Audited Financial Statements
504 ACE Loan Fund I (2004), LLC
Years ended December 31, 2010 and 2009
With Report of Independent Auditors

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Report of Independent Auditors

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

We have audited the accompanying balance sheets of 504 ACE Loan Fund I (2004), LLC (A Limited Liability Company) (the "Fund") as of December 31, 2010 and 2009, and the related statements of income, members' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vasquez + Company LLP

Los Angeles, California
April 8, 2011

	December 31	
	2010	2009
ASSETS		
Cash and cash equivalents	$ 109,224	$ 237,744
Notes receivable, net of allowance for doubtful accounts of $15,044 in 2010 and $164,221 in 2009	1,489,374	2,167,197
Interest receivable	6,475	9,874
Total assets	$ 1,605,073	$ 2,414,815
LIABILITIES AND NET ASSETS		
Liabilities		
Due to related party	$ 3,808	$ 2,171
Customer deposit	-	4,412
Total liabilities	3,808	6,583
Members' equity		
Members' equity	1,441,138	2,167,408
Members' equity - related party	160,127	240,824
	1,601,265	2,408,232
Total liabilities and members' equity	$ 1,605,073	$ 2,414,815

See notes to financial statements.

		Year ended December 31		
		2010		**2009**
Revenue				
Interest on notes receivable	$	103,825	$	121,495
Recovery of allowance for doubtful accounts		124,037		-
Interest income		575		659
Total operating revenues		228,437		122,154
Operating expenses				
Audit and tax preparation fees		3,760		17,796
Management fees		8,097		11,146
Accounting services		4,550		4,200
Taxes		563		2,600
Miscellaneous		934		1,241
Total operating expenses		17,904		36,983
Net income	$	210,533	$	85,171

See notes to financial statements.

	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, January 1, 2009	$ 246,950	$ 246,950	$ 246,950	$ 49,389	$ 49,389	$ 246,950	$ 444,508	$ 493,897	$ 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%
Balance, January 1, 2010	$ 240,824	$ 240,824	$ 240,824	$ 48,164	$ 48,164	$ 240,824	$ 433,482	$ 481,647	$ 433,482	$ 2,408,232
Capital Distributions	(80,050)	(80,050)	(80,050)	(16,010)	(16,010)	(80,050)	(144,090)	(160,100)	(144,090)	(800,500)
Income Distributions	(21,700)	(21,700)	(21,700)	(4,340)	(4,340)	(21,700)	(39,060)	(43,400)	(39,060)	(217,000)
Net Income	21,053	21,053	21,053	4,211	4,211	21,053	37,896	42,107	37,896	210,533
Balance, December 31, 2010	$ 160,127	$ 160,127	$ 160,127	$ 32,025	$ 32,025	$ 160,127	$ 288,228	$ 320,254	$ 288,228	$ 1,601,265
Ownership Interest	10%	10%	10%	2%	2%	10%	18%	20%	18%	100%

See notes to financial statements.

	Year ended December 31	
	2010	2009
Cash flows from operating activities		
Net income	$ 210,533	$ 85,171
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Recovery of allowance for doubtful accounts	(124,037)	-
Change in operating assets and liabilities:		
Interest receivable	3,399	545
Due to related party	1,637	(2,912)
Customer deposit	(4,412)	1,557
Net cash provided by operating activities	87,120	84,361
Cash flows from investing activities		
Principal payments on notes receivable	801,860	95,641
Capital distributions	(800,500)	(86,430)
Income distributions	(217,000)	(60,000)
Net cash used in financing activities	(215,640)	(50,789)
Change in cash and cash equivalents	(128,520)	33,572
Cash and cash equivalents, beginning of year	237,744	204,172
Cash and cash equivalents, end of year	$ 109,224	$ 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 three (3) remain outstanding as of December 31, 2010. 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 are recorded in the accompanying financial statements at face value less payments received. Interest on these loans is accrued monthly as earned, except where a reasonable doubt exists as to the collectibility of the interest, in which case the accrual of income is discontinued. Cash receipts are allocated between interest earned and principal payment of the loan. Lending fees and costs are deferred and amortized over the life of the loan.

Allowance for Doubtful Accounts

Loan losses are charged against the allowance for doubtful accounts. Notes receivable are periodically evaluated for collectability based on past payment history and the borrower's current financial condition. Accounts are charged off against the allowance when the Fund believes they are uncollectible. Receivables are considered past due or delinquent based on contractual terms. Management evaluates each note receivable separately and has established an allowance for doubtful accounts of 1% of each note receivable at December 31, 2010. At December 31, 2009, management established an allowance for doubtful accounts of 1% to 25% of each note receivable. A 25% loss reserve was provided for the accounts in default during the year.

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 generally accepted accounting principles 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 revenues and expenses during the reporting period. Significant estimates include the determination of allowance for doubtful accounts. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Fund to concentrations of credit risk - consist principally of cash and cash equivalents and notes receivable. The credit risk in cash and cash equivalent is decreased because the Fund places its cash balances in reputable financial institutions. 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.

Custodial Credit Risk

Custodial credit risk is the risk that the Fund will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial Credit Risk (continued)
Financial instruments that potentially subject the Funds to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December 31, 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered. The legislation also modifies the methodology for FDIC assessments from deposit based to asset based. In addition, on July 21, 2010, the regulatory reform signed into law made the standard maximum deposit insurance amount of $250,000 permanent. The $250,000 per depositor is in addition to the full insurance on noninterest-bearing transaction accounts.

Estimated Fair Value of Financial Instruments
Financial instruments included in the Fund's statement of financial position include cash and cash equivalents and notes receivable.

In 2009, the Fund adopted updates issued by the Financial Accounting Standards Board ("FASB"), except as it applies to those nonfinancial assets and liabilities for which the effective date has been delayed by one year. The updates define fair value, establish a framework for measuring fair value, and require enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The updates require enhanced disclosures about financial instruments that are measured and reported at fair value. The updates establish a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument, and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Fair Value of Financial Instruments (continued)
Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 - Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the instruments and include situations where there is little, if any, market activity for the instruments. The inputs into the determination of fair value require significant judgment or estimation by the Fund.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

NOTE 3 CASH AND CASH EQUIVALENTS

The Fund maintains its cash balances in several banks and financial institutions in Southern California. 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, 2010 and 2009, notes receivable consisted of the following:

	2010	2009
Notes receivable	$ 1,504,418	$ 2,331,418
Less allowance for doubtful accounts	15,044	164,221
Net	$ 1,489,374	$ 2,167,197

NOTE 4 NOTES RECEIVABLE (Continued)

Notes receivable at December 31, 2010 become due as follows:

Current - 5 years	$	-
5 years - 10 years		1,401,100
More than 10 years		103,318
Total	$	1,504,418

As of December 31, 2010, notes receivable comprised three (3) notes to three (3) borrowers. On the other hand, notes receivable at December 31, 2009 consisted of six (6) notes to four (4) borrowers. The largest single note receivable at December 31, 2010 and 2009 were approximately $895,000 and $945,000, respectively, which represented more than 60% and 41% of the total loan portfolio of that year, respectively.

During the year ended December 31, 2010, 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. There was no account in default during the year. In 2009, the members of the Fund also provided loan loss reserves of 1% on each of the outstanding note receivable, with the exception of two notes receivables that were in default. A 25% loss reserve was provided for the accounts in default during the year. In 2010, the Fund foreclosed on the collateral and sold the property. The Fund was able to recover the outstanding amount of the note receivable except for $25,140, which is recorded as net of the recovery of allowance for doubtful accounts in the 2010 statement of income.

NOTE 5 MEMBERS' CONTRIBUTIONS

In 2010 and 2009, 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 years ended December 31, 2010 and 2009 aggregated $8,097 and $11,146, respectively. The balance owed to LA LDC at December 31, 2010 and 2009 were $3,808 and $2,171, respectively.

There were no loans purchased from LA LDC during the years ended December 31, 2010 and 2009. As of December 31, 2010 and 2009, the related party members' equity is $160,127 and $240,824, respectively.

NOTE 7 FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash equivalents: consist of certificates of deposit held at a certified financial institution. Carrying amount approximates fair value because of their short-term maturity.

Notes receivable: Valued at amortized cost, which approximates fair value because the loans bear interest at rates commensurate with loans of similar credit quality and duration as of year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Fund's assets measured at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 109,224	$ -	$ -	$ 109,224
Notes receivable	-	-	1,504,418	1,504,418
	$ 109,224	$ -	$ 1,504,418	$ 1,613,642

The following table sets forth a summary of changes in the fair value of the Fund's level 3 assets for the year ended December 31, 2010.

Nature	Beginning Balance	Issuances	Collections	Gains (Losses)	Ending Balance
Notes receivable	$ 2,331,418	$ -	$ (801,860)	$ (25,140)	$ 1,504,418

The loss is the result of the difference in the outstanding amount of the note receivable and the receipts from the sale of the foreclosed property for one of the Fund's clients. The said amount is recorded net of the recovery of allowance for doubtful accounts in the 2010 statement of income.

NOTE 8 SUBSEQUENT EVENTS

Subsequent to December 31, 2010 and through April 8, 2011, the date through which management evaluated subsequent events and on which the financial statements were issued, the Fund did not identify any subsequent events that require disclosure or adjustments to the financial statements.