OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

FINANCIAL STATEMENTS
December 31, 2010

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

CONTENTS

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying balance sheet of Olympia Mortgage Fund, LLC (the "Fund"), a California limited liability company, as of December 31, 2010, and the related statements of operations and changes in members' equity and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, in anticipation of the subsequent dissolution of the Fund and the resulting changes in accounting policies, the year-end analyses of impairment to the carrying amounts of outstanding loans and real estate owned were not performed. Accounting principles generally accepted in the United States of America require loan losses to be recognized when it is probable that the loan is impaired, that is, that the loan payments or other assets to be received in settlement of the loan are less than its recorded investment and when that impairment loss can be reasonably estimated. Additionally, accounting principles generally accepted in the United States of America require real estate owned to be carried at the lower of the carrying amount or current fair value, less estimated selling costs. Management has estimated that if accounting principles generally accepted in the United States of America had been followed, an additional loss would have been recognized and the carrying values of outstanding loans and real estate owned would have been decreased by approximately $4,000,000.

Propp Christensen Caniglia LLP

April 20, 2011
Roseville, California

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

BALANCE SHEET
December 31, 2010

ASSETS

Current assets:		
Cash and cash equivalents	$	150,285
Mortgage interest receivable		439,203
Accrued late fees and other receivables		49,091
Other assets		111,572
Total current assets		750,151
Mortgage loans receivable		32,161,558
Less allowance for loan losses		(767,475)
Mortgage loans receivable, net		31,394,083
Real estate owned:		
Real estate held		3,112,746
Real estate held for sale		6,205,984
Real estate held for lease, net of accumulated depreciation of $246,455		3,859,576
Real estate owned, net		13,178,306
Total Assets	$	45,322,540

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable and other accrued liabilities	$	47,497
Asset management fees payable		35,114
Loan servicing fees payable		50,986
Income tax and LLC fees payable		5,400
Total current liabilities		138,997
Members' equity		45,183,543
Total Liabilities and Members' Equity	$	45,322,540

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, 2010

Revenues:	
Mortgage interest income	$ 2,369,273
Rental income	193,183
Late fees and other revenue	69,337
Total revenues	2,631,793
Operating expenses:	
Loan servicing fees	227,906
Asset management fees	455,912
Provision for losses on loans	795,569
Interest expense	5,703
Real estate owned holding costs	318,672
Other operating expenses	174,149
Total operating expenses	1,977,911
Income from operations	653,882
Other expenses:	
Gain on sales of real estate held for sale	19,485
Net income before income tax and LLC fees	673,367
Income tax and LLC fees	(6,087)
Net income	667,280
Members' equity, beginning of year	46,543,874
Members' contributions	996,736
Members' capital distributions	(479,537)
Members' capital withdrawals	(2,544,810)
Members' equity, end of year	$ 45,183,543

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

OLYMPIA MORTGAGE FUND, LLC
A California Limited Liability Company

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

Cash Flows from Operating Activities:	
Net income	$ 667,280
Adjustments to reconcile net loss to net cash provided by operating activities:	
Provision for losses on loans	795,569
Loss on sales of real estate held for sale	(19,485)
Depreciation	92,584
Change in operating assets and liabilities:	
Mortgage interest receivable	(93,963)
Accrued late fees and other receivables	(14,661)
Other assets	236,292
Accounts payable and other accrued liabilities	30,138
Asset management fees payable	(6,124)
Loan servicing fees payable	(11,193)
Income tax and LLC fees payable	5,400
Net cash provided by operating activities	1,681,837
Cash Flows from Investing Activities:	
Loans funded	(10,688,376)
Principal payments collected on loans	5,638,881
Advances on mortgage loans receivable	(170,331)
Advances to protect assets	(96,250)
Capital improvements on real estate owned	(686,918)
Proceeds from sales of real estate held for sale	2,670,538
Net cash used in investing activities	(3,332,456)
Cash Flows from Financing Activities:	
Members' contributions	996,736
Members' capital distributions	(479,537)
Members' capital withdrawals	(2,544,810)
Net cash used in financing activities	(2,027,611)
Net decrease in cash and cash equivalents	(3,678,230)
Cash and cash equivalents, beginning of year	3,828,515
Cash and cash equivalents, end of year	$ 150,285
Supplemental disclosures of cash flow information:	
Cash paid for taxes	$ 687
Cash paid for interest	$ 5,703
Non-cash investing and financing transactions:	
Mortgage loans receivable converted to real estate owned	$ 4,696,358
Real estate owned converted to mortgage loan through sale	$ 411,724
Interest receivable transferred to real estate owned	$ 321,483
Accrued late fees transferred to real estate owned	$ 21,925

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 was organized to 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. As more fully described in Note 10, in January 2011 the members holding a majority of the outstanding membership interests with the concurrence of the Manager elected to dissolve and terminate the Fund.

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 2010, 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. The Fund maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Loans Receivable (Continued)
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 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, 2010, the Fund had 12 loans, totaling approximately $6,250,000 (approximately 19% of the loan portfolio), past due 90 days or more in interest payments. The Fund's manager considers 3 of these loans, totaling approximately $1,160,000 (approximately 4% of the loan portfolio), to be adequately secured and therefore, is continuing to accrue interest on these loans. Of the 12 loans past due 90 days or more in interest payments, 8 of them were in foreclosure at December 31, 2010. The Fund also had 9 loans, totaling approximately $5,070,000 (approximately 16% of the loan portfolio), greater than 90 days past maturity. The Fund's manager considers 5 of these loans, totaling approximately $2,070,000 (approximately 6% of the loan portfolio), to be adequately secured and, therefore, is continuing to accrue interest on these loans.

The fund had 10 loans totaling approximately $5,220,000 (approximately 16% of the loan portfolio) on nonaccrual status at December 31, 2010. 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 all of them 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 $5,410,000 (approximately 17% of the loan portfolio) at December 31, 2010. The average total recorded investment in the impaired loans during 2010 amounted to approximately $5,480,000. 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.

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. In 2010, additional losses incurred on the sales of real estate owned were also charged directly to the allowance. Activity in the allowance for loan losses is as follows for the year ended December 31, 2010:

Beginning balance	$ 1,824,874
Provision for losses on loans	795,569
Loans written off and losses on sales of real estate owned	(1,852,968)
Ending balance	$ 767,475

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through April 20, 2011, the date that the financial statements were available to be issued.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

(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.

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. 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 $92,584 for the year ended December 31, 2010. At December 31, 2010, the Fund had ten held for lease properties with leases expiring at various dates throughout 2011. The leases call for monthly payments ranging from $300 to $1,600. Minimum future lease receipts under noncancelable operating leases to be received in 2011 total approximately $312,000.

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, 2010:

Beginning balance	$ 11,758,363
Cost of real estate acquired and capital improvements	4,699,485
Sales of real estate held for sale	(3,186,958)
Current year depreciation on real estate held for lease	(92,584)
Ending balance	$ 13,178,306

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.

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.

NOTE 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 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, 2010, totaled approximately $13,700,000. This amount is less than the amount of requests as of December 31, 2009, due in part to monthly principal allotments which reduced some individual members' account balances below the amounts of their original redemption requests. Additionally, there were some members with withdrawal requests who sold their shares to other members which either reduced their account balances or closed their accounts entirely.

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. As of June 1, 2010, the Fund ceased offering and making these small monthly allotments of principal to members.

NOTE 4: OTHER ASSETS

Other assets at December 31, 2010, include $96,250 of advances to protect interests and $15,322 of prepaid expenses and 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, 2010), 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 March 5, 2011, and contains certain covenants and restrictions. The Fund was in compliance with these covenants and restrictions at December 31, 2010. Interest expense on the line of credit totaled $5,703 for the year ended December 31, 2010. There was no outstanding balance on the line of credit at December 31, 2010. Commitments under a related letter of credit totaled $121,000 at December 31, 2010.

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 $227,906 were incurred for the year ended December 31, 2010. At December 31, 2010, the Fund had recorded $50,986, 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 $455,912 were incurred for the year ended December 31, 2010. At December 31, 2010, the Fund had recorded $35,114, 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 2010, the Fund incurred accounting and legal costs totaling $174,149. The Manager did not absorb any of these operating and administrative expenses on behalf of the Fund for the year ended December 31, 2010. 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 is one related party loan outstanding as of December 31, 2010 in the amount of $232,000 which is approximately 0.72% of the total Fund assets.

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS

The loans are secured by recorded deeds of trust. At December 31, 2010, there were 104, secured loans outstanding with the following characteristics:

Total secured loans outstanding	$ 32,161,558
Average secured loan outstanding	$ 309,000
Average secured loan as percent of total secured loans	0.96%
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	6.84%
Largest secured loan as percent of members' equity	4.94%
Number of secured loans in foreclosure	8
Approximate amount of secured loans in foreclosure	$ 4,130,000
Number of secured loans past due 90 days or more in interest payments	12
Approximate amount of secured loans past due 90 days or more in interest payments	$ 6,250,000
Number of secured loans greater than 90 days past maturity	9
Approximate amount of secured loans greater than 90 days past maturity	$ 5,070,000
Number of secured loans on non-accrual status	10
Approximate amount of secured loans on non-accrual status	$ 5,220,000
Number of secured loans considered to be impaired	10
Approximate amount of secured loans considered to be impaired	$ 5,220,000
Number of counties where security is located	23

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

At December 31, 2010, 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	$ 6,906,079	21.47%
El Dorado	5,759,222	17.91%
Placer	6,057,106	18.83%
Sacramento	1,385,010	4.31%
Yolo	2,056,002	6.39%
Yuba	1,822,246	5.67%
Butte	1,063,533	3.31%
Calaveras	546,908	1.70%
Contra Costa	732,800	2.28%
Fresno	219,088	0.68%
Glenn	383,000	1.19%
Humbolt	155,000	0.48%
Kern	750,000	2.33%
Lake	105,000	0.33%
Madera	429,962	1.34%
Marin	475,000	1.48%
Monterey	759,455	2.36%
Riverside	390,000	1.21%
Plumas	229,439	0.71%
Sierra	35,500	0.11%
Sonoma	1,293,696	4.02%
Stanislaus	110,000	0.34%
Sutter	497,512	1.55%
Total	$ 32,161,558	100.00%

The following categories of secured loans were held at December 31, 2010:

First trust deeds	$ 31,114,214
Second trust deeds	1,047,344
Total	$ 32,161,558

Investments by type of property:	
Construction/development	$ 14,193,373
Land	4,945,368
Residential	10,253,353
Mixed use	1,482,656
Commercial	1,286,808
Total	$ 32,161,558

NOTE 7: LOAN CONCENTRATIONS AND CHARACTERISTICS (CONTINUED)

Scheduled maturity dates of secured loans as of December 31, 2010 are as follows:

Year Ending December 31:	
2011	$ 22,469,861
2012	5,731,724
2013	1,593,341
2014	1,728,027
2015	638,605
Total	$ 32,161,558

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 2011 include 17 loans, totaling approximately $8,330,000, which are past maturity at December 31, 2010. Eight of these loans had interest payments considered delinquent as of December 31, 2010. 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 27 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, 2010, the Fund had approximately 4 construction loans that had not yet been fully funded. Undistributed amounts related to these construction loans, totaling approximately $290,000, will be funded by a combination of cash on hand, 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, 2010, are as follows:

	Level 1	Level 2	Level 3	Total
Secured loans	$ -	$ 31,394,083	$ -	$ 31,394,083
Real estate owned	-	13,178,306	-	13,178,306
Total	$ -	$ 44,572,389	$ -	$ 44,572,389

NOTE 10: SUBSEQUENT EVENT

As a result of the vote concluded on January 21, 2011, the members holding a majority of the outstanding membership interests with concurrence of the Manager have resolved to dissolve and terminate the Fund. In accordance with Article IX section 9.02, "Winding Up," of the Fund's Operating Agreement dated November 20, 2002, the Manager will wind up the Fund's affairs as follows:

1. No new loans shall be made or purchased;
2. Effective the date of the vote for dissolution of the Fund, all withdrawal requests will automatically be terminated;
3. Manager will liquidate the Fund's assets as promptly as is consistent with recovering the fair market value thereof, either by sale to third parties or by servicing the Fund's outstanding loans in accordance with their terms; provided however, that the Manager shall liquidate all Fund assets for the best price reasonably obtainable in order to completely wind up the Fund's affairs within five years after the date of dissolution (the "liquidation period");
4. All sums of cash received by the Fund during the winding up process from any source shall be applied and distributed to the members in proportion to the positive balances in their respective outstanding capital accounts, but only after all the Fund's debts have been paid or adequately provided for;
5. When available, all monthly income distributions will be distributed as cash to members. No member shall have the option to reinvest monthly earnings; and
6. Upon completion of the liquidation and distribution of proceeds, the Manager will file a certificate of dissolution and furnish each member with a statement showing the financial activity during the liquidation period.

Certain changes will be necessary in the accounting policies of the Fund during the liquidation period to facilitate the appropriate recognition of the liquidating transactions as well as the distribution of income and the return of capital to the members. Specifically, the Fund will convert to the modified cash basis of accounting throughout the liquidation period. Under this modified cash basis of accounting, interest income on performing loans will be recognized when earned and all other income will be recognized upon receipt. Operating expenses will be recognized as incurred and losses related to impairment of value for outstanding loans and real estate owned will be recognized when realized.

In anticipation of the subsequent dissolution of the Fund and the resulting changes in accounting policies, the year-end analyses of impairment to the carrying amounts of outstanding loans and real estate owned were not performed. Accordingly, losses of approximately $4,000,000 related to the impairment of outstanding loans and real estate owned have not been reflected in the accompanying financial statements.