

OLYMPIA MORTGAGE FUND, LLC**\$100,000,000****100,000 Membership Interests (“Units”)****\$1,000 per Unit****Minimum Investment: \$25,000 (25 Units)**

Olympia Mortgage Fund, LLC is a California limited liability company, formerly known as Olympia Mortgage Fund, LLC (the “**Fund**”), whose sole manager is Olympia Mortgage and Investment Company, Inc., a California corporation (the “**Manager**”). The Fund has been organized for the purpose of making or investing in loans secured by deeds of trust encumbering primarily improved California real estate, both commercial and residential. The Fund may also make or invest in construction or rehabilitation loans made for the purpose of constructing, rehabilitating or otherwise improving the commercial or residential real property securing the loan (collectively, “**Construction Loans**”). Construction Loans, which are underwritten based upon the estimated value of the real property following completion of such improvements, and involve additional risks. (See “Risk Factors – Risks Associated with Construction Loans.”) Fund loans will be arranged and serviced by the Manager. (See “The Manager and Its Affiliates.”) The Manager is a licensed California real estate broker and California Finance lender. All Fund loans will be made or arranged pursuant to one of those licenses.

The Fund is governed by that certain Operating Agreement for the Fund dated November 26, 2002, a copy of which is attached hereto as Exhibit A (“**Operating Agreement**”). Investors will become non-managing members in the Fund (“**Members**”) with only those approval rights expressly granted in the Operating Agreement each of which require the affirmative consent of Members representing a majority of the outstanding Units (a “**Member Majority**”). An investment in the Fund is illiquid and withdrawals are currently unavailable and subject to substantial future restrictions. (See “Summary of Operating Agreement – Withdrawal from Fund.”) This offering also involves certain ERISA risks that should be considered by tax-exempt employee benefit plans. (See “Federal Income Tax Consequences” and “ERISA Considerations.”) The Operating Agreement provides Members with the option, exercisable upon subscription for Units, to receive monthly distributions of income from Fund operations, or to allow their proportionate share of Fund income to compound and be reinvested by the Fund for their accounts; however, only to the extent there are Fund earnings available for distribution (See “Terms of the Offering”). All Fund income will be taxed to Members (other than tax-exempt entities) as ordinary income, regardless of whether it is distributed in cash or reinvested. (See “Federal Income Tax Consequences”).

THIS OFFERING INVOLVES SIGNIFICANT RISKS, DESCRIBED IN DETAIL IN THIS OFFERING CIRCULAR. See “Risk Factors” beginning on page 7 for certain factors investors should consider before buying Units.

Compensation will be paid to the Manager, who is subject to certain conflicts of interest. (See “Risk Factors,” “Compensation to Manager” and “Conflicts of Interest.”) Prospective purchasers of Units should read this Memorandum in its entirety.

	Price to Investors[1]	Selling Commissions[2]	Net Proceeds to Fund[3]
Per Unit	\$1,000	\$0	1,000
Minimum Total	\$500,000	\$0	\$500,000
Maximum Total	\$100,000,000	\$0	\$100,000,000

(Footnotes on next page)

MANAGER:
OLYMPIA MORTGAGE AND INVESTMENT COMPANY, INC.

1740 E. Main St., Suite 102
 Grass Valley, California 95945
 (530) 272-3030

The date of this Offering Circular is October 21, 2009

- [1] The minimum purchase is \$25,000 (25 Units at \$1,000 per Unit). The maximum of the offering may be increased by the Manager at any time.
- [2] Units will be offered and sold directly by the Manager and employees of the Manager who will not receive selling commissions or other compensation from the Fund in connection with the sale of Units. Units may be offered and sold by independent broker-dealers. Any such brokers will receive a commission payable by the Manager. There is no firm commitment to purchase or sell any of the Units.
- [3] Net Proceeds to the Fund is calculated before deducting organizational and offering expenses, including without limitation legal and accounting expenses, reproduction costs, selling expenses and filing fees paid to the California Department of Corporations. (See “Use of Proceeds.”)

THESE SECURITIES ARE BEING OFFERED AND SOLD ONLY TO RESIDENTS OF THE STATE OF CALIFORNIA PURSUANT TO A PERMIT GRANTED BY THE CALIFORNIA COMMISSIONER OF CORPORATIONS. THE COMMISSIONER OF CORPORATIONS DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THESE SECURITIES, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OF THE INFORMATION SET FORTH HEREIN.

THE SALE OF UNITS COVERED BY THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS PROVIDED FOR UNDER SECTION 3(a)(11) OF THE ACT AND RULE 147 THEREUNDER RELATING TO INTRASTATE OFFERINGS.

ACCORDINGLY, THESE UNITS ARE BEING OFFERED SOLELY TO CERTAIN SELECTED RESIDENTS OF THE STATE OF CALIFORNIA, AND THIS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY WITH RESPECT TO ANY OTHER PERSON. FURTHERMORE, FOR A PERIOD OF NINE MONTHS FROM THE TERMINATION OF THIS OFFERING, NO UNITS MAY BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO RESIDENTS OF THE STATE OF CALIFORNIA.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY IN ANY STATE OTHER THAN THE STATE OF CALIFORNIA OR WITH RESPECT TO ANY PERSON WHO IS NOT A BONA FIDE RESIDENT OF CALIFORNIA, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN. (SEE "INVESTOR SUITABILITY STANDARDS.")

THERE IS NO MARKET FOR UNITS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE FUND ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER, AND THE UNITS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF UNITS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE MANAGER IMMEDIATELY TO CHECK ITS ACCURACY. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND SINCE THE DATE HEREOF.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS OFFERING CIRCULAR OR ANY OTHER COMMUNICATION FROM THE FUND AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONAL WITH RESPECT TO THE LEGAL AND TAX ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS OWN TAX SITUATION, PRIOR TO SUBSCRIBING TO A MEMBERSHIP INTEREST IN THE FUND.

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SUMMARY OF THE OFFERING

The following information is only a brief summary of the offering, and is qualified in its entirety by the information appearing elsewhere in this Offering Circular. A thorough examination of the entire Offering Circular is recommended.

- Fund Objectives..... The Fund is a California limited liability company formed for the purpose of making or investing in loans secured by deeds of trust on real estate located in California. The Units offered hereby represent membership interests in the Fund.
- Capitalization..... Minimum of \$500,000 and a maximum of \$100,000,000 (subject to increase by the Manager).
- Term of the Fund..... Indefinite. (See “Summary of Operating Agreement – Term of the Fund.”)
- Manager, Mortgage Broker and..... Olympia Mortgage and Investment Company, Inc., 1740 E. Loan Servicer Main St., Suite 102, Grass Valley, California 95945, (530) 272-3030.
- Prior Experience The Manager has substantial prior experience in the mortgage industry. (See “The Manager and Its Affiliates.”)
- Compensation to Manager The Manager will receive fees and other compensation from the Fund. (See “Compensation to Manager.”)
- Suitability Standards..... Units are offered exclusively to investors who are California residents and who meet certain minimum standards of income and/or net worth, with an initial minimum investment of \$25,000. Qualified investors admitted to the Fund will become Members. (See “Investor Suitability Standards.”)
- Mortgage Loan Portfolio..... Fund loans will be secured by either undeveloped land or fully developed real estate located in California or will be Construction Loans secured by undeveloped or partially developed property and subject to a construction loan agreement. Loans will be secured primarily by property located in California. Loans will be made while this offering is continuing. (See “Lending Standards and Policies.”)
- Leveraging the Portfolio The Fund may borrow funds from a third party lender in order to fund mortgage loans made or purchased by the Fund. In such case, most or all of the Fund’s loan portfolio will be assigned to this lender as security for the loan(s); provided, however, that the maximum debt the Fund may incur from third party lenders is 15% of the Fund’s assets. In borrowing these funds, the Fund may increase Fund liquidity and the

yield to the Fund; however, leveraging the Fund’s portfolio entails certain additional risks and also entails possible adverse tax consequences. (See “Leveraging the Portfolio,” “Risk Factors – Risk of Leverage” and “Federal Income Tax Consequences – Unrelated Business Taxable Income.”)

- Cash Distributions..... Choice of (1) regular monthly cash distributions of Fund income, or (2) income credited to capital account and reinvested by the Fund. An investor may elect to switch from one of these options to the other only upon 60 days’ notice to the Manager; provided, however, that investors may elect to switch from distributions to compounding only if there is then in effect a permit issued by the California Department of Corporations for this offering. The Manager, in its sole and absolute discretion, reserves the right to commence making cash distributions at any time to previously compounding ERISA investors in order for the Fund to remain exempt from the ERISA plan asset regulations. (See “ERISA Considerations” and “Summary of Operating Agreement.”)

- Withdrawal Investors currently have no right to withdraw from the Fund, with any future withdrawals subject to substantial restriction. (See “Summary of Operating Agreement – Withdrawal from Fund” and “Risk Factors – Risk Related to Ownership of Units.”)

- Restrictions on Transfers..... There are substantial restrictions on transferability of Units under federal and state securities laws and under the Operating Agreement. (See “Terms of Offering – Restrictions on Transfer” and “Risk Factors – Risks Related to Ownership of Units.”)

- Liquidity..... There is no public market for Units and none is expected to develop in the foreseeable future. The transferability of Units is also restricted by federal and state securities laws, and by the Operating Agreement. (See “Risk Factors – Risks Related to Ownership of Units.”)

- Reports to Investors..... Annual Reports, including audited financial statements.

- Voting Investors will have no right to vote on matters concerning the Fund, except as required by law or as expressly set forth in the Operating Agreement. (See “Summary of Operating Agreement – Rights and Liabilities of Members.”).

- Risks..... An investment in Units is subject to certain risks that should be carefully evaluated before an investment in Units is made. (See “Risk Factors.”)
- Tax Consequences An investment in Units involves certain tax consequences which should be evaluated before an investment in Units is made. (See “Federal Income Tax Consequences.”)
- Conflicts of Interest..... The Fund’s business operations will be managed entirely by the Manager. The Manager may, subject to certain limitations, make loans to persons or entities that are related to or affiliated with the Manager, which is subject to certain conflicts of interest. (See “Conflicts of Interest” and “Lending Standards and Policies – Loans to Related Parties.”)

INVESTOR SUITABILITY STANDARDS

To purchase Units, an investor must meet certain eligibility and suitability standards, the primary ones of which are set forth below, and must execute a Subscription Agreement in the form attached hereto as Exhibit B. By executing the Subscription Agreement, an investor makes certain representations and warranties, upon which the Manager will rely in accepting subscriptions. Read the Subscription Agreement carefully. Each investor must represent in writing that such investor is a bona fide resident of the State of California (i.e., the investor has his or her principal residence in California, or if the investor is a trust, corporation or other entity that the principal office of such trust, corporation or other entity is located in California). In addition:

1. Each investor must have either (a) a net worth (exclusive of home, furnishings and automobiles) exceeding \$250,000 and an annual gross income exceeding \$65,000; or (b) a net worth (exclusive of home, furnishings and automobiles) exceeding \$500,000.
2. The amount of each investor’s investment in Units offered hereby must not exceed 10% of such Investor’s net worth (exclusive of home, furnishings and automobiles).
3. If the investor is an ERISA Plan (such as a pension or profit sharing plan, Individual Retirement Account, or 401(k) plan), the foregoing requirements must be met by either the ERISA Plan itself or, if the investment is being made on behalf of a plan participant who has the power to direct the investment on his or her behalf, by the plan participant for whose account the investment is being made.
4. If the investor is a fiduciary account other than an ERISA Plan (such as a family trust or a custodial account for the benefit of a minor”, the foregoing suitability standards may be met by any of the following: (i) by the fiduciary account itself; (ii) by the trustee or custodian if that person is the donor of the funds for investment; or (iii) by the donor of the funds for investment if the only beneficiaries of the fiduciary account are the donor’s ancestors, descendants or spouse.

TERMS OF THE OFFERING

This offering is made to a limited number of qualified investors to purchase Units in the Fund. The Unit subscription price to each investor is \$1,000 per Unit with a minimum subscription from each investor of \$25,000, or 25 Units. Each Unit of investment represents a membership interest in the Fund.

Formation of the Fund; Maximum Capitalization

The Fund was formed on November 21, 2002 upon the filing of the Articles of Organization with the Office of the California Secretary of State; however, the Fund did not begin doing business (i.e., making or investing in mortgage loans) until January 1, 2003 when the minimum 500 Units were sold. The Fund has a maximum capitalization of \$100,000,000 (100,000 Units); however, this maximum may be increased by the Manager at any time without notice to the Members.

This offering may also be terminated at the option of the Manager at any time, but in no event later than one year from the date of this Offering Circular, unless the offering permit issued by the California Commissioner of Corporations is thereafter extended.

Subscription Agreements; Admission to the Fund

Subscription Agreements from prospective investors will be accepted or rejected by the Manager promptly after receipt. Subscription Agreements, once accepted, are non-cancelable and irrevocable and subscription funds are non-refundable for any reason, except with the consent of the Manager. The Manager reserves the right to reject any subscription submitted for any reason. Accepted subscription funds may be deposited by the Manager into a non-interest bearing subscription account at a financial institution (the “**Subscription Account**”) and held for the account of investors. When required by the Fund for the purpose of funding or investing in a loan, creating appropriate reserves or to pay withdrawal requests to existing Members, subscriptions will be transferred from the Subscription Account to the Fund’s operating account (the “**Operating Account**”) on a first-in first-out basis. (See “Use of Proceeds.”) At the time of such transfer, the investor whose funds were transferred will be admitted as a Member of the Fund and Units will be issued to the Member at the rate of \$1,000 per Unit. When transferring monies from the Subscription Account to the Operating Account, the Fund will transfer the full amount of an investor’s subscription, and such transfers will be made, and Members admitted, in the order subscriptions are received from investors.

Notwithstanding the foregoing, subscription funds remaining in the Subscription Account, or checks from investors that are physically held by the Manager, shall be returned to the investor without interest after the expiration of 60 days from the date the subscription funds were first received from the investor. After having subscribed for at least 25 Units (\$25,000), an investor may at any time, and from time to time, subscribe to purchase additional Units so long as the offering is open.

Use of Subscriptions to Pay Pending Withdrawal Requests

As described elsewhere in this Offering Circular, the Manager may accept subscriptions for the purpose of fulfilling Members' withdrawal requests. (See "Summary of Operating Agreement – Withdrawal from Fund" and "Risk Factors – Risks Related to Ownership of the Units.") There may be a "waiting list" for withdrawals from the Fund. Investors should ask the Manager about the length or aggregate amount of the then-current waiting list for withdrawals if that information would be a factor in determining whether to invest in Units.

Election to Receive Monthly Cash Distributions

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 notice to the Manager. In addition, if there is in effect a permit issued by the California Commissioner of Corporations qualifying this offering, an investor may switch from receiving monthly distributions to compounding and reinvesting earnings upon 60 days' prior notice to the Manager. Notwithstanding the foregoing, the Manager reserves the right, at any time, to immediately commence making monthly cash distributions to ERISA plan investors who previously compounded earnings in order to ensure that the Fund remains exempt from the Plan Asset Regulations pursuant to the "significant participation" exemptions. (See "ERISA Considerations.")

Income allocable to investors who elect to compound their earnings will be retained by the Fund for investing in further mortgage loans or other proper Fund purposes. The income from these further loans will be allocated among all investors; however, investors who compound will be credited with a larger proportionate share of such earnings than investors who receive monthly distributions since the capital accounts of investors who compound will increase over time.

The amount of monthly distributions made to Members will be based upon and limited to each such Member's allocable share of the Fund's monthly net income determined on an accrual basis. Net income calculations will necessarily be based upon the Manager's good faith estimate of the Fund's accrued income and liabilities (including estimated loan loss reserves) as of the month for which the distribution is made. Such estimates are unaudited until after the end of each calendar year and are subject to subsequent adjustment. Consequently, if the Fund incurs or recognizes losses in the months following those months in which distributions are made it may result in over-distributions. In such circumstances, the Manager may, as it was required to do in the second half of 2008, cease making monthly distributions to electing Members until the Manager determines that the adjusted annual net income of the Fund once again exceeds the amount of distributions made. (See "Operations to Date – Profits and Losses") Moreover, if monthly distributions made to electing Members ultimately exceed the annual net income of the Fund as determined by the Fund's year-end audit as was the case in 2008, such distributions are subject to being recharacterized as a return of capital rather than a share of Fund earnings. (See "Operations to Date – Profits and Losses" and "Risk Factors – Risks Related to Ownership of Units.")

Restrictions on Transfer

As a condition to this offering of Units, restrictions have been placed upon the ability of investors to resell or otherwise dispose of any Units purchased hereunder, including without limitation the following:

(1) No Member may resell or otherwise transfer any Units without the prior written consent of the Manager, which may be withheld in its sole discretion. (See “Summary of Operating Agreement – Limitations on Transferability.”)

(2) Units may not be sold or transferred without the prior written consent of the California Commissioner of Corporations, except as permitted by the Commissioner’s Rules. (See “Commissioner’s Rule 260.141.11.”)

(3) During the period that Units are being offered and sold and for a period of nine (9) months from the date of the last sale of Units, no Units may be sold or otherwise transferred to any person who is not a bona fide resident of the State of California.

Legends substantially in the forms set forth below will be placed upon all instruments or certificates evidencing ownership of Units in the Fund stating that the Units have not been registered under the Securities Act of 1933, as amended, and setting forth the foregoing limitations on resale, and notations regarding these limitations shall be made in the appropriate records of the Fund with respect to all Units offered hereby. The foregoing steps will also be taken in connection with the issuance of any new instruments or certificates for any Units which are presented to the Manager for transfer during the nine-month period described in subparagraph (3) above.

Certificates shall bear the following legends:

THE MEMBERSHIP INTEREST UNITS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”). SUCH UNITS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH UNITS UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OF THE FUND TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED. IN ADDITION, IN NO EVENT MAY UNITS BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON WHO IS NOT A RESIDENT OF CALIFORNIA FOR A PERIOD OF NINE MONTHS FROM THE DATE OF THE LAST SALE THEREOF BY THE FUND.

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF

CALIFORNIA, EXCEPT AS PERMITTED BY THE COMMISSIONER'S RULES.

RISK FACTORS

Any investment in the Units offered hereby involves a significant degree of risk and is suitable only for investors who have no need for liquidity in their investments. When analyzing this offering, prospective investors should carefully consider the following risks and other factors, in addition to those discussed herein under the captions "Compensation to Manager and Its Affiliates," "Conflicts of Interest," and "Federal Income Tax Consequences." If any of these risks actually occur, the business, financial condition and operating results of the Fund could be materially adversely affected.

Risks Related To The Fund's Business

The Fund will be subject to risks related to high-yield mortgage loans.

The Fund does not intend to make the type of loans that resulted in the "sub-prime mortgage" collapse in 2007-2008, because its loans will not have such high loan-to-value ratios. The Fund will, however, make or invest in loans to borrowers that are less creditworthy than those who can satisfy institutional lenders' credit requirements, or who cannot satisfy institutional lenders' income documentation requirements, which are some of the reasons the Fund can charge much higher interest rates on its loans.

Fund loans are underwritten primarily on an asset basis rather than a credit basis. While the Fund may take certain steps to determine a borrower's ability to repay the loan according to its terms, such considerations are generally subordinate to a determination that a borrower has sufficient equity in the security property to satisfy the maximum loan-to-value ratios described in the "Lending Standards and Policies" section of this Offering Circular.

Nonetheless, asset based loans still involve numerous risks, some of which include: (i) an increased risk of the non-availability of credit for a borrower to develop a property or to refinance a Fund loan at maturity; (ii) an increased risk of foreclosures in the area surrounding the security property negatively affecting the value of the property securing a Fund loan (iii) increased constraints on consumer credit affecting the ability of borrowers to sell residential property; and (iv) increased risk of an abandonment of property by a borrower due to other financial problems or general market decline. The occurrence of any of these events for a borrower could lead to a default on a Fund loan, causing losses and extra costs to the Fund, which may lead to lower returns or losses for investors.

The real estate market is experiencing declines in property values.

During the present real estate market decline, the most dramatic and well-publicized declines in property values (and the largest loan losses) have occurred in the single-family residential sector. However, other property categories also are experiencing declines in value and a dramatic slow-down in sales. A portion of the Fund's loans portfolio includes loans secured by single residential properties as well as a mix of commercial, industrial, construction

and multi-family residential properties and will be subject to the continuing risk of loan losses resulting from declines in property in that sector and declines in property values generally. If the market value of properties securing Fund loans continues to decline significantly or declines below the amount of a Fund loan on such property, borrowers may have difficulty paying or refinancing the loan or selling the property, causing losses to the Fund and investors.

The Fund could suffer defaults on the loans in its portfolio and may have to foreclose on the underlying real estate collateral.

The Fund is in the business of lending money and, as such, takes the risk of defaults by borrowers and other risks faced by lenders. Most Fund loans will provide for monthly payments of interest only or will have long amortization schedules, but be entirely due and payable in one to five years. Thus, the borrower will have to make a large “balloon” payment of principal due at the end of the term. Many borrowers are unable to repay such loans out of their own funds and are compelled to refinance or sell the property. Fluctuations in interest rates and the unavailability of mortgage funds caused by the sub-prime lending and credit crises has adversely affected the ability of borrowers to refinance their loans at maturity or to sell the underlying property and could continue to do so in the future. Such risks will often be increased in the case of Construction Loans. (See “Risks Associated with Construction Loans” below.)

The Fund will frequently be an “asset” rather than a “credit” lender although each borrower will need to demonstrate adequate ability to meet its financial obligations under the terms of any loan which the Fund may invest in. This means that the Fund may rely primarily on the value of the real property securing loans to protect its investment, with repayment ability always being taken into consideration. There are a number of factors which could adversely affect the value of any such real property securing Fund loans, including, among other things, the following:

1. The Fund will rely on a Market Value Analysis to determine the fair market value of real property used to secure loans made by the Fund (see “Lending Standards and Policies loans” for the definition of Market Value Analysis), but no assurance can be given that such an analysis will in any or all cases, be accurate. Moreover, since a Market Value Analysis fixes the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include nationwide, statewide or local economic trends. They may also include, demographic, property or other trends, including overall market declines, neighborhood values, increased interest rates and unavailability of financing to repay loans and/or purchase properties, or may include specific local events such as freeway construction or adverse weather conditions. It is possible that the declines in value experienced from 2007 to the present could continue to occur in commercial, industrial, construction and residential properties, resulting in losses to the Fund. Neither the appraiser, the Manager or any other party conducting the Market Value Analysis will be able to predict with any certainty whether these events will occur after a loan is made.

2. If the borrower defaults, the Fund may be forced to purchase the property at a foreclosure sale. If the Fund cannot quickly sell such property, and the property does not produce any significant income, the Fund’s profitability will be adversely affected. Further, the property’s condition might deteriorate by the time the Fund obtains possession of the property.

In some past foreclosures, the Fund has been unable to recover its full investment (see “Operations to Date”) and is subject to such risk in the future. California and other state’s laws and the manner in which the Fund’s security interest in the security property is enforced may preclude the Fund from recovering any deficiency from the borrower if the Fund cannot recover its investment from the real property security. For example, under provisions of California law applicable to all real estate loans, if the real property security proves insufficient to repay amounts owing to the Fund, it is unlikely that the Fund would have any right to recover any deficiency from the borrower. (See “Certain Legal Aspects of Fund Loans.”)

The recovery of sums advanced by the Fund in making or investing in loans and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws. Any borrower has the ability to delay a foreclosure sale by the Fund for a period ranging from several months to several years simply by filing a petition in bankruptcy, which automatically stays any actions to enforce the terms of the loan. The length of this delay and the costs associated with it may cause losses to the Fund.

The Fund’s success is dependent on borrowers’ financial status.

The Fund will evaluate the creditworthiness of a borrower based on information provided by the borrower, and by making other inquiries. However, this financial information and these inquiries will be given and made as of a particular point in time. The financial condition and/or credit status of the borrower could change subsequent to when this financial information and these inquiries are given and made, leading to a borrower’s inability to pay and corresponding losses for the Fund, as described below.

The Fund will be operating in a highly competitive business.

Due to the nature of the Fund’s business, its profitability will depend to a large degree upon the future availability of secured loans. The Fund will compete with other private money lenders, institutional lenders and others engaged in the mortgage lending business, including banks and savings institutions, many of which have greater financial resources and experience than the Fund. If these companies increase their marketing efforts to include the Fund’s market of borrowers, or if additional competitors enter these markets, the Fund may be forced to reduce its interest rates and fees in order to maintain or expand market share. Any reduction in interest rates or fees charged could have an adverse impact on the Fund’s liquidity and profitability.

If the Fund cannot collect all of the principal and interest due on its loans, the Fund’s ability to earn a profit or to fund withdrawals will be impaired.

The Fund’s liquidity is dependent on, among other things, payments by borrowers of principal and interest on Fund loans. The Manager will continually monitor the delinquency status of the Fund’s loan portfolio and promptly institute collection activities on delinquent accounts but these efforts may ultimately prove unsuccessful. Loan repayments are also likely to be affected by economic conditions in the real estate market. Any failure by the Fund, for any reason, to collect nearly all of the principal and interest on Fund loans will substantially impair the Fund’s ability to operate successfully.

A decline in the demand for, or increase in the risks of, real estate financing will impair the Fund's ability to make loans or could jeopardize repayment.

A variety of factors affect the demand for real estate financing, including, without limitation, economic cycles, demand for and availability of new development and construction, competitive pressures, the availability and cost of labor and materials, changes in costs associated with real estate ownership, changes in consumer preferences, demographic trends and the availability of mortgage financing. The Fund will be directly and materially affected by the same risks faced by borrowers as well as those inherent to the commercial and residential real estate development and construction industries. Recently, the U.S. has experienced significant deterioration in certain sectors of the real estate, credit and mortgage markets which have negatively impacted the Fund's ability to make suitable real estate loans and have increased loan defaults. Any reduction in the cash flows, income of or financial condition of commercial and residential real estate borrowers by reason of any of the aforementioned factors or others may significantly impair their ability to repay the Fund, which would increase the possibility that delinquencies would occur, that the Fund would incur losses and that Members would lose some or all of their investment in the Units.

A decline in real estate values will impair the collateral for Fund loans.

Declining real estate values will increase the probability of a loss in the event of a borrower default on Fund loans. As noted elsewhere in these Risk Factors, the U.S. has recently been experiencing significant deterioration in certain sectors of the real estate market. As a result, the value of the real estate or other collateral securing Fund loans may not, at any given time, be sufficient to satisfy the outstanding principal amount and accrued interest on such loans. If a borrower were to default, and if the collateral were insufficient, the Fund would suffer a loss and Members could lose some or all of their investment.

The Fund may lend to credit-impaired borrowers, which will make its investment portfolio susceptible to high levels of default risk.

The Fund may lend money to borrowers that are either unable or unwilling to obtain financing from traditional sources, such as commercial banks. Loans made to such individuals or entities may entail a high risk of delinquency and loss as it did in 2007 and 2008. Higher than anticipated delinquencies, foreclosures or losses will adversely affect the Fund's profitability and results of operations and may result in a loss of some or all of the Members' investment in Units.

The Fund's business entails risks related to the ownership of real property.

When the Fund acquires any equity in real property by foreclosure or otherwise, the Fund is exposed to the risks of liability incident to real property ownership or tenancy. Owners of real property may be subject to liability for injury to persons and property occurring on the real property or in connection with the activity conducted thereon, as well as liability for failure to comply with governmental regulations.

The purchase of a minority interest in a loan will affect the ability of the Fund to direct loan enforcement decisions.

The Fund may purchase undivided fractional interests in loans arranged by the Manager on behalf of the Fund and other lenders rather than funding or acquiring an entire loan in the name of the Fund (See “Fund Management and Loan Servicing – Loan Brokerage and Servicing.”) In such circumstances, the Manager will service the loan as the agent of the Fund as well as the other purchasers of interests in the loan and could be subject to additional conflicts of interests in determining the appropriate actions to take on behalf of all of the lenders. (See “Conflicts of Interests”). Moreover, pursuant to the servicing agreement between the Manager, the Fund and the other lenders on the loan, the Manager’s actions in connection with loan enforcement will be directed by lenders holding more than 50% of the total outstanding interests in the loan. Consequently, if the Manager arranges for the Fund to purchase a minority interest in a loan, the Fund will not have the right to control the enforcement of its rights under the loan if such enforcement action conflicts with the decisions of the majority.

The Fund may suffer from uninsured losses.

The Manager will require comprehensive title, fire and casualty insurance on the properties securing the Fund’s loans. At the Manager’s discretion, the Manager may also require earthquake insurance, but will not generally do so. However, there are certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to war, floods, mudslides or other acts of God. Should any such disaster occur, or if casualty insurance is allowed to lapse through oversight, the Fund could suffer significant loan losses.

The Fund’s use of leverage may increase the risks of loss and may adversely affect certain ERISA investors .

The Fund is authorized to borrow funds from private third party lenders in order to fund additional mortgage loans or to increase Fund liquidity and may pledge Fund assets to secure such debt provided that the aggregate debt incurred by the Fund does not exceed 15% of the Fund’s total assets. As of December 31, 2008 the Fund had a revolving line of credit (“**Credit Line**”) with Citizens Bank with a maximum credit limit of \$6,000,000 which is secured by a pledge of certain of the Fund’s loan receivables. (See “Leveraging the Portfolio.”) The Fund may also obtain additional credit lines or debt in the future subject to the aggregate 15% limitation referenced above.

The outstanding balance on the Credit Line accrues interest at a floating rate of interest equal to the bank’s reference rate plus 0.5% per annum and any additional debt will most likely accrue at a floating rate. Most or all of the Fund’s loans, however, will be made at a fixed rate of interest. If the adjustable rate should increase such that the Fund’s cost of borrowed funds exceeds the fixed rate of interest that it is earning on the fixed rate portion of its loan portfolio, the Fund may default under its loan and security agreement with a lender; however, this risk is significantly reduced by: (i) the Manager’s agreement to limit the Fund’s leverage to 15% of the Fund’s assets; and (ii) the use of the Credit Line primarily to facilitate short term loan fundings

and to meet the Fund's cash flow needs rather than to Fund loans for the purpose of increasing the Fund's yield. (See "Leveraging the Portfolio.")

Various other events may cause the Fund to default under the Credit Line or another third party loan thereby allowing a third party lender to foreclose on the Fund's loan portfolio. These events may include: (i) the failure of the Fund to observe any of the covenants or restrictions contained in the loan agreement (including the requirement of maintaining a minimum of \$12,000,000 of pledged loan receivables to secure the Credit Line); (ii) the default by the Fund under any other loan agreement to which it is a party; (iii) the bankruptcy or insolvency of the Manager, and other events specified in the Credit Line loan agreement.

If a lender elects to foreclose on the Fund's pledged collateral as a result of a default by the Fund, the foreclosure could result in losses to the Fund; however, any loss to the Fund resulting from a foreclosure on the Fund's pledged collateral will be limited to 15% of the Fund's assets. Thus, the Fund is at risk of losing up to 15% of the loan portfolio on the occurrence of many events that do not directly relate to the ability of the Fund to service the third party loans and some of which are not within the control of the Fund.

Leveraging the Fund may also result in the receipt of some taxable income by investors (such as ERISA plans) that are otherwise tax-exempt. (See "Federal Income Tax Consequences – Unrelated Business Taxable Income.")

The industry in which the Fund will be active is not extensively regulated or supervised.

The lending and investment practices of the Fund are not supervised or regulated by any federal or state authority, except to the extent that the lending and brokerage activities of the Manager and the Fund are subject to supervision or regulation by the California Department of Real Estate or Department of Corporations. A return on a Member's investment is completely dependent upon the successful operation of the Fund's business. To the extent that the Fund does not operate successfully for any reason, its ability to return Members' investments and earn a profit is limited.

There are risks of government action if the Manager or the Fund does not comply with all applicable laws and regulations.

While the Manager will use its best efforts to comply with all local, state and federal lending regulations applicable to it and to the Fund, there is the possibility of governmental action to enforce any alleged violations of such lending laws which may result in legal fees, damage awards or fines and penalties.

Lenders run the risk of being responsible for environmental liabilities.

Under current federal and state law, the owner of real property contaminated with toxic or hazardous substances (including a mortgage lender that has acquired title through foreclosure) may be liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations. This liability may arise regardless of who caused the contamination or when it was caused.

The Fund does not and will not participate in the on-site management of any facility on the property in order to minimize the potential for liability for cleanup of any environmental contamination under applicable federal, state or local laws. There can be no assurance that the Fund would not incur full recourse liability for the entire cost of any such removal and cleanup, or that the cost of such removal and cleanup would not exceed the value of the property. In addition, the Fund could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages. The Fund would also be exposed to risk of lost revenues during any cleanup, and to the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property becomes known. If the Fund fails to remove the substances or sources and clean up the property, it is possible that federal, state and/or local environmental agencies could perform such removal and cleanup, and impose and subsequently foreclose liens on the property for the cost thereof. The Fund may find it difficult or impossible to sell the property prior to or following any such cleanup. Fund could be liable to the purchaser thereof if the Manager knew or had reason to know that such substances or sources existed. In such case, the Fund could also be subject to the costs described above. If toxic or hazardous substances are present on real property, the owner may be responsible for the costs of removal or treatment of the substances. The owner may also incur liability to users of the property or users of neighboring property for bodily injury arising from exposure to such substances. If the Fund is required to incur such costs or satisfy such liabilities, this could have a material adverse effect on Fund profitability. Additionally, if a borrower is required to incur such costs or satisfy such liabilities, this could result in the borrower's inability to repay its loan from the Fund.

Even if the Fund does not foreclose on a contaminated site, the mere existence of hazardous substances on the property may depress the market value of the property such that the loan is no longer adequately secured.

A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. The Manager will take certain precautions to avoid environmental problems, such as not making or investing in loans secured by properties known or suspected to have (or to be likely to have) environmental problems. Where deemed appropriate by the Manager prior to making a loan, the Fund will engage an environmental inspection firm to conduct a "Phase I" review of the property. However, due to the nature of many types of environmental contamination, the possibility of the existence of toxic substances may not be apparent from a site visit, and a Phase I review may not reveal the extent or all types of contamination. As a result, it is possible that a security property could have toxic contamination not known to the Manager at the time of making the subject loan.

Risks Associated Related To Construction And Rehabilitation Loans

Construction Loans involve additional risks which may not be prevalent in loans secured by fully improved real property or may increase those risks associated with the Fund's investments in real estate secured loans, generally. (See "General Risks of Mortgage Loan Investments" above.) Construction Loans referenced herein include both loans to fund total construction projects from the ground up as well as rehabilitation loans which are used to fund construction or the rehabilitation of existing improvements on the real property. In either case, however, the loan-to-value ratios attributable to the Construction Loan is based upon the

estimated value of the security property upon completion of the construction or rehabilitation being funded by the loan.

The Fund will make Construction Loans based upon the “as constructed” value of the improvements funded by the Construction Loan increasing the risks of debtor default and loss of capital invested by the Fund.

The value of the properties securing Construction Loans will be based upon a Market Value Analysis of the projected value of the security property when the construction has been completed (i.e., the “as constructed” value) rather than the value of the property at the time the loan is made. In making a Construction Loan based upon the “as constructed” value, if for any reason the construction project is not completed, it is likely that the property securing the Fund loan would be worth less than the value determined by the Market Value Analysis. In those cases, the loan-to-value ratio will at times during the period that construction is not yet completed be higher than the percentage set forth in the “Lending Standards and Policies” section of this Offering Circular and may be in excess of 100% of the value of the property prior to the completion of construction.

If the Fund must foreclose before construction is completed, and if there are insufficient funds in the construction disbursement account to complete construction, the Manager will need to choose between selling the property with construction incomplete or incurring debt to finance completion of the project before it is sold. If the Manager elects to sell the property before completing construction, the property is more likely to sell at a price which will not return to the Fund the amount owed causing losses to the Fund. On the other hand, if monies are borrowed to complete construction, those monies will have to be repaid before the Fund will receive the amount it invested increasing the ultimate risk of loss to the Fund upon sale. The Manager may, but is not obligated to, advance the funds required to complete construction of a property or to otherwise increase its marketability. If the Manager advances funds, the advances plus interest will be repayable out of proceeds from the sale or refinancing of the property before payments will be made to the Fund.

Construction Loans will, in most cases, be funded in installments increasing the risk of default by the Fund under the loan.

Construction Loans will, in most cases, only be partially funded at the closing of the loan and the Fund will be required to fund additional draws as construction proceeds to disburse the loan funds to the borrower in accordance with the disbursement schedule set forth in the construction loan agreement. If the Fund is unable or unwilling to fund the loan disbursement when due, the Fund may be liable to the borrower for damages caused by the Fund’s breach of the loan documents, including damages in excess of the loan amount caused by the Fund’s breach.

Current economic conditions will effect the ability of borrowers to perform under Construction Loans for an undetermined period.

Construction Loans both are subject to the same economic risks associated with mortgage loans generally including the risks created by the property value declines resulting from the “sub-

prime lending crisis” and the current national economic downturn. The current declines in property values and recessionary economic outlook will result in slower sales of construction projects until the inventory of new construction has been cleared from the market. There is no way to predict when such a market turn around will occur and the ability of borrowers to sell the completed construction projects will stabilize. Moreover, the severe restriction on the availability of credit resulting from the “sub-prime” lending crisis and the resulting global financial crisis may affect the borrower’s ability to refinance the project funded by a Construction Loans upon completion and potential buyers of the property will be unable to find purchase financing unless and until credit becomes readily available in the future. Until such, time there will be an increased risk of borrower default upon maturity, resulting in losses to the Fund.

Risks Related To The Manager

The Fund has not yet identified any loans which it will make and investors are relying on the Manager to review and make all Fund investment decisions.

The loans in which the proceeds of this offering will be invested have not yet been identified, and Members will have no opportunity to review potential Fund loans. The Manager will make all decisions with respect to the management of the Fund, including the determination as to what loans to make or purchase. Additionally, the Fund is dependent to a substantial degree on the continued services of the Manager or the Manager’s principals. In the event of the dissolution, death, retirement or other incapacity of one or more of the Managers, the business and operations of the Fund may be adversely affected.

The Members will not have the ability to control the day to day operations of the Fund or to control the Manager. It will be difficult to remove the Manager.

The Members will not have a voice in the management decisions of the Fund and can exercise only a very limited amount of control over the Manager. The Members have only the voting rights set forth in the Operating Agreement or required by California law. A vote of a Member Majority is required to remove a Manager. Because there may be a significant number of Members holding Units, and Members may have differing opinions with respect to a course of action to take respecting the Fund, it may be difficult, time consuming and costly to solicit adequate votes to remove the Manager.

The Manager is not required to devote its full time to the business of the Fund.

The Manager is not required to devote its full time to the Fund’s affairs, but only such time as the affairs of the Fund may reasonably require. The Manager has ongoing businesses outside of and in addition to the business of the Fund which will compete for the Manager’s time and resources.

The Manager may terminate its business relationship with the Fund adversely affecting the Fund’s financial position and results of operations.

The Manager may resign as the Manager of the Fund or terminate its business relationship in whole or in part upon six months notice to the Members or a shorter period if

approved by a Member Majority. In such event, the Members would be required to find one or more third party servicers to perform the various services rendered to the Fund by the Manager. The compensation paid to the Manager as set forth in the “Compensation to the Manager and its Affiliates” section of this Offering Circular was not determined on an arms length basis and, in the past, the Manager has (without obligation to do so) waived certain fees and other forms of compensation in order to increase the Fund’s yield. (See “Operations to Date”.) If the Fund is required to retain one or more third party servicers the fees payable to such third parties will likely be greater than those payable to the Manager and the Fund’s financial position and results of operations would likely be adversely affected in the Manager’s absence.

The Manager is subject to conflicts of interest.

There are several areas in which the interests of the Manager will conflict with those of the Fund, which should be carefully considered. (See “Conflicts of Interest.”)

Members of the Fund will have no claim to the fees payable to the Manager.

The Fund and its borrowers will pay certain fees and compensation to the Manager. (See “Compensation to Manager and Its Affiliates.”) These fees will be owed as incurred. Even if the Fund is unsuccessful in generating sufficient income to cover its operations, it will have no claim against the Manager for a refund of such fees.

Risks Related To Ownership Of Units

There is no market for the Units, and transfer of the Units could be severely restricted by law or market conditions.

There is no public market for Units and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Units is also restricted by the provisions of the Securities Act of 1933, as amended, and Rule 144 thereunder, and by the provisions of the Operating Agreement. (See “Terms of the Offering--Restrictions on Transfer.”) Any sale, transfer or encumbrance of Units also requires the prior written consent of the Manager, which may be withheld in its sole discretion. Furthermore, Members will have only limited rights to redeem Units or withdraw from the Fund or to otherwise obtain the return of their invested capital. Therefore, all purchasers of Units must be capable of bearing the economic risks of this investment with the understanding that their interest in the Fund may not be liquidated by resale, and should expect to hold their Units for an undetermined period of time.

If the Fund cannot collect all of the principal and interest due on its loans, the Fund’s ability to earn a profit or to fund withdrawals will be impaired.

The Fund’s liquidity is dependent on, among other things, payments by borrowers of principal and interest on Fund loans. The Manager will continually monitor the delinquency status of the Fund’s loan portfolio and promptly institute collection activities on delinquent accounts but these efforts may ultimately prove unsuccessful. Loan repayments are also likely to be affected by economic conditions in the real estate market. Any failure by the Fund, for any reason, to collect nearly all of the principal and interest on Fund loans will substantially impair the Fund’s ability to operate successfully.

The industry in which the Fund will be active is not extensively regulated or supervised.

The lending and investment practices of the Fund are not supervised or regulated by any federal or state authority, except to the extent that the lending and brokerage activities of the Manager and the Fund are subject to supervision or regulation by the California Department of Real Estate or Department of Corporations. A return on a Member's investment is completely dependent upon the successful operation of the Fund's business. To the extent that the Fund does not operate successfully for any reason, its ability to return Members' investments and earn a profit is limited.

There are risks of government action if the Manager or the Fund does not comply with all applicable laws and regulations.

While the Manager will use its best efforts to comply with all local, state and federal lending regulations applicable to it and to the Fund, there is the possibility of governmental action to enforce any alleged violations of such lending laws which may result in legal fees, damage awards or fines and penalties.

The Fund will face risks of litigation.

The Manager will act in good faith and use reasonable judgment in selecting borrowers and making and managing the loans. However, as a lender, the Manager and the Fund are exposed to the risk of litigation by a borrower for any allegations by the borrower (warranted or otherwise) regarding the terms of the loans or the actions or representations of the Manager in making, managing or foreclosing on the loans. It is impossible for the Manager to foresee what allegations may be brought by a specific borrower, and the Manager will use its best efforts to avoid litigation if, in the Manager's judgment, the circumstances warrant an alternative resolution. If an allegation is brought and/or litigation is commenced against the Fund or the Manager, the Fund will incur legal fees and costs to respond to the allegations and to defend any resulting litigation. If the Fund is required to incur such fees and costs, this could have an adverse effect on Fund profitability.

The Fund will be taxed as a "Partnership" and the Members will be taxed as "Partners."

The Fund will elect to be treated as a partnership for federal income tax purposes. Any favorable federal tax treatment presently available with respect to the Fund could be affected by any changes in tax laws that may result through future Congressional action, tax court or other judicial decisions, or interpretations of the Internal Revenue Service. IN VIEW OF THE FOREGOING, PROSPECTIVE MEMBERS ARE URGED TO REVIEW THE "FEDERAL INCOME TAX CONSEQUENCES" SECTION CAREFULLY AND TO CONSULT THEIR OWN TAX COUNSEL.

The Units are not insured or guaranteed by any third party.

The Units are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), any governmental agency or any other public or private entity, in contrast to certificates of deposit or accounts offered by banks, savings and loan associations or credit unions. Members in the Fund will be dependent on the

Manager's ability to effectively manage the Fund's business to generate sufficient cash flow for the repayment of Members' capital and the generation of any profit. If this proves inadequate, investors could lose their entire investment.

The Fund will not set aside any funds to satisfy requests for withdrawals or redemptions from the Fund. A new investor's subscription may be used in whole or in part to fund withdrawals or redemptions.

The Manager will not create or contribute funds to a separate account in order to fund requests for withdrawal from the Fund and redemption of an investor's Units. Because funds are not set aside periodically to fund such withdrawals, Members must rely on cash flow from operations and funds from the sale of Units to satisfy withdrawal requests. Money received from the sale of Units may be used in whole or in part, at the discretion of the Manager, to fund such withdrawal and redemption requests. To the extent cash flow from operations and the sale of Units is not sufficient to fund withdrawal requests received by the Fund at any time, Units which are unredeemed will remain subject to Fund operations, which may include Fund losses. Furthermore, an investor may be admitted to the Fund at a time when there is a waiting list to withdraw, making it likely that such investor will not be able to withdraw quickly upon being admitted and therefore will remain subject to the Fund's operating results, which may include losses. (See "Summary of Operating Agreement – Withdrawal from Fund.")

Fluctuations in interest rates pose risks to the Fund's business.

Mortgage interest rates are subject to abrupt and substantial fluctuations, but the purchase of Units is a relatively illiquid investment. (See above, "No Market for Units.") If prevailing interest rates rise above the average interest rate being earned by the Fund's loan portfolio, investors may wish to liquidate their investment in order to take advantage of higher returns available from other investments but may be unable to do so.

Equity owners have lower priority on liquidation than creditors.

Creditors of the Fund will have priority over payments to holders of Units in the liquidation of the Fund. There are no restrictions in the Operating Agreement regarding the amount of indebtedness that the Fund may incur. If the Fund is unable to pay any creditor, and is unable to obtain additional financing or other sources of capital, the Fund may be forced to sell its loans and other assets at a discounted price, or be forced to cease operations, and investors could lose some or all of their investment.

The Operating Agreement does not contain provisions to protect investment in the Units.

The Units do not have the benefit of extensive protective provisions in the Operating Agreement. The provisions of the Operating Agreement are not designed to protect a Member's investment if there is a material adverse change in the Fund's financial condition or results of operations. For example, a Member's ability to withdraw from the Fund is limited. Therefore, the Operating Agreement provides very little protection of Members' investment.

Investment delays carry risk.

There may be a delay between the time a subscription is submitted by a prospective investor and the time the Fund accepts such subscription and the investor becomes a Member. During the period of delay between deposit of a subscription into the Subscription Account and transfer into the Operating Account (whereupon an investor becomes a Member), the proceeds may be placed in a non-interest bearing account which will not yield any return as compared to the anticipated return to be earned on Fund loans. The length of these delays may adversely affect the overall investment return to Members.

The Purchase of Units is a risky and speculative investment and if you cannot afford to lose your entire investment, you shouldn't invest.

Prospective investors should be aware that the purchase of Units is both risky and speculative, and is suitable only for investors of adequate financial means. If you cannot afford to lose your entire investment, you should not invest in the Units. If the Fund accepts an investment, you should not assume that the Units are a suitable and appropriate investment for you.

There is no guaranty that monthly distributions of Fund income will be made. Investors that will sustain substantial economic hardship in the absence of monthly income distributions from the Fund should not invest.

An investor in the Fund may, upon purchasing Units, elect to have his or her share of Fund earnings distributed on a monthly basis; however, neither the amount of, nor the right to, such monthly distributions is guaranteed. Investors purchasing Units will be only entitled to distributions equal to their pro-rata share of monthly net income. If the Fund is unable to generate sufficient accrued net income in any given month to distribute to electing Members, no distributions will be made. (See "Summary of Operating Agreement – Cash Distributions.")

Moreover, the Manager may, as it did in the second half of 2008, cease making distributions to the Members if it determines that over distributions of monthly Fund income have been made in earlier months in light of unforeseen losses realized by the Fund subsequent thereto. (See "Operations to Date – Profits and Losses") While the Fund resumed making monthly distributions effective as of January 1, 2009, Members electing monthly distributions are subject to the continued risk that Fund earnings will be insufficient to make monthly distributions over the course of the investment. Consequently, investors that intend to rely on the monthly income distributed from the Fund to meet their monthly expenses or who will suffer substantial economic hardship in the absence of such income distributions should not invest.

Investors have not been independently represented in the formation of the Fund.

Investors in the Fund have not been represented by independent counsel in its organization, and the attorneys who have performed services for the Fund have also represented the Manager. Thus, conflicts of interest between the Fund and the Manager may not have been addressed as vigorously as in an arms-length transaction. (See "Conflicts of Interest.")

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements within the meaning of federal securities law. Words such as “may,” “will,” “expect,” “anticipate,” “believe,” “estimate,” “continue,” “predict,” or other similar words, identify forward-looking statements. Forward-looking statements appear in a number of places in this Offering Circular, including, without limitation, the “Use of Proceeds” and “Lending Standards and Policies” sections, and include statements regarding the Fund’s intent, belief or current expectation about, among other things, trends affecting the markets in which the Fund will operate, its business, financial condition and growth strategies. Although the Fund believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including those set forth in the “Risk Factors” section of this Offering Circular. If any of the events described in “Risk Factors” occur, they could have an adverse effect on the Fund’s business, financial condition and results of operations. When considering forward-looking statements, prospective investors should keep these Risk Factors in mind as well as the other cautionary statements in this Offering Circular. Prospective investors should not place undue reliance on any forward-looking statement. The Fund is not obligated to update forward-looking statements.

FUND BUSINESS AND LENDING

The Fund will engage in the business of making loans secured by deeds of trust that encumber real estate located in California and will also make or invest in construction loans for the purpose of constructing various types of residential and/or commercial properties, which construction loans will be subject to a construction loan agreement and secured by deeds of trust encumbering such properties. The Fund’s loans will not be insured or guaranteed by any governmental agency or private entity.

General

The Manager is a licensed California real estate broker and will be responsible for selecting and underwriting the loans made or invested in by the Fund. The Manager will earn points, averaging 3% to 6% of loan principal, on loans which it arranges for the Fund. (See “Compensation to Manager” and “Conflicts of Interest.”) Borrowers generally will borrow from the Fund an amount sufficient to pay the points to the Manager, which becomes part of the loan balance to be repaid by the borrower. (See “Use of Proceeds.”) All of the promissory notes and deeds of trust evidencing Fund loans will list the Fund as the initial lender or will be assigned to the Fund upon purchase of the loan. The Fund will earn income from the interest on such loans, and from the payment of late fees and other fees which may be charged to borrowers.

The Fund will usually be an “asset” rather than a “credit” lender. This means that the Fund may rely primarily on the value of the real property securing loans to protect its investment. To determine the value of the real property, the Fund will conduct a Market Value Analysis (as defined in the “Lending Standards and Policies” section, below) to determine the fair market value of real property used to secure loans made by the Fund, but no assurance can

be given that such an analysis will in any or all cases, be or remain accurate. (See “Risk Factors – Risks Related to the Fund’s Business.”)

Lending Standards and Policies

The Fund will select loans for investment pursuant to the guidelines set forth below. In some circumstances, the Fund may purchase undivided fractional interests in loans (“**Fractional Interests**”) arranged by the Manager on behalf of the Fund and other lenders; however, the Fund will only acquire Fractional Interests in loans that meet the standards set forth herein. (See “Risk Factors – Risks Relating to the Fund’s Business” and “Conflicts of Interest – Servicing Fractional Interests.”)

General Standards for Mortgage Loans

1. Priority of Mortgages. Loans will be secured by a deed of trust on California real property. If a loan is secured by a first deed of trust, the deed of trust will be senior to all other recorded monetary liens other than liens for taxes or the assessments of special assessment districts to fund streets, utilities or other public improvements. If a Loan is secured by a junior deed of trust (i.e., a second or third deed of trust) the obligations secured by the senior lien(s) must not be in default at the time of the loan closing; however, loan proceeds may be used to cure defaults under the senior lien(s). Loan proceeds may be required to be deposited in a construction disbursement account in which the Fund will also have a security interest. Loans may also be secured by one or more additional deeds of trust encumbering other California property owned by the Borrower or its affiliates where, in the Manager’s reasonable judgment, such cross-collateralization is necessary to meet the loan-to-value ratio requirements set forth above.

2. Geographic Area of Lending Activity. The Fund will limit lending to deeds of trust on properties located in California, however, the Fund may take a security interest in property outside California as additional collateral for a Loan.

3. Loan-to-Value Ratios. The amount of the Fund’s loan, combined with the outstanding debt secured by any senior deed of trust on the security property, generally will not exceed the percentages stated below, based on the value of the security property as determined by written analysis or appraisal at the time the loan is made.

<u>Type of Property/Loan</u>	<u>Maximum Loan to Value Ratio</u>
Improved Residential	80%
Improved Commercial	75%
New Construction Residential	75%
New Construction Commercial	65%
Single-Family Residentially Zoned Lot or Parcel	65%
Land	50%

The above stated loan-to-value ratios may be increased if, in the sole discretion of the Manager, a given loan is supported by credit adequate to justify a higher loan-to-value ratio or if

mortgage insurance is obtained; however, the Manager does not anticipate obtaining or requiring the borrowers to maintain mortgage insurance. The foregoing loan-to-value ratio will not apply to purchase-money financing offered by the Fund to sell any real estate owned (acquired through foreclosure) or to refinance an existing loan that is in default at the time of maturity. In such cases, the Manager shall be free to accept any reasonable financing terms that it deems to be in the best interests of the Fund, in its sole discretion.

The Fund shall obtain a valuation for each security property on which it will make or invest in a mortgage loan based upon an appraisal and or market value analysis performed by an independent certified appraiser, a non-certified appraiser, a principal of the Manager, independent commercial or real estate brokers, or some combination thereof (a “**Market Value Analysis**”). The Market Value Analysis for construction loans will be prepared on an “as completed” basis, i.e., assuming that the improvements for which the Loan is obtained will be completed. The Market Value Analysis may also assume that all public improvements to be funded by special assessment district bonds will be completed as proposed and that the Property will be marketed and sold in the manner planned by the borrower. In the case of a construction loan, the loan-to-value ratio as estimated in the Market Value Analysis and the budget for the project may exceed 75% (residential) or 65% (commercial) at times during the term of the loan. This may occur because the Market Value Analysis is based upon the value of the property when construction is completed; however, before the construction is completed, the value of the property will generally be less than the “as completed” value and the outstanding balance of the loan may therefore be more than 75% (residential) or 65% (commercial) of this lesser, uncompleted value.

4. Terms of Loans. The term of Fund loans will vary at the discretion of the Manager. Construction loans will generally have a term of between one and five years and will provide for monthly payments of interest or interest in maturity with a “balloon payment” at the end of the term. Other Fund loans may have a longer amortization schedule and may be fully amortizing (i.e., the original principal amount of the loan will be repaid in equal monthly installments of principal and interest over the term).

5. Escrow Conditions. Fund loans will be funded through an escrow account handled by the Manager or a qualified title insurance or escrow company. The escrow agent will be instructed not to disburse any funds until the following conditions are met:

(a) Satisfactory title insurance coverage will be obtained for all loans, with the title insurance policy naming the Fund as the insured and providing title insurance in an amount equal to the principal amount of the loan. Title insurance insures only the validity and priority of the Fund’s deed of trust, and does not insure the Fund against loss by reason of other causes, such as diminution in the value of the security property, over-appraisals, borrower’s defaults, etc.

(b) Satisfactory fire and casualty insurance has been obtained for all loans which insurance shall name the Fund as loss payee in an amount equal to the replacement value of the property securing the Fund’s loan. (See “Risk and Other Important Factors – Uninsured Losses.”)

(c) The Manager does not intend to arrange for mortgage insurance, which would afford some protection against loss if the Fund foreclosed on a loan and there were insufficient equity in the security property to repay all sums owed.

(d) All loan documents (notes, deeds of trust, construction loan agreements etc.) and insurance policies will name the Fund as payee and beneficiary or additional loss insured, as applicable. In the event the Fund purchases loans, the Fund shall receive assignments of all beneficial interest in any documents related to each Loan so purchased. Fund investments in Loans will not be held in the name of the Manager or any other nominee.

6. Loans to Related Parties. The Fund may make or invest in loans to persons or entities that are related to or affiliated with the Manager or its shareholders including an affiliate construction company of the Manager, Broad & Boulder Properties, Inc. (See “The Manager and its Affiliates.”) Such loans will not exceed 15% of total Fund assets; must not be more favorable to the borrower than similar loans negotiated at arm’s-length; and must be repurchased by the Manager if the loan is in default more than 30 days. Such loans will involve significant conflicts of interest. (See “Conflicts of Interest – Fund Loans to Related Parties.”)

7. Purchase of Loans from Affiliates. Manager is an active mortgage loan broker, mortgage banker and California finance lender. Manager currently funds a significant portion of mortgage loans it originates and sells interest in such loans to its investors. Existing loans funded by or acquired by the Manager or its affiliates may be purchased by the Fund. The Fund may also purchase loans from third parties. Loans purchased by the Fund shall generally not be in default at the time of purchase and must otherwise satisfy the foregoing lending guidelines; however, in order to take advantage of special opportunities that may arise to purchase loans at significant discounts (and thus yield additional profit to the Fund), the Manager has the authority to cause the Fund to acquire loans (or interests in loans) that are in default, but only so long as: (i) the loan is being purchased from a third party unrelated to the Manager or its affiliates; (ii) the loan otherwise satisfies the lending guidelines described above; and (iii) the Fund shall not acquire or invest in a defaulted loan if, immediately after such transaction, the aggregate principal amount of all loans held by the Fund that are in default would exceed 5% of total Fund capital. Generally, the purchase price to the Fund for any such loan will not exceed the par value of the note or its fair market value, whichever is lower, but the Manager may purchase loans for a premium if the Manager believes the total purchase price is fair and reasonable and in the best interest of the Fund.

8. Loan Diversification. No Fund loan (or Fund interest in a loan) will exceed the greater of (a) \$1,500,000 or (b) 20% of total Fund capital at the time of the loan.

9. Reserve Fund. A contingency reserve fund may be retained for the purpose of covering unexpected cash needs of the Fund, if the Manager believes it to be in the best interests of the Fund. The amount of this reserve fund, if any, would be established by the Manager. This reserve fund may be held in cash, bank accounts, certificates of deposit, money market accounts, short-term bankers acceptances, publicly traded bond funds or other liquid assets.

Credit Evaluations

The Manager may consider the income level and general creditworthiness of a borrower, and any guarantor, to determine a borrower's ability to repay the Fund loan according to its terms, but such considerations are subordinate to a determination that a borrower has sufficient equity in the security property to satisfy the loan-to-value ratios described above. Therefore, the Fund may make loans to borrowers who are in default under other of their obligations (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations. (See "Risk Factors – Risks Related to the Fund's Business.")

Sale of Loans

The Fund will invest in mortgage loans for investment and does not expect to engage in real estate operations in the ordinary course of business (except as may be required if the Fund forecloses on a property on which it has invested in a mortgage loan and takes over ownership and management of the property). The Fund does not presently intend to invest in mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business; however, the Fund may occasionally sell mortgage loans (or fractional interests therein) when the Manager determines that it appears to be advantageous for the Fund to do so, based upon then current interest rates, the length of time that the loan has been held by the Fund, and the overall investment objectives of the Fund.

FUND MANAGEMENT AND LOAN SERVICING

The Manager will have the sole authority to manage the affairs of the Fund and will have the sole authority to: (i) identify loans to be made or purchased by the Fund; (ii) monitor and assess loan portfolio performance and set the Fund's accounting procedures; (iii) oversee loan servicing and make loan enforcement decisions; and (iv) otherwise direct the day-to-day operations of the Fund. Members will have limited rights to vote on or direct the actions of the Fund and must rely upon the Managers to make decisions in the best interests of the Fund. (See "Risk Factors--Risks Related to the Manager.")

Loan Brokerage and Servicing

It is anticipated that the Manager will act as the Fund's exclusive loan broker and will arrange the funding or purchase of Fund loans or Fractional Interests in consideration of points payable to the Manager by the borrower. (See, "Compensation to the Manager and its Affiliates" and "Conflicts of Interest.") The Manager will also "service" Fund loans which includes the collection of loan payments, performing administrative services in connection with the loan and, if necessary, taking all actions the Manager deems necessary to enforce the terms of the loan documents upon a default. Servicing a construction loan will also include monitoring the construction financed by the loan pursuant to a construction loan agreement and acting for the Fund in authorizing expenditures from the construction disbursement account. If the borrower is permitted to use sales proceeds to finance continued construction of the property, the Manager will also monitor the use of sales proceeds deposited in the construction disbursement account. Disbursements from any construction disbursement account will be made pursuant to a

construction budget outlined in the construction loan agreement. In making disbursements of loan proceeds to a borrower under a construction loan agreement, the Manager will adhere to the proposed construction budget supplied by the borrower, and will not make disbursements in excess of amounts specified for each category unless the Manager determines, in its sole discretion, that a variance from the construction budget is warranted and in the interest of the Fund.

If the Fund makes or purchases a Fractional Interest in a loan, the Manager will service the loan on behalf of the Fund and the other Fractional Interest holders (the “**Co-Lenders**”) pursuant to the terms of a Loan Servicing and Equity Interest Agreement entered into by the Fund, the Manager and each of the Co-Lenders (the “**Co-Lender Servicing Agreement**”). Pursuant to the terms of the Co-Lender Servicing Agreement, Co-Lenders holding Fractional Interests representing more than 50% of the aggregate outstanding Fractional Interests in the loan will have the right to direct all decisions following a material loan default including the right to approve: (i) extended forbearances, loan extensions or material loan modifications; (ii) any forgiveness of principal or regular interest payable under the loan; (iii) the terms and conditions of any entity formed to take title to the security property following foreclosure; and (iv) foreclosure by judicial disclosure rather than under the power of sale contained in the deed of trust. Consequently, to the extent the Fund invests in less than 50% of the total Fractional Interests outstanding in a loan, the Fund will be subject to additional risks not inherent in whole loans or loans in which the Fund holds a majority interest. (See “Risk Factors – Risks Relating to the Fund’s Business.”) Moreover, by acting as the servicing agent of both the Fund and the other Co-Lenders, the Manager is subject to additional conflicts of interest whether or not the Fund holds a majority or minority interest in the loan. (See “Conflicts of Interest”)

Fund Accounting Procedures

The Manager shall, in consultation with the Fund’s accountants, be responsible for determining the accounting policies and procedures of the Fund. In connection therewith, the Manager will assess the Fund’s portfolio at intervals determined by the Manager to be reasonable in light of current market conditions in order to account for or recognize any impairment to the loans comprising the Fund’s portfolio or to otherwise comply with generally accepted accounting principals (“**GAAP**”).

At the Fund’s inception, the Manager established a loss reserve for the purpose of recognizing over time the estimated loan losses of the Fund on Fund loans and on the sale of properties securing Fund loans taken through Foreclosure (“**Loan Loss Reserve**”). These potential losses are recognized by incurring charges against monthly Fund income in an amount deemed necessary by the Manager to accumulate an adequate Loan Loss Reserve in light of existing loan losses and estimated loan losses identified periodically by the Manager over the life of the Fund.

The Fund’s current accounting policy is to cease to accrue interest (for purposes of calculating earnings) on any loan that is delinquent for a period of two months unless the Manager determines, in its reasonable judgment, that all amounts due under the loan are likely to be recovered in a reasonable time period (“**Non-Accrual Status**”). Further payments received on Fund loans that have been placed on Non-Accrual Status will be accounted for by the Fund on

a cash rather than accrual basis until loan payments are again being received by the Fund on a current basis. If events or circumstances relating to a loan (on Non-Accrual Status or otherwise) cause the Manager, in its reasonable judgment, to have serious doubts about the full recovery of the entire loan balance due from a borrower, the Manager may categorize such loan as “impaired” (an “**Impaired Loan**”). In such event, the Manager will attempt to assess the potential loss that may be realized by the Fund in connection with the Impaired Loan and whether the Loan Loss Reserve should be increased to reflect that assessment.

In the event that real estate is acquired by the Fund (an “**REO Property**”) through foreclosure or by deed in lieu of foreclosure the REO Property is initially recorded at its fair market value less estimated costs required for sale of the property unless the Manager does not intend to dispose of the property by sale (e.g., the property will be held and rented to third parties until a higher re-sale price may be obtained). To the extent the REO Property’s fair market value less costs of sale is less than the prior carried value of the loan secured by the REO Property, the amount of such difference is charged against the Fund’s Loan Loss Reserve. (See “Operations to Date – Portfolio Performance.”) If the Manager determines that circumstances may make it more beneficial for the Fund to hold the REO Property until a better sales price may be obtained, the REO Property value will be recorded and carried at the lower of the REO Property’s new cost basis or its current fair market value less estimated costs of sale.

ALL OF THE FUND’S ACCOUNTING POLICIES INCLUDING THOSE RELATED TO IMPAIRED LOANS, NON-ACCRUAL STATUS AND THE FUND’S LOAN LOSS RESERVE ARE MADE IN CONSULTATION WITH THE FUND’S ACCOUNTANTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PROCEDURES. THE MANAGERS MAY, IN CONSULTATION WITH THE FUND’S ACCOUNTANTS, REVISE ANY FUND ACCOUNTING POLICY AT ANY TIME WITHOUT THE APPROVAL OF, OR NOTICE TO, ANY OF THE MEMBERS.

OPERATIONS TO DATE

The Fund began doing business (i.e., investing in mortgage loans) on January 1, 2003 after the minimum of 500 Units in the Fund were sold. The Fund previously operated under the business name of Olympic Mortgage Fund, LLC. On or about March 25, 2009, however, the Manager amended the Articles of Organization for the Fund to reflect its current name of Olympia Mortgage Fund, LLC. (See “The Manager and Its Affiliates”.) Information regarding the Fund’s prior performance and operations is set forth below.

Investor Profits and Losses

In the second half of 2008, the Fund experienced a significant increase in loan defaults stemming from the financial crisis of late 2007 and early 2008 and the resulting declines in property values and the lack of credit available to the Fund’s borrowers. (See “Risk Factors – Risks Related to the Fund’s Business.”) As discussed in more detail in the “Portfolio Performance” section below, the losses and recognition of the Fund’s Impaired Loans resulting from such defaults caused the Fund to suffer a net loss of \$788,675 and a recharacterization of earnings and return of capital of approximately 5.26% in 2008 following annual Member returns

averaging 8.92% to 9.11% from inception through 2007. Average annual net yields paid to the Members since inception are as follows:

<u>Year</u>	<u>Average Annual Net Yield Paid¹</u>
2004	8.92%
2005	9.05%
2006	9.11%
2007	9.09%
2008	(2.32%)
2009 (January 1 – June 30, 2009)	(8.34%)

As a result of Fund losses incurred following the severe decline of the credit and real estate markets that occurred in late 2007 and early 2008, the Fund was required to significantly increase its Loan Loss Reserve over the second half of 2008. This resulted in the cessation of monthly distributions from July through December 2008 and the recharacterization of Fund earnings as a return of approximately 5.26% of each Member’s capital. On January 1, 2009, the Fund resumed making monthly distributions to Members from January 1, 2009 through May 31, 2009 the Fund paid an estimated annualized yield of 1.26%. In June of 2009; however, the Manager determined that due to the continued decline in the real estate markets, the reevaluation of the impairment of the Fund’s loan portfolio, and of the Fund’s REO assets, that a charge against income of approximately \$4,709,926 was required to increase to the Fund’s Loan Loss Reserve to \$3,620,000, and to record a write down of REO values in the amount of \$2,766,959, resulting in an estimated annualize year to date loss through June 30, 2009 of approximately 8.34%. (See “Risk Factors – Risks Relating to Ownership of Units.”)

Portfolio Performance

As of June 30, 2009, the Fund had a total Capitalization of \$50,413,350 of which approximately \$39,280,403 was invested in 105 secured loans. The number of Impaired Loans, REO Properties and loans on Non-Accrual Status including the estimated losses associated therewith are set forth below. All information is current as of June 30, 2009. (See “Fund Management and Loan Servicing – Fund Accounting Procedures” for the definitions of Non-Accrual Status, Impaired Loans and REO Properties.)

¹ Yields paid to members include various waivers of fees otherwise payable to the Manager. Yields paid to Members would have been lower absent such waivers. The Manager has no obligation to waive any fees to which it is entitled in the future.

Loan Defaults and Impairment

<u>Default Status</u>	<u>Number of Loans</u>	<u>Aggregate Principal Balance</u>	<u>Aggregate Estimated Loss</u>	<u>Percentage of Fund Capital</u>
Non-Accrual Status	23	\$13,565,400	N/A	26.9%
Impaired Loans (including loans on Non-Accrual Status)	27	\$16,260,400	\$3,620,000	32.3%

As of June 30, 2009, the Fund held interests in 23 Loans on Non-Accrual Status in the aggregate principal amount of approximately \$13,565,000. The Manager has filed Notices of Default on nine of these loans and is in various stages of the foreclosure process. Of the 23 loans on Non-Accrual Status, all 23 loans in the aggregate principal balance of \$13,565,400 have been classified by the Manager as Impaired Loans and the Manager has estimated an aggregate probable (i.e., likely) loss on these Impaired Loans of approximately \$3,620,000 (which represents 26.7% of the aggregate principal amount due on such loans and less than 7.2% of total fund capital).

REO Properties and Losses

As of December 31, 2008, the Fund had either through foreclosure or deed in lieu of foreclosure acquired 41 properties securing Fund loans in the aggregate principal amount of approximately \$20,104,763 (“**REO Properties**”). Additionally, the Fund approved a sale of a security property by a borrower for less than the amount owed on the loan, the proceeds of which were accepted in full satisfaction of the loan (a “**Short Sale**”). The Short Sale resulted in a loss to the Fund in the amount of \$128,509. The status of the REO Properties and the estimated impairment of such REO Properties is set forth below.

REO Status	No. of Properties	Aggregate Prior Principal Loan Balance	Aggregate Gain/(Loss) Upon Sale	Percent Total Fund Capital
REO Properties Sold plus Short Sale	9	[\$4,677,000]	(\$606,000) (actual)	1.03%
REO Properties held for	33	\$17,030,553	(\$1,947,693) (estimated)	3.4%
TOTAL:	42	\$16,948,391.00	\$2,553,693	4.7%

From January 1, 2009 through June 30, 2009, 14 additional REO Properties had been acquired either through foreclosure or deed in lieu of foreclosure in the aggregate principal amount of \$4,395,412. As of June 30, 2009 five REO properties had been sold and the Fund had approved one Short Sale, resulting in a combined loss to the Fund of approximately \$514,079. As of June 30, 2009 the remaining 42 REO Properties have been listed for sale or are being held by the Fund and rented until market conditions improve and the properties may be sold at more favorable sales prices. The Manager estimates that the probable combined loss to the Fund on the REO Properties will be approximately \$2,766,959 (i.e., approximately 14.3% of the aggregate principal amounts originally payable under these loans and approximately 5.5% of total Fund capital as of June 30, 2009). The actual amount of the Fund's losses on all of these Impaired Loans and REO Properties may be more or less than the Manager's estimates.

Loan Loss Reserve

The accumulated Loan Loss Reserve for the Fund as of December 31, 2007 was \$206,996. In July of 2008, the Manager determined that an additional charge of \$1,750,000 was required in order to increase the Fund's Loan Loss Reserve to \$1,874,145, an amount deemed adequate to cover estimated loan losses of the Fund at that time. This determination was based upon the Manager's assessment of the Impaired Loans and the estimated losses on its REO Properties caused by a rapid deterioration in the real estate and credit markets, generally. (See "Risk Factors.") This \$1,750,000 charge was effective as of July 31, 2008 and resulted in a loss to the Fund in July 2008 in the amount of \$1,395,802, and the reduction of the average annualized, year-to-date yield at July 2008 to an approximate, annualized yield of 2.58%. As a result of this charge and the corresponding reduction of the overall yield earned by the Fund, Members received prior allocations and distributions of Fund income in excess of the actual annualized yield earned by the Fund. This was because the allocations of Fund income through June 2008 were made based on the annualized yield calculations prior the charge. In light of these over allocations, effective as of July 31, 2008, the Manager elected to cease allocating and distributing monthly income to the Members until the Fund's year-to-date accrual basis income exceeded the amounts previously allocated and distributed to the Members.

On December 31, 2008 it was determined that another charge of approximately \$2,900,000 was required to reflect the Fund's then current actual loan losses and the write-down of current REO Properties to fair-market-value. This determination was based on an extensive analysis of all Impaired Loans and REO Properties by both the Manager and the Fund's independent Audit Firm as of December 31, 2008. The \$2.9 million charge against earnings resulted in an annual net loss to the Fund in the amount of \$788,676 for the year ending December 31, 2008, and an overallocation of income to Members of approximately \$2,322,785 for the months of January – June 2008. These factors resulted in an overall reduction of 5.256% in Member Capital as of December 31, 2008.

On June 30, 2009 the Manager determined that another charge of approximately \$1,942,967 was required to increase the Fund's Loan Loss Reserve to \$3,620,000. This determination was based on the Manager's periodic analysis of the Fund's loan portfolio undertaken in order to ensure proper accounting of the Fund's assets over the course of the year. Additionally, the Manager determined that, after a reevaluation of the Fund's REO assets, a write-down of REO values in the amount of \$2,766,959 was necessary. The combined \$4,709,926 charge against earnings resulted in a estimated, annualized year to date net loss of 8.34%.

The Manager currently believes that the \$3,620,000 Loan Loss Reserve is adequate to reflect the estimated losses of the Fund. It is possible, however, that additional loan loss reserves and/or charges against Fund income will be required if the Manager determines that loan loss estimates, at any time, exceed the then current Loan Loss Reserves accumulated by the Fund. On the other hand, if in any future period the Fund realizes any profits on sales of REO Properties or the Manager determines that the Fund's Loan Loss Reserve is larger than is reasonably required to reflect the Fund's likely future loan losses, the amounts of those profits or loss reserve reductions will serve to increase the Fund's earnings and investment yield in that future period.

Portfolio Diversification and Concentrations

As of June 30, 2009, 50,413,350 Units (i.e., \$50,413,350) were outstanding and the Fund was invested in 105 mortgage loans in an aggregate amount of \$39,380,403 diversified as follows (calculated based upon principal balance):

Lien Priority Concentrations

Lien Priority	Aggregate Principal Amount of Loans	Percentage of Total Loan Principal
First Trust Deeds	\$37,941,861	96.3%
Second Trust Deeds	\$1,438,542	3.7%
Total:	\$39,380,403	100%

Security Property Classification

Type of Property	Aggregate Principal Amount of Loans	Percentage of Total Loan Principal
Residential Property (owner occupied single-family residential property with 1-4 units)	\$4,033,933	10.2%
Residential Property (Non-owner occupied single-family 1 property with 1-4 units)	\$674,000	1.7%
Commercial/Industrial Property	\$931,491	2.4%
Mixed-use property	\$1,444,034	3.7%
Construction/Development/Rehabilitation	\$23,304,624	59.2%
Unimproved land	\$8,992,321	22.8%
Total:	\$39,380,403	100.0%

Security Property Location

Property Location	Aggregate Principal Amount of Loans	Percentage of Total Loan Principal
Nevada County, California	\$8,038,476	20.41%
El Dorado County, California	\$8,065,233	20.48%
Placer County, California	\$5,927,831	15.05%
Other	\$17,348,863	44.06%
TOTAL:	\$39,380,403	100.00%

Loans to Affiliates

As of June 30 2009, the Fund had no loans to Broad & Boulder Properties, Inc. or to any affiliates of the Manager (see “The Manager and Its Affiliates”).

Additional Information

A copy of the Fund’s audited financial statements as of December 31, 2008 and its unaudited statements as of June 30, 2009 are attached to this Offering Circular as Exhibit C. Further details about the Fund’s loan portfolio are included in those financial statements.

THE FOREGOING DISCUSSION IS FOR ILLUSTRATIVE PURPOSES ONLY, AND IS NOT A PREDICTION OF ACTUAL FUND RESULTS.

ALL OF THE FUND'S ACCOUNTING POLICIES INCLUDING THOSE RELATED TO IMPAIRED LOANS, NON-ACCRUAL STATUS AND THE FUND'S LOAN LOSS RESERVE ARE MADE IN CONSULTATION WITH THE FUND'S ACCOUNTANTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PROCEDURES. THE MANAGER MAY, IN CONSULTATION WITH THE FUND'S ACCOUNTANTS, REVISE ANY FUND ACCOUNTING POLICY AT ANY TIME WITHOUT THE APPROVAL OF, OR NOTICE TO, ANY OF THE MEMBERS.

LEVERAGING THE PORTFOLIO

If the Manager deems it to be in the best interests of the Fund and the Members, the Fund may borrow funds from a third party lender (which may but is not required to be a bank or other financial institution) in order to fund additional mortgage loans or to increase Fund liquidity; provided however that the maximum debt the Fund may incur from third party lenders is 15% of the Fund's assets. By leveraging the Fund's loan portfolio, the Fund can increase Fund liquidity, lending flexibility and lending volume, and, in Manager's sole discretion, increase the yield to the Fund. The Manager, in its sole discretion, may retain all or a portion of the "spread" between the excess interest earned on a leveraged loan and the interest paid on the borrowed funds from a third party lender used to make the loan. However, leveraging a loan entails certain risks to the Fund that would not otherwise be present if the Fund funded all of its loans from its own funds. For example, to the extent the Fund makes loans at long-term fixed interest rates while it borrows funds at short-term variable interest rates, the Fund will be subject to the risk that prevailing interest rates (and the Fund's associated borrowing costs) will rise above the levels earned by the Fund on the fixed rate portion of its loan portfolio, causing losses to the Fund. (See "Risk Factors – Risks of Leverage."). In addition, while any additional profits earned by the Fund from leveraging its portfolio will be generally advantageous to investors in the Fund, a portion of such additional profit may constitute unrelated business taxable income ("UBTI") which may be taxable to investors (such as ERISA plan investors) that are otherwise tax exempt. (See "Federal Income Tax Consequences – Unrelated Business Taxable Income.")

THE MANAGER AND ITS AFFILIATES

The Manager will manage and direct the affairs of the Fund. All loans made or invested in by the Fund will be arranged and serviced by the Manager (See "Fund Management and Loan Servicing").

Olympia Mortgage and Investment Company, Inc.

The Manager of the Fund is Olympia Mortgage and Investment Company, Inc., a California corporation ("**Olympia**"), which is a California licensed real estate broker and a California Finance lender and has been engaged in the mortgage industry since 1991. From 1991 through October 2001 the Manager operated as Olympic Mortgage and Investment Company ("**OMIC**"), a sole proprietorship owned and operated by Larry Blanchard. On October 1, 2001, the Manger's current principal shareholders, Phillip L. Ruble and Mimi H. Simmons, purchased OMIC's assets and began operating as Olympic Mortgage & Investment Company, Inc. In March of 2009, the Manager amended the company's Articles of Incorporation to reflect the

Manager's current corporate name, Olympia Mortgage & Investment Company, Inc. and simultaneously amended the name of the Fund to Olympia Mortgage Fund, LLC.

Olympia engages in the business of arranging, funding, selling, purchasing and servicing trust deed investments for its private investors and its own account. Olympia has, in addition, engaged in and currently engages in, real estate investment, real estate brokerage and property management activities. Olympia specializes in arranging privately funded trust deed investments. Olympia currently offers fractional interests in trust deed investments to qualified investors pursuant to a permit granted by the California Department of Corporations (DOC File No. 506-2638). Olympia and its predecessor, OMIC, have arranged over \$400,000,000 of loans secured by deeds of trust. Currently, Olympia has in excess of 400 investors participating in over \$40,000,000 worth of real estate secured loans.

Olympia currently has 6 full time employees of which the following three will be primarily responsible for the operation and management of the Fund:

Phillip L. Ruble is the President of Olympia. Phil has vast experience in the banking, real estate and construction businesses since 1967. His major areas of concentration have been in home mortgages, construction loans and commercial property loans. Phil's banking experience, starting in 1967, was primarily with Wells Fargo Bank in Southern California. Phil spent his final four years in banking as a senior vice president with City National Bank responsible for a \$120 Million loan portfolio. Phil has been in real estate sales in Nevada County since 1991. He purchased ERA Cornerstone Realty Group with co-founder, Mimi Simmons, in 1995; growing the business from \$32 Million in annual sales, nine agents and one location to over \$200 Million in annual sales, over 50 agents and three locations. In 1994, Phil and Mimi founded Broad and Boulder Properties, a construction and development company and successfully built and sold nearly 40 homes. From 1995 to 1997, Phil and Mimi also founded Cornerstone Sales & Development, a manufactured home dealership. In October 2001, Phil purchased Olympia Mortgage & Investment Co. Under Phil's ownership, investments have increased over 100% and loans have increased by the same.

Mimi H. Simmons is the Vice President of Olympia. Mimi has been a licensed real estate agent in Nevada County since 1984, a licensed real estate broker since 1995, and most recently obtained her license as a Certified International Property Specialist in 2000. In 1991, Mimi founded Cornerstone Realty Group located in Nevada City, California. Mimi has grown the business from \$11 Million in annual sales and six employees to over \$200 Million in annual sales, three locations and over 50 agents. Mimi's extensive experience in real estate has enabled her to close over \$210,000,000 of real estate throughout her 20-year career, receiving numerous awards. Most recently she was named 2001 Realtor of the Year and currently serves as State Director of California Board of Realtors. In 2006 Mimi was named the #1 ERA Agent in the State of California, and the #10 ERA Agent nationally. As a fifth generation native of Nevada County, Mimi is passionately dedicated to her community, and currently serves as Board Director for the Nevada City Chamber of Commerce and served two terms as President in 2000 and 2001. In October 2001, Phillip Ruble and Mimi purchased Olympia Mortgage & Investment Co. Since that time, under their ownership investments have increased over 100% and loans have increased by the same.

Craig Ruble is the Vice President of Olympia for Sales and Marketing. Craig received his undergraduate degree in Communications from California State University at Chico in 1994. While in school, Craig worked for Weyerhaeuser Mortgage Co. and was an Account Executive with the University Newspaper. From 1994 - 2000 Craig worked for Enterprise Rent-a-Car as a Group Marketing Manager. Craig led the overall marketing effort for Northern California. His responsibilities included, but were not limited to, growing auto loan portfolios for financial institutions. In 2001, Craig obtained his Real Estate License and since then Craig's ongoing responsibilities are focused on Olympia Mortgage and Investment Company's growing loan portfolio.

Broad & Boulder Properties, Inc.

The President and 50% shareholder of the Manager, Phillip L. Ruble, is also the principal shareholder and officer of a development company, Broad & Boulder Properties, Inc. (“**B&BP**”), which may be the borrower under some of the Fund’s loans. Broad & Boulder Properties, Inc. was incorporated in February 1997. Since its inception, B&BP has successfully completed construction of approximately 40 single family homes. To date, B&BP has never defaulted on any loan or other financial obligation and has never been the subject of any foreclosure or enforcement action brought against B&BP.

COMPENSATION TO MANAGER

The following discussion summarizes the forms of compensation to be received by the Manager. All of the amounts described below will be received regardless of the success or profitability of the Fund. None of the following compensation was determined by arm’s-length negotiations. The Manager retains the right to terminate all or any portion of its business relationship with the Fund at any time, in which event the Fund would be required to retain one or more other firms to perform the various services to be rendered by the Manager as described below.

Form of Compensation

Estimated Amount or Method of Compensation

Loan Brokerage Commissions, Renewal and Forbearance Fees to the Manager	Anticipated to average between 2% and 10% of the principal amount of each loan and generally not less than \$1,500 per loan, and may be higher or lower depending upon market conditions.
Loan Processing and Documentation Fees ..	Prevailing industry rates, of approximately \$400.00 per loan for documentation fees and \$350.00 - \$700.00 per loan for loan processing fees. These fees may vary depending on market conditions and the size of the particular loan.
Loan Servicing Fee.....	Up to 1% of the principal amount of each Fund loan on an annual basis, payable monthly (i.e., 1/12th of 1% per month), but only as interest is received by the

Fund. [1]

Asset Management Fee	Up to 1/12 th of 1% of Net Assets Under Management, payable monthly (i.e., 1% per year). [2]
Reimbursement of Expenses to Manager.....	Reimbursement for all out-of-pocket organization and syndication expenses and all operating and administrative expenses of the Fund.
Construction Inspection Fees.....	Prevailing industry rates of approximately \$900. These fees may be higher or lower depending on location, frequency and complexity of inspections.

[1] Loan servicing fees are determined by the Manager on a case by case basis, provided that they are not expected to exceed the amounts generally charged for comparable services to comparable debtors in the geographical area where the security property for the loan is located.

[2] “Net Assets Under Management” means the total Fund capital, including cash, notes (at book value), real estate owned (at book value), accounts receivable, advances made to protect loan security, unamortized organizational expenses and any other Fund assets valued at fair market value, less Fund liabilities. The Asset Management Fee will be paid on the last day of each calendar month with respect to Net Assets Under Management as of the first day of the such month.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

Under California law, the fiduciary duties of a manager to the limited liability company and to its members are those of a partner to a partnership and to the partners of a partnership. Accordingly, a manager is accountable to a limited liability company as a fiduciary, which means that a manager is required to exercise good faith and integrity with respect to company affairs. This fiduciary duty is in addition to those other duties and obligations of, and limitations on, the Manager which are set forth in the Operating Agreement. The Fund’s business operations and affairs will be managed entirely by the Manager, which is subject to certain conflicts of interest. (See “Conflicts of Interest.”)

The Fund has not been separately represented by independent legal counsel in its formation or in its dealings with the Manager, and Members must rely on the good faith and integrity of the Manager to act in accordance with the terms and conditions of this offering.

The Manager must, on demand, give to any Member or his legal representative true and complete information concerning all company affairs. Each Member or his legal representative has the right, upon reasonable request, for purposes reasonably related to the interest of that person as a Member, to inspect and copy the company books and records.

No rebates or kickbacks or give-ups may be received by the Manager nor may the Manager participate in any reciprocal business arrangements which would circumvent the fiduciary duties of the Manager to the Members.

The Operating Agreement provides that the Manager shall have no liability to the Fund for losses resulting from errors in judgment or other acts or omissions, unless the Manager is guilty of fraud, bad faith or willful misconduct. The Operating Agreement also provides that the Fund shall indemnify the Manager against liability and related expenses (including reasonable attorneys' fees and costs) incurred in dealing with the Fund, Members or third parties, so long as no fraud, bad faith or willful misconduct on the part of the Manager is involved. Therefore, Members may have a more limited right of action than they would have absent these provisions in the Operating Agreement. A successful indemnification of the Manager or any litigation that may arise in connection with the Manager's indemnification could deplete the assets of the Fund. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own counsel.

CONFLICTS OF INTEREST

The following is a list of the important areas in which the interests of the Manager will conflict with those of the Fund. The Members must rely on the general fiduciary standards which apply to a general partner of a limited partnership to prevent unfairness by the Manager in a transaction with the Fund. The Fund has not been represented by separate legal counsel in connection with its formation or its dealings with the Manager. (See "Fiduciary Responsibility of the Manager.") Except as may arise in the normal course of the relationship, there are no transactions presently contemplated between the Fund and its Manager (or its affiliates) other than those listed below.

Loan Brokerage Commissions, Renewal and Forbearance Fees:

None of the compensation set forth under "Compensation to Manager" was determined by arms' length negotiations. It is anticipated that the loan brokerage commissions, renewal and forbearance fees charged to borrowers by the Manager for most loans will average between 2-6% of the principal amount of each loan, but may be higher or lower depending upon market conditions. Any increase in such charges will have a direct, adverse effect upon the interest rates that borrowers will be willing to pay the Fund, thus reducing the overall rate of return to Members. Conversely, if the Manager reduced the loan brokerage commissions, renewal and forbearance fees charged by it, a higher rate of return might be obtained for the Fund and the Members. Moreover, the Manager will earn the largest portion of its compensation from these commissions (or "points") that are collected at loan closing which are not affected by whether the loan proves to be a performing or non-performing loan for the Fund. Therefore, a conflict will exist if the Manager must decide to fund a loan it deems not to be in the best interest of the Fund if such loan would otherwise provide the Manager with additional compensation at closing through earning the points payable on the loan.

This conflict of interest will exist in connection with every Fund loan transaction, and Members must rely upon the fiduciary duties of the Manager to protect their interests. The Fund will generally charge borrowers interest at the rate generally prevailing in the geographical areas where the security property is located for loans to comparable borrowers of similar size, duration and security.

The Manager has the right to retain the services of other firms, in addition to or in lieu of the Manager, to perform brokerage services, loan servicing and other activities in connection with the Fund's loan portfolio that are described in this Offering Circular.

Fund Loans to Related Parties

The Fund may make or invest in loans to persons or entities that are affiliated with the Manager (i.e., loans to a borrower that is owned by one or more of the owners of the Manager). In cases of such related party loans, conflicts of interest will exist between the Manager and its affiliated persons, on the one hand, and the Fund, on the other, in connection with setting the terms of the loan and in connection with any enforcement action or renegotiation that may occur in the future. The Manager has undertaken to address these conflicts by applying the following standards and limitations to such related party loans:

(a) The aggregate principal amount of all related party loans at any time shall not exceed 15% of total Fund assets at such time;

(b) The terms and conditions of any related party loans shall be consistent with the lending standards and policies set forth above and with loan terms typically offered by the Manager on similar loans to unaffiliated borrowers; and

(c) The Manager shall purchase (or cause one of its affiliates to purchase) from the Fund, at par, any related party loan in which any material event of default has occurred and is continuing for at least 30 days.

Other Funds or Businesses

The compensation structure applicable to the Manager in connection with loans that are arranged or originated for investors unrelated to the Fund may be different, and depending on the circumstances at a given point in time, may be more lucrative to the Manager than the compensation payable to the Manager in connection with the Fund. As a result, there may exist a financial incentive for the Manager to arrange or originate loans for private investors outside the Fund and the Members must rely on the fiduciary duties of the Manager to protect their interests under such circumstances. In the future, the Manager may also sponsor other funds formed to conduct business similar to that of the Fund. If these other funds (if formed) have funds to invest at the same time as the Fund, there will then exist conflicts of interest on the part of the Manager as to whether to offer a particular loan opportunity to the Fund or to these other funds. The Manager will decide which loans are appropriate for funding by the Fund or by such other funds after consideration of all relevant factors, including the size of the loan, portfolio diversification, and amount of uninvested funds.

The Manager may engage for its own account, or for the account of others, in other business ventures, similar to that of the Fund or otherwise, and neither the Fund nor any Member shall be entitled to any interest therein.

The Fund will not have independent management and it will rely on the Manager for the operation of the Fund. The Manager will devote only so much time to the business of the Fund as is reasonably required. The Manager will have conflicts of interest in allocating management

time, services and functions between its existing business interests other than the Fund and any future partnerships which it may organize as well as other business ventures in which it may be involved. The Manager believes it has sufficient staff available to be fully capable of discharging its responsibilities to all such entities.

Servicing Fractional Interests

If the Manager arranges for the Fund to invest in a Fractional Interest rather than funding an entire loan, the Manager will service the loan pursuant to a Loan Servicing and Equity Interest Agreement between the Manager, the Fund and each of the other Co-Lenders on the Loan (a “**Co-Lender Servicing Agreement**”). (See “Fund Management and Loan Servicing – Loan Brokerage and Servicing.”) Under the Co-Lender Servicing Agreement, the Manager will serve as the agent of the Fund as well as each of the other Co-Lenders (which in some circumstances may include the Manager or its principals or affiliates). In circumstances where the interests of the Fund and the Co-Lenders diverge with respect to each parties interest in the loan, the Manager will have a conflict of interest arising out of its duties to each party. In the case of such a conflict with Manager will act in accordance with the express terms of the Co-Lender Servicing Agreement unless to do so would require a breach of the Manager’s duties to the Fund or any of the Co-Lenders, in which case, the Manager shall seek to remove itself as the loan servicer and to have an independent third party Manager appointed in its place.

Lack of Independent Legal Representation

The Fund has not been represented by independent legal counsel to date. The use by the Manager and the Fund of the same counsel in the preparation of this Offering Circular and the organization of the Fund may result in the lack of independent review. Prospective investors must rely on their own legal counsel for legal advice in connection with this investment.

Sale of Defaulted Loans or Real Estate Owned to Affiliates

In the event a Fund loan goes into default or the Fund becomes the owner of any real property by reason of foreclosure on a Fund loan, the Manager’s first priority will be to arrange the sale of the loan or property for a price that will permit the Fund to recover the full amount of its invested capital plus accrued but unpaid interest and other charges, or so much thereof as can reasonably be obtained in light of current market conditions. In order to facilitate such a sale, the Manager may arrange a sale to persons or entities controlled by or affiliated with the Manager (e.g., to another entity formed by the Manager or its affiliates), for the express purpose of acquiring defaulted loans or foreclosure properties from lenders such as the Fund. The Manager will be subject to conflicts of interest in arranging such sales since it will represent both parties to the transaction. For example, the Fund and the potential buyer will have conflicting interests in determining the purchase price and other terms and conditions of sale. The Manager’s decision will not be subject to review by any outside parties.

The Manager shall undertake to resolve these conflicts by setting a purchase price for each defaulted loan or property which is not less than any of the following: (i) the independently appraised value of such loan or property, if any, at the time of sale; (ii) the amount of any third party offer already received, if any; or (iii) the total amount of the Fund’s investment in the

property. The Fund's investment is deemed to include without limitation the following: the unpaid principal amount of the loan upon which the Fund foreclosed, all unpaid interest accrued to the date of foreclosure, expenditures made to protect the Fund's interest in the property such as payments to senior lienholders and for insurance and taxes, all costs of foreclosure (including attorneys fees actually incurred to prosecute the foreclosure or to obtain relief from stays in bankruptcy), and any advances made by or on behalf of the Fund for any of the foregoing. A portion of the purchase price may be paid by the affiliate executing a promissory note in favor of the Fund, secured by a deed of trust on the property being sold. The total loan-to-value ratio for the property (including the Fund's note and any senior liens) will not exceed 90% of the purchase price of the property, and the note will otherwise contain terms and conditions comparable to those that would be contained in notes executed by third parties.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974 ("**ERISA**") contains strict fiduciary responsibility rules governing the actions of "fiduciaries" of employee benefit plans. It is anticipated that some Members will be corporate pension or profit-sharing plans and Individual Retirement Accounts, or other employee benefit plans that are subject to ERISA. In any such case, the person making the investment decision concerning the purchase of Units will be a "fiduciary" of such plan and will be required to conform to ERISA's fiduciary responsibility rules. Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill and prudence which a prudent man familiar with such matters would exercise in like circumstances. In evaluating whether the purchase of Units is a "prudent" investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (see "Federal Income Tax Consequences."), as well as the percentage of plan assets which will be invested in the Fund insofar as the diversification requirements of ERISA are concerned. An investment in the Fund is relatively illiquid, and fiduciaries must not rely on an ability to convert an investment in the Fund into cash in order to meet liabilities to plan participants who may be entitled to distributions. **DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE APPLICATION OF ERISA TO HIS OR HER PROSPECTIVE INVESTMENT.**

The Fund will limit subscriptions for Units from ERISA plan investors such that, immediately after each sale of Units, ERISA plan investors will hold less than 25% of the total outstanding membership interests in the Fund.

Fiduciaries of plans subject to ERISA are required to determine annually the fair market value of the assets of such plans as of the close of any such plan's fiscal year. Although the Manager will provide annually upon the written request of a Member an estimate of the value of the Units based upon, among other things, outstanding mortgage investments, it may not be possible to value the Units adequately from year to year, because there will be no market for them.

USE OF PROCEEDS

The maximum offering hereunder is \$100,000,000 (100,000) Units. The proceeds from the sale of additional Units will be used to increase the portfolio of the Fund.

The Manager has been reimbursed for organizational and initial offering expenses of approximately \$35,000; however, the Manager has not sought reimbursement for all ongoing operating and administrative expenses from the Fund since formation. The Manager does not intend to reimburse itself for all ongoing operating and administrative expenses in the future, but retains the right to do so.

All loan brokerage commissions paid to the Manager will be paid by borrowers out of the proceeds of loans made by the Fund. Thus, a portion of the proceeds from the sale of Units, which will be used by the Fund to fund its loans, will indirectly be paid to the Manager in the form of loan brokerage commissions, but will ultimately be repaid to the Fund by the borrowers. (See “Compensation to Manager.”)

Reserves may be set aside by the Fund, in such amounts as the Manager shall deem appropriate, to meet unexpected cash needs of the Fund, including such cash needs that may arise if a Fund loan goes into default. The Manager estimates that not more than 1% of any additional offering proceeds will be used to fund reserves.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain relevant federal income tax considerations resulting from an investment in the Fund, but does not purport to cover all of the potential tax considerations applicable to any specific purchaser. Prospective investors are urged to consult with and rely upon their own tax advisors for advice on these and other tax matters with specific reference to their own tax situation and potential changes in applicable law. The Fund will not seek, and therefore will not obtain, an opinion of counsel as to any tax consequences intended to result from an investment in the Fund.

Taxation of Undistributed Fund Income (Individual Investors)

Under the laws pertaining to federal income taxation of limited liability companies that are treated as partnerships, no federal income tax is paid by the Fund as an entity. Each individual member reports on his federal income tax return his distributive share of Fund income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Each individual member partner may deduct his distributive share of Fund losses, if any, to the extent of the tax basis of his Units at the end of the Fund year in which the losses occurred. The characterization of an item of profit or loss will usually be the same for the member as it was for the Fund. Since individual members will be required to include Fund income in their personal income without regard to whether there are distributions of Fund income, such investors will become liable for federal and state income taxes on Fund income even though they have received no cash distributions from the Fund with which to pay such taxes.

Distributions of Income

To the extent cash distributions exceed the current and accumulated earnings and profits of the Fund, they will constitute a return of capital, and each Member will be required to reduce the tax basis of his Units by the amount of such distributions and to use such adjusted basis in computing gain or loss, if any, realized upon the sale of Units. Such distributions will not be taxable to Members as ordinary income or capital gain until there is no remaining tax basis, and, thereafter, will be taxable as gain from the sale or exchange of the Units.

Property Held Primarily for Sale; Potential Dealer Status

The Fund has been organized to invest in loans primarily secured by deeds of trust on real property. However, if the Fund were at any time deemed for federal tax purposes to be holding one or more Fund loans primarily for sale to customers in the ordinary course of business (a “dealer”), any gain or loss realized upon the disposition of such loans would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are higher than those for capital gains. In addition, income from sales of loans to customers in the ordinary course of business would also constitute unrelated business taxable income to any investors which are tax-exempt entities. Under existing law, whether or not real property is held primarily for sale to customers in the ordinary course of business must be determined from all the relevant facts and circumstances. The Fund intends to invest in loans and hold the Fund loans for investment purposes only, and to dispose of Fund loans, by sale or otherwise, at the discretion of the Manager and as consistent with the Fund’s investment objectives. It is possible that, in so doing, the Fund will be treated as a “dealer” in mortgage loans, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt investors in the Fund.

Tax Returns

Annually, the Fund will provide the Members and Economic Interest Owners sufficient information from the Fund’s informational tax return for such persons to prepare their individual federal, state and local tax returns. The Fund’s informational tax returns will be prepared by certified public accountants selected by the Manager.

Trade or Business Income

The Fund will report its income as being derived from the trade or business or mortgage lending, not as “portfolio income.” The Manager believes this is the proper characterization, but there can be no assurance that it will not be challenged by the Internal Revenue Service. If the Fund is deemed to be engaged in the trade or business of lending money, its income allocable to that business will generally be characterized as nonpassive income, against which passive losses from other sources may not be offset. This is true even though its net losses allocable to that activity (or that portion of Members’ loss on the sale of a unit that is allocable to the Fund’s mortgage lending business) will be treated as passive activity losses. If the Fund is not considered engaged in a trade or business of lending money, then income and loss from its mortgage lending activities will be considered portfolio income and loss. In either case, Members will not be permitted to offset passive losses from other activities against Members’

share of that portion of income. Under Section 469 of the Code, the Fund's income will not be passive income against which passive losses from other sources may be offset.

Unrelated Business Taxable Income

Units may be offered and sold to certain tax exempt entities (such as qualified pension or profit sharing plans) that otherwise meet the investor suitability standards described elsewhere in this Offering Circular. (See "Investor Suitability Standards.") Such tax exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income," as that term is defined by Section 513 of the Code. Under the Code, tax exempt purchasers of Units may be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the Fund. Interest income (which will constitute the primary source of Fund income) does not constitute an item of unrelated business taxable income, except to the extent it is derived from "debt-financed property. To increase Fund profits or increase Fund liquidity, the Manager may borrow funds in order to invest in mortgage loans or liquidate investors. This "leveraging" of the Fund's loan portfolio will constitute an investment in "debt-financed property" and the interest income earned on loans funded with borrowed funds will be unrelated business income taxable to ERISA plans. (See "Leveraging the Portfolio.") The Fund may also realize unrelated business taxable income by reason of profits earned from the resale or lease of properties acquired through foreclosure that are encumbered by senior mortgage loans. However, unrelated business income is taxable only to the extent such income from all sources exceeds \$1,000 per year. The remainder of a tax exempt investor's income will continue to be exempt from federal income taxes to the extent it complies with other applicable provisions of law, and the mere receipt of unrelated business income will not otherwise affect the qualification of an IRA or ERISA plan under the Code. The Manager does not anticipate that the Fund will earn so much unrelated business taxable income as to exceed this \$1,000 threshold for any tax exempt investor.

Rents from real property and gains from the sale or exchange of property are also excluded from unrelated business taxable income, unless the property is held primarily for sale to customers or is acquired or leased in certain manners described in Section 514(c)(9) of the Code. Therefore, unrelated business taxable income may also be generated if the Fund operates or sells at a profit any property that has been acquired through foreclosure on a Fund loan, but only if such property (1) is deemed to be held primarily for sale to customers, or (2) is acquired from or leased to a person who is related to a tax-exempt investor in the Fund.

The trustee of any trust that purchases Units in the Fund should consult with his tax advisors regarding the requirements for exemption from federal income taxation and the consequences of failing to meet such requirements, in addition to carefully considering his fiduciary responsibilities with respect to such matters as investment diversification and the prudence of particular investments.

CERTAIN LEGAL ASPECTS OF FUND LOANS

Each of the Fund's loans will be secured directly or indirectly by a deed of trust, the most commonly used real property security device in California. The deed of trust (also commonly referred to as a mortgage) formally has three parties: a debtor-trustor, a third-party grantee

called the “trustee”, and the lender-creditor called the “beneficiary.” The trustor grants the property, irrevocably until the debt is paid, “in trust, with power of sale” to the trustee to secure payment of the obligation. The trustee’s authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing Fund loans.

Foreclosure

Foreclosure of a deed of trust is accomplished in most cases by a nonjudicial trustee’s sale under the power-of-sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to the trustor, to any person who has recorded a request for a copy of a notice of default and notice of sale, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust. If the default is not cured within 90 days after the filing of the notice of default, then at least 20 days before the trustee’s sale, notice of sale must be posted in a public place and published once a week over such period. A copy of the notice of sale must be posted on the property, and sent to the trustor, to each person who has requested a copy, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust, at least 20 days before the sale. The trustor or any person having a junior lien or encumbrance of record may, until five business days prior to the date of a scheduled foreclosure date, cure the default by paying the entire amount of the debt then due, exclusive of principal due only because of acceleration upon default, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorney’s and trustee’s fees. Following the sale, neither the debtor-trustor nor a junior lienor has any right of redemption, and the beneficiary may not obtain a deficiency judgment against the trustor.

A judicial foreclosure (in which the beneficiary’s purpose is usually to obtain a deficiency judgment where otherwise available) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete. Following a judicial foreclosure sale, the trustor or his successors in interest will have certain rights to redeem the property, unless the creditor waives any right to a deficiency. The Fund generally will not pursue a judicial foreclosure to obtain a deficiency judgment, except where, in the sole discretion of the Manager, such a remedy is warranted in light of the time and expense involved.

Anti-Deficiency Legislation

California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Two statutes limit the beneficiary’s right to obtain a deficiency judgment against the trustor following foreclosure of a deed of trust, one based on the method of foreclosure and the other on the type of debt secured. Under one statute, a deficiency judgment is barred where the foreclosure was accomplished by means of a nonjudicial trustee’s sale. It is anticipated that all of the Fund’s loans will be enforced by means of a nonjudicial trustee’s sale, if foreclosure becomes necessary. Under the other statute, a deficiency judgment is barred in any event where the foreclosed deed of trust secured a “purchase money” obligation, i.e., a promissory note evidencing a loan used to pay all or a part of the purchase price of a residential property occupied, at least in part, by the purchaser. This restriction may apply to some Fund loans.

Another statute, commonly known as the “one form of action” rule, requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. The fourth statutory provision limits any deficiency judgment obtained by the beneficiary following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale. Other matters, such as litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws, may have the effect of delaying enforcement of the lien of a defaulted loan and may in certain circumstances reduce the amount realizable from sale of a foreclosed property.

Special Considerations in Connection with Junior Encumbrances

In addition to the general considerations concerning trust deeds discussed above, there are certain additional considerations applicable to second, third or fourth deeds of trust (“junior encumbrances”). By its very nature, a junior encumbrance is less secure than more senior ones. Only the holder of a first trust deed is permitted to bid in the amount of his credit at his foreclosure sale; junior lienholders must bid cash. If a senior lienholder forecloses on its loan, unless the amount of the bid exceeds the senior encumbrances, the junior lienholders will receive nothing. Because of the limited notice and attention given to foreclosure sales, it is possible for junior lienholders to be sold out, receiving nothing from the foreclosure sale. However, in such event the junior lienholder may have a personal action against the borrower to enforce the debt.

Accordingly, a junior lienholder (such as the Fund) may find that the only method of protecting its security interest in the property is to take over all obligations of the trustor with respect to senior encumbrances while the junior lienholder commences his foreclosure, making adequate arrangements either to (i) find a purchaser of the property at a price which will recoup the junior lienholder’s interest or (ii) to pay off the senior encumbrances so that his encumbrance achieves first priority. Either alternative will require the Fund to make substantial cash expenditures to protect its interest. (See “Risk and Other Important Factors - Defaults and Foreclosures.”)

The Fund will record a Request For Notice of Default at the time its trust deed is recorded. This procedure entitles the Fund to notice when any senior lienholder files a Notice of Default and will provide more time to make alternate arrangements to protect its security interest.

In the event the borrower defaults solely upon his debt to the Fund while continuing to perform with regard to the senior lienor, the Fund (as junior lienor) will foreclose upon its security interest in the manner discussed above in connection with deeds of trust generally. Upon foreclosure by a junior lienor, the property remains subject to all liens senior to the foreclosed lien. Thus, were the Fund to purchase the security property at its own foreclosure sale, it would acquire the property subject to all senior encumbrances.

The standard form of deed of trust used by most institutional lenders, like the one that will be used by the Fund, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any

condemnation proceedings, and to apply such proceeds and awards to any indebtedness secured by the deed of trust, in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the beneficiary under the underlying first deed of trust will have the prior right to collect any insurance proceeds payable under a hazard insurance policy and any award of damages in connection with the condemnation, and to apply the same to the indebtedness secured by the first deed of trust before any such proceeds are applied to repay the Fund's loan. Applicable case law, however, imposes upon the lender the good faith obligation to apply the proceeds toward reconstruction where the lender's security would not be impaired.

“Due-on-Sale” Clauses

The Fund's forms of promissory notes and deeds of trust, like those of most lenders, contain “due-on-sale” clauses permitting the Fund to accelerate the maturity of a loan if the borrower sells the property, but do not usually contain “due-on-encumbrance” clauses which would permit the same action if the borrower further encumbers the property (i.e., executes further deeds of trust). The enforceability of these types of clauses is discussed below:

1. Due-on-Sale. Due-on-sale clauses contained in mortgage loan documents executed by the Fund after October 15, 1982 are enforceable in accordance with their terms. However, acquisition of a property by the Fund by foreclosure on one of its loans would also constitute a “sale” of the property, and would entitle a senior lienholder to accelerate its loan against the Fund. This would be likely to occur if then-prevailing interest rates were substantially higher than the rate provided for under the accelerated loan. In that event, the Fund may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

2. Due-on-Encumbrance. With respect to mortgage loans on residential property containing four or less units, federal and California law prohibits acceleration of the loan merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage loans on other types of property. Although most of the Fund's second mortgages will be on properties that qualify for the protection afforded by federal law, some loans may be secured by apartment buildings or other commercial properties. Second mortgage loans made by the Fund may trigger acceleration of senior liens on such properties if the senior loans contain due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration is anticipated to be minor. Failure of a borrower to pay off the accelerated senior loan would be an event of default and subject the Fund (as junior lienholder) to the attendant risks. (See “Special Considerations in Connection with Junior Encumbrances.”)

SUMMARY OF OPERATING AGREEMENT

The following is a summary of the Operating Agreement for the Fund dated as of November 26, 2002, and is qualified in its entirety by the terms of the Operating Agreement itself. Potential investors are urged to read the entire Operating Agreement which is set forth as Exhibit A to this Offering Circular.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by the Operating Agreement and Chapter 3, Title 2.5 of the California Corporations Code (the “Act”) and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to such Agreement and Act.

Investors who become Members in the Fund in the manner set forth herein will not be responsible for the obligations of the Fund and will be liable only to the extent of their agreed upon capital contributions. Members may be liable for any return of capital plus interest if necessary to discharge liabilities existing at the time of such return. Any cash distributed to Members may constitute, wholly or in part, return of capital.

Members will have no control over the management of the Fund except that with the consent of the Manager, Members representing a majority of the outstanding Fund Membership interests may approve or disapprove any of the following matters: (a) dissolution and termination of the Fund; (b) merger or consolidation of the Fund with one or more other entities; (c) amendment of the Operating Agreement; and (d) removal of the Manager and election of a successor manager. In addition, upon the cessation of the Manager for any reason (such as the withdrawal or resignation of the Manager), a majority in interest of the Members may elect a replacement manager to continue the business of the Fund. Members representing 10% of the membership interests may call a meeting of the Fund.

Capital Contributions

Interests in the Fund will be sold in Units of \$1,000, and no person may acquire less than 25 Units. For purposes of meeting this minimum investment requirement, a person may cumulate Units he or she purchases individually with Units purchased by his or her spouse. To purchase Units an investor must deliver to the Fund a Subscription Agreement in the form attached to this Offering Circular as Exhibit B, together with his or her cash contribution. The Manager and its affiliates may, but are not obligated to, contribute capital to the Fund, in which case the Manager or such affiliates will have all the rights of a Member. Olympia, the Manager, its principal officers or employees may from time to time at their sole discretion loan money to the Fund solely to meet short-term cash needs of the Fund and to fund loan commitments. Interest to be paid by the Fund to the Manager on such loans shall be at a rate not greater than the lesser of the prime rate plus three percent per annum, or the maximum rate allowed by law.

Rights, Powers and Duties of Manager

Subject to the right of the Members to vote on specified matters, the Manager will have complete charge of the business of the Fund. The Manager is not required to devote full time to Fund affairs but only such time as is required for the conduct of Fund business. The Manager acting alone has the power and authority to act for and bind the Fund.

The Manager is granted the special power of attorney of each Member for the purpose of executing the documents which the Members have expressly agreed to execute and deliver or which are required to be executed, delivered and/or filed under applicable law.

Profits and Losses

Profits and losses of the Fund will be allocated to the Members as of the last day of each calendar month in proportion to their respective membership interests outstanding as of such date; provided, however, that if any membership interest is purchased, increased or decreased prior to the end of the month, profit and losses shall be allocated pro rata in proportion to the Member's account balance and the number of days during such month that the Member held that account balance.

An allocation of income will result in an increase to a Member's capital account balance. Conversely, an allocation of losses will result in a decrease to a Member's capital account balance. Upon transfer of Units (if permitted under the Operating Agreement and applicable law), profit and loss will be allocated to the transferee beginning on the date of transfer.

Cash Distributions

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. Investors who choose to change this election must give the Manager 60 days' prior written notice. Investors who elect to receive distributions may change this election in order to begin compounding earnings only if there is in effect a permit issued by the California Department of Corporations. Earnings allocable to investors who elect to compound their earnings will be retained by the Fund for making or investing in further mortgage loans or other proper Fund purposes. The earnings from these further loans will be allocated among all investors; however, investors who compound will be credited with an increasingly larger proportionate share of such earnings than investors who receive monthly distributions, since their capital accounts will increase over time. Cash available for distribution will be determined by computing the Fund's net income during the calendar month on the accrual basis in accordance with GAAP.

Promptly after the end of each calendar month, the Fund will distribute to Members receiving monthly distributions an amount of cash equal to their proportionate share of the Fund's accrued net income during such month. Accrued net income means the excess of accrued income from operations and investment of, or the sale or refinancing or other disposition of, Fund assets during such calendar month less the accrued operating expenses of the Fund during such month, including any reductions for impaired loans and loan loss reserves or other deductions as the Manager may deem appropriate, all determined in accordance with GAAP. To the extent the Fund has no accrued net income in a month, no distributions will be made. Cash available for distribution shall be distributed only to those Members who elect to receive such distributions in an amount equal to their respective allocable shares of Fund profits during such month, and the balance of Fund income will be credited to the capital accounts of Members who elected to compound earnings.

Monthly cash distributions will necessarily be based upon the Manager's good faith estimate of Fund net income during the preceding month, but such estimates are unaudited until after the end of each calendar year and are subject to subsequent adjustment. It is also possible that the Fund will incur losses in months following months in which distributions are made. Therefore, the Manager may cease making distributions to existing members if required to reflect

adjustments resulting from subsequent Fund losses, and monthly distributions are subject to subsequent recharacterization as a return of capital instead of being a share of Fund earnings. (See “Risk Factors – Risks Related to Ownership of Units.”)

Meetings

The Manager, or Members representing ten percent (10%) of the outstanding membership interests, may call a meeting of the Fund. Unless the notice otherwise specifies, all meetings will be held at the office of the Fund. Members may vote in person or by proxy at the Fund meeting. A majority of the membership interests will constitute a quorum at Fund meetings.

Accounting and Reports

The Manager will cause to be prepared and furnished to the Members an annual report of the Fund’s operation, which may (but is not required to) be audited by an independent accounting firm. Within six months of the close of the year covered by the report, a copy or condensed version will be furnished to the Members. The Members will also be furnished such detailed information as is reasonably necessary to enable them to complete their own tax returns within 90 days after the end of the year. Any Members may inspect the books and records of the Fund at any reasonable times and upon reasonable prior notice to the Manager.

Amendment of the Agreement

The Operating Agreement may be amended by the Manager alone (with respect to certain matters), or upon the vote of Members holding a majority of the outstanding membership interests.

Withdrawal from Fund

The Operating Agreement provides that a Member has the right to withdraw or to obtain the return of some or all of the amount paid for the purchase of Units (or reinvested earnings with respect thereto) following six months after the date Units are purchased by giving at least 45 days’ prior written notice to the Manager; however, due to the restrictions on withdrawal discussed below, no withdrawals are currently being made and the Manager is unsure when withdrawals will resume. If withdrawals resume, Members may withdraw all or part of their capital accounts from the Fund. At the discretion of the Manager, such withdrawal may be paid-out in a lump sum, or paid in four quarterly installments beginning on the last day of the calendar quarter in which the 45-day notice of withdrawal is given. All withdrawals are subject to the restrictions discussed below.

The amount that a withdrawing Member will receive from the Fund is based on the withdrawing Member’s capital account. A capital account is a sum calculated for tax and accounting purposes, and may be greater than or less than the fair market value of such investor’s membership Interest in the Fund. The fair market value of a Member’s interest in the Fund will generally be irrelevant in determining amounts to be paid upon withdrawal, except to the extent that the current fair market value of the Fund’s loan portfolio is realized by sales of existing loans (which sales are not required to be made).

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. For this purpose, cash flow is considered to be available only after all current Fund expenses have been paid (including compensation to the Manager), adequate reserves have been established for anticipated Fund expenses, and adequate provision has been made for the payment of all monthly cash distributions on a pro rata basis which must be paid to Members who elected to receive such distributions upon subscription for Units.

If current cash flow of the Fund is inadequate to return a Member's capital account within the time periods stated above, 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 and is merely required to continue paying whatever cash flow is available to withdrawing Members until their liquidation schedules are being adhered to once again.

Notwithstanding anything to the contrary stated above, distributions of capital accounts to any withdrawing Member in any calendar quarter may be limited to \$25,000 per such calendar quarter for such Member, at the sole discretion of the Manager. Additionally, the Manager shall not liquidate (and Members shall not be entitled to withdraw), within any single calendar year, more than 20% of the total Fund capital accounts outstanding at the beginning of such calendar year.

In 2008, the Fund had aggregate withdrawal requests of approximately \$14,900,000. Effective as of October 10, 2008 the Manager suspended all Fund withdrawals to Members other than allowing small monthly allotments to be paid from capital accounts of certain members. As of the date of this Offering Circular, member withdrawals remain suspended. At such time as the Fund Manager determines the Fund's financial stability will not be adversely affected, the Manager will again allow withdrawals (other than small monthly allotments) to be paid out to investors. These withdrawals will continue as cash flow and the Fund stability allow and may stop for any length of time necessary to ensure the Fund's stability as economic conditions change.

Upon dissolution and termination of the Fund, a five-year winding-up period is provided for liquidating the Fund's loan portfolio and distributing cash to Members. Due to high prevailing interest rates or other factors, the Fund could suffer reduced earnings (or losses) if a substantial portion of its loan portfolio remains and must be liquidated quickly at the end of such winding-up period. Members who complete a withdrawal from the Fund prior to any such liquidation will not be exposed to this risk. Conversely, if prevailing interest rates have declined at a time when the loan portfolio must be liquidated, unanticipated profits could be realized by those Members who remain in the Fund until its termination.

Limitations on Transferability

The Operating Agreement places substantial limitations upon transferability of membership interests. Any transferee (including a donee) must be a person or entity which would have been qualified to purchase a Unit in this offering and a transferee may not become a substituted Member without the consent of the Manager. A transferee who does not become a substituted Member will own an economic interest which entitles him or her only to the share of

income or return of capital to which the transferor would be entitled. Economic interest holders will have no voting or inspection rights.

In addition to the restrictions imposed by the Operating Agreement, the California Commissioner of Corporations has imposed additional restrictions on transferability as set forth in Commissioners Rule 260.141.11 which is set forth below.

Term of Fund

The Fund will continue indefinitely until dissolved and terminated by vote of Members holding a majority of the outstanding membership interests with the concurrence of the Manager.

Winding Up

Upon dissolution of the Fund, the Manager will wind up the Fund's affairs as follows: (1) no new loans will be made or purchased; and (2) the Manager or its successor will liquidate the Fund's remaining assets as promptly as is consistent with obtaining the fair current value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan. All funds received by the Fund shall be applied and promptly distributed in accordance with the Act and the Operating Agreement.

In the event the Fund dissolves at a time when there are outstanding unfulfilled withdrawal requests, such withdrawal requests will be of no further force or effect and all Members will thereafter be entitled to receive their pro rata portion of all remaining liquidating distributions of the Fund in accordance with their respective outstanding capital account balances.

Merger with Other Business Entities

The Manager, upon the prior written consent of a majority interest of the Members, will have the right to merge the Fund with one or more other business entities (of which the Manager may be a sponsor or co-sponsor).

PLAN OF DISTRIBUTION

The Units will be offered and sold by the Fund, with respect to which no commissions or fees will be paid to the Manager or its employees. The Manager may also retain the services of independent securities dealers or finders to locate prospective investors, who may receive selling commissions or finders' fees on the gross proceeds of their sales in amounts negotiated on a case-by-case basis, but any such commissions will be paid by the Manager or its affiliates and will not be borne by the Fund. There is no firm commitment to purchase any Units, and there is no assurance that the maximum amount of this offering will be received.

LEGAL MATTERS

The Manager has retained Stein & Lubin LLP of San Francisco, California to advise it in connection with the preparation of this Offering Circular and the Operating Agreement, as well as the offer and sale of the Units offered hereby. Stein & Lubin LLP has not been retained to

provide legal services in connection with the drafting of any of the loan documents, the negotiation or closing of any loans or the servicing or enforcement of any loans, nor has it represented the interests of the Members in connection with the Units offered hereby. Investors purchasing Units that wish to obtain the benefit of review by legal counsel on their behalf must retain their own attorneys to do so.

ADDITIONAL INFORMATION AND UNDERTAKINGS

The Manager undertakes to make available to each offeree every opportunity to obtain any additional information from the Fund or the Manager necessary to verify the accuracy of the information contained in this Offering Circular, to the extent that they possess such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, all the organizational documents of the Fund, and all other documents or instruments relating to the operation and business of the Fund and material to this offering and the transactions contemplated and described in this Offering Circular.

COMMISSIONER'S RULE 260.141.11

In addition to the various restrictions on the transfer of Units imposed by the Operating Agreement and state and federal securities laws generally, no Unit may be sold or transferred or any consideration received therefor without the prior written consent of the California Commissioner of Corporations, except as provided in the Commissioner's Rules. Commissioner's Rule 260.141.11 is set forth below in its entirety.

§260.141.11.Restriction on Transfer

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Section 260.102.6, 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

- (1) to the issuer;
- (2) pursuant to the order or process of any court;
- (3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;
- (4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;
- (5) to holders of securities of the same class of the same issuer;

- (6) by way of gift or donation inter vivos or on death;
 - (7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;
 - (8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;
 - (9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;
 - (10) by way of a sale qualified under Section 25111, 25112, 25113 or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;
 - (11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;
 - (12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;
 - (13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;
 - (14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;
 - (15) by the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;
 - (16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities; or
 - (17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by Subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.
- (c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a

legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

“IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER’S RULES.”

EXHIBIT A
OPERATING AGREEMENT

EXHIBIT B
SUBSCRIPTION AGREEMENT

EXHIBIT C

AUDITED FINANCIAL STATEMENTS