OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

FINANCIAL STATEMENTS
December 31, 2009

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Olympia Mortgage Fund, LLC (the "Fund") (a California limited liability company) as of December 31, 2009, 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 Olympia Mortgage Fund, LLC as of December 31, 2009, 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.

Propp Christensen Caniglia LLP

March 2, 2010
Roseville, California

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

BALANCE SHEET
December 31, 2009

ASSETS

Current assets:		
Cash and cash equivalents	$	3,828,515
Mortgage interest receivable		666,723
Accrued late fees and other receivables		56,355
Other assets		251,614
Total current assets		4,803,207
Mortgage loans receivable		31,927,954
Less allowance for loan losses		(1,824,874)
Mortgage loans receivable, net		30,103,080
Real estate owned:		
Real estate held		2,273,090
Real estate held for sale		6,202,812
Real estate held for lease, net of accumulated depreciation of $153,871		3,282,461
Real estate owned, net		11,758,363
Total Assets	$	46,664,650

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable and other accrued liabilities	$	17,359
Asset management fees		41,238
Loan servicing fees payable		62,179
Total current liabilities		120,776
Members' equity		46,543,874
Total Liabilities and Members' Equity	$	46,664,650

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

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
For the Year Ended December 31, 2009

Revenues:	
Mortgage interest income	$ 2,596,938
Rental income	164,053
Late fees and other revenue	102,096
Total revenues	2,863,087
Operating expenses:	
Loan servicing fees	226,510
Asset management fees	528,510
Provision for losses on loans	3,007,474
Impairment losses on real estate owned	4,534,789
Interest expense	61,673
Real estate owned holding costs	281,031
Other operating expenses	200,809
Total operating expenses	8,840,796
Loss from operations	(5,977,709)
Other expenses:	
Loss on sales of real estate held for sale	(854,193)
Net loss before income tax and LLC fees	(6,831,902)
Income tax and LLC fees	(1,010)
Net loss	(6,832,912)
Members' equity, beginning of year	56,084,996
Members' contributions	398,492
Members' capital distributions	(352,139)
Members' capital withdrawals	(2,754,563)
Members' equity, end of year	$ 46,543,874

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

Cash Flows from Operating Activities:		
Net loss	$	(6,832,912)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for losses on loans		3,007,474
Impairment losses on real estate owned		4,534,789
Loss on sales of real estate held for sale		854,193
Depreciation		92,886
Change in operating assets and liabilities:		
Mortgage interest receivable		(260,028)
Accrued late fees and other receivables		(86,147)
Other assets		(4,644)
Accounts payable and other accrued liabilities		17,260
Asset management fees payable		(8,049)
Interest payable		(5,160)
Loan servicing fees payable		6,465
Income taxes and LLC fees payable		(11,790)
Net cash provided by operating activities		1,304,337
Cash Flows from Investing Activities:		
Loans funded		(10,084,656)
Principal payments collected on loans		9,726,806
Advances on mortgage loans receivable		(322,867)
Advances to protect assets		(223,676)
Capital improvements on real estate owned		(1,793,438)
Proceeds from sales of real estate held for sale		8,927,996
Net cash provided by investing activities		6,230,165
Cash Flows from Financing Activities:		
Net borrowings (payments) on line of credit		(999,000)
Members' contributions		398,492
Members' capital distributions		(352,139)
Members' capital withdrawals		(2,754,563)
Net cash used in financing activities		(3,707,210)
Net increase in cash and cash equivalents		3,827,292
Cash and cash equivalents, beginning of year		1,223
Cash and cash equivalents, end of year	$	3,828,515
Supplemental disclosures of cash flow information:		
Cash paid for taxes	$	12,800
Cash paid for interest	$	66,833
Non-cash investing and financing transactions:		
Mortgage loans receivable converted to real estate owned	$	12,265,332
Real estate owned converted to mortgage loan through sale	$	1,982,997
Interest receivable transferred to real estate owned	$	268,919
Accrued late fees transferred to real estate owned	$	88,593

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

NOTE 1: ORGANIZATION

Olympia 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. 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: 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, 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 2009, the real estate and mortgage lending financial markets continued to experience significant downward volatility. Should these markets continue to experience significant declines, the resulting collateral values of the Fund's loans and 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.

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Loans Receivable (Continued)
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 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, 2009, the Fund had 19 loans, totaling approximately $8,550,000 (approximately 27% of the loan portfolio), past due 90 days or more in interest payments. The Fund's manager considers 6 of these loans, totaling approximately $2,580,000 (approximately 6% 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, 10 of them were in foreclosure at December 31, 2009. The Fund also had 18 loans, totaling approximately $8,970,000 (approximately 28% of the loan portfolio), greater than 90 days past maturity. The Fund's manager considers 5 of these loans, totaling approximately $2,590,000 (approximately 8% of the loan portfolio), to be adequately secured and, therefore, is continuing to accrue interest on these loans.

The fund had 14 loans totaling approximately $6,530,000 (approximately 20% of the loan portfolio) on nonaccrual status at December 31, 2009. 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 12 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 $5,770,000 (approximately 18% of the loan portfolio) at December 31, 2009. The average total recorded investment in the impaired loans during 2009 amounted to approximately $6,890,000. No interest income was recognized for the time the loans were considered impaired during the year. 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 $1,710,000, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)
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, 2009:

Beginning balance	$ 2,300,000
Provision for losses on loans	3,007,474
Loans written off	(3,482,600)
Ending balance	$ 1,824,874

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

(d) Real estate owned: Using the market approach, the Fund classifies real estate owned as nonrecurring Level 2, basing the value on observable market prices of similar real estate assets.

(e) Mortgage interest and late fees receivable, trade accounts payable, fees payable: The carrying values are considered equal to their fair values due to the short-term maturities of these instruments.

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

Real Estate Owned

Real estate acquired through or in lieu of loan foreclosures 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 or acquisition, 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.

Cost 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. Valuations are periodically performed by management and any subsequent write-downs are recorded as a charge to operations.

Real estate held for lease 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. Depreciation expense was $92,886 for the year ended December 31, 2009. At December 31, 2009, the Fund had nine held for lease properties with leases expiring at various dates throughout 2010. The leases call for monthly payments ranging from $750 to $2,000. Minimum future lease receipts under noncancelable operating leases to be received in 2010 total approximately $60,000.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Owned (continued)
The following schedule reflects the costs of real estate properties acquired through foreclosure or deed in lieu of 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, 2009:

Beginning balance	$ 16,534,027
Cost of real estate acquired and capital improvements	11,779,160
Impairment losses	(4,534,789)
Sales of real estate held for sale	(11,866,164)
Accumulated depreciation on real estate held for lease	(153,871)
Ending balance	$ 11,758,363

NOTE 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 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.

NOTE 3: FUND PROVISIONS (CONTINUED)

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 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 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 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, 2009, totaled approximately $14,550,000. This amount is less than the amount of requests as of December 31, 2008 due to member capital adjustments and monthly principal allotments which reduced some individual members' account balances below the amounts of their original redemption requests.

Beginning in July 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.

NOTE 4: OTHER ASSETS

Other assets at December 31, 2009, include $245,396 of advances to protect interests and $6,218 of prepaid insurance policies on real estate owned and held for use. The advances to protect interests are expenditures consisting primarily of legal fees, hazard insurance policies, taxes, project construction costs, and other costs considered necessary to avoid devaluation of the collateral for outstanding loans.

NOTE 5: 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 a variable rate (5.75% at December 31, 2009), provides for a maximum borrowing limit of $500,000 and is secured by certain mortgage loans receivable of the Fund. The line of credit matures on September 1, 2010, and contains certain covenants and restrictions.

The Fund was in compliance with these covenants and restrictions at December 31, 2009. Interest expense on the line of credit totaled $61,673 for the year ended December 31, 2009. There was no outstanding balance on the line of credit at December 31, 2009. Commitments under a related letter of credit totaled $120,000, at December 31, 2009.

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 $226,510 were incurred for the year ended December 31, 2009. At December 31, 2009, the Fund had recorded $62,179 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 $528,510 were incurred for the year ended December 31, 2009. At December 31, 2009, the Fund had recorded $41,238 as a payable to the Manager for asset management fees. During the period from 2005 through 2008, the Manager waived approximately $1,670,000 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 2009, the Fund incurred accounting and legal costs totaling $200,809. The Manager did not absorb any of these operating and administrative expenses on behalf of the Fund for the year ended December 31, 2009. During the period from 2005 through 2008, the Manager absorbed approximately $210,000 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
The operating agreement requires that the aggregate principal amount of all related party loans at any time will not exceed 15% of total Fund assets at such time. There are no related party loans outstanding as of December 31, 2009.

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS

The loans are secured by recorded deeds of trust. At December 31, 2009, there were 100 secured loans outstanding with the following characteristics:

Number of secured loans outstanding	100
Total secured loan outstanding	$ 31,927,954
Average secured loan outstanding	$ 320,000
Average secured loan as percent of total secured loans	1.00%
Average secured loan as percent of members' equity	0.69%
Largest secured loan outstanding	$ 2,200,000
Largest secured loan as percent of total secured loans	6.89%
Largest secured loan as percent of members' equity	4.73%
Number of secured loans in foreclosure	10
Approximate amount of secured loans in foreclosure	$ 6,390,000
Number of secured loans past due 90 days or more in interest payments	19
Approximate amount of secured loans past due 90 days or more in interest payments	$ 8,550,000
Number of secured loans greater than 90 days past maturity	18
Approximate amount of secured loans greater than 90 days past maturity	$ 8,970,000
Number of secured loans on non-accrual status	14
Approximate amount of secured loans on non-accrual status	$ 6,530,000
Number of secured loans considered to be impaired	12
Approximate amount of secured loans considered to be impaired	$ 5,550,000
Number of counties where security is located	21

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

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	$ 6,273,827	19.65%
El Dorado	4,968,926	15.56%
Placer	4,844,263	15.17%
Sacramento	4,265,024	13.36%
Yolo	2,200,000	6.89%
Yuba	1,936,269	6.07%
Butte	1,081,580	3.39%
Other	6,358,065	19.91%
Total	$ 31,927,954	100.00%

The following categories of secured loans were held at December 31, 2009:

First trust deeds	$ 30,690,812
Second trust deeds	1,237,142
Total	$ 31,927,954
Investments by type of property:	
Construction/development	$ 16,805,914
Land	6,091,981
Residential	6,305,149
Mixed use	1,440,394
Commercial	1,284,516
Total	$ 31,927,954

Scheduled maturity dates of secured loans as of December 31, 2009 are as follows:

Year Ending December 31:	
2010	$ 20,003,522
2011	7,391,216
2012	1,426,713
2013	1,635,925
2014	1,470,578
Total	$ 31,927,954

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.

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

The scheduled maturities for 2010 include 23 loans, totaling approximately $9,700,000, which are past maturity at December 31, 2009. Nineteen of these loans had interest payments considered delinquent as of December 31, 2009. 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. Additionally, due to the current lending climate, it is not uncommon to allow borrowers to continue making payments on matured loans, due to the fact that take out financing from lending institutions is difficult to obtain. Such loans are always subject to foreclosure action at the Manager's discretion.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Construction Loans

The Fund has approved approximately 31 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, 2009, the Fund had approximately 12 construction loans that had not yet been fully funded. Undistributed amounts related to these construction loans, totaling approximately $2,310,000, will be funded by a combination of new member contributions, reinvestments of earnings, the payoff of principal on current loans, sales of real estate owned, and/or draws on the Fund's line of credit.

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: FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured on a nonrecurring basis at December 31, 2009 are as follows:

	Level 1	Level 2	Level 3	Total
Secured loans	$ -	$ 30,103,080	$ -	$ 30,103,080
Real estate owned	-	11,758,363	-	11,758,363
Total	$ -	$ 41,861,443	$ -	$ 41,861,443

NOTE 10: DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Fund's management has evaluated events and transactions for potential recognition or disclosure through March 2, 2010, the date that the financial statements were available to be issued.