OLYMPIC MORTGAGE FUND, LLC

(A CALIFORNIA LIMITED

LIABILITY COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Armanino McKenna LLP

Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

To the Members
Olympic Mortgage Fund, LLC
Grass Valley, California

We have audited the accompanying balance sheet of Olympic Mortgage Fund, LLC (the "Fund") (a California limited liability company) as of December 31, 2007, and the related statements of income and changes in members' equity and cash flows for the year then ended. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Olympic Mortgage Fund, LLC as of December 31, 2007, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Armanino McKenna LLP

ARMANINO McKENNA LLP

January 28, 2008

OLYMPIC MORTGAGE FUND, LLC
(A California Limited Liability Company)
Balance Sheet
December 31, 2007

ASSETS

Cash and cash equivalents	$ 1,046,505
Mortgage interest receivable	740,413
Accrued late fees and other	32,135
Other assets	4,986
	1,824,039
Mortgage loans receivable	57,820,741
Less allowance for loan losses	(206,996)
Mortgage loans receivable, net	57,613,745
Real estate owned	1,323,185
Real estate held for sale	2,020,106
	3,343,291
Total assets	$ 62,781,075

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accounts payable and other accrued liabilities	$ 18,669
Interest payable	4,232
Loan servicing fees payable	52,866
Income tax and LLC fees payable	11,790
Total liabilities	87,557
Members' equity	62,693,518
Total liabilities and members' equity	$ 62,781,075

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

OLYMPIC MORTGAGE FUND, LLC
(A California Limited Liability Company)
Statement of Income and Changes in Members' Equity
For the Year Ended December 31, 2007

Revenues	
Mortgage interest income	$ 6,546,840
Late fees and other	95,548
Total revenues	6,642,388
Operating expenses	
Loan servicing fees	478,457
Asset management fees	134,003
Provision for losses on loans	200,679
Interest expense	112,745
Other operating expenses	70,290
Total operating expenses	996,174
Income from operations	5,646,214
Other income (expense)	
Other expense, net	(28,018)
Gains on sales of real estate held for sale	187,270
Total other income	159,252
Income before income tax and LLC fees	5,805,466
Income tax and LLC fees	12,590
Net income	5,792,876
Members' equity, beginning of year	62,157,944
Members' contributions	8,857,838
Members' earnings distributions	(3,686,984)
Members' capital withdrawals	(10,428,156)
Members' equity, end of year	$62,693,518

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

OLYMPIC MORTGAGE FUND, LLC
(A California Limited Liability Company)
Statement of Cash Flows
For the Year Ended December 31, 2007

Cash flows from operating activities	
Net income	$ 5,792,876
Adjustments to reconcile net income to net cash provided by operating activities	
Provision for losses on loans	200,679
Gains on sales of real estate held for sale	(187,270)
Change in operating assets and liabilities	
Mortgage interest receivable	(243,154)
Accrued late fees and other	(7,868)
Other assets	(4,986)
Accounts payable and other accrued liabilities	16,397
Interest payable	(8,238)
Loan servicing fees payable	18,503
Asset management fees payable	(23,902)
Net cash provided by operating activities	5,553,037
Cash flows from investing activities	
Loans funded	(48,819,883)
Principal collected on loans	48,455,458
Advances on mortgage loans receivable	(278,695)
Proceeds from sales of real estate held for sale	2,779,754
Net cash provided by investing activities	2,136,634
Cash flows from financing activities	
Net repayments on line of credit	(1,392,000)
Members' contributions	8,857,838
Members' earnings distributions	(3,686,984)
Members' capital withdrawals	(10,428,156)
Net cash used in financing activities	(6,649,302)
Net increase in cash and cash equivalents	1,040,369
Cash and cash equivalents at beginning of year	6,136
Cash and cash equivalents at end of year	$ 1,046,505
Supplemental disclosures of cash flow information	
Cash paid for taxes	$ 12,590
Cash paid for interest	$ 120,982
Non-cash investing and financing transactions	
Mortgage loans receivable converted to real estate held for sale and real estate owned	$ 4,094,614
Interest receivable transferred to real estate held for sale and real estate owned	$ 177,097
Accrued late fees transferred to real estate held for sale and real estate owned	$ 10,844

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

1. Organization

Olympic Mortgage Fund, LLC (the "Fund") is a California limited liability company that was organized on November 21, 2002 and commenced operations on January 1, 2003. The Fund is managed by Olympic Mortgage and Investment Company, Inc., a California corporation (the "Manager" or "Servicer"). The Fund was organized for the purpose of making or investing in loans secured by deeds of trust encumbering California real estate, both commercial and residential. 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.

2. 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 and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the allowance for loan losses, including the valuation of impaired loans and the valuation of real estate held for sale. 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. Should these markets experience significant declines, the resulting collateral values of the Fund's loans and the fair value of its real estate held could be negatively impacted. The impact to such values could be significant and as a result, the Fund's actual loan losses and proceeds from the sale or use of real estate held could differ significantly from management's current estimates.

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. Cash on deposit occasionally exceeds federally insured limits. The Fund believes that it mitigates this risk by maintaining deposits with major financial institutions.

2. Summary of Significant Accounting Policies (continued)

Mortgage loans receivable

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. 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 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 the further collectibility of the contractual payments, a loan may be categorized as impaired and interest is no longer accrued. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances including accrued interest and advances.

At December 31, 2007, the Fund had 12 loans, totaling approximately $5,300,000 (approximately 9% of the loan portfolio), past due 90 days or more in interest payments. The Fund's manager considers three of these loans, totaling approximately $775,000 (approximately 1% of the loan portfolio), to be adequately secured and therefore, is continuing to accrue interest on these loans. All 12 loans past due 90 days or more in interest payments were in foreclosure at December 31, 2007. The Fund also had eight loans, totaling approximately $3,800,000 (approximately 7% of the loan portfolio), greater than 90 days past maturity. The Fund's manager considers five of these loans, totaling approximately $2,200,000 (approximately 4% of the loan portfolio), to be adequately secured and therefore, is continuing to accrue interest on these loans.

The Fund had 10 loans totaling approximately $4,900,000 (approximately 8% of the loan portfolio) on nonaccrual status at December 31, 2007. When a loan is placed on nonaccrual status, the accrual of interest is discontinued, however, previously recorded accrued interest is not reversed. Of the loans on nonaccrual status, the Fund's manager considers three of the loans to be impaired as there appears to be insufficient collateral to cover the amounts outstanding to the Fund. The recorded investment in the impaired loans, including principal and accrued interest and fees, amounted to approximately $895,000 (approximately 2% of the loan portfolio) at December 31, 2007.

2. Summary of Significant Accounting Policies (continued)

Mortgage loans receivable (continued)

The average recorded investment in the impaired loans amounted to approximately $298,000. No interest income was recognized for the time the loans were considered impaired during the year. Interest income foregone during the year related to the loans amounted to approximately $25,000. When loans are considered impaired, the allowance for loan losses is updated to reflect the change in the valuation of collateral security. Management's estimate of impairment on these loans, which approximates $150,000, has been included in the Fund's allowance for loan losses.

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. 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.

Activity in the allowance for loan losses is as follows for the year ended December 31, 2007:

Beginning balance	$331,015
Provision for losses on loans	200,679
Write-offs	(324,698)
Ending balance	$206,996

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. 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 $800 minimum state franchise tax and the LLC gross receipts fees would be reflected in the accompanying financial statements.

2. Summary of Significant Accounting Policies (continued)

Real estate held for sale and real estate owned

Real estate acquired through or in lieu of loan foreclosure is initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, real estate is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses are measured as the amount by which the carrying amount of a property exceeds its fair value less costs to sell. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of real estate held to the lower of its cost or fair value less cost to sell. 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.

The following schedule reflects the costs of real estate acquired through foreclosure and the recorded reductions to estimated fair values, including estimated costs to sell, as of December 31, 2007:

Costs of real estate acquired	$3,585,470
Write-downs	(242,179)
Real estate held for sale and real estate owned	$3,343,291

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 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.

3. Fund Provisions (continued)

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.

Election to receive distributions

The Manager may, at its discretion, agree to provide cash distributions to a member in the amount and frequency as is mutually agreed upon.

Reinvestment

Members have the option to compound their proportionate share of the Fund's monthly earnings.

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.

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.

Commencing no earlier than six months after purchasing membership interests in the Fund, a member may request withdrawal from the Fund and obtain the return of all or a portion of his or her capital as of the last day of the calendar month under certain circumstances, as outlined in the LLC operating agreement, by giving at least 45 days prior written notice to the Manager.

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.

3. Fund Provisions (continued)

Liquidity, capital withdrawals and early withdrawals (continued)

The Fund is not required to liquidate any Fund loans prior to maturity for the purpose of liquidating the capital account of a withdrawing member. The Fund is merely required to continue paying whatever cash flow is available to withdrawing members, who are entitled to receive their liquidation payments in the order that their requests were received. Historically, the Fund has maintained liquid assets sufficient to honor all withdrawal requests without delay.

4. Line of Credit

The Fund has an operating line of credit agreement to be used to facilitate short-term loan fundings and operating cash flow needs. The revolving line of credit, which bears interest at the bank's reference rate plus 0.5% per annum (7.75% at December 31, 2007), provides for a maximum borrowing limit of $6,000,000 and is secured by certain mortgage loans receivable of the Fund. The line of credit requires the Fund to pledge as security, nothing less than $12,000,000 in mortgage loans receivable at all times. The line of credit matures on March 5, 2008 and contains certain covenants and restrictions.

The Fund was in compliance with these covenants and restrictions at December 31, 2007. Interest expense on the line of credit totaled $112,745 for the year ended December 31, 2007. There was no outstanding balance on the line of credit at December 31, 2007.

5. 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 $478,457 were incurred for the year ended December 31, 2007. At December 31, 2007, the Fund had recorded $52,866 as a payable to the Servicer for loan servicing fees.

5. Related Party Transactions (continued)

Asset management fees

Monthly 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 first day of each month. Asset management fees of $134,003 were incurred for the year ended December 31, 2007. During 2007, the Manager waived approximately $507,000 in asset management fees.

Operating expenses

The Manager is entitled to reimbursement of all organizational, syndication, operating, legal and administrative expenses paid on behalf of the Fund. During 2007, the Fund incurred accounting and legal costs totaling $70,290 and the Manager absorbed approximately $13,400 of operating and administrative expenses on behalf of the Fund.

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.

Loans

One related party loan totaling $255,000 was outstanding at December 31, 2006. During 2007, the Fund made additional related party fundings totaling $186,000, resulting in two related party loans, totaling $441,000, outstanding at December 31, 2007. The loans were made with terms and conditions comparable to other loans funded by the Fund. The operating agreement requires that the aggregate principal amount of all related party loans at any time will not exceed 10% of total Fund assets at such time. At December 31, 2007 the Fund was in compliance with this requirement.

6. Loan Concentrations and Characteristics

The loans are secured by recorded deeds of trust. At December 31, 2007, there were 164 secured loans outstanding with the following characteristics:

Number of secured loans outstanding	164
Total secured loans outstanding	$57,820,741
Average secured loan outstanding	$ 352,565
Average secured loan as percent of total secured loans	.61%
Average secured loan as percent of members' equity	.56%
Largest secured loan outstanding	$ 2,370,000
Largest secured loan as percent of total secured loans	4.10%
Largest secured loan as percent of members' equity	3.78%
Number of counties where security is located	22
Number of secured loans in foreclosure	12
Amount of secured loans in foreclosure	$ 5,342,398

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	$19,509,714	33.74%
El Dorado	10,292,450	17.80%
Placer	10,612,327	18.35%
Yuba	4,229,000	7.32%
Other	13,177,250	22.79%
Totals	$57,820,741	100.00%

6. Loan Concentrations and Characteristics (continued)

The following categories of secured loans were held at December 31, 2007:

First trust deeds	$56,495,581
Second trust deeds	1,325,160
	$57,820,741

Investments by type of property	
Residential	$37,517,154
Land	18,211,087
Commercial	1,050,000
Mixed use	1,042,500
	$57,820,741

Scheduled maturity dates of secured loans as of December 31, 2007 are as follows:

Year Ending December 31,	
2008	$49,727,418
2009	6,693,163
2010	1,341,000
2011	-
2012	59,160
Total	$57,820,741

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 tabulation is not a forecast of future cash collections.

The scheduled maturities for 2008 include 20 loans, totaling approximately $9,300,000, which are past maturity at December 31, 2007. Nine of these loans had interest payments considered delinquent as of December 31, 2007. Due to the nature of the Fund's lending activities, which includes a significant amount of construction lending, it is not uncommon for the Fund to allow borrowers to continue making payments beyond maturity dates. Often times, the Fund's construction loan borrowers encounter delays due to weather, obtaining appropriate building permits and other related issues that cause the related construction projects to extend beyond original loan maturity dates.

7. Commitments and Contingencies

Construction loans

The Fund has approved approximately 122 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, 2007, the Fund had approximately 37 construction loans that had not yet been fully funded. Undistributed amounts related to these construction loans, totaling approximately $8,500,000, will be funded by a combination of new member contributions, reinvestments of earnings and the retirement of principal on current loans.

Legal proceedings

During the course of its normal business operations, the Fund may become involved in various legal or regulatory actions. In the opinion of management, such matters will not have a significant adverse effect on the operations or financial position of the Fund.