

**Foothill Mortgage Fund of Olympia, LLC**

(A California Limited Liability Company)

Financial Statements

December 31, 2013



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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, 2013, 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, 2013, 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<sup>LLP</sup>  
San Ramon, California

February 6, 2014

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
(A California Limited Liability Company)  
Balance Sheet  
December 31, 2013

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ASSETS

Cash and cash equivalents	\$ 171,476
Mortgage interest receivable	80,445
Other receivables	<u>24,470</u>
Total current assets	<u>276,391</u>
Mortgage loans receivable	
Class A	991,000
Class B	6,041,125
Allowance for loan losses	<u>(27,900)</u>
Mortgage loans receivable, net	<u>7,004,225</u>
Total assets	<u>\$ 7,280,616</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Servicer fees payable	\$ 6,755
Asset management fees payable	5,997
Funds held in subscription	35,000
Other current liabilities	<u>22,682</u>
Total liabilities	70,434
Members' equity	<u>7,210,182</u>
Total liabilities and members' equity	<u>\$ 7,280,616</u>

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, 2013

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Revenues	
Class A mortgage interest income	\$ 135,875
Class B mortgage interest income	579,623
Class A late fees and other revenue	376
Class B late fees and other revenue	<u>3,983</u>
Total revenues	<u>719,857</u>
Operating expenses	
Loan servicing fees	62,464
Asset management fees	63,266
Provision for losses on loans	11,000
Legal and accounting	62,095
Other operating expenses	<u>4,098</u>
Total operating expenses	<u>202,923</u>
Income before income tax and LLC fees	516,934
Income tax and LLC fees	<u>2,250</u>
Net income	<u>\$ 514,684</u>

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, 2013

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	Member Class		Total
	A	B	
Balance, December 31, 2012	\$ 997,540	\$ 4,400,731	\$ 5,398,271
Capital contributions, Class A investors	-	-	-
Capital contributions, Class B investors	-	1,207,675	1,207,675
Capital contributions, Class B rollover investors	-	405,143	405,143
Earnings distributions	(79,884)	(201,597)	(281,481)
Capital withdrawals	-	(34,110)	(34,110)
Net income	<u>79,966</u>	<u>434,718</u>	<u>514,684</u>
Balance, December 31, 2013	<u>\$ 997,622</u>	<u>\$ 6,212,560</u>	<u>\$ 7,210,182</u>

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, 2013

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Cash flows from operating activities	\$ 514,684
Net income	\$ 514,684
Adjustments to reconcile net income to net cash provided by operating activities	
Provision for losses on loans	11,000
Changes in operating assets and liabilities	
Mortgage interest receivable	(30,521)
Other receivables	7,175
Servicer fees payable	2,430
Asset management fees payable	1,809
Other current liabilities	11,557
Net cash provided by operating activities	<u>518,134</u>
 Cash flows from investing activities	
Loans originated	(3,672,484)
Principal collected on loans	<u>1,765,261</u>
Net cash used in investing activities	<u>(1,907,223)</u>
 Cash flows from financing activities	
Receipt of subscription funds	35,000
Members' capital contributions	1,469,173
Members' earnings distributions	(281,481)
Members' capital withdrawals	<u>(34,110)</u>
Net cash provided by financing activities	<u>1,188,582</u>
 Net decrease in cash and cash equivalents	(200,507)
Cash and cash equivalents at beginning of year	<u>371,983</u>
 Cash and cash equivalents at end of year	<u>\$ 171,476</u>
 <u>Supplemental disclosure of cash flow information</u>	
Cash paid for LLC fees and taxes	\$ 2,250
 <u>Supplemental disclosure of non-cash investing and financing activities</u>	
Subscription liability converted to members' contributions	\$ 143,645

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

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
(A California Limited Liability Company)  
Notes to Financial Statements  
December 31, 2013

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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.



FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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Notes to Financial Statements  
December 31, 2013

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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. 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 2013. However, should these markets once again 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 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.

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.

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.

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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Notes to Financial Statements  
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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.

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, 2013:

Beginning balance	\$16,900
Provision for losses on loans	<u>11,000</u>
Ending balance	<u>\$27,900</u>

Allocation of the allowance for loan losses based on collateral type of secured loans as of December 31, 2013 consisted of the following:

Single family residential	\$20,300
Single family residential construction	4,200
Commercial	2,800
Land	<u>600</u>
Total	<u>\$27,900</u>

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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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, 2013, 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.



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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) Secured loans (Level 2 or Level 3). 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.

As there were no impaired secured loans at December 31, 2013, the Fund did not have any Level 1, Level 2 or Level 3 assets at December 31, 2013.

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.

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.

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Notes to Financial Statements  
December 31, 2013

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3. Fund Provisions (continued)

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.

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.



FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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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 \$62,464 were incurred for the year ended December 31, 2013. As of December 31, 2013, the Fund had recorded \$6,755 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 \$63,266 were incurred for the year ended December 31, 2013. At December 31, 2013, the Fund had recorded \$5,997 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.

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, 2013.

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
(A California Limited Liability Company)  
Notes to Financial Statements  
December 31, 2013

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5. Loan Concentrations and Characteristics

The loans are secured by recorded deeds of trust. At December 31, 2013, there were 32 loans outstanding with the following characteristics:

Number of secured loans outstanding	32
Total secured loans outstanding	\$ 7,032,125
Average secured loan outstanding	\$ 219,754
Average secured loan as percent of total	3.13%
Average secured loan as percent of members' equity	3.05%
Largest secured loan outstanding	\$ 1,050,000
Largest secured loan as percent of total	14.93%
Largest secured loan as percent of members' equity	14.56%

The Class A loan concentrations are as follows:

Total number of Class A secured loans outstanding	2
Total Class A secured loans outstanding	\$ 991,000
Average Class A secured loan outstanding	\$ 495,500
Average Class A secured loan as percent of total Class A secured loans	50%
Average Class A secured loan as a percent of Class A member's equity	49.67%
Largest Class A secured loan outstanding	\$ 786,000
Largest Class A secured loan as a percent of total Class A secured loans	79.31%
Largest Class A secured loan as a percent of Class A member's equity	78.79%

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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Notes to Financial Statements  
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5. Loan Concentrations and Characteristics (continued)

The Class B loan concentrations are as follows:

Total number of Class B secured loans outstanding	30
Total Class B secured loans outstanding	\$ 6,041,125
Average Class B secured loan outstanding	\$ 201,371
Average Class B secured loan as percent of total Class B secured loans	3.33%
Average Class B secured loan as a percent of Class B member's equity	3.24%
Largest Class B secured loan outstanding	\$ 403,000
Largest Class B secured loan as a percent of total Class B secured loans	6.67%
Largest Class B secured loan as a percent of Class B member's equity	6.49%
Number of secured loans over 90 days past due in interest and still accruing (Class B)	1
Approximate investment in secured loans over 90 days past due in interest and still accruing (Class B)	\$ 32,000
Number of secured loans in foreclosure (Class B)	1
Approximate amount of secured loans in foreclosure (Class B)	\$ 32,000
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	\$ -
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	\$ -

FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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Notes to Financial Statements  
December 31, 2013

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5. Loan Concentrations and Characteristics (continued)

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

<u>County</u>	<u>Loan Balances</u>	<u>Percentage</u>
Kern	\$786,000	79.31%
Nevada	<u>205,000</u>	<u>20.69%</u>
Totals	<u>\$991,000</u>	<u>100.00%</u>

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

<u>County</u>	<u>Loan Balances</u>	<u>Percentage</u>
Nevada	\$2,413,513	39.95%
El Dorado	1,875,000	31.04%
Placer	889,940	14.73%
Yuba	539,776	8.93%
Sacramento	210,000	3.48%
Butte	<u>112,896</u>	<u>1.87%</u>
Totals	<u>\$6,041,125</u>	<u>100.00%</u>

The following categories of secured loans were held at December 31, 2013:

First trust deeds	<u>\$7,032,125</u>
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Investments by type of property:

Single family residential construction	\$4,412,734
Commercial	1,383,776
Single family residential	1,104,615
Land	<u>131,000</u>
Totals	<u>\$7,032,125</u>



FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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Notes to Financial Statements  
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5. Loan Concentrations and Characteristics (continued)

The following categories of Class A secured loans were held at December 31, 2013:

First trust deeds	<u>\$ 991,000</u>
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Investments by type of property:

Commercial	\$ 786,000
Single family residential	<u>205,000</u>
Totals	<u>\$ 991,000</u>

The following categories of Class B secured loans were held at December 31, 2013:

First trust deeds	<u>\$6,041,125</u>
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Investments by type of property:

Single family residential construction	\$4,412,734
Single family residential	899,615
Commercial	597,776
Land	<u>131,000</u>
Totals	<u>\$6,041,125</u>

The schedule below reflects the balances of the Fund's secured loans with regards to the aging of interest payments due at December 31, 2013:

Current (0 to 30 days)	\$6,778,125
31 to 90 days	222,000
91 days and greater	<u>32,000</u>
	<u>\$7,032,125</u>

Scheduled maturity dates of secured loans as of December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	
2014	\$5,637,349
2015	1,339,776
2016	<u>55,000</u>
Total	<u>\$7,032,125</u>



FOOTHILL MORTGAGE FUND OF OLYMPIA, LLC  
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5. Loan Concentrations and Characteristics (continued)

Scheduled maturity dates of Class A secured loans as of December 31, 2013 are as follows:

<u>Year Ending December 31</u>	
2014	<u>\$991,000</u>
	<u>\$991,000</u>

Scheduled maturity dates of Class B secured loans as of December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	
2014	\$4,646,349
2015	1,339,776
2016	<u>32,000</u>
Total	<u>\$6,041,125</u>

The scheduled maturities for 2014 include one Class A loan totaling approximately \$786,000, which is past maturity at December 31, 2013.

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.

Of the \$7,032,125 total secured loan balance owed to the Fund, approximately \$2,661,000 or 38% of the Fund's loan portfolio was owed by two borrowers, of which approximately \$786,000 represents a Class A secured loan.

6. Commitments and Contingencies

Construction loans

The fund has approved approximately 18 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, 2013, the Fund had approximately 5 construction loans that had not been fully funded. Undistributed amounts related to these constructions loans, totaling approximately \$714,000, will be funded by a combination of new member contributions, reinvestments of earnings and the payoff of principal on current Class B loans.

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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, 2013, 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

Effective January 1, 2014, the state of California adopted the California Revised Uniform Limited Liability Company Act ("RULLCA"). The new act replaces the Beverly-Killea Limited Company Act. RULLCA was drafted to bring greater consistency in laws pertaining to limited liability companies from one state to the next and is not expected to have a significant impact on the Fund's financial statements or operations.

The Fund has evaluated subsequent events through February 6, 2014, the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the Fund's financial statements.