FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC
A California Limited Liability Company

FINANCIAL STATEMENTS
For the Period from Inception (February 11, 2011) to December 31, 2011

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC
A California Limited Liability Company

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PCC
Propp
Christensen
Caniglia
LLP
CERTIFIED PUBLIC ACCOUNTANTS

9261 Sierra College Boulevard
Roseville, California 95661
916.751.2900
916.751.2979 FAX
pccllp.com

INDEPENDENT AUDITORS' REPORT

To the Members
Foothill Mortgage Fund of Olympia, LLC
Grass Valley, California

We have audited the accompanying balance sheet of Foothill Mortgage Fund of Olympia, LLC (the "Fund") (a California limited liability company) as of December 31, 2011, and the related statements of operations, changes in members' equity and cash flows for the period from inception (February 11, 2011) to December 31, 2011. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foothill Mortgage Fund of Olympia, LLC as of December 31, 2011, and the results of its operations and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

Propp Christensen Caniglia LLP

March 22, 2012
Roseville, California

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

BALANCE SHEET
December 31, 2011

ASSETS

Current assets:		
Cash and cash equivalents	$	129,975
Mortgage interest receivable		30,512
Other assets		36,371
Total current assets		196,858
Mortgage loans receivable		
Class A		2,462,658
Class B		1,787,991
Total mortgage loans receivable		4,250,649
Less allowance for loan losses		(9,100)
Mortgage loans receivable, net		4,241,549
Total assets	$	4,438,407

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Loan servicing fees payable	$	2,704
Asset management fees payable		3,652
Other current liabilities		8,000
Funds held in subscription		35,220
Total current liabilities		49,576
Members' equity		4,388,831
Total liabilities and members' equity	$	4,438,407

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

STATEMENT OF OPERATIONS
For the Period from Inception (February 11, 2011) to December 31, 2011

Revenues:	
Class A mortgage interest income	$ 270,724
Class B mortgage interest income	54,749
Class A late fees and other revenue	1,695
Class B late fees and other revenue	188
Total revenues	327,356
Operating expenses:	
Loan servicing fees	31,690
Asset management fees	28,917
Provision for losses on loans	9,100
Legal and accounting	8,535
Other operating expenses	1,859
Total operating expenses	80,101
Net income	$ 247,255

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Period from Inception (February 11, 2011) to December 31, 2011

	Member Class A	Member Class B	Total
Balance at February 11, 2011	$ -	$ -	$ -
Capital contributions, Class A investor	5,925,893	-	5,925,893
Capital contributions, new investors	-	150,336	150,336
Capital contributions, rollover investors	-	1,732,187	1,732,187
Capital contributions, reinvested earnings	-	18,794	18,794
Capital distributions	(3,647,162)	(38,472)	(3,685,634)
Net income	202,134	45,121	247,255
Balance at December 31, 2011	$ 2,480,865	$ 1,907,966	$ 4,388,831

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC

STATEMENT OF CASH FLOWS
For the Period from Inception (February 11, 2011) to December 31, 2011

Cash flows from operating activities:		
Net income	$	247,255
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for losses on loans		9,100
Change in operating assets and liabilities:		
Mortgage interest receivable		(30,512)
Other assets		(36,371)
Loan servicing fees payable		2,704
Asset management fees payable		3,652
Other current liabilities		8,000
Funds held in subscription		35,220
Net cash provided by operating activities		239,048
Cash flows from investing activities:		
Loans funded		(2,364,000)
Principal payments collected on Class A loans		3,388,234
Principal payments collected on Class B loans		576,010
Net cash provided by investing activities		1,600,244
Cash flows from financing activities:		
Members' contributions		1,976,317
Members' capital distributions		(3,685,634)
Net cash used in financing activities		(1,709,317)
Net increase in cash and cash equivalents		129,975
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	129,975
Non-cash investing and financing transactions:		
Class A contributed loans	$	5,850,893

NOTE 1: ORGANIZATION

Foothill Mortgage Fund of Olympia, LLC (the "Fund") is a California limited liability company that was organized on February 11, 2011, and commenced operations on May 2, 2011. The Fund was organized for the purpose of making or investing in loans secured by deeds of trust encumbering real estate located primarily in California. The Fund's loans are secured primarily by first priority deeds of trust encumbering improved residential, commercial, industrial, multi-family and mixed use properties. The Fund is managed by Olympia Mortgage and Investment Company, Inc., a California corporation (the "Manager" or "Servicer"). Fund loans are originated and serviced by the Manager. The Fund receives certain operating and administrative services from the Manager, some of which are not reimbursed to the Manager. The Fund's financial position and results of operations would likely be different absent this relationship with the Manager.

Term of the Fund
The Fund will continue indefinitely until dissolved and terminated by vote of the members holding a majority of the outstanding membership interests with the concurrence of the Manager.

NOTE 2: MEMBERSHIP CLASSES

The fund was organized pursuant to a proposal that was approved on January 27, 2011, by the members of Olympia Mortgage Fund, LLC (OMF). The proposal provided for an initial capital contribution of $5,925,893 in the form of cash and noncash assets for which OMF was issued a Class A Membership interest. The purchase of interests other than the Class A membership of Olympia Mortgage Fund, LLC are classified as Class B Membership interests. This includes the purchase of interests by OMF investors who have directed the Manager to utilize all or a portion of their liquidated distributions from OMF to purchase units in FMF. OMF members electing to purchase these units are referred to as "OMF Rollover Investors." All other Class B interests are shares purchased by new investors other than OMF rollover investors. Class A and Class B membership interests are described in detail in the Fund's Offering Circular.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management Estimates and Related Risks
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the allowance for loan losses. Although these estimates reflect management's best estimates, it is at least reasonably possible that a material change to these estimates could occur in the near term.

The fair value of real estate, in general, is impacted by current real estate and financial market conditions. During 2011, the real estate and mortgage lending financial markets continued to experience downward volatility. Should these markets continue to experience declines, the resulting collateral values of the Fund's loans will likely be negatively impacted. The impact to such values could be significant and as a result, the Fund's actual loan losses could differ significantly from management's current estimates.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents
The Fund considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents.

Loan Classifications
The Fund has classified its mortgage loans portfolio as either Class A or Class B loans. Class A loans are the loans contributed by the original Class A member, Olympia Mortgage Fund, LLC. Class B loans are any loans or fractional interest investments in loans made or acquired by the Fund other than the Class A loans.

Mortgage Loans Receivable
Class A Loans: If any of the initial loans (Class A loans) become non-performing loans, as the Class A interest holder, OMF is required to re-acquire those loans. Consequently, the Fund will not be at risk for losses on any Class A loans except to the extent of the loss of interest income otherwise payable to the Fund on those loans.

Class B Loans: Mortgage loans defined as Class B loans, which the Fund has the intent and ability to hold for the foreseeable future or to maturity, generally are stated at their outstanding unpaid principal balance with interest accrued as earned. If the probable ultimate recovery of the carrying amount of a loan, with due consideration for the fair value of collateral, is less than amounts due according to the contractual terms of the loan agreement and the shortfall in the amounts due are not insignificant, the carrying amount of the investment shall be reduced to the present value of future cash flows discounted at the loan's effective interest rate. If such a loan is collateral dependent, it is valued at the estimated fair value of the related collateral. If events and or changes in circumstances cause management to have serious doubts about further collectability of the contractual payments, a loan may be categorized as impaired and interest would no longer accrue. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances, including accrued interest and advances.

Allowance for Loan Losses
Loans and the related accrued interest are analyzed on a continuous basis for recoverability. Delinquencies are identified and followed as part of the loan system. For Class B loans a provision is made for losses on loans to adjust the allowance for loan losses to an amount considered by management to be adequate, with due consideration to collateral value, to provide for unrecoverable loans and receivables, including impaired loans, accrued interest and advances on loans. The Fund writes off uncollectible loans and related receivables directly to the allowance for loan losses once it is determined that the full amount is not collectible. The Fund has also recorded an allowance for loan loss to allow for general market volatility amounting to $9,100 during the period ended December 31, 2011.

Funds Held in Subscription
The Fund places investors' subscription funds in a separate bank account for subscriptions. The investor will become a Class B member when all or a portion of the deposited subscription funds are required by the Fund to invest in a new loan. The new member's subscription is irrevocable upon being received by the Fund; however, the Offering Circular provides for certain exceptions. Cash subscriptions will be transferred into the Fund on a first-in, first-out basis.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through March 22, 2012, the date that these financial statements were available to be issued.

Fair Value Measurements
The Fund has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10 (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Fund determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Fund Manager's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Fund Manager's own data.

The following methods and assumptions were used to estimate the fair values of assets and liabilities:

(a) Cash and cash equivalents: The carrying amount equals fair value. All amounts, including interest bearing accounts, are subject to immediate withdrawal.

(b) Secured loans: The Fund classifies loans as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the Fund classifies the loan as nonrecurring Level 3.

(c) Mortgage interest receivable, fees payable and funds held in subscription: The carrying values are considered equal to their fair values due primarily to the short-term maturities of these instruments.

Fair values of assets measured on a nonrecurring basis at December 31, 2011, are as follows:

	Level 1	Level 2	Level 3	Total
Secured loans	$ -	$ 4,250,649	$ -	$ 4,250,649

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes
The Fund is a limited liability company (LLC) for federal and state income tax purposes. Under the laws pertaining to income taxation of limited liability companies, no federal income tax is paid by the Fund as an entity. Each individual member reports on their federal and state income tax returns their share of Fund income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Accordingly, no provision for income taxes besides the minimum state franchise tax and the LLC gross receipts fees will be reflected in the accompanying financial statements. After they are filed, the Fund's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

NOTE 4: FUND PROVISIONS

The Fund is a California limited liability company. The rights, duties and powers of the members of the Fund are governed by the operating agreement and Title 2.5, Chapter 3 of the California Corporations Code. The description of the Fund's operating agreement contained in these financial statements provides only general information. Members should refer to the Fund's operating agreement and Offering Circular for a more complete description of the provisions.

The Manager is in complete control of the Fund business, subject to the voting rights of the members on specified matters. The Manager acting alone has the power and authority to act for and bind the Fund.

Members representing a majority of the outstanding Fund membership interests may approve or disapprove any of the following matters with the prior written consent of the Manager: (i) dissolution and termination of the Fund; (ii) amendment of the LLC operating agreement and (iii) merger or consolidation of the Fund with one or more other entities.

Members representing a majority of the outstanding Fund membership interests may vote to remove and replace the Manager.

Upon the cessation of the Manager for any reason, a majority interest of the members may elect a replacement manager to continue the Fund business.

Profits and Losses
Profits and losses accrued during any calendar month are allocated to the members in proportion to their respective membership interests outstanding as of the first day of the month. However, if any membership interest is purchased, increased or decreased prior to the end of a calendar month, profits and losses shall be allocated in proportion to the members' account balance and the number of days during such month that the member held that account balance.

Election to Receive Distributions or Reinvest
Upon subscription for units, an investor must elect whether to receive monthly cash distributions from the Fund or to allow his or her earnings to compound for the term of the Fund. An investor may elect to switch from compounding to monthly distributions upon 60 days prior written notice to the Manager.

NOTE 4: FUND PROVISIONS (CONTINUED)

Liquidity, Capital Withdrawals and Early Withdrawals
There is no public market for units of the Fund and none is expected to develop in the foreseeable future. There are substantial restrictions on transferability of membership interests. Any transferee must be a person or entity that would have been qualified to purchase a member unit in the offering and a transferee may not become a substituted member without the consent of the Manager. The Offering Circular provides for other limitations on transferability.

Commencing no earlier than one year after purchasing membership interests in the Fund, a member may request withdrawal from the Fund under certain circumstances and obtain the return of all or a portion of his or her capital as of the last day of the calendar month, as outlined in the operating agreement, by giving at least 90 days prior written notice to the Manager. A member's capital account would then be liquidated and distributed to the requesting member in not more than four quarterly installments, each equal to 25% of the total capital account being liquidated, subject to additional withdrawal restrictions as noted in the operating agreement.

The Fund will not establish a reserve from which to fund withdrawals and, accordingly, the Fund's capacity to return a Member's capital account is restricted to the availability of Fund cash flow.

NOTE 5: OTHER ASSETS

Other assets at December 31, 2011, include $36,371 of prepaid expenses and charges such as administrative operating contract fees.

NOTE 6: RELATED PARTY TRANSACTIONS

Loan Brokerage Commissions
For its services in connection with the selection and origination of Fund loans, the Servicer charges loan brokerage commissions, renewal fees and forbearance fees to the borrowers. These fees are paid directly by the borrowers and are not expenses of the Fund.

Loan Servicing Fees
Loan servicing fees of up to .0833% (1% annually) of the principal amount of each Fund loan are payable monthly to the Servicer as interest is earned by the Fund. Loan servicing fees of $31,690 were incurred for the year ended December 31, 2011. At December 31, 2011, the Fund had recorded $2,704 as a payable to the Servicer for loan servicing fees.

Asset Management Fees
Asset management fees of up to .0833% (1% annually) are payable monthly to the Manager on the last day of the month based on the net assets under management, as defined, on the last day of the previous month. Asset management fees of $28,917 were incurred for the year ended December 31, 2011. At December 31, 2011, the Fund had recorded $3,652 as a payable to the Manager for asset management fees.

Other Fees
The operating agreement provides for other fees such as loan processing and documentation fees. Such fees are incurred by the borrowers and are paid to the Manager.

NOTE 6: RELATED PARTY TRANSACTIONS (CONTINUED)

Related Party Loans

The operating agreement requires that the aggregate principal amount of all related party loans at any time will not exceed 10% of total Fund loan portfolio at such time. There are no related party loans outstanding as of December 31, 2011.

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS

The loans are secured by recorded deeds of trust. At December 31, 2011, there were 16 secured loans outstanding with the following characteristics:

Total number of secured loans outstanding		16
Total secured loans outstanding	$	4,250,649
Average secured loan outstanding	$	265,666
Average secured loan as percent of total secured loans		6.25%
Average secured loan as percent of members' equity		6.05%
Largest secured loan outstanding	$	900,000
Largest secured loan as percent of total secured loans		21.17%
Largest secured loan as percent of members' equity		20.51%
Number of counties where security is located		7

The Class A loan concentrations are as follows:

Total number of Class A secured loans outstanding		6
Total Class A secured loans outstanding	$	2,462,658
Average Class A secured loan outstanding	$	410,443
Average Class A secured loan as percent of total Class A secured loans		16.67%
Average Class A secured loan as percent of Class A member's equity		16.54%
Largest Class A secured loan outstanding	$	900,000
Largest Class A secured loan as percent of total Class A secured loans		36.55%
Largest Class A secured loan as percent of Class A member's equity		36.28%
Number of counties where Class A security is located		5

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

The Class B loan concentrations are as follows:

Total number of Class B secured loans outstanding		10
Total Class B secured loans outstanding	$	1,787,991
Average Class B secured loan outstanding	$	178,799
Average Class B secured loan as percent of total Class B secured loans		10.00%
Average Class B secured loan as percent of Class B members' equity		9.37%
Largest Class B secured loan outstanding	$	745,000
Largest Class B secured loan as percent of total Class B secured loans		41.67%
Largest Class B secured loan as percent of Class B members' equity		39.05%
Number of counties where Class B security is located		4

The Fund's loans are secured by recorded deeds of trust on real property located in various counties of California as follows:

County	Loan Balances	Percentage
Nevada	$ 1,697,649	39.94%
El Dorado	900,000	21.17%
Kern	750,000	17.64%
Placer	460,000	10.82%
Contra Costa	200,000	4.71%
Yuba	195,000	4.59%
Butte	48,000	1.13%
Total	$ 4,250,649	100.00%

The Fund's Class A loans are secured by recorded deeds of trust on real property located in various counties of California as follows:

County	Loan Balances	Percentage
El Dorado	$ 900,000	36.55%
Kern	750,000	30.45%
Nevada	377,658	15.34%
Placer	235,000	9.54%
Contra Costa	200,000	8.12%
Total	$ 2,462,658	100.00%

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

The Fund's Class B loans are secured by recorded deeds of trust on real property located in various counties of California as follows:

County	Loan Balances	Percentage
Nevada	$ 1,319,991	73.83%
Placer	225,000	12.58%
Yuba	195,000	10.91%
Butte	48,000	2.68%
Total	$ 1,787,991	100.00%

The following categories of secured loans were held at December 31, 2011:

First trust deeds	$ 4,250,649
Investments by type of property:	
Single family residential construction	$ 1,790,000
Commercial	1,735,000
Single family residential	693,649
Land	32,000
Total	$ 4,250,649

The following categories of Class A secured loans were held at December 31, 2011:

First trust deeds	$ 2,462,658
Investments by type of property:	
Single family residential construction	$ 1,135,000
Commercial	750,000
Single family residential	577,658
Total	$ 2,462,658

The following categories of Class B secured loans were held at December 31, 2011:

First trust deeds	$ 1,787,991
Investments by type of property:	
Single family residential construction	$ 655,000
Commercial	985,000
Single family residential	115,991
Land	32,000
Total	$ 1,787,991

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

Scheduled maturity dates of secured loans as of December 31, 2011, are as follows:

Year Ending December 31:	
2011	$ 750,000
2012	2,242,658
2013	995,000
2014	67,991
2015	195,000
Total	$ 4,250,649

Scheduled maturity dates of Class A secured loans as of December 31, 2011, are as follows:

Year Ending December 31:	
2011	$ 750,000
2012	1,507,658
2013	205,000
Total	$ 2,462,658

Scheduled maturity dates of Class B secured loans as of December 31, 2011, are as follows:

Year Ending December 31:	
2012	$ 735,000
2013	790,000
2014	67,991
2015	195,000
Total	$ 1,787,991

It is the Fund's experience that often times mortgage loans are either extended or repaid before contractual maturity dates, refinanced at maturity or may go into default and not be repaid by the contractual maturity dates. Therefore, the above tabulations are not forecasts of future cash collections.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Construction Loans

The Fund has approved approximately 7 construction loans, which are at various stages of both the construction and borrowing process. The construction loans have maximum borrowing limits and disbursements are made at various completed phases of the construction project. At December 31, 2011, the Fund had approximately 3 construction loans that had not yet been fully funded. Undistributed amounts related to these construction loans, totaling approximately $399,000, will be funded by a combination of new member contributions, reinvestments of earnings and the payoff of principal on current Class B loans.

Legal Proceedings

The Fund is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a significant adverse effect on the results of operations or financial position of the Fund.

NOTE 9: CONCENTRATION OF CREDIT RISK

The Fund maintains its cash balances in various local banks. The balances are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to $250,000 per depositor, per financial institution. Cash on deposit may occasionally exceed federally insured limits. There was no uninsured cash or cash equivalents at December 31, 2011.