Olympia Mortgage Fund, LLC

Financial Statements

December 31, 2016

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Olympia Mortgage Fund, LLC (a California limited liability company) (the "Fund"), which comprise the statement of assets, liabilities and members' equity - modified cash basis as of December 31, 2016, and the related statements of revenues and expenses and changes in members' equity, and cash flows - all on the modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Fund uses for modified cash purposes; this includes determining that the basis of accounting the Fund uses for modified cash purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting the Fund uses for modified cash purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, 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 the basis of accounting as described in Notes 2 and 3.

Armanino LLP

Armanino LLP
San Ramon, California

March 2, 2017

Olympia Mortgage Fund, LLC
Statement of Assets, Liabilities and Members' Equity
Modified Cash Basis
December 31, 2016

ASSETS

Current assets	
Cash and cash equivalents	$ 1,141,908
Advances on mortgage loans receivable	17,141
Mortgage loans receivable	4,049,008
Total current assets	5,208,057
Real estate owned	12,293,198
Total assets	$ 17,501,255

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	$ -
Members' equity	17,501,255
Total liabilities and members' equity	$ 17,501,255

See accompanying notes and independent accountant's review report.

Olympia Mortgage Fund, LLC
Statement of Revenues and Expenses and Changes in Members' Equity
Modified Cash Basis
For the Year Ended December 31, 2016

Revenues	
Mortgage interest income	$ 337,071
Rental income	250,844
Late fees and other income	13,970
Total revenues	601,885
Operating expenses	
Loan servicing fees	51,423
Asset management fees	211,413
Real estate owned holding costs	346,320
Other operating expenses	47,137
Total operating expenses	656,293
Expenses in excess of revenues from operations	(54,408)
Net loss on sales of assets	(862,387)
Expenses in excess of revenues	(916,795)
Members' equity, beginning of year	23,418,050
Members' capital withdrawals	(5,000,000)
Members' equity, end of year	$ 17,501,255

Olympia Mortgage Fund, LLC
Statement of Cash Flows
Modified Cash Basis
For the Year Ended December 31, 2016

Cash flows from operating activities		
Expenses in excess of revenues	$	(916,795)
Adjustments to reconcile expenses in excess of revenues to net cash provided by operating activities		
Net loss on sales of assets		862,387
Depreciation		147,982
Changes in operating assets and liabilities		
Advances on mortgage loans receivable		(3,520)
Lease deposits		(6,500)
Net cash provided by operating activities		83,554
Cash flows from investing activities		
Principal collected on loans		2,643,981
Proceeds from sales of real estate owned		2,774,748
Capital improvements on real estate owned		(31,657)
Net cash provided by investing activities		5,387,072
Cash flows from financing activities		
Members' capital withdrawals		(5,000,000)
Net cash used in financing activities		(5,000,000)
Net increase in cash and cash equivalents		470,626
Cash and cash equivalents, beginning of year		671,282
Cash and cash equivalents, end of year	$	1,141,908

Supplemental disclosure of cash flow information

Cash paid during the year for taxes	$	6,050

Supplemental schedule of noncash investing and financing activities

Mortgage loans receivable converted to real estate owned	$	402,268
Advances transferred to real estate owned	$	46,918
Sale of real estate owned financed with mortgage loan receivable	$	77,000

See accompanying notes and independent accountant's review report.

Olympia Mortgage Fund, LLC
Notes to Financial Statements
Modified Cash Basis
December 31, 2016

1. NATURE OF OPERATIONS

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 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.

2. TERM OF THE FUND

On January 27, 2011, the members holding a majority of the outstanding membership interests with concurrence of the Manager resolved to dissolve and terminate the Fund. On March 19, 2015, the members holding a majority of the outstanding membership interests resolved to extend the termination date of the Fund to January 27, 2021. In accordance with Article IX section 9.02, "Winding Up," of the Fund's Operating Agreement dated November 20, 2002, the Manager is winding 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") unless the liquidation period is extended by a vote of a majority interest of the Fund's members;
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;
6. Quarterly statements will be provided to Members which will reflect the amount of income and principal distributions and any corresponding reduction in each member's capital balance. On December 31, 2016, the Manager adjusted member statements for the losses that were incurred for the year ended December 31, 2016 and provided year end statements to each Member which reflected the adjustments. The Manager intends to continue to adjust members' statements for losses annually at each year end, and members' 4th quarter statements will reflect those loss adjustments;

2. TERM OF THE FUND (continued)

7. 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;
8. The Fund will not obtain annual audits during liquidation; however, it will retain an accounting firm to review the annual financial statements during this period, as well as the final statement upon termination.

Certain changes were 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 converted to the modified cash basis of accounting throughout the liquidation period and suspended analysis and recognition of impairment to the carrying amounts of mortgage loans receivable and real estate owned.

The Manager is required to sell assets for the best price reasonably obtainable to the extent necessary to liquidate all of the Fund's assets within the liquidation period. Consequently, as the end of the liquidation period approaches the Manager may be required to sell the Fund's assets for considerably less than their fair market value thereby reducing the return of the members' investment. In such a case, the Manager may propose an extension of the liquidation period. If the members approve one or more extensions of the liquidation period, the final distributions payable to the members upon dissolution may be delayed. There is no way to accurately determine if such delay will occur or how long beyond the initial five-year liquidation period such delay may be.

In some cases, in order to obtain the best price for an asset, the Manager may elect to carry a portion of the sale price in the form of a mortgage loan receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of accounting and financial statement presentation</u>

In accordance with the provisions of the plan to wind up the affairs of the Fund as described in Note 2 above, during 2011, the Fund converted to a modified cash basis of accounting. Under the modified cash basis of accounting, all income including interest and fees received on loans and rental income is recognized upon receipt.

Operating expenses are recognized when paid and future losses related to impairment of value for outstanding loans and real estate owned are recognized when realized. Because of its effects on tax reporting, the Fund has continued to depreciate its real estate owned properties using the straight line depreciation method. The modified cash basis of accounting differs significantly from generally accepted accounting principles, particularly in the recognition of impairment in fair value of loans and real estate owned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Management estimates and related risks

The preparation of financial statements in conformity with the modified cash basis of accounting 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. Although they reflect management's best estimates, it is at least reasonably possible that a material change to these estimates could occur in the near term.

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. 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.

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.

Real estate owned

Real estate acquired through or in lieu of loan foreclosure is initially recorded at the lower of cost or fair value as of the date of foreclosure or acquisition. 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.

Annual analysis and recognition of impairment costs to the carrying amount of real estate owned was suspended upon the conversion to the modified cash basis of accounting. Losses related to the declines in the fair value of real estate owned are recorded as a charge to operations when realized and are measured as the amount by which the carrying amount of a property exceeds its sales price less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real estate owned (continued)

The building and improvements portion of real estate held and used is depreciated on a straight-line basis over the estimated useful life of the property once the asset is placed in service and is being used in operations. The estimated useful life of all of the Fund's real estate held and used at December 31, 2016 was 30 years. Accumulated depreciation on real estate held for use totaled $913,167 at December 31, 2016.

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, 2016, the Fund does not have any significant uncertain tax positions for which a reserve would be necessary.

Subsequent events

The Fund has evaluated subsequent events through March 2, 2017, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Fund's financial statements.

4. 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 those provisions, as well as the Fund's dissolution proposal which was approved by the members on January 27, 2011.

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.

4. FUND PROVISIONS (continued)

Members representing a majority of the outstanding Fund membership interests may approve or disapprove any of the following matters: (i) dissolution and termination of the Fund; (ii) amendment of the LLC operating agreement; (iii) merger or consolidation of the Fund with one or more other entities and; (iv) remove and replace the Manager.

Transferability

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.

5. REAL ESTATE OWNED

Real estate owned consist of the following:

Real estate held	$ 8,587,708
Real estate held for use, net	3,705,490
	$ 12,293,198

Real estate owned activity during the year was as follows:

Balance, beginning of year	$ 15,674,472
Costs of real estate acquired	449,186
Capital improvements	31,657
Depreciation	(147,982)
Sales of real estate owned	(3,714,135)
Balance, end of year	$ 12,293,198

6. RELATED PARTY TRANSACTIONS

Loan brokerage commissions

For its services in connection with Fund loans, the Servicer charges renewal fees and forbearance fees to the borrowers. These fees are paid directly by the borrowers and are not expenses of the Fund.

6. RELATED PARTY TRANSACTIONS (continued)

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 $51,423 were paid during the year ended December 31, 2016.

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 $211,413 were paid during the year ended December 31, 2016.

Operating expenses

Pursuant to the operating agreement, the Fund shall be responsible for all accounting, auditing, tax preparation costs as well as LLC gross receipts fees and taxes. The operating agreement indicates that the Manager is responsible for all other expenses.

7. LOAN CONCENTRATIONS AND CHARACTERISTICS

The loans are secured by recorded deeds of trust with the following characteristics:

Number of secured loans outstanding		16
Total secured loans outstanding	$	4,049,008
Average secured loan outstanding	$	253,063
Average secured loan as a percent of total		6.25 %
Average secured loan as a percent of members' equity		1.45 %
Largest secured loan outstanding	$	747,141
Largest secured loan as a percent of total		18.45 %
Largest secured loan as a percent of members' equity		4.27 %
Number of secured loans over 90 days past maturity		5
Approximate principal of secured loans over 90 days past maturity	$	1,430,000

7. LOAN CONCENTRATIONS AND CHARACTERISTICS (continued)

All of the Fund's loans are secured by recorded deeds of trust on real property located in California. The various counties within California in which secured property is located are as follows:

	Loan Balances	Percentage
County		
Placer	$ 888,747	21.95 %
Nevada	866,038	21.39 %
Monterey	747,141	18.45 %
Butte	579,572	14.31 %
El Dorado	378,803	9.36 %
Lassen	318,597	7.87 %
Fresno	226,368	5.59 %
Yuba	43,742	1.08 %
	$ 4,049,008	100.00 %

The following categories of secured loans were held as follows:

First trust deeds	$ 3,736,619
Second trust deeds	312,389
	$ 4,049,008

Loans by type of property	
Single-family	$ 1,631,394
Commercial	993,806
Land	727,702
Construction/development	696,106
	$ 4,049,008

The schedule below presents the status of the secured loans with regards to interest payments as follows:

Days outstanding	
Current (0 to 30 days)	$ 2,860,899
31 to 90 days	-
91 days and greater	1,188,109
	$ 4,049,008

7. LOAN CONCENTRATIONS AND CHARACTERISTICS (continued)

The future maturities of secured loans are as follows:

Year ending December 31,	
2017	$ 2,572,479
2018	1,307,245
2019	79,940
2020	50,643
2021	-
Thereafter	38,701
	$ 4,049,008

The scheduled maturities for 2017 include five loans totaling approximately $1,430,000, which are past maturity at December 31, 2016. The Fund expects that mortgage loans may be either extended or repaid before contractual maturity dates, refinanced at maturity or go into default and not be repaid by the contractual maturity dates. Therefore, the above tabulation is not a forecast of future cash collections.

Three loans totaling $1,868,000, or approximately 46%, of the Fund's total outstanding mortgage loans receivable balance of $4,049,008, were due from three borrowers.

8. COMMITMENTS AND CONTINGENCIES

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.