

MORTGAGE OIL CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

MORTGAGE OIL CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mortgage Oil Corporation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities and stockholders' equity, income tax basis, of Mortgage Oil Corporation as of December 31, 2017, 2016 and 2015, and the related statements of revenue, expenses, and retained earnings, income tax basis, and cash flows, income tax basis, for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting described in Note 1; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mortgage Oil Corporation as of December 31, 2017, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with the income tax basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. These financial statements are prepared on the income tax basis of accounting the Company uses for income tax purpose, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Rose, Snyder & Jacobs LLP

Rose, Snyder & Jacobs LLP

Encino, California
June 27, 2018

MORTGAGE OIL CORPORATION
STATEMENTS OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY, INCOME TAX BASIS
DECEMBER 31, 2017, 2016 AND 2015

ASSETS

	2017	2016	2015
CURRENT ASSETS			
Cash and cash equivalents, note 1	\$ 795,875	\$ 542,108	\$ 566,865
Investments in marketable equity securities, at cost, note 3	116,801	116,801	116,801
Prepaid and income taxes receivable	3,997	23,227	4,674
TOTAL CURRENT ASSETS	916,673	682,136	688,340
OTHER ASSETS			
Investments in partnerships and limited liability companies, income tax basis, note 5	(549,257)	(154,284)	11,084
Investment in a privately held corporation, at cost, note 4	51,979	51,979	51,979
Land in San Bernardino County, note 2	1	1	1
TOTAL OTHER ASSETS	(497,277)	(102,304)	63,064
TOTAL ASSETS	\$ 419,396	\$ 579,832	\$ 751,404

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES			
State and federal income taxes payable	\$ 118,916	\$ 2,774	\$ 3,891
Unclaimed dividends	767	767	767
TOTAL CURRENT LIABILITIES	119,683	3,541	4,658
STOCKHOLDERS' EQUITY			
Capital stock - par value \$1.00 per share; 100,000 shares authorized, 40,915 shares issued and outstanding	40,915	40,915	40,915
Retained earnings	258,798	535,376	705,831
TOTAL STOCKHOLDERS' EQUITY	299,713	576,291	746,746
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 419,396	\$ 579,832	\$ 751,404

See independent auditors' report
and notes to financial statements.

MORTGAGE OIL CORPORATION
STATEMENTS OF REVENUE, EXPENSES AND RETAINED EARNINGS, INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUE			
Partnership income	\$ 409,942	\$ 260,037	\$ 371,025
Interest	198	226	36
Dividends	7,287	8,505	12,936
Other	<u>7,935</u>	<u>7,935</u>	<u>7,944</u>
 TOTAL REVENUE, net	 <u>425,362</u>	 <u>276,703</u>	 <u>391,941</u>
EXPENSES			
Accounting	32,000	32,000	32,000
Directors' liability insurance	25,454	25,454	25,453
Director's fee	10,000	10,000	10,000
Legal fees	4,198	2,382	2,924
OTC Market dues	5,000	5,000	4,200
Office and administrative services, note 6	60,000	60,000	60,000
Other	838	493	703
Property taxes	<u>219</u>	<u>219</u>	<u>219</u>
 TOTAL EXPENSES	 <u>137,709</u>	 <u>135,548</u>	 <u>135,499</u>
 EXCESS OF REVENUES OVER EXPENSES BEFORE PROVISION FOR INCOME TAXES	 287,653	 141,155	 256,442
 PROVISION FOR INCOME TAXES	 <u>155,081</u>	 <u>25,205</u>	 <u>33,732</u>
 EXCESS OF REVENUES OVER EXPENSES	 132,572	 115,950	 222,710
RETAINED EARNINGS, beginning of the year	535,376	705,831	728,611
Less dividends paid	<u>(409,150)</u>	<u>(286,405)</u>	<u>(245,490)</u>
RETAINED EARNINGS, end of the year	<u>\$ 258,798</u>	<u>\$ 535,376</u>	<u>\$ 705,831</u>
NET INCOME PER SHARE, INCOME TAX BASIS	<u>\$ 3.24</u>	<u>\$ 2.83</u>	<u>\$ 5.44</u>
DIVIDENDS PER SHARE PAID	<u>\$ 10.00</u>	<u>\$ 7.00</u>	<u>\$ 6.00</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>40,915</u>	<u>40,915</u>	<u>40,915</u>

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MORTGAGE OIL CORPORATION
STATEMENTS OF CASH FLOWS, INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS - OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 132,572	\$ 115,950	\$ 222,710
Adjustments to reconcile excess of revenues over expenses to net cash used in operating activities:			
Net gain from partnership and limited liability company investments	(409,942)	(260,037)	(371,025)
Decrease (increase) in prepaid and income taxes receivable	19,230	(18,553)	15,623
Increase (decrease) in income taxes payable and other	<u>116,142</u>	<u>(1,117)</u>	<u>2,790</u>
 NET CASH USED IN OPERATING ACTIVITIES	 <u>(141,998)</u>	 <u>(163,757)</u>	 <u>(129,902)</u>
CASH FLOWS - INVESTING ACTIVITIES			
Investment in partnerships and limited liability companies	(280,000)	(335,500)	(192,583)
Distributions from partnerships and limited liability companies	<u>1,084,915</u>	<u>760,905</u>	<u>983,217</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>804,915</u>	 <u>425,405</u>	 <u>790,634</u>
CASH FLOWS - FINANCING ACTIVITIES			
Dividends paid to stockholders	<u>(409,150)</u>	<u>(286,405)</u>	<u>(245,490)</u>
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(409,150)</u>	 <u>(286,405)</u>	 <u>(245,490)</u>
 NET INCREASE (DECREASE) IN CASH	 253,767	 (24,757)	 415,242
CASH AND CASH EQUIVALENTS, beginning of the year	<u>542,108</u>	<u>566,865</u>	<u>151,623</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 795,875</u>	<u>\$ 542,108</u>	<u>\$ 566,865</u>
SUPPLEMENTAL DISCLOSURES			
Income taxes paid in cash	<u>\$ 20,826</u>	<u>\$ 44,876</u>	<u>\$ 13,116</u>

See independent auditors' report
and notes to financial statements.

MORTGAGE OIL CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016, AND 2015

1. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

Company history

The Company was incorporated under the laws of the State of California on May 3, 1948. Its sole stockholder was Mortgage Service Co., which itself was incorporated on July 2, 1946 to facilitate the liquidation of Mortgage Guarantee Company. Subsequently, Mortgage Service Co. sold, transferred and assigned all of its remaining assets, except cash and shares of stock in Mortgage Oil Corporation, to the latter, and Mortgage Oil Corporation assumed all of the liabilities and obligations of Mortgage Services Co., contingent or otherwise, as of the close of business on August 15, 1949. These assets included oil, gas and mineral rights retained by Mortgage Service Co.'s predecessors in interest (Mortgage Guarantee Co., Bond Investment Co., Inc. and Bond Insurance Co.) at the times they sold various foreclosed farmlands throughout the San Joaquin Valley of California during the 1920's and 30's. These oil, gas and mineral rights, not being readily saleable at a price commensurate with their possible speculative value or true worth, were transferred by Mortgage Service Co. to Mortgage Oil Corporation for a total nominal consideration of \$2.00 with deeds recorded in the various California County Recorder's Offices. As of September 1, 1949, Mortgage Services Co. was liquidated distributing to its shareholders on a share-for-share basis, all of its shares of stock in Mortgage Oil Corporation. Since 1991, the Company has been investing capital in Real Estate Limited Partnerships and Limited Liability Companies. The properties consist of multi-family garden apartment complexes and industrial real estate. The oil, gas and mineral rights were distributed out as dividends in 2005.

Basis of accounting

The Company maintains its accounting records, and files its federal and state income tax returns, using the cash basis method of accounting. The Company prepares its financial statements using the basis it uses to file its income tax returns, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all instruments with an original maturity of three months or less to be cash equivalents, including redeemable certificates of deposits.

Use of estimates

The preparation of financial statements in conformity with a comprehensive basis of accounting other than generally accepted accounting principles requires management to make estimates and assumptions. Management estimates the fair market value of its marketable securities as disclosed in note 3 to the financial statements. Management uses quoted prices in active markets for identical assets or liabilities in making these estimates. Actual results could differ from these estimates.

Revenue recognition

The Company recognizes revenue as income upon the receipt of cash or when the cash receipt is reasonably assured.

Income taxes

The Company's policy is to include interest and penalties in income tax expense. Interest and penalties totaled \$0 for the years ended December 31, 2017, 2016 and 2015. The Company files income tax returns with the Internal Revenue Service ("IRS") and the states of Arizona, California, Colorado, Georgia, New Mexico and Utah.

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MORTGAGE OIL CORPORATION
NOTES TO FINANCIAL STATEMENTS
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2. LAND

The Company owns 0.3 acres of land in San Bernardino County, which was recorded with the county in the 1950's. This land is recorded at a nominal amount of \$1, which approximates its tax basis of \$0.

3. INVESTMENTS IN MARKETABLE EQUITY SECURITIES

The Company's investments in marketable equity securities are in common stock of publicly traded companies held at Credit Suisse.

The cost and fair market value of these investments at December 31 are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cost - income tax basis	\$ 116,801	\$ 116,801	\$ 116,801
Fair market value	<u>855,537</u>	<u>645,794</u>	<u>587,718</u>
Unrealized holding gain	<u>\$ 738,736</u>	<u>\$ 528,993</u>	<u>\$ 470,917</u>

The Company reports its assets on the income tax basis of accounting. The fair market value of its marketable securities is disclosed above, and inputs used in estimating this fair market value falls under Level 1 as defined in Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* ("ASC 820").

Level inputs, as defined by ASC 820, are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 Significant unobservable inputs that reflect management's best estimate of what market participants would use to price the assets or liabilities at the measurement date.

The Company uses the specific identification method to calculate the gain or loss on sale of securities.

4. INVESTMENT IN PRIVATELY HELD CORPORATION

The Company has an investment in Debisys, Inc., a privately held corporation, through Morgan Adams, Inc., a related party (see note 6). This investment is presented at its cost of \$51,979.

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MORTGAGE OIL CORPORATION
NOTES TO FINANCIAL STATEMENTS
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5. INVESTMENTS IN PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Corporation has invested in the following partnerships and limited liability companies at December 31, 2017:

Limited Partnerships and Limited Liability Companies	Date Began	Original Investment	Distributions Received 2017	Taxable Income (loss) 2017	Tax Basis 12/31/2017
NALS Investments					
4.0% Ironhorse, Longmont, CO	05/91	\$ 52,000	\$ 44,590	\$ (26,530)	\$ (274,780)
2.0% Riverwalk, Albuquerque, NM	01/92	34,400	12,592	12,254	(54,673)
5.0% Sombra Del Oso, Albuquerque, NM	01/92	111,000	43,944	37,615	(162,468)
2.0% Tierra Pointe, Albuquerque, NM	01/92	16,500	2,558	6,364	(9,766)
3.0% La Paz, Albuquerque, NM	07/92	54,000	22,950	18,776	(95,679)
1.5% Cobble Creek, Salt Lake City, UT	09/92	52,500	28,875	25,377	(53,397)
3.5% Saddle Ridge, Tucson, AZ	01/93	59,500	21,717	15,286	(45,084)
1.5% Sky Harbor, Salt Lake City, UT	07/93	51,000	27,540	21,727	(34,247)
2.5% Del Rio, Albuquerque, NM	07/93	60,600	17,325	13,289	(52,649)
5.0% Preston Oaks, Dallas, TX	05/94	229,125	68,912	14,697	(440,354)
2.2% MacArthur Ridge, Irving, CA	10/95	52,000	22,165	7,481	(70,314)
4.0% Woodcliffe, Seattle, WA	03/96	93,000	79,050	69,904	(64,835)
2.6% Sonoran Terraces, Tucson, AZ	08/96	130,000	33,711	20,213	(55,366)
3.3% Gardens, Atlanta, GA	08/97-7/08	264,500	53,388	48,938	(63,917)
2.6% Glen Park, Atlanta, GA	08/99-7/01	109,000	45,710	16,048	(300,867)
2.3% Oasis Vista, Laughlin, NV	09/99-2/07	96,650	16,740	11,464	(24,225)
1.0% Remington, Killeen, TX	10/99	24,500	3,798	1,657	(892)
1.5% Towne Square, Chandler, AZ	10/00	120,000	33,600	18,865	(149,192)
3.2% Eagle Ranch, Albuquerque, NM	08/01	33,498	47,840	43,281	(109,115)
2.1% Finisterra, Tucson, AZ	07/08	215,000	16,125	5,098	21,302
2.5% Druid Hills, Atlanta, GA	10/08	287,500	28,750	1,925	(48,635)
0.5% Lambertson Farms, Denver, CO	10/10	75,000	10,125	6,518	651
0.5% Rolling Oaks, Fairfield, CA	11/11	81,000	9,315	4,447	8,233
1.0% Courtney Downs, Denver, CO	04/12	128,000	21,120	7,749	20,625
1.0% Vintage, Las Vegas, NV	04/13	130,000	14,950	1,037	49,074
1.0% Centennial, Las Vegas, NV	07/14	137,000	15,070	(7,403)	33,115
0.5% Waterford, Phoenix, AZ	11/14	51,000	4,845	(2,417)	20,999
0.4% Redstone, Denver, CO	07/15	95,000	9,975	5,352	78,235
1.0% Cave Creek, Phoenix, AZ	09/16	133,000	7,980	(22,690)	97,307
1.0% Chandler, Houston, TX	11/16	200,000	13,000	(30,270)	155,012
1.0% Versante, Avondale, AZ	08/17	175,000	1,750	(7,337)	165,913
		\$ 3,351,273	\$ 780,010	\$ 338,715	\$ (1,459,989)

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MORTGAGE OIL CORPORATION
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5. INVESTMENTS IN PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (Continued)

The Corporation has invested in the following partnerships and limited liability companies at December 31, 2017:

Limited Partnerships and Limited Liability Companies	Date Began	Original Investment	Distributions Received 2017	Taxable Income (loss) 2017	Tax Basis 12/31/2017
<u>Marcus Adams Investments</u>					
1.3% 881 Avenida Acaso, Camarillo, CA	09/00	\$ 32,000	\$ 3,061	\$ 2,550	\$ 23,472
5.0% 166 Aviator, Camarillo, CA	08/02	132,500	9,275	7,883	95,593
6.0% 100 Elevar, Oxnard, CA	04/03	167,000	6,263	8,252	124,720
2.0% 200 Elevar, Oxnard, CA	04/03	82,000	4,096	2,614	55,614
2.4% 300 Elevar, Oxnard, CA	04/03	82,200	5,343	3,784	57,598
3.3% MA Capital Holdings, Los Angeles, CA	02/05-06/12	326,000	29,482	(23,222)	-
1.8% 300 Camarillo Ranch, Camarillo, CA	12/08	120,000	8,400	6,196	97,554
1.3% 5566 Arrow Highway, Montclair, CA	10/10	46,875	1,465	2,339	41,990
1.5% 321 Todd Ct, Oxnard, CA	10/11	42,000	2,457	1,636	36,456
1.9% 16839 East Gale via 1475 Magnolia, Corona, CA	09/11	35,000	2,221	1,331	30,279
1.0% 938 Radecki, City of Industry, CA	04/12	80,000	4,030	3,136	73,556
1.3% MA Camarillo, Camarillo, CA	08/14	76,000	4,256	(542)	57,929
4.2% 1475 Magnolia, Corona, CA	03/17	105,000	3,150	1,872	103,720
		<u>\$ 1,326,575</u>	<u>\$ 83,499</u>	<u>\$ 17,829</u>	<u>\$ 798,481</u>
<u>Other Private Equity Investments</u>					
17.7% RRC/FP-1, Los Angeles, CA	09/05-08/07	\$ 199,115	\$ 32,031	\$ 31,677	\$ -
50.0% Adam Spirent Investors, Los Angeles, CA	01/13-04/16	210,396	167,500	18,586	112,251
5.3% Moffitt Adams Investments, Torrance, CA	10/13	50,000	21,875	3,135	-
		<u>\$ 459,511</u>	<u>\$ 221,406</u>	<u>\$ 53,398</u>	<u>\$ 112,251</u>
TOTALS		<u>\$ 5,137,359</u>	<u>\$ 1,084,915</u>	<u>\$ 409,942</u>	<u>\$ (549,257)</u>

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MORTGAGE OIL CORPORATION
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5. INVESTMENTS IN PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (Continued)

The Corporation has invested in the following partnerships and limited liability companies at December 31, 2016:

Limited Partnerships and Limited Liability Companies	Date Began	Original Investment	Distributions Received 2016	Taxable Income (loss) 2016	Tax Basis 12/31/2016
NALS Investments					
4.0% Ironhorse, Longmont, CO	05/91	\$ 52,000	\$ 41,405	\$ (68,387)	\$ (203,659)
2.0% Riverwalk, Albuquerque, NM	01/92	34,400	11,901	11,581	(54,337)
5.0% Sombra Del Oso, Albuquerque, NM	01/92	111,000	37,825	36,053	(156,141)
2.0% Tierra Pointe, Albuquerque, NM	01/92	16,500	5,445	3,954	(13,573)
3.0% La Paz, Albuquerque, NM	07/92	54,000	22,410	18,170	(91,505)
1.5% Cobble Creek, Salt Lake City, UT	09/92	52,500	25,988	21,092	(49,900)
3.5% Saddle Ridge, Tucson, AZ	01/93	59,500	19,635	14,913	(38,656)
1.5% Sky Harbor, Salt Lake City, UT	07/93	51,000	26,010	18,421	(28,434)
2.5% Del Rio, Albuquerque, NM	07/93	60,600	15,750	8,028	(48,613)
5.0% Preston Oaks, Dallas, TX	05/94	229,125	76,363	3,091	(386,137)
2.2% MacArthur Ridge, Irving, CA	10/95	52,000	8,423	6,010	(55,626)
4.0% Woodcliffe, Seattle, WA	03/96	93,000	74,865	61,635	(55,693)
2.6% Sonoran Terraces, Tucson, AZ	08/96	130,000	33,023	17,283	(41,867)
3.3% Gardens, Atlanta, GA	08/97-7/08	264,500	69,404	42,915	(59,466)
2.6% Glen Park, Atlanta, GA	08/99-7/01	109,000	34,676	(12,954)	(271,206)
2.3% Oasis Vista, Laughlin, NV	09/99-2/07	96,650	14,648	8,581	(18,950)
1.0% Remington, Killeen, TX	10/99	24,500	3,430	1,484	1,249
1.5% Towne Square, Chandler, AZ	10/00	120,000	31,200	14,750	(134,457)
3.2% Eagle Ranch, Albuquerque, NM	08/01	33,498	40,480	35,644	(104,554)
2.1% Finisterra, Tucson, AZ	07/08	215,000	13,975	3,287	32,329
2.5% Druid Hills, Atlanta, GA	10/08	287,500	27,313	(22,776)	(21,811)
0.5% Lambertson Farms, Denver, CO	10/10	75,000	12,375	6,929	4,258
0.5% Rolling Oaks, Fairfield, CA	11/11	81,000	8,910	100	13,101
1.0% Courtney Downs, Denver, CO	04/12	128,000	20,480	4,615	33,996
1.0% Vintage, Las Vegas, NV	04/13	130,000	11,700	(2,128)	62,987
1.0% Centennial, Las Vegas, NV	07/14	137,000	13,015	(16,458)	55,588
0.5% Waterford, Phoenix, AZ	11/14	51,000	3,570	(5,334)	28,261
0.4% Redstone, Denver, CO	07/15	95,000	9,975	2,964	82,858
1.0% Cave Creek, Phoenix, AZ	09/16	133,000	1,330	(3,693)	127,977
1.0% Chandler, Houston, TX	11/16	200,000	-	(1,718)	198,282
		\$ 3,176,273	\$ 715,524	\$ 208,052	\$ (1,193,699)

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5. INVESTMENTS IN PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (Continued)

The Corporation has invested in the following partnerships and limited liability companies at December 31, 2016:

Limited Partnerships and Limited Liability Companies	Date Began	Original Investment	Distributions Received 2016	Taxable Income (loss) 2016	Tax Basis 12/31/2016
<u>Marcus Adams Investments</u>					
1.3% 881 Avenida Acaso, Camarillo, CA	09/00	\$ 32,000	\$ 2,492	\$ 1,854	\$ 23,983
5.0% 166 Aviator, Camarillo, CA	08/02	132,500	10,201	7,749	96,986
6.0% 100 Elevar, Oxnard, CA	04/03	167,000	1,566	(907)	122,730
2.0% 200 Elevar, Oxnard, CA	04/03	82,000	4,096	2,459	57,099
2.4% 300 Elevar, Oxnard, CA	04/03	82,200	4,932	3,476	59,155
3.3% MA Capital Holdings, Los Angeles, CA	02/05-06/12	326,000	-	(4,356)	52,704
1.8% 300 Camarillo Ranch, Camarillo, CA	12/08	120,000	8,160	5,541	99,754
1.3% 5566 Arrow Highway, Montclair, CA	10/10	46,875	2,930	2,081	41,117
1.5% 321 Todd Ct, Oxnard, CA	10/11	42,000	2,436	1,789	37,277
1.9% 16839 East Gale via 1475 Magnolia, Corona, CA	09/11	35,000	409	(1,538)	31,169
1.0% 938 Radecki, City of Industry, CA	04/12	80,000	3,978	3,123	74,450
1.3% MA Camarillo, Camarillo, CA	08/14	76,000	4,181	(2,477)	62,727
		<u>\$ 1,221,575</u>	<u>\$ 45,381</u>	<u>\$ 18,794</u>	<u>\$ 759,151</u>
<u>Other Private Equity Investments</u>					
17.7% RRC/FP-1, Los Angeles, CA	09/05-08/07	\$ 199,115	\$ -	\$ 183	\$ 358
50.0% Adam Spirent Investors, Los Angeles, CA	01/13-04/16	210,396	-	33,262	261,166
5.3% Moffitt Adams Investments, Torrance, CA	10/13	50,000	-	(254)	18,740
		<u>\$ 459,511</u>	<u>\$ -</u>	<u>\$ 33,191</u>	<u>\$ 280,264</u>
TOTALS		<u>\$ 4,857,359</u>	<u>\$ 760,905</u>	<u>\$ 260,037</u>	<u>\$ (154,284)</u>

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MORTGAGE OIL CORPORATION
NOTES TO FINANCIAL STATEMENTS
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5. INVESTMENTS IN PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (Continued)

The Corporation has invested in the following partnerships and limited liability companies at December 31, 2015:

Limited Partnerships and Limited Liability Companies	Date Began	Original Investment	Distributions Received 2015	Taxable Income (loss) 2015	Tax Basis 12/31/2015
NALS Investments					
4.0% Ironhorse (formerly Thornhill Park), Longmont, CO	05/91	\$ 52,000	\$ 20,215	\$ (43,018)	\$ (93,867)
2.0% Riverwalk, Albuquerque, NM	01/92	34,400	13,800	10,777	(54,015)
5.0% Sombra Del Oso, Albuquerque, NM	01/92	111,000	40,050	30,811	(154,369)
2.0% Tierra Pointe, Albuquerque, NM	01/92	16,500	3,630	3,913	(12,082)
3.0% La Paz, Albuquerque, NM	07/92	54,000	26,730	18,018	(87,265)
1.5% Cobble Creek, Salt Lake City, UT	09/92	52,500	22,575	11,758	(45,004)
3.5% Saddle Ridge, Tucson, AZ	01/93	59,500	17,552	10,959	(33,934)
1.5% Sky Harbor, Salt Lake City, UT	07/93	51,000	20,655	12,513	(20,845)
2.5% Del Rio, Albuquerque, NM	07/93	60,600	14,569	9,601	(40,891)
5.0% Preston Oaks, Dallas, TX	05/94	229,125	119,200	(5,488)	(312,865)
2.2% MacArthur Ridge, Irving, CA	10/95	52,000	14,186	3,500	(53,213)
4.0% Woodcliffe, Seattle, WA	03/96	93,000	60,915	52,516	(42,463)
2.6% Sonoran Terraces, Tucson, AZ	08/96	130,000	31,647	16,482	(26,127)
3.3% Gardens, Atlanta, GA	08/97-7/08	264,500	58,722	31,163	(32,977)
2.6% Glen Park, Atlanta, GA	08/99-7/01	109,000	23,643	6,037	(223,576)
2.3% Oasis Vista, Laughlin, NV	09/99-2/07	96,650	13,950	6,585	(12,883)
1.0% Remington, Killeen, TX	10/99	24,500	3,185	1,709	3,195
1.5% Towne Square, Chandler, AZ	10/00	120,000	27,600	13,270	(118,007)
3.2% Eagle Ranch, Albuquerque, NM	08/01	33,498	43,241	37,339	(99,718)
2.1% Finisterra, Tucson, AZ	07/08	215,000	13,975	(786)	43,017
2.5% Druid Hills, Atlanta, GA	10/08	287,500	18,687	(3,390)	28,278
0.5% Lambertson Farms, Denver, CO	10/10	75,000	11,625	2,581	9,704
0.5% Rolling Oaks, Fairfield, CA	11/11	81,000	6,885	(3,106)	21,911
1.0% Courtney Downs, Denver, CO	04/12	128,000	17,920	2,427	49,861
1.0% Vintage, Las Vegas, NV	04/13	130,000	7,800	(8,672)	76,815
1.0% Centennial, Las Vegas, NV	07/14	137,000	10,275	(30,678)	85,061
0.5% Waterford, Phoenix, AZ	11/14	51,000	3,060	(10,620)	37,165
0.4% Redstone, Denver, CO	07/15	95,000	3,800	(1,332)	89,868
		\$ 2,843,273	\$ 670,092	\$ 174,869	\$ (1,019,226)

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5. INVESTMENTS IN PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (Continued)

The Corporation has invested in the following partnerships and limited liability companies at December 31, 2015:

Limited Partnerships and Limited Liability Companies	Date Began	Original Investment	Distributions Received 2015	Taxable Income (loss) 2015	Tax Basis 12/31/2015
<u>Marcus Adams Investments</u>					
1.3% 881 Avenida Acaso, Camarillo, CA	09/00	\$ 32,000	\$ 2,110	\$ 2,134	\$ 24,621
5.0% 166 Aviator, Camarillo, CA	08/02	132,500	9,938	7,627	99,438
6.0% 100 Elevar, Oxnard, CA	04/03	167,000	-	(7,511)	125,203
2.0% 200 Elevar, Oxnard, CA	04/03	82,000	5,287	3,960	58,736
2.4% 300 Elevar, Oxnard, CA	04/03	82,200	4,316	2,604	60,611
3.3% MA Capital Holdings, Los Angeles	02/05-06/12	326,000	-	(10,109)	57,060
1.8% 300 Camarillo Ranch, Camarillo, CA	12/08	120,000	7,800	5,182	102,373
1.3% 5566 Arrow Highway, Montclair, CA	10/10	46,875	2,869	1,889	41,966
1.5% 321 Todd Ct, Oxnard, CA	10/11	42,000	2,415	1,522	37,924
1.7% 16839 East Gale, City of Industry, CA	09/11	35,000	-	391	33,116
1.0% 938 Radecki, City of Industry, CA	04/12	80,000	3,978	2,612	75,305
1.3% MA Camarillo, Camarillo, CA	08/14	76,000	3,876	(1,560)	69,385
		<u>\$ 1,221,575</u>	<u>\$ 42,589</u>	<u>\$ 8,741</u>	<u>\$ 785,738</u>
<u>Other Private Equity Investments</u>					
17.7% RRC/FP-1, Los Angeles, CA	09/05-08/07	\$ 199,115	\$ 240,161	\$ 154,858	\$ 175
50.0% Adam Spirent Investors, Los Angeles, CA	01/13-11/15	207,896	-	31,973	225,403
5.3% Moffitt Adams Investments, Torrance, CA	10/13	50,000	30,375	584	18,994
		<u>\$ 457,011</u>	<u>\$ 270,536</u>	<u>\$ 187,415</u>	<u>\$ 244,572</u>
TOTALS		<u>\$ 4,521,859</u>	<u>\$ 983,217</u>	<u>\$ 371,025</u>	<u>\$ 11,084</u>

6. RELATED PARTY TRANSACTIONS

Office and administrative services

The Company pays Morgan Adams, Inc. (a California Corporation), an affiliated service corporation, for business management services provided. The total expenses incurred for such services during each of the years 2017, 2016, and 2015 were \$60,000. The Company also paid Morgan Adams, Inc. \$13,000 for tax return preparation services in each of the years 2017, 2016 and 2015.

Investments in partnerships and limited liability companies

As outlined on the President's Annual Shareholders Report beginning in 1991, Mortgage Oil Corporation has invested in Limited Partnerships with Nevins•Adams•Lewbel•Shell Properties www.nals.com ("Nevins Adams") from 1991 to present. Mortgage Oil Corporation currently owns interest in thirty-one Nevins Adams Limited Partnerships that own thirty large apartment complexes outside of California and one in California.

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6. RELATED PARTY TRANSACTIONS (Continued)

Investments in partnerships and limited liability companies (continued)

David V. Adams, who served as President of Mortgage Oil Corporation until 2004, is one of the General Partners in twenty-seven of the Nevins Adams Limited Partnerships. The five general partners, Mr. Nevins, Mr. Adams, Mr. Lewbel, Mr. Schell, and Mr. Brennan share in the distributions and profits of the Limited Partnerships once Limited Partners receive a priority accrued annual return on the original investment ranging from 4.0% to 6.0%.

The Company has also invested with Marcus Adams Industrial Investment www.marcusadams.com ("Marcus Adams") in twelve Limited Liability Companies owning eight industrial buildings in Ventura County, California, three industrial buildings in Los Angeles County, California and one in Riverside County, California. David V. Adams is a managing partner in these Limited Liability Companies.

The Company owns a 5.3% limited liability company interest in Moffitt-Adams Investments, LLC, which owns a private equity investment. David V. Adams Jr., President, is a managing member of Moffitt-Adams Investments, LLC. This investment was liquidated in 2017.

The Company also invested with Rivenrock Capital LLC in one Limited Liability Company – RRC-FP, LLC owning a private equity investment. This investment was liquidated in 2017. David V. Adams Jr., President of Mortgage Oil Corporation and John Nelson, a Board Member of Mortgage Oil Corporation are the managing members of Rivenrock Capital LLC.

During 2017, Mortgage Oil Corporation invested \$175,000 in Versante, L.P., which is managed by Nevins Adams.

During 2017, Mortgage Oil Corporation invested \$105,000 in 1475 Magnolia LLC, which is managed by Marcus Adams.

During 2016, Mortgage Oil Corporation invested \$200,000 in Chandler Park, L.P., which is managed by Nevins Adams.

During 2016, Mortgage Oil Corporation invested \$133,000 in Cave Creek, L.P., which is managed by Nevins Adams.

During 2016, Mortgage Oil Corporation invested an additional \$2,500 in Adams Spirent Investors LLC. The original investment occurred during 2013 and the Company also invested an additional \$97,583 during 2015 and \$24,851 during 2014. Adams Spirent Investors LLC is managed by Rivenrock Capital LLC.

During 2015, Mortgage Oil Corporation invested \$95,000 in Redstone, L.P., which is managed by Nevins Adams.

During 2015, the Thornhill property was exchanged into the Ironhorse property, which is managed by Nevins Adams.

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7. CONCENTRATIONS

Concentrations of Credit Risk

The Company maintains its cash at a financial institution which may, at times, exceed federally insured limits. Historically, the Company has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash and cash equivalents.

8. SUBSEQUENT EVENT

The Company has evaluated events occurring after the date of the accompanying statements of assets, liabilities, and stockholders' equity through June 27, 2018 the date the financial statements are available for issuance. The Company did not identify any material subsequent events requiring adjustment to the accompanying financial statements.

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