not to exceed stated rent. Currently, there are a very limited number of tenants on percentage rent.

*Management Service Income* – The Company provides management and maintenance services to third parties, primarily the Company’s unconsolidated Claymont, DE and Bronx, NY properties. The Company is compensated for such services through a monthly management fee earned based on a specified percentage of the monthly rental income generated from the property under management. Property management services represent a series of distinct daily services rendered over time.

*Sales of Real Estate* – The Company recognizes sales of real estate as revenue at a point in time when control is transferred, and the Company has satisfied its performance obligation. For the years ended April 30, 2024 and 2023, the Company had real estate sales totaling $18,051,914 and $29,929,230, respectively. The cost of the property sold was $16,188,154 and $28,381,970 for 2024 and 2023, respectively. None of the property sold was otherwise providing significant ongoing cash flows to the Company.

**1. Summary of Significant Accounting Policies (continued):**

*Development Services* – The Company typically satisfies its performance obligation as services are rendered over time, measured by the ratio of costs incurred up to a given date to estimated total costs for each contract. This cost-to-cost measure is used because management considers it to be the best available measure of progress on these contracts.

*Construction Income* – Construction revenues are recognized as performance obligations are satisfied over time (formerly known as the percentage-of-completion method), measured by the ratio of costs incurred up to a given date to estimated total costs for each contract. This cost-to-cost measure is used because management considers it to be the best available measure of progress on these contracts.

*Other Revenues* – Other revenues primarily represent retail sales at the Company's establishments (liquor store and movie theater) it operated at the North Adams, MA shopping center that was sold on April 28, 2023. It also includes revenues from its new Bojangles restaurant that opened on January 4, 2024. The Company's movie theater was closed in January 2023 and the liquor store was closed on February 12, 2024. The Company recognizes these revenues at a point in time when control of the goods is transferred to its customers.

Fee for Service Segment:
*Preferred Developer Services* – The Company is party to preferred developer agreements with CVS, Cumberland Farms, and others. Under these agreements, the Company satisfies its performance obligation over time as services are provided. Fees are typically payable upon contractually defined events, like project milestones. Fees and reimbursable expenses related to the development of pharmacy stores for CVS during the years ended April 30, 2024 and 2023 were $402,250 and $482,500, respectively. Fees and reimbursable expenses earned for Cumberland Farms during the years ended April 30, 2024 and 2023 were $-0- and $210,000, respectively. Fees and reimbursable expenses earned for others during the years ended April 30, 2024 and 2023 were $40,000 and $350,000, respectively. These fees are included in service income in the consolidated statements of operations.

Accounts Receivable and Allowance for Credit Losses
The Company records accounts receivable for its unconditional rights to consideration arising from its performance under contracts with customers. The carrying value of such receivables, net of the allowance for credit losses, represents their estimated net realizable value. The Company evaluates the credit worthiness of customers prior to extending credit to customers. The Company records an allowance for credit losses that is estimated based upon historical account write-off trends, facts about the current financial condition of the debtor, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. The allowance for credit losses totaled approximately $65,000 as of April 30, 2024 and 2023, respectively. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component when it expects, at contract inception, that the period between the transfer of a promised service to a customer and when the customer pays for that service will be one year or less. The Company does not typically include extended payment terms in its contracts with customers.

Remaining Performance Obligations
Remaining performance obligations represent the aggregate transaction prices for contracts where the Company's performance obligations have not yet been satisfied. On April 30, 2024 and 2023, the Company had no remaining performance obligations relating to construction projects.

**1. Summary of Significant Accounting Policies (continued):**

Contract Assets and Contract Liabilities

Contract assets represent assets for revenue that has been recognized in advance of billing the customer and for which the right to bill is contingent upon something other than the passage of time. Included in contract assets are costs and estimated earnings in excess of billings, uninstalled materials, and other costs related to long-term construction contracts.

When the Company receives consideration, or such consideration is unconditionally due, from a customer prior to transferring services to the customer under the terms of the services contract, the Company records a contract liability. Included in contract liabilities are billings in excess of costs and estimated earnings and deferred revenue.

Such deferred revenue typically results from milestone payments pertaining to future services not yet rendered. The Company recognizes the contract liability as revenue once it has transferred control of service to the customer and all revenue recognition criteria are met.

Contract assets and contract liabilities are determined for each contract on a net basis. Contract liabilities totaling $150,000 as of April 30, 2024 and 2023, respectively, are included in deferred income in the accompanying consolidated balance sheets. The remaining balance of deferred income consists primarily of prepayments of monthly rent.

Contract Costs

Contract costs include all direct material, direct labor and benefits, materials unique to or installed in the project, subcontract costs and allocations of indirect construction costs. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined.

As long-term contracts extend over one or more years, revisions in estimates of costs and earnings during the course of the contract are reflected in the accounting period in which the facts that require the revision become known. Applying the contract cost practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that it otherwise would have recognized is one year or less.

Other Receivables and Payables

Pursuant to the Company's Preferred Developer Agreement with CVS, the Company is obligated to fund allowable costs incurred in connection with the identification and development of new retail pharmacy stores for which it receives direct reimbursements from CVS. Payables for allowable costs incurred in connection with these activities but not yet funded were $42,028 and $1,091,243 as of April 30, 2024 and 2023, respectively, and have been included as "Other payables" in the consolidated balance sheets. Related reimbursements due from CVS were $-0- and $1,043,736 as of April 30, 2024 and 2023, respectively, and have been included in "Other receivables" in the consolidated balance sheets.

Also included in "Other payables" as of April 30, 2024 and 2023 were $1,208,263, respectively, of cost reimbursements due upon completion of development projects.

**1. Summary of Significant Accounting Policies (continued):**

Cash and Cash Equivalents – Restricted

Cash and cash equivalents – restricted, includes funds received from CVS and others in connection with the Company's Preferred Developer Agreements. Such amounts are to be used for the payment of costs incurred by the Company for the development and construction of CVS and other stores. The restricted cash also includes Tenant Security Deposits held by Clarendon and Rockland. Finally, as of April 30, 2023, restricted cash also included amounts required to be held in cash management accounts as a result of the Company failing to meet certain covenants regarding timeliness of obtaining major tenant lease renewals at our Lubbock, TX and Edinburg, TX shopping centers. The covenants were met and there was no such restriction as of April 30, 2024.

Developed Properties, Equipment and Tenant Improvements

Developed properties, equipment and tenant improvements are recorded at cost.

Depreciation and amortization are provided using the straight-line method based on the following estimated useful lives.

| Description | Years |
|---|---|
| Developed properties | 15 – 40 |
| Equipment | 3 – 10 |
| Tenant improvements | Lesser of improvement life or lease term |

Expenditures for major renewals and betterments, which extend the useful lives of developed properties, equipment, and tenant improvements, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred.

Property Under Construction

The Company capitalizes costs directly associated with property under construction. Such costs include materials, construction labor and payroll cost, allocation of salaries, and payroll cost from direct activities such as engineering, purchasing, legal, and services provided by subcontractors. Material carrying costs for property taxes, insurance, and interest are also capitalized during the period of active construction until construction is substantially complete (see Note 3).

The Company capitalizes labor cost for direct work by offsite staff on specific projects. In the years ended April 30, 2024 and 2023, $407,954 and $357,140, respectively, was capitalized.

Notes Receivable

On April 28, 2023, the Company sold its shopping center in North Adams, MA for $2,000,000 (cost of $5,535,466). The Company received a promissory note from the buyer as consideration. The note bore interest at the "Wall Street Journal Prime Rate," as defined, and required the principal balance of the note be reduced monthly by the Net Cash Flow of the property, as defined, until the maturity date of September 30, 2023, at which time the outstanding principal and interest balance was payable in full. The balance of this note was $1,908,330 as of January 30, 2024, at which time the Company settled with the buyer for $1,627,812 and recorded a loss of $281,018.

## 1. Summary of Significant Accounting Policies (continued):

### Property Held for Sale

The Company classifies property as "held for sale" if management commits to sell the property and actively markets the property to potential buyers at fair market value, the property is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property, and the sale is probable within one year.

### Deferred Expenses

Expenditures directly related to real estate under consideration for development are deferred and included in deferred expenses in the consolidated balance sheets. These costs include option payments, attorney's fees, architect and engineering fees, consultants, etc., but only to the extent they are from outside sources. If development of the real estate commences, all the accumulated costs are reclassified to property under construction in the consolidated balance sheets. If the project is later abandoned, all the accumulated costs are charged to expense.

Leasing costs incurred, primarily commissions, are capitalized for signed leases and included in deferred expenses in the accompanying consolidated balance sheets. Such costs are amortized using the straight-line method over the terms of the related leases. The unamortized balance of such cost was $1,180,238 and $1,232,617 as of April 30, 2024 and 2023, respectively.

Amortization expense for the next five years and thereafter is expected to be as follows:

| Year Ending April 30, | |
|---|---|
| 2025 | $170,026 |
| 2026 | 168,317 |
| 2027 | 147,405 |
| 2028 | 122,119 |
| 2029 | 111,317 |
| Thereafter | 461,054 |
| Total | $1,180,238 |

### Investment in Affiliated Entities

The Company has an investment in an affiliated limited liability entity Dover Parkade, LLC ("Dover"). The Company has a 50% interest in Dover, which owns a shopping center in Dover Township, NJ. The operating and financial policies of Dover are not controlled by the Company. For years prior to May 1, 2009, the Company was committed to provide funding to this equity method investee. The Company's investment was recorded at cost and subsequently adjusted for its share of their net income and losses and distributions. Through April 30, 2009, losses and distributions from Dover exceeded the Company's investment and the Company's investment balance was reduced below $0 and recorded as a liability. Beginning May 1, 2009 and through April 30, 2022, distributions from Dover were credited to income and any additional losses were not allowed to further reduce the investment balance. As of April 30, 2022, the investment was no longer in a liability position and distributions are now recorded as a reduction of the investment and not as income. Regardless of operations, the investment will not be reduced below $0 from this point forward. The resulting carrying value of this investment of $833,676 and $327,472 as of April 30, 2024 and 2023, respectively, is included in Investment in affiliates. The Company recorded equity in earnings of unconsolidated subsidiaries of $896,204 and $496,608 related to Dover for the years ended April 30, 2024 and 2023, respectively. Distributions received were $390,000 and $360,000 for the years ended April 30, 2024 and 2023, respectively.

## 1. Summary of Significant Accounting Policies (continued):

Investment in Affiliated Entities (continued)

On October 4, 2011, the Company entered into a partnership with a nonprofit entity which purchased a 99-year leasehold interest in a 208-unit subsidized housing project in Claymont, Delaware. The Company is a non-controlling .01% limited partner in the entity. The Company's investment is carried at cost of $100. A subsidiary of the Company is the managing agent.

On April 19, 2018, a subsidiary of the Company invested in a limited liability company that purchased a 100-unit subsidized housing property in the Bronx, NY for $14,900,000. The Company, through this investment, is a non-controlling .005% Class B member in the limited liability company. The subsidiary's investment in the housing property is carried at cost of $100. The managing member has delegated the management of the property to the Company, for which it is being paid a property management fee equal to 4% of operating revenue of the housing property. The Company, through a wholly-owned subsidiary, was the general contractor for the renovation of this property, which cost approximately $9,458,000. Finally, a developer fee of $3,669,000 will be paid to a subsidiary of the Company. The first installment of this developer fee ($350,000) was paid upon closing; the second installment ($324,119) was paid upon conversion to permanent financing; the third installment ($524,758) was paid in fiscal 2021 upon satisfaction of various conditions. The balance of the developer fee, $2,470,123, was to be paid over 15 years contingent upon sufficient net cash flows of the property; of this amount, $1,227,930 has been paid leaving an additional $1,242,193 to be received. Future receipts will be recorded to revenue upon receipt.

On June 8, 2021, the Company's joint venture, CP Associates, LLC, distributed assets (the Former School Property and the Restaurant parcels in Cranston, RI, excluding the police station parcel) to its Members as Tenants in Common. Also on June 8, 2021, the Company's joint venture, Trolley Barn, LLC, distributed its assets (vacant land in Cranston, RI, "Trolley Barn") to its Members as Tenants in Common and was dissolved. After these transactions, one of the Members of these three properties, Brewery Parkade, which is a wholly-owned subsidiary of the Company, directly owned 50% of each of these properties. Tenancy in common provides each holder a distinct, separately transferable interest in the property. While these changes had no impact on the Company's net income (loss), the financial statements were impacted in that, while these properties were previously consolidated, they were instead accounted for using the equity method of accounting since the Company did not have the stand-alone power to make decisions regarding the financing, development, sale, or operations of these properties.

On April 7, 2022, the Former School Property was sold for $16,000,000. The Company's 50% share on the profit on this sale was $5,909,208 and $6,020,849 was distributed to the Company. There remains approximately 2.96 acres of land within that tenancy in common. As of May 1, 2022, the Company's wholly-owned subsidiary, Brewery Parkade, Inc., directly owned 50% of three properties under Tenancy in Common, including land adjacent to a school (the Former School Property), a restaurant, and vacant land (Trolley Barn).

On March 31, 2023, the Company exchanged its 50% interest in the Restaurant property for the other 50% interest in the Trolley Barn tenancy in common. As part of the transaction, the Company paid $1,250,000, which represented the difference between the fair value of the Restaurant property given up and the Trolley Barn property acquired, plus additional transaction costs totaling $50,542. As a result of the transaction, the Company owns 100% of the Trolley Barn property and is now consolidating the assets and liabilities related to this property in its financial statements and the only remaining Tenancy in Common is the Former School Property. There was no gain or loss resulting from this transaction.

## 1. Summary of Significant Accounting Policies (continued):

Investment in Affiliated Entities (concluded)

Below is the financial activity in these properties from May 1, 2022 through April 30, 2023.

| | Former School Property | Restaurant | Trolley Barn | Total |
|---|---|---|---|---|
| Investment, May 1, 2022 | $1,030,309 | $108,884 | $252,491 | $1,391,684 |
| Equity (loss) in earnings | (578,243) | 67,670 | (18,905) | (529,478) |
| Exchange of ownership | -0- | (176,554) | (233,586) | (410,140) |
| Investment, April 30, 2023 | $452,066 | $ -0- | $ -0- | $452,066 |

Below is the financial activity in the former school property from May 1, 2023 through April 30, 2024.

| | Former School Property |
|---|---|
| Investment, May 1, 2023 | $452,066 |
| Equity in earnings | 18,348 |
| Distributions | (36,875) |
| Investment, April 30, 2024 | $433,539 |

Fair Value Measurements

Certain assets and liabilities are presented at fair value on a recurring basis. In addition, fair values are disclosed for certain other assets and liabilities. In all cases, fair value is determined using valuation techniques based on a hierarchy of inputs. A summary of the hierarchy follows:

- Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant observable inputs are available, either directly or indirectly such as interest rates and yield curves that are observable at commonly quoted intervals; and

- Level 3 – Prices or valuations that require inputs that are unobservable.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company’s financial instruments include cash and cash equivalents, accounts receivable, marketable securities, accounts payable, accrued expenses and debt. The fair values of accounts receivable, accounts payable and accrued expenses are estimated to approximate their carrying amounts because of their relative short-term nature. In general, the carrying amount of variable rate debt approximates its fair value. Further, the carrying amount of fixed rate debt approximates fair value debt since the interest rates on the debt approximates the Company’s current incremental borrowing rate. Information about the fair values of marketable securities and derivative liabilities is presented below.

## 1. Summary of Significant Accounting Policies (continued):

Fair Value Measurements (continued)

*Level 1*

Marketable Securities – Common and Preferred Stocks

The Company determines the appropriate classifications of its investments in marketable debt and equity securities at the time of purchase and re-evaluates such determinations at each balance sheet date. As of April 30, 2024 and 2023, investments consist of equity securities, which are classified as available for sale. Investments in marketable securities are stated at fair value of $90,320 and $84,680 as of April 30, 2024 and 2023, respectively (cost of $175,541 and $175,541). Fair value for marketable securities is based on the last sale of the period obtained from recognized stock exchanges (i.e., Level 1). Net unrealized holding gains and temporary losses on equity securities are included in net earnings. Gains or losses on securities sold are based on the specific identification method.

*Level 2*

Derivative Instruments

The Company, through its 50% owned consolidated subsidiaries, has entered into two separate floating-to-fixed interest rate swap agreements with banks that expire in May 2025 and July 2031.

On June 1, 2019, the Company, through a wholly-owned subsidiary, entered into a separate floating-to-fixed interest rate swap agreement with a bank that expires January 2029.

On March 16, 2023, the Company, through two wholly-owned subsidiaries, entered into two separate floating-to-fixed interest rate swap agreements with a bank that expire in April 2028.

The Company has determined that these derivative instruments do not meet the requirements of hedge accounting and have therefore recorded the change in fair value of these derivative instruments through income.

The gain on derivatives incurred during the years ended April 30, 2024 and 2023 totaled $814,143 and $1,652,914, respectively, and the Company has recorded an asset of $1,796,476 and $982,333 in the consolidated balance sheets, which represents the fair value of the interest rate swaps as of April 30, 2024 and 2023, respectively.

The following table presents information about the Company's respective assets and liabilities measured at fair value on a recurring basis on April 30, 2024 and 2023, including the fair value measurements and the level of inputs used in determining those fair values:

| **April 30, 2024** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| U.S. Equity Securities | $90,320 | $-0- | $ -0- | $90,320 |
| Interest Rate Swap Agreements | -0- | 1,796,476 | -0- | 1,796,476 |
| | $90,320 | $1,796,476 | $-0- | $1,886,796 |

| **April 30, 2023** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| U.S. Equity Securities | $84,680 | $-0- | $ -0- | $84,680 |
| Interest Rate Swap Agreements | -0- | 982,333 | -0- | 982,333 |
| | $84,680 | $982,333 | $-0- | $1,067,013 |

## 1. Summary of Significant Accounting Policies (concluded):

Fair Value Measurements (concluded)

The Company recognizes transfers between levels within the hierarchy as of the beginning of the reporting period. There have been no significant transfers between levels within the hierarchy for the years ended April 30, 2024 and 2023.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount might not be recovered. When impairment indicators are identified, the Company reduces the carrying value of the asset or group of assets, to the undiscounted expected cash flows through a charge to impairment loss in the current period.

Earnings (loss) per share (EPS)

Basic earnings (loss) per share amounts are determined using the weighted-average outstanding common shares for the year. Diluted earnings (loss) per share amounts include the weighted-average outstanding common shares as well as potentially dilutive common stock options and warrants using the "treasury stock" method. There were no options outstanding on April 30, 2024 or April 30, 2023.

Income Taxes

Deferred income taxes are provided on the differences between the financial statement and income tax bases of assets and liabilities and on net operating loss carryforwards using the enacted tax rates. A valuation allowance is provided for deferred income tax assets for which realization is not likely in the near term.

As of April 30, 2024 and 2023, the Company had no significant uncertain income tax positions. The Company recognizes interest and penalties on any uncertain income tax positions as a component of income tax expense. During the years ended April 30, 2024 and 2023, the Company did not recognize any interest or penalties related to unrecognized tax benefits.

The Company's tax returns generally remain open to examination by Federal, local, and state authorities for the prior three years.

## 2. Consolidated Variable Interest Entities

The Company's consolidated financial statements include the accounts of Rockland and Clarendon. The Company had historically consolidated Rockland and Clarendon based on the express legal rights and obligations provided to it by the underlying partnership agreements and its control of their business activity.

Prior to May 19, 2023, Connolly and Partners, LLC (a wholly-owned subsidiary of the Company) had a .01% ownership interest in and was a general partner of Rockland. Connolly and Partners, LLC also owned 49% of Clarendon Hill Somerville, LLC, which owned .01% of and was the general partner of Clarendon.

On May 19, 2023, the Company bought out the 99.99% limited partnership interests in both Rockland and Clarendon for $930,140 and $2,200,735, respectively. After these transactions, the Company owns 100% and 99.99%, respectively, of Rockland and Clarendon. There were no income statement impacts resulting from these equity transactions.

**2. Consolidated Variable Interest Entities (continued):**

Rockland owns and operates a rental housing project consisting of 204 units located in Rockland, Massachusetts. Clarendon owns and operates a 501-unit apartment complex in Somerville, Massachusetts. Both projects were renovated and are managed by the Company. Renovation costs were financed with loans from MHFA, subsidies from U.S. Department of Housing and Urban Development (HUD) and limited partner capital contributions.

Each building of the projects qualifies for low-income housing credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements. Each building of the projects must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. In addition, Rockland and Clarendon have executed an Extended Low-Income Housing Agreement, which requires the utilization of each project pursuant to Section 42 through the compliance period, even if Rockland or Clarendon disposes of the project.

Each project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

Rockland and Clarendon ceased to be VIEs on May 19, 2023.

A summary of the assets and liabilities of Rockland and Clarendon included in the Company's consolidated balance sheets as follows:

| | April 30, 2024 | April 30, 2023 |
|---|---|---|
| Real estate and equipment, net | $60,229,339 | $60,019,059 |
| Other assets | 34,180,996 | 6,912,370 |
| Total assets | 94,410,335 | 66,931,429 |
| | | |
| Intercompany profit elimination | (1,794,572) | (1,931,156) |
| Consolidated total assets | $92,615,763 | $65,000,273 |
| | | |
| Mortgages and other notes payable | $88,005,577 | $59,599,653 |
| Other liabilities | 6,260,351 | 6,197,704 |
| Total liabilities | $94,265,928 | $65,797,357 |

Substantially all assets of Rockland and Clarendon are pledged as collateral for its debt. The recourse of the holders of the mortgages and other notes payable is limited to the assets of Rockland and Clarendon. Combined revenues for Rockland and Clarendon were $15,654,236 for the year ended April 30, 2024 and $13,592,933 for the year ended April 30, 2023. The combined net loss for Rockland and Clarendon was $831,490 for the year ended April 30, 2024 and $1,746,261 for the year ended April 30, 2023. Since the Company's ownership interest in both entities was nominal prior to the buyout, substantially all such losses were allocated to the noncontrolling interests in the consolidated financial statements for the year ended April 30, 2023.

**3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit:**

Information about the Company's debt follows:

| | 2024 | 2023 |
|---|---|---|
| Construction loans and mortgages payable with interest rates ranging from zero to 12.00% at April 30, 2024 and 2023 and maturities at various dates through 2059. | $223,584,619 | $202,101,796 |
| Mortgages payable – held for sale with interest rates ranging from 3.41% to 7.25% at April 30, 2024 and 2023 and maturities through 2056. | 19,791,313 | -0- |
| Notes payable with interest rates ranging from zero to 4.40% at April 30, 2024 and 2023 and maturities ranging from 2030 to 2059. | 1,704,697 | 1,704,697 |
| Lines of credit with interest rates ranging from 8.26% to 8.50% at April 30, 2024 and 2023 and maturities at various dates through 2025. | 9,970,000 | 2,375,000 |
| | 255,050,629 | 206,181,493 |
| Less deferred debt issuance costs | (3,155,160) | (2,262,204) |
| | $251,895,469 | $203,919,289 |

For the years ended April 30, 2024 and 2023, $726,445 and $299,771 of interest related to various development and construction projects was capitalized.

Aggregate principal payments due on the above debt for each of the years succeeding April 30, 2024 are as follows:

| Year Ending April 30, | |
|---|---|
| 2025 | $48,701,928 |
| 2026 | 41,963,034 |
| 2027 | 43,202,032 |
| 2028 | 26,983,565 |
| 2029 | 11,790,848 |
| Thereafter | 82,409,222 |
| | $255,050,629 |

Substantially all real estate owned is pledged as collateral for construction and mortgage loans.

## 3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit (continued):

*Mortgage and Construction Loans*

*Fiscal Year 2024 Activity:*

*Austin, TX (Easton Park) - Construction Loan:* On May 19, 2023, the Company obtained a construction loan on its property in Austin, TX. The construction loan totals $6,310,000 and is being used for sitework and to construct a retail building. Key terms of the construction loan are as follows:

| | |
|---|---|
| Maximum Loan Amount: | $6,310,000 |
| Maturity Date: | May 18, 2028 |
| Interest Rate: | The greater of a) 5.00% or b) the Prime Rate published in the Wall Street Journal plus 0.50%. |
| Payments: | Interest only payable monthly through October 18, 2024. Thereafter, monthly principal and interest payments (may be adjusted by the Lender upon changes in the interest rate to maintain a 42-month amortization) until the Maturity Date, at which point all remaining principal and interest is payable. |
| Prepayment: | No prepayment penalties unless amounts paid are financed from another lender or third party, in which case penalties of 1%-3% of outstanding principal balances must be paid. |
| Guarantee: | The Company (Corporate). |

*Cranston, RI - Construction Loan:* On July 27, 2023, the Company obtained a $6,000,000 construction loan for sitework at its Trolley Barn property in Cranston, RI. The interest rate on the loan during the Construction Phase, which shall end no later than February 1, 2025, is the One-Month Term SOFR rate plus 2.75%. The monthly loan payments are interest-only during the Construction Phase. Thereafter, the interest rate on the loan during the Permanent Phase is the One-Month Term SOFR rate plus 1.75%, with principal and interest payments payable monthly using a 30-year amortization period. A prepayment fee of 0.25% of the amount prepaid is due if made during the Construction Phase or the first twenty-four months of the Permanent Phase. The maturity date is February 1, 2035 at which time any remaining principal balance is due. The Company is also a guarantor on this loan.

*Wylie, TX - Construction Loan:* On September 14, 2023, the Company obtained a $2,000,000 construction loan for a new building at its Wylie, TX property. The new building is now being used for a Bojangles restaurant, which is owned and operated by a subsidiary of the Company and opened on January 4, 2024. Monthly payments will be interest-only through March 2025. Starting in April 2025, monthly principal and interest payments will be made using a 25-year amortization period until the maturity date of March 2035, at which point any remaining principal and interest payable will be due. The interest rate on the loan is the Prime Rate, as defined, plus 0.50% through March 2025. Thereafter, the interest rate will be adjusted to the “Secure Connect Amortizing Rate,” as defined, plus 2.50%. A prepayment premium of 3%, 2%, and 1% is payable if the loan is prepaid in years 1, 2 and 3-7, respectively. There is no prepayment premium after year 7. All prepayments must be in full payment of the outstanding principal balance. The Company and two of its subsidiaries are also guarantors of this loan.

**3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit (continued):**

*Clarendon Hill Somerville, LP – Refinance:* On March 20, 2024, Clarendon Hill Somerville, LP executed a First Mortgage Note payable with the Massachusetts Housing Finance Agency (MHFA) in the amount of $50,986,200. The note is nonrecourse, has a 35-year term, and requires monthly payments of principal and interest of $304,541. The interest rate is fixed at 6.40%. The proceeds of the note were used to pay off its previous First Mortgage Note with MHFA with a principal balance of $19,155,636, pay off its Flexible Subsidy Capital Improvement (FSCI) loan with a principal balance of $2,279,216, reduce its Rental Housing Development Action (RDAL) loan by $900,000, and reduce its Capital Improvement and Preservation Fund (CIPF) loan by $600,000. The proceeds also funded closing costs and certain escrows that are being used to fund the redevelopment of the complex. There was a defeasance loss of $108,442 recorded as part of this refinancing and prepayment fees of $193,043.

*Houston, TX (West Lake) - Construction Loan:* On March 27, 2024, the Company obtained a $8,765,078 construction loan for a new single-tenant building at its Houston, TX property. Monthly payments will be interest-only through April 2025. Starting in April 2025, monthly principal and interest payments of $74,234 will be made until the maturity date of March 2027. The interest rate on the loan is 9.50%. A prepayment premium of 3%, 2%, and 1% is payable if the loan is prepaid in years 1, 2 and 3, respectively. The Company is the guarantor of this loan.

*Austin, TX (Easton Park West) - Construction Loan:* On April 9, 2024, the Company obtained a $4,000,000 construction loan to build a single-tenant building at its property in Austin, TX. The interest rate on the loan is One-Month Term SOFR plus 3.00% through the Initial Maturity Date of October 9, 2025. Payments during this period are interest-only with full payment of principal at the Initial Maturity Date. If certain conditions are met, there is an option to extend the Initial Maturity Date to April 30, 2028, in which case there would be a replacement note that would require monthly principal and interest payments using a 20-year amortization period with an interest rate fixed by an interest rate swap at a maximum rate of 7.50%. The Company is also a guarantor on this loan.

*Fiscal Year 2023 Activity:*

*West Springfield, MA – Refinance:* On May 16, 2022, the Company refinanced its mortgage loan on its property in West Springfield, MA. The prior loan, which had a balance of $9,891,738, was replaced by another loan of $12,000,000. There was a defeasance loss of $403,227 recorded as part of this refinancing. The new loan has a fixed interest rate of 4.50% and matures on May 16, 2032. Principal and interest shall be amortized over 360 months and paid monthly with the remaining balance due on the maturity date. A prepayment premium of 3.0%, 2.0%, and 1.0% is payable if any portion of the loan is prepaid in years 1, 2, and 3-10, respectively. The Company is a guarantor on the loan.

*North Adams, MA – Loan Payoff:* On June 23, 2022, the Company paid $3,000,000 to Protective Life Insurance Company to settle its mortgage loan on its North Adams, MA shopping center. The loan had a principal balance of $6,780,042 at the time of settlement, resulting in a gain on forgiveness of debt totaling $3,662,813.

*Edinburg, TX – Refinance*: On June 27, 2022, the Company paid $6,733,434 to Protective Life Insurance Company to settle its mortgage loan on its Edinburg, TX shopping center, resulting in a gain on forgiveness of debt totaling $3,787,556. The loan, which had a principal balance of $10,520,990, was replaced by a term loan of $6,732,800 from a different bank. The new mortgage loan has a five-year term and an interest rate equal to the Prime Rate plus 0.50% per annum (but in no event will the resulting rate be less than 3.50%). Principal payments of $1,346,560 are due annually and any amounts received related to a prepayment and related partial release of the collateral will be applied to the next principal payment. Interest on outstanding principal balances is payable monthly. There are no prepayment penalties.

## 3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit (concluded):

*Plainfield, CT – Refinance*: On July 21, 2022, the Company refinanced its mortgage loan on its property in Plainfield, CT. The prior loan, which had a balance of $5,500,752, was replaced by another loan of $6,240,000. There was a defeasance loss of $195,837 recorded as part of this refinancing. The new loan has a fixed interest rate of 4.625% and matures on May 1, 2032. Principal and interest shall be amortized over 360 months and paid monthly with the remaining balance due on the maturity date. A prepayment premium of 3.0%, 2.0%, and 1.0% of the original amount of the note is payable if any portion of the loan is prepaid in years 1-2, 3-4, and 5-10, respectively. The Company is a guarantor on the loan.

*Del Valle, TX / Austin, TX – Conversion to Mortgage Loans*: On March 31, 2023, the Company converted two construction loans with a combined balance of $10,515,000 into two mortgage loans with the same lender. The new loans have a variable rate based on the benchmark One Month CME TERM SOFR IMO plus 2.0%. The variable rate on both loans has been fixed at 5.72% via two interest rate swaps. Both loans require monthly payments of principal (starting at $15,500 combined and adjusted annually, ultimately rising to $19,700) based on a payment schedule plus interest, until maturity at April 30, 2028, at which point a combined balloon payment of $9,456,600 is payable. There are no prepayment penalties. The Company is a guarantor on the loan.

<u>*Lines of Credit*</u>
On April 19, 2017, the Company entered into an unsecured line of credit with a regional bank. This line of credit, as amended, was subsequently increased to $5,000,000 on May 19, 2022. Updated terms of the line of credit are as follows:

| | |
|---|---|
| Term: | Matures on May 1, 2025 |
| Rate: | One-Month Term Secured Overnight Financing Rate (SOFR) + 3.25% per annum |
| Unused Fee: | 0.25% annually on the unused line |
| Guarantee: | Full guarantee by the Chairman of the Company (Individual) |
| Deposits: | Must maintain a minimum of $500,000 at bank |
| Covenants: | Company must maintain a minimum liquidity of $2,500,000 |
| Other: | Each funding request to be at the sole discretion of the bank and only to acquire credit tenanted properties. |
| Clean Up: | Borrower to be out of debt once each year for at least 30 days. |

As of April 30, 2024 and 2023, the Company had borrowings of $4,990,000 and $1,375,000, respectively, against this credit line.

On May 10, 2021, the Company obtained an unsecured credit line with a regional bank that is used primarily to fund initial investments related to development opportunities. The interest rate on this loan is the Prime Rate per the Wall Street Journal (with floor of 3.25%). The credit line is subject to annual review and balances are due on demand (90-day notice). Interest is to be paid monthly; principal is to be repaid within ninety days upon notice by the lender. On March 1, 2023, this line of credit was increased from $3,000,000 to $5,000,000. As of April 30, 2024 and 2023, the Company had borrowings of $4,980,000 and $1,000,000, respectively, against this credit line.

## 4. Related Party Transactions:

Parkade Center Inc. (a wholly owned subsidiary of First Hartford Corporation) has a 1.99% interest in Hartford Lubbock Parkade LP II, a partnership, which owns a shopping center in Lubbock, TX. Lubbock Parkade Inc., a wholly owned subsidiary of Journal Publishing Inc., owns 98.01% of the Partnership. Journal Publishing Inc. is owned by Neil H. Ellis, the Chairman of First Hartford Corporation through his ownership of Green Manor Corporation. First Hartford Realty Corporation manages the property and receives a 4% management fee, which is the industry norm for a shopping center.

For the years ended April 30, 2024 and 2023, Parkade Center Inc. and First Hartford Realty Corporation earned the following:

| | 2024 | 2023 |
|---|---|---|
| Management Fee (at 4%) | $62,650 | $55,461 |

For the years ended April 30, 2024 and 2023, Parkade Center Inc. received distributions of $10,293 and $7,576, respectively. For the years ended April 30, 2024 and 2023, Lubbock Parkade Inc. received distributions of $346,955 and $250,000, respectively, from Hartford Lubbock LP II.

Included in amounts due to related parties and affiliates is $265,310 and $299,389 payable to the Cranston, RI Former School Property tenancy-in-common on April 30, 2024 and 2023, respectively. This tenancy-in-common is an unconsolidated equity investment, as discussed in Note 1. The amount due represents cash flow received by CP Associates, LLC, a 50%-owned consolidated subsidiary of the Company, that are attributed to the operations of the tenancy-in-common entity.

## 5. Employee Retirement Plan:

The Company has a 401(k) Plan for its employees. Under this plan, all employees over 18 years of age, working at least 30 hours weekly are eligible to participate. Participants are eligible to defer earnings to the extent of IRS regulations. The Company matches up to 4% of each participating employee's annual salary. Pension expense was $213,476 and $204,995 for the years ended April 30, 2024 and 2023, respectively.

**6. Income Taxes:**

The provision (benefit) for income taxes consists of:

| | 2024 | 2023 |
|---|---|---|
| Current Federal income taxes | $(680,249) | $847,460 |
| Current State income taxes | 8,413 | (234,702) |
| Deferred Federal income taxes | (1,305,352) | (7,006) |
| Deferred State income taxes | (313,077) | (1,668) |
| | $(2,290,265) | $604,084 |

The net deferred income tax asset (liability) consists of:

| | | |
|---|---|---|
| Tax effect of net operating loss carry-forwards | $2,473,967 | $-0- |
| Basis in fixed assets | (4,197,192) | (3,699,482) |
| AMT credits | -0- | 9,571 |
| Rent receivable | (166,441) | (137,887) |
| Investments in partnerships | (1,073,362) | (1,137,655) |
| Investments in partnerships | 131,462 | -0- |
| Unrealized gain on derivatives | (280,637) | (69,676) |
| Impairment loss | -0- | 307,752 |
| Other | 4,037 | 782 |
| | $(3,108,166) | $(4,726,595) |

A reconciliation of the provision (benefit) for income taxes with amounts determined by applying the statutory U.S. Federal income tax rate to income before income taxes is as follows:

| | 2024 | 2023 |
|---|---|---|
| Federal statutory rate (21.0%) | $(1,469,419) | $691,802 |
| State tax – net of Federal effect | 8,413 | (234,702) |
| Losses (income) attributable to noncontrolling interests in pass-through entities | (321,384) | 93,778 |
| Other | (507,875) | 53,206 |
| Provision (benefit) for income taxes | $(2,290,265) | $604,084 |

## 7. Leases of Property:

Lessee Arrangements

The Company does not have any significant lessee arrangements.

Lessor Arrangements

The Company leases commercial and residential real estate to tenants under various operating leases expiring through 2045.

Rental income for the years ended April 30, by type of tenant, follows:

| | 2024 | 2023 |
|---|---|---|
| Residential | $15,654,236 | $13,592,933 |
| Commercial | 20,704,997 | 20,508,248 |
| | $36,359,233 | $34,101,181 |

Minimum future rentals to be received on non-cancellable commercial real estate leases are as follows:

| Year Ending April 30, | |
|---|---|
| 2025 | $15,476,975 |
| 2026 | 14,395,149 |
| 2027 | 13,231,783 |
| 2028 | 11,735,556 |
| 2029 | 9,504,969 |
| Thereafter | 40,860,467 |
| Total | $105,204,899 |

The following table shows the location, general character, ownership status, and cost of the materially important physical properties of the Company.

**7. Leases of Property (continued):**

**Consolidated Subsidiaries – Commercial Properties:**

| Company Managed | Location of Properties | Use | Available Space or Facilities and Major Tenants | Ownership Status | Cost |
|---|---|---|---|---|---|
| X | Edinburg, TX | Shopping Center | 487,674 sq. ft. JC Penney 21% Academy Sports 16% Burlington Coat Factory 16%, Effective rent per sq. ft. occupied, exclusive of JC Penney (JC Penney owns its building) is $11.35, 98% occupied | 100% owned by a subsidiary of the Company, except JC Penney building. | $54,196,794 |
| X | West Springfield, MA | Shopping Center | 144,350 sq. ft. Price Rite 28% Big Lots 21% Harbor Freight 12%, Effective rent per sq. ft. occupied is $10.28, 97% occupied | 100% owned by a subsidiary of the Company. | 8,455,693 |
| X | Plainfield, CT | Strip Shopping Center | 60,154 sq. ft. Big Y 76%, Effective rent per sq. ft. occupied is $12.63, 93% occupied | 100% owned by a subsidiary of the Company. | 5,365,135 |
| X | New Orleans, LA | Strip Shopping Center | 37,671 sq. ft. Marshalls 53%, Petco 33%, Effective rent per sq. ft. occupied is $23.02, 100% occupied | 100% owned by a subsidiary of the Company. | 9,201,659 |
| | Cranston, RI | Shopping Center | 255,365 sq. ft. Stop & Shop 26%, Burlington Coat Factory 18%, Edge Fitness 14%, Effective rent per sq. ft. occupied is $14.93 98% occupied | 50% owned by a subsidiary of the Company. | 37,073,816 |

**7. Leases of Property (continued):**

**Consolidated Subsidiaries – Commercial Properties:**

| Company Managed | Location of Properties | Use | Available Space or Facilities and Major Tenants | Ownership Status | Cost |
|---|---|---|---|---|---|
| | Cranston, RI | Police Station | 60,000 sq. ft. Leased to City of Cranston, Effective rent per sq. ft. occupied is $17.75 100% occupied | 50% owned by a subsidiary of the Company. | 10,132,902 |
| X | Lubbock, TX | Shopping Center | 160,531 sq. ft. Mardel 25%, TJ Maxx 19%, Effective rent per sq. ft. occupied is $10.50, 100% occupied | 2.0% owned by a subsidiary of the Company. | 6,947,012 |

The properties listed above contain approximately 1,205,745 rentable sq. ft., of which approximately 19,574 sq. ft., or approximately 2%, was vacant on April 30, 2024. Over the next 10 years, 76 of the current 80 leases will expire as follows:

| Year Ended | Number of Leases | Sq. Ft. | Base Rent | Percentage of Base Rent |
|---|---|---|---|---|
| 4/30/25 | 15 | 196,217 | $1,865,277 | 13.57% |
| 4/30/26 | 8 | 89,565 | $1,027,536 | 7.48% |
| 4/30/27 | 18 | 89,330 | $1,756,314 | 12.78% |
| 4/30/28 | 10 | 103,514 | $1,304,216 | 9.49% |
| 4/30/29 | 10 | 271,706 | $3,393,125 | 24.69% |
| 4/30/30 | 3 | 56,251 | $821,374 | 5.98% |
| 4/30/31 | 3 | 3,638 | $73,380 | 0.53% |
| 4/30/32 | 4 | 22,763 | $526,702 | 3.83% |
| 4/30/33 | 3 | 123,310 | $1,756,666 | 12.78% |
| 4/30/34 | 2 | 25,905 | $86,100 | 0.63% |

Total rental income of these properties for the year ended April 30, 2024 was $17,755,604, of which $4,073,966 is allocated for reimbursement of real estate taxes, common area expenses, and insurance expenses.

The Company does not have any individual tenants that account for 5% or more of the Company's revenues.

**7. Leases of Property (continued):**

**Consolidated Subsidiaries – Residential Properties:**

| Company Managed | Location of Properties | Use | Available Space or Facilities and Major Tenants | Ownership Status | Cost |
|---|---|---|---|---|---|
| X | Somerville, MA | Apartments | 501 units, low to moderate income, 95% occupied, effective sq. ft. rent - $37.15 | 99.99% owned by a wholly owned subsidiary of the Company. | 56,200,913 |

**Non-Consolidated Subsidiaries:**

| Company Managed | Location of Properties | Use | Available Space or Facilities and Major Tenants | Ownership Status | Cost |
|---|---|---|---|---|---|
| X | Claymont, DE | Apartments | 208 units, senior housing, 100% sec 8 subsidized, 97% occupied, effective sq. ft. rent - $26.82 | Nonconsolidated, .01% owned by a wholly owned subsidiary of the Company. | 11,377,291 |
| X | Bronx, NY | Apartments | 99 units, senior housing, 100% sec 8 subsidized, 98% occupied, effective sq. ft. rent - $45.80 | Nonconsolidated, .005% owned by a wholly owned subsidiary of the Company. | 33,465,462 |
| | Dover Township, NJ | Shopping Center | 108,084 sq. ft.<br>Stop & Shop 52%<br>Dollar Tree 9%<br>Plus Outparcels | 50% owned by a subsidiary of the Company. | 14,723,673 |
| | Cranston, RI | Excess Land (School sold April 7, 2022) | Land (2.96 acres) | Tenancy-in-common (50% owned). | 1,128,872 |

In addition to the materially important physical properties of the Company listed above, the Company owns several other properties that are being developed or may be developed in the future as opportunities arise. Many of these other properties involve ground lease or build-to-suit deals. In some cases, the land being developed is solely for a single entity, in other cases the land is primarily for a single entity with some excess land retained for future development, and in other cases the land is banked for future potential development. Generally, the Company looks to sell the properties within twelve months after development is completed but, in some cases, properties may be held for a longer period of time depending on market and other conditions.

**7. Leases of Property (continued):**

**Consolidated Subsidiaries – Development Properties:**

| Location of Properties | Use | Anticipated Completion Date | Cost Incurred to Date |
|---|---|---|---|
| Little Ferry, NJ | Single tenant building | Completed | 11,469,000 |
| Del Valle, TX | Single tenant build-to-suit plus ground lease | Completed | 6,021,184 |
| Wylie, TX | Bojangles (Company-owned and operated) restaurant | Completed | 2,511,103 |
| Magnolia, TX (Woodlands) | Single tenant build-to-suit plus 2.27 acres of land – can support 15,000 sq. ft. | FY 2025 | 8,281,981 |
| Houston, TX (West Lake) | 14.24 acres of land – can support 60,000 sq. ft. development | FY 2025 | 10,497,737 |
| Montgomery, TX | 17.09 acres of land plus two strip malls – can support 130,000 sq. ft. development | FY 2025 - 2028 | 12,091,519 |
| Katy, TX (Cinco Ranch) | 4.19 acres of land – can support 30,000 sq. ft. development | FY 2025 | 4,810,566 |
| Austin, TX (Easton Park West) | 3.95 acres of land – can support 20,000 sq. ft. development | FY 2025 | 3,108,214 |
| Austin, TX (Easton Park) | Single tenant build-to-suit plus 8.55 acres of land – can support 50,000 sq. ft. development | FY 2025 | 14,457,528 |
| Mansfield, TX | 5.90 acres of land – can support 20,000 sq. ft. development | FY 2025 | 4,009,207 |
| Humble, TX | 2.62 acres of land – can support 10,000 sq. ft. development | FY 2025 | 1 |

## 7. Leases of Property (continued):

**Consolidated Subsidiaries – Development Properties (continued):**

| Location of Properties | Use | Anticipated Completion Date | Cost Incurred to Date |
|---|---|---|---|
| Buda, TX | 9.72 acres of land – can support 20,000 sq. ft. development | FY 2025 | 5,191,624 |
| Cranston RI | 6.61 acres of land – can support 50,000 sq. ft. development | FY 2025 | 6,935,493 |
| All Other Properties Held | | | 330,219 |
| | | | |
| Total cost of developed properties and property under construction (excludes non-consolidated subsidiaries) | | | $277,289,300 |

The Company also owns property it is currently holding for sale. The properties include a 1.25 acre lot in Austin, TX (Easton Park West), it's remaining land in Spring, TX (Glennloch), a 0.71 acre lot in Houston, TX (West Lake), a 1.00 acre lot in Magnolia, TX (Woodlands), and its residential property in Rockland, MA. The cost of these properties as of April 30, 2024 was $20,164,438. As of April 30, 2023, the Company owned two properties classified as held for sale totaling $3,761,335.

## 8. Investments in Affiliates:

Summarized financial and other information for the Company's investment in Dover Parkade, LLC (Dover) follows:

**Dover – New Jersey:**

As of and for the years ended April 30,
Company ownership – 50%

| | 2024 | 2023 |
|---|---|---|
| Assets | $12,622,506 | $11,925,811 |
| Liabilities | 21,162,266 | 21,477,978 |
| Members' deficit | (8,539,760) | (9,552,167) |
| Revenue | 3,069,708 | 2,786,267 |
| Operating expenses | 1,379,591 | 1,330,626 |
| Gain on derivative | (855,885) | (321,502) |
| Interest expense, net | 753,595 | 783,927 |
| Net income | 1,792,407 | 993,216 |

Dover's major tenant is Stop & Shop, which provided 47% and 49% of the total revenue in the years ended April 30, 2024 and 2023, respectively, under a lease that expires on June 30, 2026.

## 9. Concentrations of Credit Risk:

The Company's financial instruments that are subject to concentrations of credit risk consist of cash and cash equivalents, marketable securities, and accounts, notes, and other receivables.

The Company places its cash deposits, including investments in certificates of deposit, with various financial institutions. Bank deposits may be in excess of current Federal depository insurance limits. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor its credit risk concentrations.

The Company assesses the financial strength of its tenants prior to executing leases and typically requires a security deposit and prepayment of rent.

The Company assesses the financial strength of CVS prior to incurring costs in connection with the development of CVS pharmacy stores. Based on historical experience and other information, no allowance for credit losses related to these receivables is considered necessary by management as of April 30, 2024 or 2023.

## 10. Segment Information:

The factors used by the Company to identify reportable segments include differences in products and services and segregated operations within the Company. The first segment, "Real Estate Operations" participates in the purchase, development, management, ownership, and the sale of real estate. Within its second segment, "Fee for Service," the Company provides preferred developer services to CVS, Cumberland Farms Inc., and others in certain geographic areas. Summary financial information for the two reportable segments is as follows:

| | 2024 | 2023 |
|---|---|---|
| Revenues: | | |
| Real Estate Operations | $59,090,695 | $70,232,520 |
| Fee for Service | 442,250 | 1,208,000 |
| Total | $59,532,945 | $71,440,520 |
| | | |
| Operating Cost and Expense: | | |
| Real Estate Operations | $43,033,681 | $56,778,648 |
| Fee for Service | 402,693 | 726,745 |
| Administrative Expenses | 10,253,333 | 9,627,168 |
| Total | $53,689,707 | $67,132,561 |

All non-operating income (expenses) are related to the real estate operation.

The only assets in the balance sheet belonging to the Fee for Service segment is restricted cash of $175,447 in 2024 and $310,284 in 2023 and receivables of $60,683 in 2024 and $1,652,577 in 2023.

## 11. Purchases of Real Estate:

*Fiscal Year 2024 Purchases:*

*Mansfield, TX – Land Purchase:* On June 2, 2023, the Company purchased a 5.90 parcel of land in Mansfield, TX for $3,518,660 plus closing costs. The Company plans on subdividing this parcel and either selling or leasing them. This purchase was financed with proceeds from a new construction loan ($2,500,000) and working capital. Key terms of the construction loan are as follows:

| | |
|---|---|
| Loan Amount: | $2,500,000 |
| Maturity Date: | May 30, 2025 |
| Interest Rate: | 12.00% per annum. |
| Payments: | Interest only payable monthly until maturity, at which time all principal and interest is due. A $25,000 Exit Fee is payable at the time the loan is repaid in full ,whether at maturity or by prepayment. |
| Guarantee: | The Company (Corporate). |

*Fiscal Year 2023 Purchases:*

*North Richland Hills, TX – Land Purchase:* On August 4, 2022, the Company purchased a parcel of land in North Richland Hills, TX for $892,980 plus closing costs. The Company built a single-tenant building on this property. This purchase was financed with proceeds from a new construction loan ($733,468) and working capital. Key terms of the construction loan are as follows:

| | |
|---|---|
| Loan Amount: | $1,450,000 |
| Maturity Date: | February 4, 2024 |
| Interest Rate: | 2.75% plus One Month AMERIBOR®30T rate, as defined, with a floor of 3.75% through the maturity date; 12.0% thereafter. |
| Payments: | Interest only payable monthly until maturity, at which time all principal and interest is due. No prepayment allowed prior to completion of the Improvements, as defined. |
| Guarantee: | The Company (Corporate). |

This property was sold on May 5, 2023.

*Magnolia, TX (Woodlands) – Land Purchase:* On November 15, 2022, the Company purchased a parcel of land in Magnolia, TX for $4,450,000 plus closing costs. The Company built a single-tenant building on a portion of this property and is developing and / or selling other portions as opportunities arise. This purchase was financed from the utilization of the Company's lines of credit and working capital.

Subsequently, on December 30, 2022, the Company obtained two construction loans totaling $11,685,500. Both loans were from the same lender. The Company is a Guarantor on both loans. Key terms of the loans are as follows:

| | Building Construction | Site Work |
|---|---|---|
| Loan Amount: | $6,173,000 | $5,512,500 |
| Maturity Date: | December 30, 2024 | December 30, 2024 |
| Interest Rate: | 2.75% plus One-Month CME TERM SOFR rate up to maturity date, 12.0% thereafter | 3.25% plus One-Month CME TERM SOFR rate up to maturity date, 12.0% thereafter |
| Interest Payable: | Interest only payable monthly. | Interest only payable monthly. |

**12. Employee Retention Tax Credits (ERTCs):**

The Company received $280,890 and $1,682,448 in ERTCs in the years ended April 30, 2024 and 2023, respectively. These credits are included in Other income.

**13. Contingencies:**

234 Realty, LLC and 287 Realty, LLC v. First Hartford Realty Corporation

In 2019, 234 Realty, LLC and 287 Realty, LLC (the "Paolino Entities") filed suit against the Company in Providence County Superior Court (the "Court") alleging the Company failed to pay commissions purportedly due to the Paolino Entities for services allegedly rendered by them in procuring CVS Pharmacy, Inc. ("CVS") and Cumberland Farms, Inc. ("CFI") as purchasers and prospects for, and in facilitating, real estate transactions with the Company (collectively, the "Paolino Claims"). The Paolino Entities claim they are due $8,183,000. The Company's management denies the Paolino Claims for several factual and legal reasons. To the extent the Paolino Claims are lawfully compensable at all, which the Company denies, and based on the Court's prior decisions in favor of the Company and against the Paolino Entities, the Company's position is that its potential exposure, at most, is approximately $3,675,000 plus the Paolino Entities are also seeking interest and attorneys' fees associated with the dispute where the Company's exposure is approximately $3,100,000, for a total of exposure of $6,775,000. The Company has accrued $3,331,000 as of April 30, 2024. The Company has asserted counterclaims against the Paolino Entities to recover approximately $16,000,000 the Company previously paid to the Paolino Entities, plus interest and attorneys' fees in excess of $15,000,000.

The litigation is scheduled for trial in September 2024. The Company's defenses and counterclaims are well supported factually and legally, but the Company cannot make a definitive determination at this time as to the Company's likelihood of success at trial. If the Paolino Entities prevail, the Company has a reasonable likelihood of success on appeal such that any judgment in favor of the Paolino Entities has a reasonable likelihood of being vacated on appeal. The appellate process would likely take more than two years.

Other Proceedings

The Company is also involved in other legal proceedings which arise during the normal course of its business, including disputes over tax assessments, commercial contracts, lease agreements, construction contracts, employee disputes and personal injuries. No amounts have been accrued in these consolidated financial statements since the outcome of these matters is uncertain and the amount of liability, if any, cannot be determined. However, the Company does not believe the outcome of any of these proceedings will have a material impact on its consolidated financial statements.

## 14. Subsequent Events:

The Company has evaluated for subsequent events through August 13, 2024, the date the financial statements were issued.

*Montgomery, TX – Construction Loan*: On May 29, 2024, the Company obtained a $2,930,000 construction loan to construct a single-tenant building at its Montgomery, TX property. Proceeds at closing of $572,763 were used to pay off a prior construction loan from a different bank of $509,751, as well as closing costs. The new loan requires monthly interest-only payments through November 29, 2025, after which principal and interest payments using a 22-year amortization are required until the maturity date of November 30, 2030, at which time all remaining balances are due. The interest rate on the loan is the One-Month Term SOFR (with a Floor of 1.00%) rate plus 2.85%. There are no prepayment penalties. The Company is a guarantor on the loan.

*Katy, TX (Cinco Ranch) –Mortgage Loan*: On June 28, 2024, the Company obtained a $1,550,000 mortgage loan on its property in Katy, TX. Proceeds at closing were $1,495,838. The new loan requires monthly interest-only payments through June 30, 2025, after which principal and interest payments using a 25-year amortization are required until the maturity date of June 28, 2026, at which time all remaining balances are due. The interest rate on the loan is the Prime Rate, as defined, plus 0.50% with an overall minimum rate of 9.00%. There are no prepayment penalties. The Company is a guarantor on the loan.

*Del Valle, TX – Sale of Property*: On July 16, 2024, the Company sold its remaining property in Del Valle, TX for $7,988,441 (cost of approximately $6,082,000).

***[End of Financial Statements and Notes thereto.]***