The Rama Fund, LLC & Subsidiaries

Consolidated Financial Statements

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members
The Rama Fund, LLC & Subsidiaries
Calabasas, California

We have audited the accompanying consolidated financial statements of The Rama Fund, LLC & Subsidiaries (all California limited liability companies), which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of income and changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Rama Fund, LLC & Subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Armanino LLP

Armanino LLP
San Ramon, California

February 21, 2018

The Rama Fund, LLC & Subsidiaries
Consolidated Balance Sheet
December 31, 2017

ASSETS

Cash and cash equivalents	$ 8,164,132
Restricted cash	500,000
Mortgage interest receivable	1,080,536
Late fees and other receivables	396,062
Other assets	516,754
Mortgage loans receivable, net	123,703,372
Real estate held for sale	1,263,565
Total assets	$ 135,624,421

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Asset management fees payable	$ 142,690
Loan servicing fees payable	56,405
Performance fees payable	44,208
Accrued interest	57,108
Distributions payable	447,402
Pending withdrawals	217,773
Deferred gain on sales of mortgage loans receivable	71,448
Other accrued liabilities	204,864
Total liabilities	1,241,898
Members' equity	134,382,523
Total liabilities and members' equity	$ 135,624,421

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

The Rama Fund, LLC & Subsidiaries
Consolidated Statement of Income and Changes in Members' Equity
For the Year Ended December 31, 2017

Revenues	
Mortgage interest income	$ 11,138,069
Late fees and other income	231,362
Rental income	496,755
Total revenues	11,866,186
Operating expenses	
Asset management fees	1,294,100
Loan servicing fees	573,326
Performance fees	1,263,378
Provision for losses on loans	839,811
Impairment losses on real estate owned	210,000
Real estate owned holding costs	799,095
Interest expense	752,468
Loan related expenses	184,745
Amortization of line of credit fees	176,386
Professional fees	178,995
Other operating expenses	42,990
Total operating expenses	6,315,294
Income from operations	5,550,892
Other income (expense)	
Gain on sales of mortgage loans receivable	2,599,954
Gain on sales of real estate owned	320,229
Other income	676,775
Total other income (expense)	3,596,958
Income before provision for income taxes	9,147,850
LLC fees and taxes	12,968
Net income	9,134,882
Members' equity, beginning of year	100,478,032
Members' contributions	40,772,833
Members' earnings distributions	(5,272,567)
Members' capital withdrawals	(10,730,657)
Members' equity, end of year	$ 134,382,523

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

The Rama Fund, LLC & Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities	
Net income	$ 9,134,882
Adjustments to reconcile net income to net cash provided by operating activities	
Provision for losses on loans	839,811
Impairment losses on real estate owned	210,000
Gain on sales of real estate owned	(320,229)
Amortization of line of credit fees	176,386
Gain on sales of mortgage loans receivable	(2,599,954)
Changes in operating assets and liabilities	
Mortgage interest receivable	(126,306)
Late fees and other receivables	(5,875)
Other assets	31,166
Asset management fees payable	44,449
Loan servicing fees payable	21,228
Performance fees payable	44,208
Accrued interest	6,949
Other accrued liabilities	113,245
Net cash provided by operating activities	7,569,960
Cash flows from investing activities	
Loans funded or acquired	(225,818,132)
Proceeds from sales of loans	156,541,452
Principal collected on loans	58,395,714
Capital improvements on real estate held	(256,867)
Proceeds from sales of real estate owned	3,048,081
Net cash used in investing activities	(8,089,752)
Cash flows from financing activities	
Line of credit origination fees	(553,980)
Net payments on line of credit	(13,446,902)
Members' contributions	40,772,833
Members' earnings distributions	(5,221,593)
Members' capital withdrawals	(14,093,053)
Net cash provided by financing activities	7,457,305
Net increase in cash, cash equivalents and restricted cash	6,937,513
Cash, cash equivalents and restricted cash, beginning of year	1,726,619
Cash, cash equivalents and restricted cash, end of year	$ 8,664,132

Cash, cash equivalents and restricted cash consisted of the following:	
Cash and cash equivalents	$ 8,164,132
Restricted cash	500,000
	$ 8,664,132

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

The Rama Fund, LLC & Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	$	859,735
LLC fees and taxes	$	12,968

Supplemental schedule of noncash investing and financing activities

Member's earnings distributions included in distributions payable	$	447,402
Member's capital withdrawals included in pending withdrawals	$	217,773

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

1. NATURE OF OPERATIONS

The Rama Fund, LLC is a California limited liability company that was organized to engage in business as a mortgage lender for the purpose of making loans to the general public and acquiring existing loans, primarily secured by deeds of trust and mortgages on real estate throughout the United States. The Rama Fund, LLC and Subsidiaries (the "Fund") is managed and loans are serviced by Rama Capital Partners, LLC a California limited liability company (the "Manager" or "Servicer"). The Fund receives certain operating and administrative services from the Manager, some of which are not reimbursed to the Manager. The Fund's financial position and results of operations would likely be different absent this relationship with the Manager.

The Fund will continue until December 31, 2038, with a provision for an extension up to ten years, at the sole discretion of the Manager, with further extensions provided by majority vote of the members, unless dissolved sooner. The Fund will dissolve and terminate sooner under any of the following circumstances:

- the majority vote of the members to dissolve;
- the sale of all or substantially all of the Fund's assets;
- any event that makes the Fund ineligible to conduct its activities as a limited liability company under the Revised Uniform Limited Liability Company Act (formerly the Beverly-Killea Limited Liability Company Act), or,
- otherwise by operation of law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Fund's consolidated financial statements include the accounts of its wholly-owned subsidiaries, 1717 Crimson Circle, LLC, 6513 Kennedy Ave, LLC, 2711-2715 Riverside Drive and 1333 West Fairview, LLC and 8216-8218 So. Ellis Ave & 156th St., LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and cash equivalents

The Fund considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents. Cash on deposit occasionally exceeds federally insured limits. The Fund believes that it mitigates this risk by maintaining deposits with major financial institutions.

Restricted cash

The Fund's revolving line of credit requires that the Fund maintain, on deposit in a reserve account, funds in an amount equal to not less than the greater of (i) $500,000 or (ii) two percent (2%) of the principal balance outstanding under the line of credit. The Fund had restricted cash of $500,000 at December 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates and related risks

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Such estimates relate principally to the determination of the allowance for loan losses and fair value of real estate owned. Although these estimates reflect management's best estimates, it is at least reasonably possible that a material change to these estimates could occur in the near term.

The fair value of real estate, in general, is impacted by current real estate and financial market conditions. The real estate and mortgage lending financial markets have stabilized with many of the markets in which the Fund has loans or real estate owned showing signs of appreciating fair values in 2017. However, should these markets experience significant declines, the resulting collateral values of the Fund's loans and the fair value of its real estate owned will likely be negatively impacted. The impact to such values could be significant and as a result, the Fund's actual loan losses and proceeds from the sale or use of real estate owned could differ significantly from management's current estimates.

Mortgage loans receivable

Mortgage loans, which the Fund has the intent and ability to hold for the foreseeable future or to maturity, generally are stated at their outstanding unpaid principal balance with interest thereon being accrued as earned. Mortgage loans receivable make up the only class of financing receivables within the Fund's lending portfolio. As a result, further segmentation of the loan portfolio is not considered necessary.

If the probable ultimate recovery of the carrying amount of a loan, with due consideration for the fair value of collateral, is less than amounts due according to the contractual terms of the loan agreement and the shortfall in the amounts due are not insignificant, the carrying amount of the investment shall be reduced to the present value of future cash flows discounted at the loan's effective interest rate. If a loan is collateral dependent, it is valued at the estimated fair value of the related collateral.

Interest is accrued daily on the principal of the loans. If events and or changes in circumstances cause management to have serious doubts about the further collectibility of the contractual payments, a loan may be categorized as impaired and interest is no longer accrued. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances including accrued interest and advances. The Fund did not consider any loans to be impaired during 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts

Loans and the related assets are analyzed on a periodic basis for recoverability. Delinquencies are identified and followed as part of the loan system. A provision is made for loan losses to adjust the allowance for loan losses to an amount considered by management to be adequate, with due consideration to collateral value, to provide for unrecoverable loans and receivables, including impaired loans, accrued interest and advances on loans. As a collateral-based lender, the Fund does not consider credit risks which may be inherent in a further segmented loan portfolio as a basis for determining the adequacy of its allowance for loan losses but rather focuses solely on the underlying collateral value of the loans in its portfolio to do so. As a result, the Fund does not consider further segmentation of its loan portfolio and related disclosures necessary. The Fund writes off uncollectible loans and related receivables directly to the allowance for loan losses once it is determined that the full amount is not collectible.

Real estate owned

Real estate acquired through or in lieu of loan foreclosure that is to be held for any purpose other than use in operations, is initially recorded at fair value less estimated selling cost at the date of foreclosure if the plan of disposition is by way of sale. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, real estate held for sale is carried at the lower of the new cost basis or fair value less estimated costs to sell.

Costs of real estate improvements are capitalized, whereas costs relating to holding real estate are expensed. The portion of interest costs relating to development of real estate is capitalized.

Impairment losses of real estate held and held for sale are measured as the amount by which the carrying amount of a property exceeds its fair value less estimated costs to sell. Impairment losses of real estate held for use are determined by comparing the expected future undiscounted cash flows of the property, including any costs that must be incurred to achieve those cash flows, to the carrying amount of the property. If those cash flows are less than the carrying amount of the property, impairment is measured as the amount by which the carrying amount of the asset exceeds its fair value. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations.

The Fund owns real estate owned properties that were transferred into single-member limited liability companies ("LLCs") with the Fund being the sole member of the LLCs. The LLCs have been consolidated into the Fund's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Fund determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Fund's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Fund's own data.

The Fund does not record loans at fair value on a recurring basis but uses fair value measurements of collateral security in the determination of its allowance for loan losses. The fair value for real estate owned and impaired secured loans is determined using the sales comparison, income and other commonly used valuation approaches.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Secured loans (Level 2 or Level 3). For loans in which a specific allowance is established based on the fair value of the collateral, the Fund records the loan as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the Fund records the loan as nonrecurring Level 3.

- Real estate owned (Level 2 or Level 3). At the time of foreclosure, real estate owned is recorded at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell, as applicable. The Fund periodically compares the carrying value of real estate held for use to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value. The Fund records the real estate owned as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the Fund records the real estate owned as nonrecurring Level 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

There have been no changes to the methodologies used at December 31, 2017.

Subscription liabilities and subscription funds in transit

The Fund accepts subscription agreements and funds from prospective investors who wish to become members of the Fund. If approved for admittance into the Fund, the subscription funds are maintained in a separate subscription account until such time as the funds are needed in the normal course of the Fund's operations. Once the subscription funds are needed in the normal course of the Fund's operations, the subscription funds will be transferred into the Fund's operating account and the liability will be recognized as member contributions on behalf of the subscribing member. There were no subscription funds pending investment into the Fund as of December 31, 2017.

Due to the calculation of the performance fee, the Fund does not allow mid-month contributions or withdrawals. If the subscription funds are needed in the normal course of the Fund's operations on any day other than the day of earnings distributions, the subscription funds will be borrowed at an annual rate of 7% for the odd days within the month the borrowing took place. After the monthly distribution is processed, the subscription funds in transit, plus any interest accrued thereon, will be recognized as member contributions on behalf of the subscribing member. During the year ended December 31, 2017, the Fund incurred interest expense totaling $29,878 on subscription funds in transit.

Income taxes

The Fund is a limited liability company for federal and state income tax purposes. Under the laws pertaining to income taxation of limited liability companies, no federal income tax is paid by the Fund as an entity. Each individual member reports on their federal and state income tax returns their share of Fund income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Accordingly, no provision for income taxes besides the $800 minimum state franchise tax and the applicable LLC gross receipts fees are reflected in the accompanying financial statements.

The Fund has evaluated its current tax positions and has concluded that as of December 31, 2017, the Fund does not have any significant uncertain tax positions for which a reserve would be necessary.

New accounting standards

The Fund elected to early adopt the provisions of the Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-18. Under ASU 2016-18, restricted cash is presented with cash and cash equivalents in the statement of cash flows. The Fund applied this change on a retrospective basis beginning in 2017. There was no change to beginning cash, cash equivalents and restricted cash as presented in the statement of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Fund has evaluated subsequent events through February 21, 2018, the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the Fund's financial statements.

3. FUND PROVISIONS

The Fund is a California limited liability company. The rights, duties and powers of the members of the Fund are governed by the operating agreement and Chapter 3, Title 2.5 of the California Corporations Code. The following description of the Fund's operating agreement provides only general information. Members should refer to the Fund's operating agreement and private placement memorandum for a more complete description of the provisions. The Manager is in complete control of the Fund business, subject to the voting rights of the members on specified matters. The Manager acting alone has the power and authority to act for and bind the Fund.

Without the approval by members representing a majority of the outstanding Fund membership interests, the Manager may not take the following actions: (i) the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Fund's assets; (ii) merger or consolidation of the Fund with one or more other entities; or (iii) an undertaking involving a debt or obligation which would exceed the amount provided for in the private placement memorandum.

The members may remove the Manager if the Manager commits an act of willful misconduct which materially adversely damages the Fund or Members representing 70% of the outstanding Fund membership interests vote in favor of such removal.

Profits and losses

Profits and losses accrued during any accounting period are allocated among the members in accordance with their respective membership interests maintained throughout that accounting period.

Election to receive distributions

Members are entitled, on a non-compounding basis, payable monthly in arrears, 7% per annum non-guaranteed priority return ("Priority Return") on their invested capital. The Manager will share in any such distribution to the extent it acquires and holds membership interests.

Once all accrued Priority Return distributions have been made, remaining net income from operations generally shall be distributed 50% to the Fund's members, including the Manager to the extent it holds memberships interests, and 50% to the Manager as a performance fee.

3. FUND PROVISIONS (continued)

Liquidity, capital withdrawals and early withdrawals

There is no public market for units of the Fund and none is expected to develop in the foreseeable future. There are substantial restrictions on transferability of membership interests. Any transferee must be a person that would have been qualified to purchase a member unit in the offering and a transferee may not become a substituted member without the consent of the Manager.

A member may withdraw as a member of the Fund and may receive a return of capital provided that the following conditions have been met: (i) the member has been a member of the Fund for a period of at least twelve (12) months; and (ii) the member provides the Fund with a written request for a return of capital at least 90 days prior to such withdrawal. The twelve (12) months will be rounded to the nearest subsequent quarter going forward. (i.e. if the 12 months falls during the middle of a quarter, it will be rounded over to the next later quarter for purposes of calculating as of when the withdrawal will be permitted). The Fund shall not permit any mid-quarter withdrawals. The Fund will use its best efforts to honor requests for a return of capital subject to, among other things, the Fund's then cash flow, financial condition, and prospective loans. Each quarter, redemption requests shall be limited to seven percent (7%) of the total outstanding membership interests of the Fund (the "Gate"). If redemption requests exceed the Gate, all withdrawal requests will be limited to a maximum of seven percent (7%) of the total outstanding membership interests of the Fund and distributed pro-rata amongst the requesting members based on their capital accounts. Any remaining requests will be disregarded and the members will be required to resubmit their redemption request pursuant to the terms discussed herein. If the Fund is unable to accommodate all outstanding withdrawal requests in a quarter, the Fund will not be permitted to make new investments in trust deeds during that quarter. However, redemption requests will not be honored if the Manager determines, at its sole and absolute discretion that honoring the redemption requests will be detrimental to the Fund. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a member is experiencing undue hardship.

For existing members, who were members on or before January 1, 2015, such members shall be able to withdraw/redeem their membership interests, subject to the terms contained herein, on the earlier of the two following dates: (i) twenty four (24) months from the date of admission as a member, rounded to the nearest subsequent quarter; or (ii) twelve (12) months from January 1, 2015, rounded to the nearest subsequent quarter.

4. MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable, net consisted of the following:

Mortgage loans receivable	$ 125,908,388
Allowance for loan losses	(2,205,016)
	$ 123,703,372

4. MORTGAGE LOANS RECEIVABLE (continued)

Activity in the allowance for loan losses is as follows:

Balance, beginning of year	$ 1,391,997
Provision for losses on loans	839,811
Write-offs	(26,792)
Balance, end of year	$ 2,205,016

Allocation of the allowance for loan losses by collateral type consist of the following:

Single-family	$ 1,766,702
Multi-family	255,232
Commercial	183,082
	$ 2,205,016

The allocation of the allowance for loan losses by collateral type shown is a pro rata distribution based on the Fund's portfolio composition as of December 31, 2017. However, the Fund's allowance for loan losses of $2,205,016 at December 31, 2017 is available to absorb losses on loans regardless of property type.

5. REAL ESTATE OWNED

Real estate owned consisted of the following:

2711-2715 Riverside Drive and 1333 West Fairview, LLC	$ 1,213,435
8216-8218 So. Ellis Ave & 156th St., LLC	50,130
	$ 1,263,565

Real estate owned activity during the year is as follows:

Balance, beginning of year	$ 3,944,550
Capitalized improvements of real estate owned	256,867
Sales of real estate owned	(2,727,852)
Impairment losses on real estate owned	(210,000)
Balance, end of year	$ 1,263,565

6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Fund's assets measured at fair value on a non-recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Fair Value
Real estate owned	$ -	$ -	$ 1,263,565	$ 1,263,565

7. LINE OF CREDIT

The Fund's previous revolving line of credit and term loan agreement had a maturity date of June 4, 2017 with the option to covert to a term loan upon maturity. During the year ended December 31, 2017, the Fund extended the line of credit maturity date to December 4, 2017 and increased the line of credit limit to $40,000,000. The Fund paid off the line of credit upon maturity.

On November 28, 2017, the Fund entered into a new revolving line of credit agreement with another financial institution. The line of credit agreement has a maximum borrowing limit of $50,000,000. The line of credit is intended to be used to facilitate short-term loan fundings on an as needed basis. Interest accrues at the per annum rate of the greater of 3.25% or the sum of 3.25% in excess of the LIBOR rate, which will change immediately upon a change in the LIBOR rate. At December 31, 2017, the line of credit interest rate was 4.71%. The line of credit matures on November 28, 2020 and is secured by certain assets of the Fund.

The line of credit agreement contains various covenants and restrictions. The Fund was in compliance with these covenants and restrictions at December 31, 2017. The line of credit agreement is also personally guaranteed by the members of the Manager. At December 31, 2017, there was no outstanding balance on the line of credit.

Certain origination and set-up fees associated with the line of credit agreement are included in other assets and are being amortized to operating expenses over the term of the agreement. Amortization of origination and set-up fees totaled $176,386 for the year ended December 31, 2017.

Interest expense incurred on the Fund's lines of credit totaled $722,590 for the year ended December 31, 2017.

8. LOAN SALES

During 2017, the Fund entered into several mortgage loan purchase agreements whereby the Fund sold loans to third party and related party buyers. The loans were either sold at par or at a premium, which resulted in gains on sales of mortgage loans receivable. Due to various repurchase requirements contained within some of the agreements that expire over time, the Fund deferred the recognition of a portion of the gains on sales. The deferred gain is then amortized to income based on the expiration of the repurchase requirements and the Fund's loan repurchase experience from previous, similar transactions.

8. LOAN SALES (continued)

During the year ended December 31, 2017, the Fund sold a total of approximately $154,000,000 of loans and recognized $2,599,954 of gains on sales of mortgage loans receivable. As of December 31, 2017, the Fund had $71,448 of deferred gains on sales of mortgage loans receivable. Of the total loans sold, the Fund sold approximately $7,950,000 of non-performing loans to a related party. The related party purchased the non-performing loans from the Fund at par. The Fund shall own and be entitled to any accrued interest and other outstanding charges related to the sold loans as of the sale date. The amount of accrued interest and other outstanding charges on related party loan sales still held by the Fund as of December 31, 2017, amounted to approximately $43,000. The Fund's allowance for loan losses at December 31, 2017 is sufficient to cover the write off of any uncollected amounts, if necessary.

9. RELATED PARTY TRANSACTIONS

Loan origination fees

For its services in connection with the selection and origination of Fund loans, the Manager or its affiliates may charge loan origination fees to the borrowers. These fees are paid directly by the borrowers and are not expenses of the Fund.

Asset management fees

Asset management fees, which are calculated at 1% per annum based on the total assets under management as of the first day of the month, are payable monthly to the Manager. Asset management fees amounted to $1,294,100 for the year ended December 31, 2017. The Fund had asset management fees payable to the Manager of $142,690 at December 31, 2017.

Loan servicing fees

Loan servicing fees, which are calculated at 0.5% to 1.0% of the principal amount of each Fund loan, are payable monthly to the Servicer as interest is received by the Fund. Loan servicing fees amounted to $573,326 for the year ended December 31, 2017. The Fund had a payable to the Servicer for loan servicing fees of $56,405 at December 31, 2017.

Performance fees

As described in Note 3, after payment to members of a Priority Return, the Manager is eligible to receive performance fees. Performance fees amounted to $1,263,378 for the year ended December 31, 2017. The performance fees payable to the Manager amounted to $44,208 at December 31, 2017. The Manager waived approximately $26,000 of performance fees during the year ended December 31, 2017.

9. RELATED PARTY TRANSACTIONS (continued)

Other fees

The operating agreement provides for other fees, such as loan processing and documentation fees, to be charged by the Manager. Such fees are incurred by the borrowers and are not expenses of the Fund.

Operating expenses

The Fund will bear the cost of monthly operating expenses, the annual tax preparation of the Fund's tax returns, any state and federal income tax due, legal fees, accounting fees, filing fees, and any required independent audit reports required by agencies governing the business activities of the Fund. For the year ended December 31, 2017, the Manager has elected to absorb all operating and administrative expenses of the Fund besides those which have been recorded in the Fund's statement of income and changes in members' equity.

10. LOAN CONCENTRATIONS AND CHARACTERISTICS

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

Number of secured loans outstanding		300
Total secured loans outstanding	$	125,908,388
Average secured loan outstanding	$	419,695
Average secured loan as a percent of total secured loans		0.33 %
Average secured loan as a percent of members' equity		0.31 %
Largest secured loan outstanding	$	7,500,000
Largest secured loan as a percent of total secured loans		5.96 %
Largest secured loan as percent of members' equity		5.58 %
Number of secured loans over 90 days past due in interest and still accruing		15
Approximate investment in secured loans over 90 days past due in interest and still accruing	$	4,900,000
Number of secured loans in foreclosure		7
Approximate principal balance of secured loans in foreclosure	$	1,300,000
Number of secured loans on non-accrual status	$	-
Approximate investment in secured loans on non-accrual status	$	-
Number of secured loans considered to be impaired		-
Approximate investment in secured loans considered to be impaired	$	-
Average investment in secured loans considered to be impaired	$	-
Approximate amount of foregone interest on loans considered to be impaired	$	-
Estimated amount of impairment on loans considered to be impaired (included in the allowance for loan losses)	$	-
Number of secured loans over 90 days past maturity		1
Approximate principal balance of secured loans over 90 days past maturity	$	400,000
Number of states in which secured loans are located		13
Number of counties in which secured loans are located		72

10. LOAN CONCENTRATIONS AND CHARACTERISTICS (continued)

The Fund's loans are secured by recorded first deeds of trust on real property located in various states. The various states in which secured property is located are as follows:

	Loan Balances	Percentages
State		
California	$ 93,214,767	74.03 %
Other*	32,693,621	25.97
	$ 125,908,388	100.00 %

* Other does not include any states with loan concentrations greater than 10%.

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

	Loan Balances	Percentage
County		
Los Angeles	$ 37,535,470	29.81 %
Orange	17,920,496	14.23
Other **	70,452,422	55.96
	$ 125,908,388	100.00 %

** Other does not include any counties with loan concentrations greater than 10%.

The following categories of secured loans were held as follows:

First trust deeds	$ 125,908,388
Loans by type of property	
Single family residences	$ 100,880,270
Multi-family	14,574,000
Commercial	10,454,118
	$ 125,908,388

10. LOAN CONCENTRATIONS AND CHARACTERISTICS (continued)

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

Days outstanding	
Current (0 to 30 days)	$ 111,031,853
31 to 90 days	10,281,323
91 days and greater	4,595,212
	$ 125,908,388

The future maturities of secured loans are as follows:

Year ending December 31,	
2018	$ 39,524,635
2019	40,153,753
2020	17,702,638
2021	2,208,242
2022	6,063,148
Thereafter	20,255,972
	$ 125,908,388

The scheduled maturities for 2018 include one loan totaling approximately $400,000, which was past maturity at December 31, 2017.

It is the Fund's experience that often times mortgage loans are either extended or repaid before contractual maturity dates, refinanced at maturity or may go into default and not be repaid by the contractual maturity dates. Therefore, the above tabulation is not a forecast of future cash collections.

11. COMMITMENTS AND CONTINGENCIES

Legal proceedings

The Fund is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a significant adverse effect on the results of operations or financial position of the Fund.