# Foothill Mortgage Fund of Olympia, LLC

(A California Limited Liability Company)

Financial Statements

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Foothill Mortgage Fund of Olympia, LLC (a California limited liability company), which comprise the balance sheet as of December 31, 2015, and the related statements of income, changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foothill Mortgage Fund of Olympia, LLC as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Armanino LLP

Armanino LLP
San Ramon, California

February 10, 2016

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC
(A California Limited Liability Company)
Balance Sheet
December 31, 2015

## ASSETS

| | |
|---|---|
| Cash and cash equivalents | $ 422,829 |
| Mortgage interest receivable | 123,714 |
| Other receivables | 12,970 |
| Total current assets | 559,513 |
| | |
| Mortgage loans receivable | |
| Class B | 7,373,430 |
| Class B California Finance Lender | 2,346,500 |
| Allowance for loan losses | (50,900) |
| Mortgage loans receivable, net | 9,669,030 |
| | |
| Real estate held for use | 395,367 |
| | |
| Total assets | $10,623,910 |

## LIABILITIES AND MEMBERS' EQUITY

| | |
|---|---|
| Liabilities | |
| Servicer fees payable | $ 11,236 |
| Asset management fees payable | 8,732 |
| Other current liabilities | 24,265 |
| Total liabilities | 44,233 |
| | |
| Members' equity | 10,579,677 |
| | |
| Total liabilities and members' equity | $10,623,910 |

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC
(A California Limited Liability Company)
Statement of Income
For the Year Ended December 31, 2015

| | |
|---|---|
| Revenues | |
| Class A mortgage interest income | $ 16,400 |
| Class B mortgage interest income | 914,132 |
| Class B California Finance Lender mortgage interest income | 44,124 |
| Rental income | 6,174 |
| Class A late fees and other revenue | 564 |
| Class B late fees and other revenue | 9,109 |
| Class B California Finance Lender late fees and other revenues | 99 |
| Total revenues | 990,602 |
| Operating expenses | |
| Loan servicing fees | 86,810 |
| Asset management fees | 95,242 |
| Provision for losses on loans | 12,000 |
| Legal and accounting | 53,457 |
| Other operating expenses | 20,180 |
| Total operating expenses | 267,689 |
| Other income | |
| Net gain on sales of real estate owned | 3,219 |
| Income before income tax and LLC fees | 726,132 |
| Income tax and LLC fees | 2,400 |
| Net income | $ 723,732 |

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC
(A California Limited Liability Company)
Statement of Changes in Members' Equity
For the Year Ended December 31, 2015

| | Member Class | | |
|---|---|---|---|
| | A | B | Total |
| Balance, December 31, 2014 | $ 206,252 | $ 7,729,122 | $ 7,935,374 |
| Capital contributions, Class A investors | - | - | - |
| Capital contributions, Class B investors | - | 1,696,445 | 1,696,445 |
| Capital contributions, Class B rollover investors | - | 1,013,050 | 1,013,050 |
| Earnings distributions | (13,097) | (328,472) | (341,569) |
| Capital withdrawals | (205,000) | (242,355) | (447,355) |
| Net income | 11,845 | 711,887 | 723,732 |
| Balance, December 31, 2015 | $ - | $10,579,677 | $10,579,677 |

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC
(A California Limited Liability Company)
Statement of Cash Flows
For the Year Ended December 31, 2015

| | |
|---|---|
| Cash flows from operating activities | |
| Net income | $ 723,732 |
| Adjustments to reconcile net income to net cash provided by operating activities | |
| Provision for losses on loans | 12,000 |
| Gain on sales of real estate owned | (3,219) |
| Depreciation | 3,876 |
| Changes in operating assets and liabilities | |
| Mortgage interest receivable | (32,436) |
| Other receivables | 5,581 |
| Servicer fees payable | 3,356 |
| Asset management fees payable | 2,114 |
| Other current liabilities | 2,080 |
| Net cash provided by operating activities | 717,084 |
| | |
| Cash flows from investing activities | |
| Loans originated | (9,613,650) |
| Principal collected on loans | 6,728,079 |
| Capital improvements on real estate owned | (27,686) |
| Net cash used in investing activities | (2,913,257) |
| | |
| Cash flows from financing activities | |
| Receipt of subscription funds | (14,000) |
| Members' capital contributions | 2,709,495 |
| Members' earnings distributions | (341,569) |
| Members' capital withdrawals | (447,355) |
| Net cash provided by financing activities | 1,906,571 |
| | |
| Net decrease in cash and cash equivalents | (289,602) |
| Cash and cash equivalents at beginning of year | 712,431 |
| | |
| Cash and cash equivalents at end of year | $ 422,829 |
| | |
| Supplemental disclosure of cash flow information | |
| Cash paid for LLC fees and taxes | $ 2,400 |
| | |
| Supplemental disclosure of non-cash investing and financing activities | |
| Sales of real estate owned financed with mortgage loans receivable | $ 67,600 |
| Mortgage loans receivable converted to real estate owned | $ 25,000 |
| Mortgage interest receivable converted to real estate owned | $ 1,984 |
| Other receivables converted to real estate owned | $ 2,592 |

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

## 1. Organization

Foothill Mortgage Fund of Olympia, LLC ("FMF" or 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 received 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 interest with the concurrence of the Manager.

## 2. Summary of Significant Accounting Policies

### Cash and cash equivalents

The Fund considers all highly liquid financial instruments with remaining maturities of three months or less to be cash equivalents. Cash on deposit occasionally exceeds federally insured limits. The Fund believes that it mitigates this risk by maintaining deposits with major financial institutions.

### 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 membership 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.

## 2. Summary of Significant Accounting Policies (continued)

### 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 date of the financial statements and the reported amounts of revenues and expenses during the reported period. Such estimates relate principally to the determination of the allowance for loan losses and fair value of real estate held. 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. The real estate and mortgage lending financial markets have stabilized with many of the markets for which the Fund has loans and related loan collateral showing signs of appreciating fair values in 2015. However, should these markets experience significant 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 and fair value of real estate held could differ significantly from management's current estimates.

### Loan classifications

The Fund has classified its mortgage loan 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. The Fund has certain Class B loans that are issued under the Fund's California Finance Lenders license. These loans have been reflected as Class B California Finance Lender loans in the accompanying financial statements.

### Mortgage loans receivable

Class A Loans: If any of the initial loans (Class A loans) become non-performing loans, 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 due to the Fund on those loans. There were no Class A loans outstanding as of December 31, 2015.

Mortgage 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. Mortgage loans receivable make up the only class of financing receivables within the Fund's lending portfolio. As a result, further segmentation of the loan portfolio is not considered necessary.

## 2. Summary of Significant Accounting Policies (continued)

### Mortgage loans receivable (continued)

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.

Interest is accrued daily based on the principal of the loans. 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 assets are analyzed on a periodic 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, late fees and advances on loans. As a collateral-based lender, the Fund does not consider credit risks which may be inherent in a further segmented loan portfolio as a basis for determining the adequacy of its allowance for loan losses but rather focuses solely on the underlying collateral value of the loans in its portfolio to do so. As a result, the Fund does not consider further segmentation of its loan portfolio and related disclosures necessary. The Fund writes off uncollectible Class B loans and related receivables directly to the allowance for loan losses once it is determined that the full amount is not collectible.

Activity in the allowance for loan losses is as follows for the year ended December 31, 2015:

| | |
|---|---|
| Beginning balance | $38,900 |
| Provision for losses on loans | 12,000 |
| Ending balance | $50,900 |

## 2. Summary of Significant Accounting Policies (continued)

### Allowance for loan losses (continued)

Allocation of the allowance for loan losses based on collateral type of secured loans as of December 31, 2015 consisted of the following:

| | |
|---|---|
| Single family residential construction | $40,681 |
| Single family residential | 6,580 |
| Land | 2,199 |
| Commercial | 1,440 |
| Total | $50,900 |

### Real estate held

Real estate acquired through or in lieu of loan foreclosure is initially recorded at cost as of the date of foreclosure or acquisition. Costs of real estate improvements are capitalized, whereas costs relating to holding real estate are expensed. The portion of interest costs relating to development of real estate is capitalized.

Losses related to the declines in the fair value of real estate owned are recorded as a charge to operations when realized and are measured as the amount by which the carrying amount of a property exceeds its sales price less costs to sell.

Real estate held and used is depreciated on a straight-line basis over the estimated useful life of the property once the asset is placed in service and is being used in operations.

The following schedule reflects the costs of real estate properties acquired through or in lieu of loan foreclosure and the recorded adjustments to estimated fair values, including estimated costs to sell when applicable, and other related activity as of and for the year ended December 31, 2015:

| | |
|---|---|
| Beginning balance | $406,362 |
| Cost of real estate acquired | 29,576 |
| Capital improvements | 27,686 |
| Gain on sale of real estate | 3,219 |
| Depreciation | (3,876) |
| Sales of real estate held for sale | (67,600) |
| Ending balance | $395,367 |

## 2. Summary of Significant Accounting Policies (continued)

### Income taxes

The Fund is a limited liability company 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. Individual members report 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 $800 minimum state franchise tax and the LLC gross receipts fees would be reflected in the accompanying financial statements.

The Fund has evaluated its current tax positions and has concluded that as of December 31, 2015, the Fund does not have any significant uncertain tax positions for which a reserve would be necessary.

### Fair value measurements

Fair value is defined 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 a fair value hierarchy that includes 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 ongoing 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's own assumptions 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's own data.

The Fund does not record loans at fair value on a recurring basis but uses fair value measurements of collateral security in the determination of its allowance for loan losses. The fair value for impaired secured loans is determined using the sales comparison, income and other commonly used valuation approaches.

## 2. Summary of Significant Accounting Policies (continued)

### Fair value measurements (continued)

The following table reflects the Fund's assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2015:

| Item | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Real estate owned | $ - | $ - | $395,367 | $395,367 |
| | $ - | $ - | $395,367 | $395,367 |

The following methods and assumptions were used to estimate the fair value of financial instruments:

(a) Real estate owned (Level 2 or Level 3). At the time of foreclosure, real estate owned is recorded at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell, as applicable. The Fund periodically compares the carrying value of real estate held for use to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value. The Fund records the real estate owned 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 records the real estate owned as nonrecurring Level 3.

### Funds held in subscription

The Fund accepts subscription agreements and funds from prospective investors who wish to become members of the Fund. If approved for admittance into the Fund, the subscription funds are maintained in a separate subscription account until such time as the funds are needed in the normal course of the Fund's operations. While such funds are on deposit in the subscription account, the investor will not be entitled to an allocation of the monthly net profits. Once the subscription funds are needed in the normal course of the Fund's operations, the subscription funds will be transferred into the Fund's operating account and the liability will be recognized as member contributions on behalf of the subscribing member. There were no funds held in subscription as of December 31, 2015.

## 3. 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 Chapter 3, Title 2.5 of the California Corporations Code. The following description of the Fund's operating agreement 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) amendment of the LLC operating agreement; (ii) merger or consolidation of the Fund with one or more other entities.

Members representing a majority of the outstanding Fund membership interests may approve or disapprove any of the following matters without the prior written consent of the Manager: (i) dissolution and termination of the Fund; (ii) to remove and replace the Manager.

### 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.

### 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 with the same qualifications as the original member and a transferee may not become a substituted member without the consent of the Manager. The offering circular provides for other limitations on transferability.

## 3. Fund Provisions (continued)

### Liquidity, capital withdrawals and early withdrawals (continued)

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.

## 4. 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 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 $86,810 were incurred for the year ended December 31, 2015. As of December 31, 2015, the Fund had recorded $11,236 as a payable to the Servicer for loan servicing fees.

### 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 $95,242 were incurred for the year ended December 31, 2015. At December 31, 2015, the Fund had recorded $8,732 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.

## 4. 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, 2015.

## 5. Loan Concentrations and Characteristics

The loans are secured by recorded deeds of trust or mortgage. At December 31, 2015, there were 45 secured loans outstanding with the following characteristics:

| | |
|---|---|
| Total number of secured loans outstanding | 45 |
| Total secured loans outstanding | $9,719,930 |
| Average secured loan outstanding | $ 215,998 |
| Average secured loan as percent of total secured loans | 2.22% |
| Average secured loan as a percent of member's equity | 2.04% |
| Largest secured loan outstanding | $1,100,000 |
| Largest secured loan as a percent of total secured loans | 11.32% |
| Largest secured loan as a percent of member's equity | 10.40% |
| Number of secured loans over 90 days past due in interest and still accruing | 1 |
| Approximate investment in secured loans over 90 days past due in interest and still accruing | $ 188,000 |
| Number of secured loans in foreclosure | 1 |
| Approximate amount of secured loans in foreclosure | $ 180,000 |
| Number of secured loans on non-accrual status | - |
| Approximate investment in secured loans on non-accrual status | $ - |
| Number of secured loans considered to be impaired | - |
| Approximate investment in secured loans considered impaired | $ - |

## 5. Loan Concentrations and Characteristics (continued)

| | | |
|---|---|---|
| Average amount of secured loans considered to be impaired | $ | - |
| Approximate amount of foregone interest on secured loans considered to be impaired | $ | - |
| Estimated amount of impairment on loans considered to be impaired (included in the allowance for loan losses) | $ | - |
| Number of secured loans past maturity 90 days or more | | - |
| Approximate amount of secured loans past maturity 90 days or more | $ | - |

The Fund's loans are secured by recorded deeds of trust on real property located in various counties of California at December 31, 2015:

| County | Loan Balances | Percentage |
|---|---|---|
| Nevada | $4,820,934 | 49.60% |
| El Dorado | 1,790,000 | 18.42% |
| Placer | 963,000 | 9.91% |
| Yuba | 591,842 | 6.09% |
| Orange | 537,150 | 5.53% |
| Sacramento | 325,000 | 3.34% |
| Butte | 283,504 | 2.92% |
| Los Angeles | 228,500 | 2.35% |
| San Joaquin | 180,000 | 1.85% |
| Totals | $9,719,930 | 100.00% |

The following categories of secured loans were held at December 31, 2015:

| | |
|---|---|
| First trust deeds | $9,548,930 |
| Second trust deeds | 171,000 |
| Totals | $9,719,930 |

Investments by type of property:

| | |
|---|---|
| Single family residential construction | $7,768,417 |
| Single family residential | 1,256,475 |
| Land | 419,955 |
| Commercial | 275,083 |
| Totals | $9,719,930 |

## 5. Loan Concentrations and Characteristics (continued)

The schedule below reflects the balances of the Fund's secured loans with regards to the aging of interest payments due at December 31, 2015:

| | |
|---|---|
| Current (0 to 30 days) | $8,764,930 |
| 31 to 90 days | 775,000 |
| 91 days and greater | 180,000 |
| | $9,719,930 |

Scheduled maturity dates of secured loans as of December 31, 2015 are as follows:

| Year Ending December 31, | |
|---|---|
| 2016 | $7,938,830 |
| 2017 | 1,409,100 |
| 2018 | 372,000 |
| Total | $9,719,930 |

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.

One loan totaling $1,100,000, or approximately 11%, of the Fund's total outstanding mortgage loan receivable balance of $9,719,930, was due from one borrower.

## 6. Commitments and Contingencies

### Construction loans

The fund has approved approximately 25 constructions 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, 2015, the Fund had 13 construction loans that had not been fully funded. Undistributed amounts related to these constructions loans, totaling approximately $4,166,350, will be funded by a combination of new member contributions, reinvestments of earnings and the payoff of principal on current loans.

## 6. Commitments and Contingencies (continued)

### Registered investment advisor

During 2012, the Department of Business Oversight (DBO) adopted Regulation Section 260.204.9 requiring, amongst other things, investment advisor registration by all fund managers accepting non-accredited investors. As of December 31, 2015, none of the principals of the Fund manager or its employees had become a registered investment advisor. Therefore, the acceptance of any and all non-accredited investor investments would constitute an issue of non-compliance with regards to the new DBO regulation as described above. The DBO has yet to specify the potential penalties for non-compliance and there is currently no precedent from which to draw such conclusions. In the opinion of the Fund Manager, any potential issues that might arise from such non-compliance are not expected to have a material adverse effect on the Fund's financial position or results of operations.

### 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.

## 7. Subsequent Events

The Fund has evaluated subsequent events through February 10, 2016, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Fund's financial statements.