Audited Financial Statements
504 ACE Loan Fund I (2004), LLC
Year ended December 31, 2009
With Report of Independent Auditors

Report of Independent Auditors

To the Members
504 ACE Loan Fund I (2004), LLC
(A Limited Liability Company)

We have audited the accompanying balance sheet of 504 ACE Loan Fund I (2004), LLC (A Limited Liability Company) (the "Fund") as of December 31, 2009, and the related statements of income, members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 504 ACE Loan Fund I (2004), LLC as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vasquez + Company LLP

Los Angeles, California
March 30, 2010

504 ACE Loan Fund I (2004), LLC
Balance Sheet
December 31, 2009

ASSETS

Cash and cash equivalents	$	237,744
Notes receivable, net of allowance for doubtful accounts of $164,221		2,167,197
Interest receivable		9,874
Total assets	$	2,414,815

LIABILITIES AND NET ASSETS

Liabilities		
Due to related party	$	2,171
Customer deposit		4,412
Total liabilities		6,583
Members' equity		
Members' equity		2,167,408
Members' equity - related party		240,824
		2,408,232
Total liabilities and members' equity	$	2,414,815

See notes to financial statements.

Revenue		
Interest on notes receivable	$	121,495
Interest income		659
Total operating revenues		122,154
Operating expenses		
Audit and tax preparation fees		17,796
Management fees		11,146
Accounting services		4,200
Taxes		2,600
Miscellaneous		1,241
Total operating expenses		36,983
Net income	$	85,171

See notes to financial statements.

504 ACE Loan Fund I (2004), LLC
Statement of Members' Equity
Year ended December 31, 2009

	LDC Management Services, LLC	Bank of the West	City National Bank	Comerica Capital Advisors Inc.	Mellon 1St Bank	U S Bankcorp Community Dev. Corp.	Union Bank of California NA	JP Morgan Chase	Wells Fargo Community Dev. Corp.	Total Members' Equity
Balance, December 31, 2008	$ 246,950	$ 246,950	$ 246,950	$ 49,389	$ 49,389	$ 246,950	$ 444,508	$ 493,898	$ 444,508	$ 2,469,491
Capital Distributions	(8,643)	(8,643)	(8,643)	(1,729)	(1,729)	(8,643)	(15,557)	(17,286)	(15,557)	(86,430)
Income Distributions	(6,000)	(6,000)	(6,000)	(1,200)	(1,200)	(6,000)	(10,800)	(12,000)	(10,800)	(60,000)
Net Income	8,517	8,517	8,517	1,703	1,703	8,517	15,331	17,035	15,331	85,171
Balance, December 31, 2009	$ 240,824	$ 240,824	$ 240,824	$ 48,164	$ 48,164	$ 240,824	$ 433,482	$ 481,647	$ 433,482	$ 2,408,232
Ownership Interest	10%	10%	10%	2%	2%	10%	18%	20%	18%	100%

See notes to financial statements.

504 ACE Loan Fund I (2004), LLC
Statement of Cash Flows
Year ended December 31, 2009

Cash flows from operating activities		
Net income	$	85,171
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Change in operating assets and liabilities:		
Interest receivable		545
Due to related party		(2,912)
Customer deposit		1,557
Net cash provided by operating activities		84,361
Cash flows from investing activities		
Principal payments on notes receivable		95,641
Capital distributions		(86,430)
Income distributions		(60,000)
Net cash used in financing activities		(50,789)
Change in cash and cash equivalents		33,572
Cash and cash equivalents, beginning of year		204,172
Cash and cash equivalents, end of year	$	237,744

See notes to financial statements.

NOTE 1 ORGANIZATION AND LINE OF BUSINESS

General

504 ACE Loan Fund I (2004), LLC (A Limited Liability Company) (the "Fund") was inaugurated on September 23, 2004 to promote access to capital by purchasing and originating new loans which finance the activities of minority and women led businesses or nonprofit organizations in conjunction with promoting community development in certain geographically targeted areas. The Fund was capitalized with $10 million from accredited investors, of which a 10% interest is owned by LDC Management Services LLC, a wholly-owned subsidiary of Los Angeles LDC, Inc. ("LA LDC"). LA LDC manages the day-to-day operations and affairs of the Fund and charges the Fund a management fee of 0.5% per annum of the aggregate Notes Receivable balances, calculated monthly.

At the Fund's inauguration, It purchased seventeen (17) separate secured community development loans from LA LDC, and subsequently purchased seven (7) more loans from LA LDC, of which a total of six (6) remain outstanding as of December 31, 2009. The loans purchased by the Fund are its primary assets and are evidenced by promissory notes from the various borrowers. There is only one (1) "class" of membership interest, and such interests are proportional to the members' initial capital contribution.

The Fund shall continue to operate until December 31, 2029, unless terminated sooner under the Fund's operating agreement. The Fund does not plan to provide new loans to businesses or organizations. When outstanding loans are paid off, the members currently plan to dissolve the Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Fund's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers its investment in a money market account to be a cash equivalent. In addition, the Fund considers all cash accounts not subject to withdrawal restrictions and certificates of deposit with original maturities of ninety (90) days or less to be cash or cash equivalents.

Revenue Recognition

The Fund earns revenues primarily through charging borrowers interest on their borrowings. Interest income is recognized in the month it is earned. Interest earned in a month is typically paid by the borrower with the subsequent month's regular payment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable

Notes receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, reduced by an allowance for doubtful accounts.

Allowance for Doubtful Accounts

Notes receivable are periodically evaluated for collectability based on past payment history and the borrower's current financial condition. Management evaluates each note receivable separately and has established an allowance for doubtful accounts of 1 to 25% of each note receivable at December 31, 2009.

Income Taxes

The Fund is not a taxpaying entity for federal income tax purposes. In addition to the minimum California tax of $800, an LLC is subject to an annual fee based on total income on a progressive scale ranging from $0 to $11,790. Income of the Fund is taxed in the respective tax returns of the members.

Estimates

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

At December 31, 2009, the Fund's credit risk was inherent principally in its notes receivable. A downturn in the economy could result in an increase in defaults by borrowers in paying off the notes. However, the Fund's credit risk is substantially decreased by the secured nature of the notes receivable as most of the notes are collateralized by real estate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In July 2006, the FASB issued the Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2009, the FASB provided for a deferral of the effective date of ASC Topic 740 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2009. The Fund has elected this deferral. The Fund does not expect ASC Topic 740 to have a material impact on its financial statements. Prior to adoption of ASC Topic 740, the Fund will continue to evaluate its uncertain tax positions and related income tax contingencies under ASC Topic 450, *Contingencies*. ASC Topic 450 requires the Fund to accrue for losses it believes are probable and can be reasonably estimated.

NOTE 3 CASH AND CASH EQUIVALENTS

The Fund maintains its cash balances in several banks and financial institutions in Southern California. Bank balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, cash balances are in excess of the federally insured limit. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 NOTES RECEIVABLE

At December 31, 2009, notes receivable consisted of the following:

Notes receivable	$	2,331,418
Less allowance for uncollectible accounts		164,221
Net	$	2,167,197

Notes receivable at December 31, 2009 become due as follows:

Current - 5 years	$	149,996
5 years - 10 years		-
More than 10 years		2,181,422
Total	$	2,331,418

NOTE 4 NOTES RECEIVABLE (CONTINUED)

Notes receivable at December 31, 2009 comprised six (6) notes to four (4) borrowers. The largest single note receivable at December 31, 2009 was approximately $945,000, which represented more than 41% of the total loan portfolio.

During the year ended December 31, 2009, the members of the Fund, who were experienced lenders in the banking industry, have provided loan loss reserves of 1% on each of the outstanding note receivable, with the exception of two notes receivable that were in default. A 25% loss reserve was provided for the accounts in default during the year.

NOTE 5 MEMBERS' CONTRIBUTIONS

The allocation of members' profits and losses in the Fund are based on the members' respective percentage interests in the Fund, which is based on the relative percentage of the members' initial capital contribution to the Fund. At the date of inception, the initial capital contributions and percentage interests were as follows:

		Capital Contribution	Percentage Interest
Mellon 1st Business Bank	$	200,000	2%
LDC Management Services, LLC		1,000,000	10%
Comerica Capital Advisors Inc.		200,000	2%
JP Morgan Chase		2,000,000	20%
US Bank Corp Community Development Corporation		1,000,000	10%
City National Bank		1,000,000	10%
Union Bank of California		1,800,000	18%
Bank of the West		1,000,000	10%
Well Fargo Community Development Corporation		1,800,000	18%
Total	$	10,000,000	100%

NOTE 6 RELATED PARTY TRANSACTIONS

LA LDC manages the Fund's operations. The Operating Agreement calls for an annual management fee of 0.5% of the aggregate notes receivable balance each month. Management fees earned by LA LDC during the year ended December 31, 2009 aggregated $11,146. The balance owed to LA LDC at December 31, 2009 was $2,171.

There were no loans purchased from LA LDC during the year ended December 31, 2009. As of December 31, 2009, the related party members' equity is $240,824.