OLYMPIC MORTGAGE FUND, LLC

(A CALIFORNIA LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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, 2008, and the related statements of operations 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, 2008, 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

February 25, 2009

OLYMPIC MORTGAGE FUND, LLC
(A California Limited Liability Company)
Balance Sheet
December 31, 2008

ASSETS

Cash and cash equivalents	$ 1,223
Mortgage interest receivable	675,614
Accrued late fees and other	58,801
Other assets	23,294
	758,932
Mortgage loans receivable	42,213,089
Less allowance for loan losses	(2,300,000)
Mortgage loans receivable, net	39,913,089
Real estate owned	
Real estate held	3,478,645
Real estate held for sale	10,637,511
Real estate held and used, net of accumulated depreciation of $60,985	2,417,871
	16,534,027
Total assets	$ 57,206,048

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accounts payable and other accrued liabilities	$ 99
Asset management fees payable	49,287
Interest payable	5,160
Loan servicing fees payable	55,714
Income tax and LLC fees payable	11,790
Line of credit	999,000
Total liabilities	1,121,050
Members' equity	56,084,998
Total liabilities and members' equity	$ 57,206,048

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

OLYMPIC MORTGAGE FUND, LLC
(A California Limited Liability Company)
Statement of Operations and Changes in Members' Equity
For the Year Ended December 31, 2008

Revenues	
Mortgage interest income	$ 4,597,084
Rental income	45,441
Late fees and other	159,911
Total revenues	4,802,436
Operating expenses	
Loan servicing fees	361,198
Asset management fees	137,806
Provision for losses on loans	2,093,004
Impairment losses on real estate owned	1,947,693
Interest expense	102,319
Real estate owned holding costs	244,206
Other operating expenses	86,277
Total operating expenses	4,972,503
Loss from operations	(170,067)
Other expenses	
Loss on sales of real estate held for sale	(606,017)
Loss before income tax and LLC fees	(776,084)
Income tax and LLC fees	(12,590)
Net loss	(788,674)
Members' equity, beginning of year	62,693,518
Members' contributions	3,350,923
Members' capital distributions	(1,655,194)
Members' capital withdrawals	(7,515,575)
Members' equity, end of year	$56,084,998

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, 2008

Cash flows from operating activities	
Net loss	$ (788,674)
Adjustments to reconcile net loss to net cash provided by operating activities	
Provision for losses on loans	2,093,004
Impairment losses on real estate owned	1,947,693
Loss on sales of real estate held for sale	606,017
Depreciation	60,985
Change in operating assets and liabilities	
Mortgage interest receivable	(299,021)
Accrued late fees and other	(48,401)
Other assets	(18,308)
Accounts payable and other accrued liabilities	(18,570)
Asset management fees payable	49,287
Interest payable	928
Loan servicing fees payable	2,848
Net cash provided by operating activities	3,587,788
Cash flows from investing activities	
Loans funded	(23,780,043)
Principal collected on loans	20,794,401
Advances on mortgage loans receivable	(216,864)
Capital improvements on real estate owned	(909,050)
Proceeds from sales of real estate held for sale	4,299,332
Net cash provided by investing activities	187,776
Cash flows from financing activities	
Net borrowings on line of credit	999,000
Members' contributions	3,350,923
Members' capital distributions	(1,655,194)
Members' capital withdrawals	(7,515,575)
Net cash used in financing activities	(4,820,846)
Net decrease in cash and cash equivalents	(1,045,282)
Cash and cash equivalents at beginning of year	1,046,505
Cash and cash equivalents at end of year	$ 1,223
Supplemental disclosures of cash flow information	
Cash paid for taxes	$ 12,590
Cash paid for interest	$ 101,391
Non-cash investing and financing transactions	
Mortgage loans receivable converted to real estate owned	$ 18,593,294
Interest receivable transferred to real estate owned	$ 363,820
Accrued late fees and other transferred to real estate owned	$ 21,735

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 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 is managed by Olympic Mortgage and Investment Company, Inc., a California corporation (the "Manager" or "Servicer"). 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 owned. 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 2008, the real estate and mortgage lending financial markets experienced significant downward volatility. Should these markets continue to experience significant declines, the resulting collateral values of the Fund's loans and the fair value of its real estate held will likely 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 properties could differ significantly from management's current estimates.

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

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 collectability 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, 2008, the Fund had 19 loans, totaling approximately $7,385,000 (approximately 17% of the loan portfolio), past due 90 days or more in interest payments. The Fund's manager considers 3 of these loans, totaling approximately $853,000 (approximately 2% of the loan portfolio), to be adequately secured and therefore, is continuing to accrue interest on these loans. Of the 19 loans past due 90 days or more in interest payments, 7 of them were in foreclosure at December 31, 2008. The Fund also had 28 loans, totaling approximately $11,015,000 (approximately 26% of the loan portfolio), greater than 90 days past maturity. The Fund's manager considers 14 of these loans, totaling approximately $5,443,000 (approximately 13% of the loan portfolio), to be adequately secured and therefore, is continuing to accrue interest on these loans.

The Fund had 20 loans totaling approximately $8,700,000 (approximately 21% of the loan portfolio) on nonaccrual status at December 31, 2008. 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 16 of the loans to be impaired as there appears to be insufficient collateral to cover the amounts outstanding to the Fund.

2. Summary of Significant Accounting Policies (continued)

Mortgage loans receivable (continued)

The recorded investment in the impaired loans, including principal and accrued interest and fees, amounted to approximately $8,598,000 (approximately 20% of the loan portfolio) at December 31, 2008. The average total recorded investment in the impaired loans during 2008 amounted to approximately $4,747,000. 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 $246,000. 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 $1,115,000, has been included in the Fund's allowance for loan losses.

While foreclosure is the ultimate legal device by which the Fund recovers loan and related asset value, the Fund is making every attempt to work with its borrowers and to modify or reconstruct loans based on the borrower's current circumstances. Foreclosure action is used as a last resort. This approach accounts for a variety of the Fund's loans which are on non-accrual status, and for which the Fund has not yet chosen to begin foreclosure proceedings.

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, 2008:

Beginning balance	$ 206,996
Provision for losses on loans	2,093,004
Ending balance	$2,300,000

2. Summary of Significant Accounting Policies (continued)

Fair value measurements

On January 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157, *"Fair Value Measurements"* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements. The Fund deferred the application of SFAS 157 for nonfinancial assets and nonfinancial liabilities as provided for by FASB Staff Position (FSP) FAS 157-2, *"Effective Date of FASB Statement No. 157."* FSP FAS 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, for nonfinancial assets and nonfinancial liabilities, except items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually).

SFAS 157 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 financial assets and financial liabilities based on the fair value hierarchy established in SFAS 157. 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 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.

In October 2008, the FASB issued FSP FAS 157-3, *"Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active",* with an immediate effective date. The purpose of this release was to provide further clarification regarding Level 3 inputs and the assumptions management may make when the market for the asset is not active. The adoption of FSP FAS 157-3 did not have a material effect on the Fund's results of operations, financial position or liquidity.

The Fund does not record loans at fair value on a recurring basis.

2. Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

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

(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 (Level 2). For loans in which a specific allowance is established based on the fair value of the collateral, the Fund records the loan 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 loan as nonrecurring Level 3.

(c) Line of credit and loan commitments (Level 2). The carrying amount equals fair value. All amounts, including interest payable, are subject to immediate repayment.

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.

Real estate owned

Real estate acquired through or in lieu of loan foreclosure that is to be held for any purpose other than use in operations, is initially recorded at fair value less estimated selling cost at the date of foreclosure if the plan of disposition is by way of sale. 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 held for sale is carried at the lower of the new cost basis or fair value less estimated costs to sell.

2. Summary of Significant Accounting Policies (continued)

Real estate owned (continued)

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.

Impairment losses of real estate owned and held for sale are measured as the amount by which the carrying amount of a property exceeds its fair value less estimated costs to sell. Impairment losses of real estate held for use are determined by comparing the expected future undiscounted cash flows of the property to the carrying amount, including any costs that must be incurred to achieve those cash flows, of the property. If those cash flows are less than the carrying amount of the property, impairment is measured as the amount by which the carrying amount of the asset exceeds its fair value. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations.

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. At December 31, 2008, the Fund had seven held and used properties with leases expiring at various dates throughout 2009. The leases call for monthly payments ranging from $750 to $3,400. Minimum future lease receipts under noncancelable operating leases to be received in 2009 total approximately $156,000.

The following schedule reflects the costs of real estate properties acquired through foreclosure and the recorded reductions to estimated fair values, including estimated costs to sell when applicable, and other related activity as of and for the year ended December 31, 2008:

Beginning balance	$ 3,343,291
Costs of real estate acquired	20,104,763
Impairment losses	(1,947,693)
Sales of real estate held for sale	(4,905,349)
Depreciation of real estate held and used	(60,985)
Ending balance	$16,534,027

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.

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

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

Reinvestments

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

3. 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.

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.

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. Effective October 10, 2008, the Manager suspended all Fund redemptions to members. The total amount of outstanding redemption requests as of December 31, 2008 totaled approximately $14,900,000.

Beginning in July of 2008, the Fund temporarily ceased to pay monthly distributions to its investors. As of August 7, 2008, in lieu of these distributions, the Fund offered all investors the option of receiving small monthly allotments of principal from their accounts. This offer was unrelated to the standard withdrawal requests. This offer was made in an effort to prevent significant hardships for members, and was available only so long as there was available cash flow to honor such monthly distributions. The amount to be disbursed monthly from any member's account was limited to the amount each member earned in June of 2008.

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 (3.75% at December 31, 2008), 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, 2009 and contains certain covenants and restrictions.

4. Line of Credit (continued)

The Fund was in compliance with these covenants and restrictions at December 31, 2008. Interest expense on the line of credit totaled $102,319 for the year ended December 31, 2008. The outstanding balance on the line of credit amounted to $999,000 at December 31, 2008.

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 $361,198 were incurred for the year ended December 31, 2008. At December 31, 2008, the Fund had recorded $55,714 as a payable to the Servicer for loan servicing fees.

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 $137,806 were incurred for the year ended December 31, 2008. During 2008, the Manager waived approximately $471,000 in asset management fees. At December 31, 2008, the Fund had recorded $49,287 as a payable to the Manager for 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 2008, the Fund incurred accounting and legal costs totaling $86,277. The Manager did not absorb any of these operating and administrative expenses on behalf of the Fund for the year ended December 31, 2008.

5. Related Party Transactions (continued)

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

Two related party loans totaling approximately $441,000 were outstanding at December 31, 2007. The loans were made with terms and conditions comparable to other loans funded by the Fund. The loans were repaid during 2008. 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. There are no related party loans outstanding as of December 31, 2008.

6. Loan Concentrations and Characteristics

The loans are secured by recorded deeds of trust. At December 31, 2008, there were 110 secured loans outstanding with the following characteristics:

Number of secured loans outstanding	110
Total secured loans outstanding	$42,213,089
Average secured loan outstanding	$ 383,755
Average secured loan as percent of total secured loans	.91%
Average secured loan as percent of members' equity	.68%
Largest secured loan outstanding	$ 2,250,000
Largest secured loan as percent of total secured loans	5.33%
Largest secured loan as percent of members' equity	4.01%
Number of secured loans in foreclosure	7
Amount of secured loans in foreclosure	$ 2,969,000
Number of secured loans past due 90 days or more in interest payments	19

6. Loan Concentrations and Characteristics (continued)

Approximate amount of secured loans past due 90 days or more in interest payments	$ 7,385,000
Number of secured loans greater than 90 days past maturity	28
Approximate amount of secured loans greater than 90 days past maturity	$11,015,000
Number of secured loans on non-accrual status	20
Approximate amount of secured loans on non-accrual status	$ 8,700,000
Number of secured loans considered to be impaired	16
Approximate amount of secured loans considered to be impaired	$ 8,598,000
Number of counties where security is located	22

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	$10,919,692	25.87%
El Dorado	8,394,207	19.88%
Placer	6,765,000	16.03%
Other	16,134,190	38.22%
Totals	$42,213,089	100.00%

The following categories of secured loans were held at December 31, 2008:

First trust deeds	$40,922,479
Second trust deeds	1,290,610
	$42,213,089

Investments by type of property	
Construction/Development	$25,879,968
Land	9,966,679
Residential	4,812,942
Mixed use	786,000
Commercial	767,500
	$42,213,089

6. Loan Concentrations and Characteristics (continued)

Scheduled maturity dates of secured loans as of December 31, 2008 are as follows:

Year Ending December 31,	
2009	$35,741,869
2010	2,164,000
2011	2,288,500
2012	136,360
2013	1,882,360
Total	$42,213,089

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 2009 include 33 loans, totaling approximately $13,065,000, which are past maturity at December 31, 2008. Thirty of these loans had interest payments considered delinquent as of December 31, 2008. 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 48 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, 2008, the Fund had approximately 19 construction loans that had not yet been fully funded. Undistributed amounts related to these construction loans, totaling approximately $4,622,000, will be funded by a combination of new member contributions, reinvestments of earnings, the retirement of principal on current loans and/or draws on the Fund's line of credit.

7. Commitments and Contingencies (continued)

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.