

Regency Affiliates, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2020

Regency Affiliates, Inc. and Subsidiaries
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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors and Stockholders
of Regency Affiliates, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Regency Affiliates, Inc. and Subsidiaries (a Delaware limited liability corporation), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated 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 entity’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Regency Affiliates, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rosenberg Rich Baker Berman & Company

Somerset, New Jersey
April 5, 2021

Regency Affiliates, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,905,812	\$ 619,136
Restricted cash	393,465	382,083
Short-term investments	5,949,471	6,317,768
Prepaid expenses	66,420	528,254
Prepaid insurance	94,260	90,600
Prepaid income taxes	184,778	2,225,329
Rent receivable	31,452	60,624
Management fee receivable	12,988	12,853
Total current assets	8,638,646	10,236,647
Real Estate		
Self-storage properties	35,184,266	35,127,512
Less accumulated depreciation	(3,665,188)	(2,882,734)
Property and equipment, net	11,909	17,333
Investment in partnerships/LLC	55,397,915	53,396,024
Prepaid insurance, net of current portion	105,400	196,000
Other assets	150,997	154,028
Total assets	\$ 95,823,945	\$ 96,244,810
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 353,718	\$ 367,244
Mortgage note payable, net	386,709	190,341
Deferred revenue	174,887	168,938
Deferred rent	54,802	81,081
Income tax payable	-	81,424
Dividends payable	484,699	411,299
Tenant security deposits	5,906	7,261
Total current liabilities	1,460,721	1,307,588
Non-current Liabilities:		
Deferred taxes	224,456	-
Mortgage note payable, net	24,592,990	24,979,699
Total liabilities	26,278,167	26,287,287
Commitments and contingencies (Note 7 and 8)		
Shareholders' Equity		
Serial preferred stock, par value \$0.10; 2,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$0.01; 8,000,000 shares authorized; 4,815,058 and 4,815,058 shares issued and outstanding, as of December 31, 2020 and December 31, 2019, respectively	48,151	48,151
Additional paid-in capital	14,014,556	14,014,556
Retained earnings	55,309,401	55,802,608
Total shareholders' equity	69,372,108	69,865,315
Noncontrolling interest	173,670	92,208
Total equity	69,545,778	69,957,523
Total liabilities and shareholders' equity	\$ 95,823,945	\$ 96,244,810

See independent auditor's review report and notes to the consolidated financial statements.

Regency Affiliates, Inc. and Subsidiaries
Consolidated Statements of Income

	For the Year Ended December 31,	
	2020	2019
Revenue		
Rental	\$ 3,663,305	\$ 3,624,323
Insurance, late fees and other income	328,615	337,375
Total revenue	3,991,920	3,961,698
Operating expenses:		
Self-storage cost of operations	1,437,567	1,495,010
Self-storage depreciation expense	782,454	779,142
General and administrative expenses	1,410,404	1,733,929
Total operating expenses	3,630,425	4,008,081
Income (loss) from operations	361,495	(46,383)
Other income (expense):		
Management agreement income	152,355	153,890
Income from equity investment in partnerships/LLC	2,047,971	2,207,547
License agreement income	86,062	121,786
Interest income	53,050	184,379
Gain on sale of equipment	34,815	-
Other expense	(101,884)	-
Interest expense	(1,268,198)	(1,267,234)
Amortization of debt discount	(12,625)	(12,625)
Total other income	991,546	1,387,743
Net income before income taxes	1,353,041	1,341,360
Income tax expense (benefit)	457,730	(422,543)
Net income	895,311	1,763,903
Net income attributable to noncontrolling interest	107,714	81,537
Net income allocated to shareholders	\$ 787,597	\$ 1,682,366

See independent auditor's review report and notes to the consolidated financial statements.

Regency Affiliates, Inc. and Subsidiaries
Consolidated Statements of Changes in Equity

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Shareholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2019	-	\$ -	4,815,058	\$ 48,151	\$ 14,039,310	\$ 55,367,342	\$ 69,454,803	\$ 36,923	\$ 69,491,726
Stock options compensation, net of forfeitures	-	-	-	-	(24,754)	-	(24,754)	-	(24,754)
Dividend paid to noncontrolling interest	-	-	-	-	-	-	-	(26,252)	(26,252)
Dividends declared	-	-	-	-	-	(1,247,100)	(1,247,100)	-	(1,247,100)
Net income	-	-	-	-	-	1,682,366	1,682,366	81,537	1,763,903
Balance at December 31, 2019	-	\$ -	\$ 4,815,058	\$ 48,151	\$ 14,014,556	\$ 55,802,608	\$ 69,865,315	\$ 92,208	\$ 69,957,523
Dividend paid to noncontrolling interest	-	-	-	-	-	-	-	(26,252)	(26,252)
Dividends declared	-	-	-	-	-	(1,280,804)	(1,280,804)	-	(1,280,804)
Net income	-	-	-	-	-	787,597	787,597	107,714	895,311
Balance at December 31, 2020	-	\$ -	4,815,058	\$ 48,151	\$ 14,014,556	\$ 55,309,401	\$ 69,372,108	\$ 173,670	\$ 69,545,778

See independent auditor's review report and notes to the consolidated financial statements.

Regency Affiliates, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2020	2019
Cash Flows From Operating Activities		
Net Income	\$ 895,311	\$ 1,763,903
Adjustments to reconcile net income to net cash used in operating activities:		
Non-cash expenses		
Depreciation and amortization	787,878	784,497
Income from equity investment in partnerships/LLCs	(2,047,971)	(3,380,317)
Impairment of equity investment in partnerships/LLCs	-	1,172,770
Stock based compensation, net of forfeitures	-	(24,754)
Amortization of debt discount	12,625	12,625
Gain on sale of equipment	(34,815)	-
Changes in operating assets and liabilities		
Prepaid expenses	461,834	(106,749)
Prepaid insurance	86,940	90,600
Prepaid income taxes	2,040,551	(1,879,501)
Rent receivable	29,172	(27,587)
Management fee receivable	(135)	-
Other assets	3,031	50,332
Accounts payable and accrued expenses	(13,526)	1,079
Deferred revenue	5,949	12,391
Deferred rent	(26,279)	-
Deferred taxes	224,456	-
Income tax payable	(81,424)	81,424
Tenant security deposits	(1,355)	(172)
Total adjustments	1,446,931	(3,213,362)
Net cash provided by (used in) operating activities	2,342,242	(1,449,459)
Cash Flows From Investing Activities		
Distributions of earnings from partnerships	46,080	5,624,384
Purchase of short-term investments	(10,532,415)	(6,317,768)
Purchase of equipment	(56,754)	(28,336)
Proceeds on the sale of equipment	34,815	-
Proceeds from short-term investments	10,900,712	-
Net cash provided by (used in) investing activities	392,438	(721,720)
Cash Flows From Financing Activities		
Dividends paid to common shareholders	(1,276,221)	(1,240,075)
Dividends returned from common shareholders	68,817	-
Dividends paid to noncontrolling shareholder	(26,252)	(26,252)
Repayment of mortgage note payable	(202,966)	-
Net cash used in financing activities	(1,436,622)	(1,266,327)
Net increase (decrease) in cash and cash equivalents and restricted cash	1,298,058	(3,437,506)
Cash and cash equivalents and restricted cash - beginning	1,001,219	4,438,725
Cash and cash equivalents and restricted cash - ending	\$ 2,299,277	\$ 1,001,219
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	\$ 1,268,198	\$ 1,267,234
Income taxes	\$ 123,912	\$ 1,036,900
Non-cash investing and financing activities:		
Common stock dividends declared	\$ 325,016	\$ 315,386

See independent auditor's review report and notes to the consolidated financial statements.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented on an accrual basis in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) as defined in the Financial Accounting Standards Board Accounting Standards Codification (the “Codification”).

Nature of Operations

Regency Affiliates, Inc. (“Regency” or the “Company”) invests in assets that generate attractive, predictable and sustainable returns on capital. The Company’s objective is to generate long term value for its shareholders. Management seeks sound investment opportunities to meet its business characteristics and valuation criteria.

The Company holds a limited partnership interest in Security Land and Development Company Limited Partnership (“Security Land”), which owns and operates 34.3 acres of land and rental property of approximately 717,000 square feet in Woodlawn, Maryland, which is occupied by the United States Social Security Administration’s Office of Disability and International Operations. In November 2000, the Company acquired a 5% limited partnership interest in 1500 Woodlawn Limited Partnership, the general partner of Security Land. See Note 2, “Investment in Security Land and Development Company Limited Partnership.”

In addition, Regency Power Corporation (“Regency Power”, 100% owned subsidiary of the Company) owned a 50% interest in MESC Capital, LLC, a Delaware limited liability company (“MESC Capital”). MESC Capital owns a 100% interest in Mobile Energy Services Company, LLC, an Alabama limited liability company (“Mobile Energy”), which owns an on-site energy facility that supplies steam and electricity to a Kimberly-Clark tissue mill in Mobile, Alabama. See Note 3.

In April 2016, Regency formed a new, wholly owned subsidiary, RSS Investments LLC (“RSS”). RSS acquired a majority ownership (80%) of SSCP Harrisburg Holdings, LLC, a Delaware limited liability company (“Harrisburg Holdings”). Harrisburg Holdings is the sole member of SSCP Harrisburg Intermediate Holdings, LLC, a Delaware limited liability company (“Intermediate Holdings”). Simultaneously with RSS’s investment in Harrisburg Holdings, Harrisburg Intermediate Holdings acquired a portfolio of five self-storage facilities in Harrisburg, Pennsylvania. Through our controlling interest of SSCP Harrisburg Holdings, LLC, we are focused on the ownership, operation, and acquisition of self-storage properties located within the Harrisburg, Pennsylvania area.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Regency Power and RSS. All intercompany balances and transactions have been eliminated in consolidation.

Noncontrolling Interest

The Company consolidates its 80% equity interest in Harrisburg Holdings and reports the remaining 20% interest by the third party, SSCP Management LLC, as a noncontrolling interest on the consolidated balance sheet. At December 31, 2020 and 2019, the noncontrolling equity interest was \$173,670 and \$92,208 respectively. The net income or net loss of Harrisburg Holdings is allocated based on the ownership percentages on the statements of income. For the years ended December 31, 2020 and 2019, Harrisburg Holdings had net income of \$525,891 and \$407,687, respectively, resulting in net income attributable to the non-controlling interest for the years ended December 31, 2020 and 2019 of \$107,714 and \$81,537, respectively.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term highly liquid investments with original maturities of three months or less. The Company places its cash and cash equivalents with high credit quality financial institutions that may exceed federally insured amounts at times. As of December 31, 2020 and 2019, the Company had no cash equivalents.

Restricted Cash

The self-storage properties hold escrow funds in money market trust accounts for real estate taxes, insurance, and replacement reserves disbursements to be paid when due, pursuant to the terms of the bank financing agreement.

Short-Term Investments

Short-term investments consist of treasury bills with original maturity dates greater than three months at the date of purchase. Short-term investments are valued at cost, which approximates fair value. As of December 31, 2020 and 2019, the Company's short-term investments were \$5,949,471 and \$6,317,768, respectively.

Investments in Partnerships/ LLC

The Company uses the equity method of accounting for its investments in partnerships in equity securities in which it has more than a 20% interest but does not have a controlling interest and is not the primary beneficiary. Investments owned over 50% with a controlling interest are consolidated within these financial statements.

Self-Storage Properties

Self-storage properties are carried at historical cost less accumulated depreciation and any impairment losses. Major replacements and betterments, which improve or extend the life of an asset, are capitalized. Expenditures for ordinary repairs and maintenance are expensed as incurred and are included in self-storage cost of operation. Estimated depreciable lives of self-storage properties are determined by considering the age and other indicators about the condition of the assets at their respective dates of acquisition, resulting in an estimated useful life for assets within each category. All self-storage property assets are depreciated using the straight-line method. Buildings and improvements are depreciated over estimated useful lives of 39 years; furniture and equipment are depreciated over estimated useful lives of 7 years. The cost of the land is not depreciated. Repairs and maintenance costs are expensed as incurred.

When a self-storage property is acquired in a business combination, the purchase price of the acquired self-storage property is allocated to land, buildings and improvements, furniture and equipment, customer in-place leases, assumed real estate leasehold interests, other assets acquired and liabilities assumed, based on the estimated fair value of each component. When a portfolio of self-storage properties is acquired, the purchase price is allocated to the individual self-storage properties based on the fair value determined using an income approach with appropriate risk-adjusted capitalization rates, which take into account the relative size, age and location of the individual self-storage properties.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note. 1. Summary of Significant Accounting Policies (continued)

Self-Storage Properties (continued)

These items consist of the following at:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	\$ 4,870,000	\$ 4,870,000
Building and improvements	30,248,870	30,222,363
Furniture and equipment	65,396	35,149
	<u>35,184,266</u>	<u>35,127,512</u>
Less: Accumulated Depreciation	<u>(3,665,188)</u>	<u>(2,882,734)</u>
Self-Storage Properties, net	<u>\$ 31,519,078</u>	<u>\$ 32,244,778</u>

Depreciation expense on these properties was \$782,454 and \$779,142 for the years ended December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method as follows: machinery and equipment - 7 years. Repairs and maintenance costs are expensed as incurred that do not extend the life or functionality of the asset.

These items consist of the following at:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Machinery and equipment	\$ 46,368	\$ 46,368
Less: Accumulated depreciation	<u>(34,459)</u>	<u>(29,035)</u>
Property and equipment, net	<u>\$ 11,909</u>	<u>\$ 17,333</u>

Depreciation expense was \$5,424 and \$5,355 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Company utilizes FASB ASC 740-10, "Income Taxes", which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those temporary differences that have future tax consequences using the current enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. In some situations, FASB ASC 740-10 permits the recognition of expected benefits of utilizing net operating loss and tax credit carryforwards. Valuation allowances are established based upon management's estimate, if necessary. Income tax expense (benefit) is the current tax payable or refund for the period plus or minus the net change in the deferred tax assets and liabilities.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and also affect the amounts of revenues and expenses reported for each period. Actual results could differ from those estimates. Management utilizes various other estimates, including but not limited to, assessing the collectability of rents receivable, determining the estimated lives of long-lived assets, determining the potential impairment of intangibles, the fair value of stock options, the recognition of revenue, and other legal claims and contingencies. The results of any changes in accounting estimates are reflected in the financial statements in the period in which the changes become evident. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period that they are determined to be necessary.

Revenue and Expense Recognition

Effective January 1, 2019, the Company adopted Financial Account Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers (“ASC 606”). The guidance includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

Management has determined that all of its leases are operating leases and therefore these leases are outside of the scope of ASC 606. We recognize rental income in accordance with ASC 840, Leases. Substantially all leases may be terminated on a month-to-month basis and rental income is recognized ratably over the lease term using the straight-line method. Rents received in advance are deferred and recognized on a straight-line basis over the related lease term associated with the prepayment. Promotional discounts and other incentives are recognized as a reduction to rental income over the applicable lease term. Other property related revenue consists of ancillary revenues such as tenant insurance related access fees and commissions and sales of storage supplies with are recognized in the period earned.

For insurance income, the Company acts as an agent and recognized revenue for only its commission on the arrangement. The Company has a contract with the insurance carrier for acting as an agent, with a fixed commission amount. The performance obligation is satisfied, and revenue is earned at a point in time, which is when the Company sells a policy to a customer. This is evidenced by a signed contract. There is no variable consideration for this revenue stream.

Revenue and Expense Recognition (continued)

Property tax expense is based on actual amounts billed or estimates of anticipated bills or assessments that have not yet been received from the taxing authorities. Cost of operations, general and administrative expense, interest expense, and advertising expenditures are expensed as incurred.

Advertising Expenses

The Company expenses advertising costs when incurred. Advertising and marketing costs totaled \$105,170 and \$75,424 for the years ended December 31, 2020 and 2019, respectively.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

The Company follows ASC 718, Compensation - Stock Compensation, which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. Awards of shares for property or services are recorded at the more readily measurable of the fair value of the stock and the fair value of the service. The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of stock-based awards under ASC 718. The fair value is charged to earnings depending on the terms and conditions of the award, and the nature of the relationship of the recipient of the award to the Company. The Company records the grant date fair value in line with the period over which it was earned. For employees and consultants, this is typically considered to be the vesting period of the award. The Company estimates the expected forfeitures and updates the valuation accordingly.

Fair Value Measurements

The carrying amounts of cash, restricted cash, prepaid expenses, accounts payable, accrued liabilities, deferred revenue, and other liabilities approximate their fair value due to the short-term nature of these instruments. Cash equivalents, consisting of U.S. Treasury Bills, are adjusted to fair value at each balance sheet date based on quoted prices which are considered level 1 inputs.

ASC 820 “Fair Value Measurements and Disclosures” provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 Significant unobservable inputs that cannot be corroborated by market data.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The fair value of the Company's financial instruments are as follows:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Treasury Bills as of December 31, 2020	\$ 5,949,471	\$ -	\$ -	\$ 5,949,471
U.S. Treasury Bills as of December 31, 2019	\$ 6,317,768	\$ -	\$ -	\$ 6,317,768

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial statements. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Subsequent Events Evaluation

The Company has evaluated subsequent events through April 5, 2021 which is the date these financial statements were available to be issued.

Note 2. Investment in Security Land and Development Company Limited Partnership

The Company owns a limited partnership interest in Security Land, which owns and operates an office complex. The Company has limited voting rights and is entitled to certain allocations of the profit and loss and operating cash flow distributions of Security Land.

For the years ended December 31, 2020 and 2019, the Company's income from its equity investment in Security Land was \$1,921,007 and \$1,830,223, respectively.

The Company also owns a 5% limited partnership interest in 1500 Woodlawn Limited Partnership, the general partner of Security Land. The Company recognized income of \$80,884 and \$77,062 for the years ended December 31, 2020 and 2019, respectively, from this investment.

On December 6, 2018, the Company entered into a second amended and restated limited partnership agreement (the "Amended Partnership Agreement") with Woodlawn and other limited partners. Among other things, the Amended Partnership Agreement allowed Security Land to enter into a new agreement with the United States General Services Administration and refinance its debt, as described below. As part of the Amended Partnership Agreement, the income allocated to the Company was reduced from 95% to 48.969%.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 2. Investment in Security Land and Development Company Limited Partnership (continued)

On December 6, 2018, Security Land entered into an agreement (“Management Agreement”) with Woodlawn and the Company. Pursuant to the Management Agreement, there is an asset management fee payable to the Company at a rate of 1.3% of monthly rental income in the applicable period, payable monthly through the date of sale of the property. For the years ended December 31, 2020 and 2019, the Company recognized \$152,355 and \$153,890 from the management fee agreement.

On December 17, 2018, Security Land signed a new ten-year lease with the United States General Services Administration, which became effective as of November 1, 2018 and expires on October 31, 2028. The initial annual rent will be approximately \$11,750,000 per annum. Based on the new lease, Security Land arranged for new debt totaling approximately \$30,000,000. The new debt will be used to pay off existing debt and provide for capital improvements of the facility. In connection with the new lease and debt, on December 19, 2018, Security Land paid to the Company a distribution of \$1,214,963. In 2019, Security Land made tax payments to the state of Maryland on behalf of the Company for \$424,122.

Summarized Balance Sheet information for Security Land is as follows:

	<u>December 31,</u>	<u>December 31,</u>
Balance Sheet Data		
Cash and cash equivalents	\$ 2,817,943	\$ 1,949,022
Restricted cash	12,535,827	18,160,617
Real estate, net	24,903,056	19,144,768
Deferred charges, net	409,824	439,525
Receivables and other assets	999,082	1,000,076
Leasing cost, net of accumulated amortization	784,975	1,054,696
Total Assets	<u>\$ 42,450,707</u>	<u>\$ 41,748,704</u>
Accounts payable and accrued expenses	\$ 1,984,667	\$ 387,391
Project note payable	19,509,819	24,318,473
Accrued interest payable	37,405	46,929
Total Liabilities	<u>\$ 21,531,892</u>	<u>\$ 24,752,793</u>
Partners' capital:		
Total Partners' Capital	20,918,815	16,995,911
Total Liabilities and Partner's Capital	<u>\$ 42,450,707</u>	<u>\$ 41,748,704</u>

Summarized Statements of Income information for Security Land is as follows:

	For the Years Ended December 31,	
	<u>2020</u>	<u>2019</u>
Revenues	\$ 12,279,098	\$ 12,330,841
Expenses	8,356,194	8,593,327
Net income	<u>\$ 3,922,904</u>	<u>\$ 3,737,514</u>

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3. Investment in MESC Capital LLC

The Company owned a 50% membership interest in MESC Capital, which, through its subsidiary, owned an on-site energy facility that supplied steam and electricity to a Kimberly-Clark tissue mill in Mobile, Alabama pursuant to an Amended and Restated Tissue Mill and Energy Services and Site Coordination Agreement that expired on April 30, 2019.

The Company accounted for the Investment in Partnerships using the equity method, whereby the carrying value of these investments were increased or decreased by the Company's allocable share of book income or loss. The Company recognized income of \$0 and \$1,473,031 for the years ended December 31, 2020 and 2019, respectively, from this investment.

On April 24, 2017, Kimberly-Clark notified MESC Capital of its intention to not renew the lease upon its expiration on April 30, 2019. On December 31, 2018, the Company recorded an impairment of its investment in MESC in the amount \$2,121,437, which represents the book value of the Company's investment in excess of the remaining payments expected to be received. The impairment charge was included in income from equity investment in partnerships/LLC on the Company's consolidated statement of income. For the years ended December 31, 2020 and 2019, the Company recorded impairment of \$0 and \$1,172,770, respectively. The impairment charge was included in income from equity investment in partnerships/LLC on the Company's consolidated statement of income. The Company received dividends of \$46,080 and \$5,200,261 for the years ended December 31, 2020 and 2019, respectively, from this investment.

2003 Incentive Stock Plan

Effective as of March 17, 2003, the Company's Board of Directors and Stockholders approved and adopted the 2003 Stock Incentive Plan (the "2003 Plan"). The 2003 Plan allows the Administrator (as defined in the 2003 Plan), currently the Compensation Committee, to determine the issuance of incentive stock options, non-qualified stock options and restricted stock to eligible employees and outside directors and consultants of the Company. The Company has reserved 500,000 shares of common stock for issuance under the 2003 Plan. The exercise price of any option granted under the 2003 Plan is determined by the Administrator, and no option or award exercise date can exceed ten years from the grant date. On August 13, 2008, the Company's Board of Directors approved an amendment to the 2003 Plan that increased the total number of authorized shares available from 500,000 to 750,000. All other terms of the Plan remain in full force and effect.

Total stock-based compensation expense, net of forfeitures, recorded within General and Administrative Expenses in the Statements of Income was \$0 and \$(24,754) during the years ended December 31, 2020 and 2019, respectively. These amounts represent the vested portion of the requisite grant terms less forfeitures previously recognized as compensation cost for an award that is forfeited during the period. The 2019 amount is comprised of an expense of \$8,855 for options vesting during the year and a benefit of (\$33,609) due to a reversal of stock compensation expense for unvested options that were forfeited. Unamortized stock-based compensation for these option awards as of December 31, 2020 was \$0.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 4. Stock Based Compensation

As of December 31, 2020, 75,000 shares remain available for issuance under the 2003 Plan.

The following is a summary of the status of the Company's options for the years ended December 31, 2020 and 2019:

	Exercise Price Range	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at January 1, 2019	\$ 6.50-9.50	85,000	\$ 7.74	5.35
Issued	\$ -	-	\$ -	-
Exercised	\$ -	-	\$ -	-
Forfeited	\$ 9.50	(35,000)	\$ 9.50	-
Outstanding at December 31, 2019	<u>\$ 6.50</u>	<u>50,000</u>	<u>\$ 6.50</u>	<u>2.94</u>
Exercisable at December 31, 2019	<u>\$ 6.50</u>	<u>50,000</u>	<u>\$ 6.50</u>	<u>2.94</u>
Issued	\$ -	-	\$ -	
Exercised	\$ -	-	\$ -	
Forfeited	\$ -	-	\$ -	
Outstanding at December 31, 2020	<u>\$ 6.50</u>	<u>50,000</u>	<u>\$ 6.50</u>	<u>1.93</u>
Exercisable at December 31, 2020	<u>\$ 6.50</u>	<u>50,000</u>	<u>\$ 6.50</u>	<u>1.93</u>

Note 5. Income Taxes

As referred to in Note 1, the Company accounts for income taxes under FASB ASC 740-10, "Income Taxes". The deferred taxes are the result of temporary differences between financial reporting and tax reporting for depreciation, earnings from the Company's partnership investment in Security Land and the recognition of income tax carry-forward items.

The Company files consolidated income tax returns with its wholly owned subsidiaries. As of December 31, 2014, for regular federal and state income tax purposes, the Company has utilized all of its net operating loss carryforwards (NOLs). The Company believes it is no longer subject to income tax examinations for years prior to 2014 by the respective taxing authorities.

The Company and the general partner of Security Land are in disagreement as to the manner in which taxable income of Security Land is to be allocated pursuant to the partnership agreement and applicable law, and for years 2004 through 2018, the Company has reported taxable income and loss from Security Land in a manner it believes is proper, but which was different than the manner reported by Security Land. An investigation or other action by the applicable tax authorities to resolve this difference could have an adverse impact on the Company's operations and financial results.

The Company's 2014 and 2015 tax returns are under examination by the Internal Revenue Service ("IRS"). The 2017, 2018, and 2019 tax returns remain open to examination.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 5. Income Taxes (continued)

To safeguard itself from any possible negative impact, in February 2016, the Company purchased an insurance policy and binder to insure against the negative tax consequences should any arise from the disagreement with Security Land regarding reported taxable income allocations. The Company paid \$633,900 for the policy and binder which provide coverage of up to \$10 million over the next seven years in the event the IRS or a state taxing authority were to investigate and reject the Company's tax positions taken. The policy is subject to certain limitations, exclusions and retentions.

For the years ended December 31, 2020 and 2019, the Company has recorded tax expense (benefit) of \$457,730 and \$(422,543), respectively, including expense of \$114,064 and \$81,424, respectively, for state income taxes. The Company's applicable statutory tax rates are 21% and 7.5% for federal and state tax purposes, respectively, for the years ended December 31, 2020. The reconciliation of the Company's income tax expense for the years ended December 31, 2020 and 2019 is as follows:

	For the Years Ended December 31,	
	2020	2019
Income tax at federal statutory rate	\$ 305,534	\$ 264,586
State taxes, net of federal benefit	114,064	81,424
Permanent differences	-	(225,777)
True-up	30,222	(768,553)
Other adjustments	7,910	-
Total income tax expense (benefit)	\$ 457,730	\$ (422,543)

The components of net deferred tax assets and liabilities at December 31, 2020 and 2019 are as follows:

	For the Years Ended December 31,	
	2020	2019
Deferred tax assets:		
Deferred rent	\$ 15,441	\$ -
Total assets	15,441	
Deferred tax liabilities		
Investment in partnership	(239,897)	-
Total liabilities	(239,897)	-
Net deferred tax liability	\$ (224,456)	\$ -

The components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 are as follows:

	For the Years Ended December 31,	
	2020	2019
Current		
Federal	\$ 192,402	\$ (503,967)
State	48,871	81,424
Total current	233,273	(422,543)
Deferred		
Federal	152,102	-
State	72,355	-
Total deferred	224,457	-
Total income tax expense	\$ 457,730	\$ (422,543)

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 6. Related Party Transactions

In May 2016, the Company entered into a consulting agreement with a non-independent member of its Board of Directors, to provide consulting, financial analyses, and due diligence services for any new potential investment available to the Company, and ongoing financial monitoring of existing investments. Terms of the agreement include an initial fee of \$7,500 and a fee of \$7,200 each month thereafter. In addition, the agreement called for a 25,000 non-qualified common stock option award, exercisable at \$9.50 per share with a term of 10 years and vesting of 5,000 options per year over a 5-year period. The Company may terminate the agreement at any time for cause; the consultant may terminate the agreement at will. The fair value of the options granted was \$83,400. On June 1, 2019, the consulting agreement was terminated, and all options were forfeited. During the years ended December 31, 2020 and 2019, the Company recorded stock-based compensation expense (benefit), net of forfeitures, of \$0 and \$(17,681), respectively, related to these stock options. In addition, under the terms of the agreement, the Company paid \$0 and \$36,000 to the consultant during the years ended December 31, 2020 and 2019, respectively.

Note 7. Contingencies, Risks, and Uncertainties

The Company is subject to numerous contingencies, risks and uncertainties including, but not limited to, the following that could have a severe impact on the Company:

A default in the Lease or sudden catastrophe to the Security West Building from uninsured acts of God or war could have a materially adverse impact upon the Company's investment in Security Land and Development Company Limited Partnership and, therefore, its financial position and results of operations.

Royalty, an affiliate of the Company's management, beneficially owns approximately 49% of the Company's common stock. As a result, Royalty has the ability to control the outcome of all matters requiring shareholder approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of the Company's assets.

There are many public and private companies that are also searching for operating businesses and other business opportunities as potential acquisition or merger candidates. The Company will be in direct competition with these other companies in its search for business opportunities. Many of these entities have significantly greater financial and personnel resources than the Company.

The Company and the general partner of Security Land were in disagreement as to the manner in which taxable income of Security Land was to be allocated pursuant to the partnership agreement and applicable law, and for years 2004 through 2018, the Company reported taxable income (loss) from Security Land in a manner the Company believes is proper, but which was different than the manner reported by Security Land (See Note 5). This may result in an investigation or other action by the applicable tax authorities and any action taken by tax authorities to resolve this difference could have an adverse impact on the Company's operations and financial results. In February 2016, the Company obtained an insurance policy to protect against such losses, however, it may not be sufficient under all circumstances to cover all potential losses to the Company in the event of any such adverse determinations.

In September 2016, the Company received an Internal Revenue Service letter indicating its 2014 Federal Form 1120 was selected for examination. In September 2017, the Company received an Internal Revenue Service letter indicating its 2015 Federal Form 1120 was selected for examination. Management has submitted all documentation requested.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 7. Contingencies, Risks, and Uncertainties (continued)

The Company's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, was declared a pandemic by the World Health Organization. Governmental authorities in the States where we operate have taken and may continue to take measures in order to combat the spread of the disease including forced closures of business establishments. The full impact of the COVID-19 outbreak is unknown, resulting in a high degree of uncertainty for potentially extended periods of time. At this time, neither the duration nor scope of the disruption can be predicted, therefore, the negative impact on our financial position and operating results cannot be reasonably estimated. The results of this pandemic may have material adverse impact on the Company's financial position, operations, and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Company's customers and revenue, labor workforce, unavailability of products and supplies used in operations, and the decline in value of assets held by the Company which includes our investments in partnerships. The Company is closely monitoring the impact of the coronavirus (COVID-19) pandemic on all aspects of its business.

Note 8. Lease Commitments

In January 2016, Regency paid a \$201,329 security deposit and entered into a new, seven-year office lease agreement, for a 4,081 square foot space for its New York City location. Base rental payments under this agreement are \$74 per square foot per year, with a 1.75% fixed annual escalation. In addition, the Company is responsible to pay the tenant's share of real estate tax increases above the 2016/2017 base year and electricity usage. A rent concession has been granted to waive the first three months' rent. On the third anniversary of rent commencement, and provided the Company is not in default of any rental obligations, the landlord agrees to reduce the security deposit to six months' base rent, or approximately \$151,000. The lease also contains an early termination clause which is effective after five years, with proper notice and payment of an early termination fee. The office relocated in May 2016, the first month of the lease term. Rent expense for the years ended December 31, 2020 and 2019 was \$307,532 and \$316,304, respectively.

As of December 31, 2020, future minimum payments under this operating lease are as follows:

	For the Years Ended December 31,	
2021		327,471
2022		333,202
2023		111,709
Total		<u>\$ 772,382</u>

Note 9. License Agreement

In May 2016, a new License Agreement commenced with an unrelated entity which provides the use of leased space within the Company's New York City office, for \$8,833 per month, plus monthly office service fees, through June 2018. Annual one-year renewal periods are available, with license and service fee increases of 2.25% and 2.5%, respectively, until the expiration of the office lease. In July 2020, the rent was reduced to \$7,900 per month.

License fee income and related service fees for the years ended December 31, 2020 and 2019 was \$86,062 and \$121,786, respectively.

This agreement was subsequently terminated effective October 15, 2020.

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 10. Simplified Employee Pension- Individual Retirement Account (SEP-IRA)

The Company adopted a SEP-IRA Plan in 2004. During the years ended December 31, 2020 and 2019, the Company expensed contributions of \$81,216 and \$96,107, respectively, to the SEP-IRA Plan. The SEP-IRA Plan covers all employees who receive compensation from the Company during the year. Employer contributions are discretionary and determined annually. In addition, the SEP-IRA Plan allows participants to make elective deferral contributions through payroll deductions.

Note 11. Dividends

The Board of Directors has a dividend policy whereby the Board expects to declare a total annual dividend to common shareholders of \$0.262 per share, to be paid in equal, quarterly installments of \$0.0655 per share, provided that the determination to pay any cash dividends for any quarterly period will be made at the applicable time by the Board, in the Board's sole discretion, in compliance with the requirements of applicable law, and with consideration of the Company's future earnings and financial condition and other factors as may be deemed appropriate for consideration by the Board. The dividend policy will remain in effect until the Board determines, in its sole discretion, that it is in the best interests of the Company and its common shareholders to terminate the dividend policy.

In September 2020, the Board of Directors increased its annual dividend policy to \$0.27 per share, to be paid in equal, quarterly installments of \$.0675 per share.

In April 2020, the Company received cash of \$68,817 as a return of dividends for which the recipients could not be located by the Company's transfer agent. The Company included this amount in accrued dividends on the Company's consolidated balance sheet and is attempting to locate the parties for whom the dividends were to be paid. The Company paid \$5,047 of the returned dividends to shareholders for the year ended December 31, 2020.

In December 2018, the Company received cash of \$96,110 as a return of dividends for which the recipients could not be located by the Company's transfer agent. The Company included this amount in accrued dividends on the Company's consolidated balance sheet and is attempting to locate the parties for whom the dividends were to be paid.

Note 12. Mortgage Note Payable

On April 18, 2016, the Company, through its five wholly owned subsidiaries, obtained a \$25,250,000 bank note to fund the acquisition. The note is a non-recourse debt financing with a ten-year term, 4.95% fixed interest rate, and has a maturity date of May 6, 2026. The note is guaranteed by the owners of SSCP and is secured by all assets of SSCP. The only amount due during the first four years of the note is interest. After such point, the Company makes monthly payments of \$134,777 until a balloon payment is due in 2026. The Company paid \$126,250 in fees for underwriting of the note. These fees were recorded as a debt discount and are amortized over the life of the note. Amortization expense of debt discount was \$12,625 for the year ended December 31, 2020 and 2019. The unamortized debt discount at December 31, 2020 and 2019 is \$67,335 and \$79,960, respectively. The principal outstanding on the note at December 31, 2020 and 2019 is \$25,047,034 and \$25,250,000, respectively. For the year ended December 31, 2020 and 2019, the Company incurred interest expense of \$1,268,198 and \$1,267,234, respectively, in connection with the note.

Under the terms of this agreement, the Company is required to meet and maintain certain financial covenants. As of December 31, 2020, the Company was in compliance with all financial covenants. The covenant at December 31, 2020 is:

Regency Affiliates, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 12. Mortgage Note Payable (continued)

Minimum Debt Service Coverage Ratio	1.15 to 1.00
Actual Debt Service Coverage Ratio	1.74 to 1.00

Future payments due under the note are as follows for the years ending December 31:

2021	\$ 386,709
2022	406,292
2023	426,866
2024	448,482
2025	471,192
Thereafter	<u>22,907,493</u>
Total	\$ <u><u>25,047,034</u></u>

Note 13. Subsequent Events

In March 2021, the Board of Directors declared a quarterly cash dividend of \$0.0675 per share of issued and outstanding common stock to holders of record as of the close of trading on March 31, 2021, totaling \$325,016, payable on April 7, 2021.

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Regency Affiliates, Inc. and Subsidiaries

570 Lexington Ave, New York, NY 10022

(212)-644-3450

<http://www.regencyaffiliates.com/>

info@regencyaffiliates.com

60-67

Annual Report

For the Period Ending: December 31, 2020

(the "Reporting Period")

As of December 31, 2020, the number of shares outstanding of our Common Stock was:

4,815,057

As of December 31, 2020, the number of shares outstanding of our Common Stock was:

4,815,057

As of June 30, 2020, the number of shares outstanding of our Common Stock was:

4,815,057

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

Yes: No:

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

Yes: No:

Indicate by check mark whether a Change in Control⁴ of the company has occurred over this reporting period:

Yes: No:

⁴ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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

In answering this item, please also provide any names used by predecessor entities and the dates of the name changes.

N/A

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable)
Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

February 12, 1980; Delaware; Active

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

Yes: No:

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

2) Security Information

Trading symbol: RAFI
Exact title and class of securities outstanding: Common
CUSIP: 758847305
Par or stated value: \$0.01

Total shares authorized: 8,000,000 as of date: December 31, 2020
Total shares outstanding: 4,815,057 as of date: December 31, 2020
Number of shares in the Public Float⁵: 3,629,821 of date: December 31, 2020
Total number of shareholders of record: 93 as of date: December 31, 2020

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

Trading symbol: _____
Exact title and class of securities outstanding: _____
CUSIP: _____
Par or stated value: _____
Total shares authorized: _____ as of date: _____
Total shares outstanding: _____ as of date: _____

Transfer Agent

Name: Transfer Online
Phone: 503-227-2950
Email: info@transferonline.com

Is the Transfer Agent registered under the Exchange Act?⁶ Yes: No:

⁵ "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

⁶ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

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

n/a

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

Ex-Dividend – 12/30/2020

Ex-Dividend – 09/29/2020

Ex-Dividend – 06/29/2020

Ex-Dividend – 3/30/2020

3) Issuance History

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

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

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date _____ Common: _____ Preferred: _____			*Right-click the rows below and select “Insert” to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report: <u>Ending Balance</u> Date _____ Common: _____ Preferred: _____									

Example: A company with a fiscal year end of December 31st, in addressing this item for its quarter ended September 30, 2019, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2017 through September 30, 2019 pursuant to the tabular format above.

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

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities..

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>4/18/2016</u>	<u>24979,698</u>	<u>25,250,000</u>	<u>\$0</u>	<u>6/6/2050</u>	<u>N/A</u>	<u>Wells Fargo & Company</u>	<u>Mortgage</u>

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

N/A

4) Financial Statements

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

- U.S. GAAP
- IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁷:

Name: John Van Buiten, CPA
Title: Accounting Manager
Relationship to Issuer: Consultant

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

- C. Balance sheet;
- D. Statement of income;
- E. Statement of cash flows;
- F. Statement of Changes in Shareholders' Equity
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

⁷ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

<u>Document Name</u>	<u>Period End Date</u>	<u>Date Posted</u>
Annual Report – Annual Report	12/31/2019	3/30/2020
Annual Report – 2018 Annual Report	12/31/2018	7/29/2019
Quarterly Report – Quarterly Report	3/31/2019	10/31/2019
Quarterly Report – Quarterly Report	6/30/2019	12/23/2019
Quarterly Report – Quarterly Report	9/30/2019	2/13/2020
Quarterly Report – Quarterly Report	3/31/2020	5/19/2020
Quarterly Report – Quarterly Report	6/30/2020	8/19/2020

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. In answering this item, please include the following:

- A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

Regency Affiliates, Inc. invests in assets that generate attractive, predictable and sustainable returns on capital. The Company’s objective is to generate long term value for its shareholders. Management seeks sound investment opportunities to meet its business characteristics and valuation criteria

- B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of such entity’s business, contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

The Company holds a limited partnership interest in Security Land and Development Company Limited Partnership (“Security Land”), which owns and operates 34.3 acres of land and rental property of approximately 717,000 square feet in Woodlawn, Maryland, which is occupied by the United States Social Security Administration’s Office of Disability and International Operations. In November 2000, the Company acquired a 5% limited partnership interest in 1500 Woodlawn Limited Partnership, the general partner of Security Land. See Note 2, “Investment in Security Land and Development Company Limited Partnership.”

In addition, Regency Power Corporation (“Regency Power”, 100% owned subsidiary of the Company) owned a 50% interest in MESC Capital, LLC, a Delaware limited liability company (“MESC Capital”). MESC Capital owns a 100% interest in Mobile Energy Services Company, LLC, an Alabama limited liability company (“Mobile Energy”), which owns an on-site energy facility that supplies steam and electricity to a Kimberly-Clark tissue mill in Mobile, Alabama.

- C. Describe the issuers’ principal products or services, and their markets

Real Estate Investments

6) Issuer’s Facilities

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

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

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

In April 2016, Regency formed a new, wholly owned subsidiary, RSS Investments LLC (“RSS”). RSS acquired a majority ownership (80%) of SSCP Harrisburg Holdings, LLC, a Delaware limited liability company (“Harrisburg Holdings”). Harrisburg Holdings is the sole member of SSCP Harrisburg Intermediate Holdings, LLC, a Delaware limited liability company (“Intermediate Holdings”). Simultaneously with RSS’s investment in Harrisburg Holdings, Harrisburg Intermediate Holdings acquired a portfolio of five self-storage facilities in Harrisburg, Pennsylvania. Through our controlling interest of SSCP Harrisburg Holdings, LLC, we are focused on the ownership, operation, and acquisition of self-storage properties located within the Harrisburg, Pennsylvania area.

7) Officers, Directors, and Control Persons

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

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% of more of any class of the issuer’s securities, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Laurence Levy</u>	<u>Chairman, CEO, and CFO</u>	<u>New York, NY</u>	<u>2,720,602</u>	<u>Common Stock</u>	<u>56.5%</u>	<u>Shares beneficially owned by Mr. Levy include (a) 282,866 shares of common stock owned by Protea Investments, LLC, (b) 75,000 shares of common stock owned by The Springbok Irrevocable Trust, and (c) 2,362,736 shares of common stock owned by Royalty Holdings, LLC.</u>
<u>Anthony Brittan</u>	<u>Director</u>	<u>London, UK</u>	<u>0</u>	<u>n/a</u>	<u>n/a</u>	<u>_____</u>

<u>Errol Glasser</u>	<u>Director</u>	<u>New York, NY</u>	<u>1,000</u>	<u>Common Stock</u>	<u><1%</u>	<u>_____</u>
<u>Royalty Holdings, LLC</u>	<u>Owner of more than 5%</u>	<u>New York, NY</u>	<u>2,362,736</u>	<u>Restricted</u>	<u>49.1%</u>	<u>_____</u>

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

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

No.

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

No.

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

No.

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

No.

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

n/a

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Todd J. Emmerman
Firm: Brown Rudnick LLP
Address 1: 7 Times Square, New York, NY 10036
Address 2: _____
Phone: (212) 209-4888
Email: temmerman@brownrudnick.com

Accountant or Auditor

Name: Rob Quick
Firm: RRBB Accountants & Advisors
Address 1: 265 Davidson Avenue, Suite 201 Somerset, NJ 08873-4120
Address 2:
Phone: 908-231-1000
Email: rquick@rrbb.com

Investor Relations

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

Other Service Providers

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

Name: John Van Buiten
Firm: Financial Consulting Strategies, LLC
Nature of Services: Consulting
Address 1: 55 Harristown Road #105, Glen Rock, NJ 07452
Address 2:
Phone: 201-857-5180
Email: jvanbuiten@fcstrategiesllc.com

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

10) Issuer Certification

Principal Executive Officer:

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

The certifications shall follow the format below:

I, Laurence S. Levy certify that:

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

April 6, 2021 [Date]

/s/ Laurence S. Levy [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Laurence S. Levy certify that:

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

April 6, 2021 [Date]

Laurence S. Levy [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")