Audited Financial Statements
504 ACE Loan Fund I (2004), LLC
Years ended December 31, 2012 and 2011
With Report of Independent Auditors

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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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 financial statements of 504 ACE Loan Fund I (2004), LLC (A Limited Liability Company) (the "Fund"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2012 and 2011 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Vasquez & Company LLP

Los Angeles, California
May 10, 2013

	December 31	
	2012	**2011**
ASSETS		
Cash and cash equivalents	**$ 132,802**	$ 129,185
Notes receivable, net of allowance for doubtful accounts of $13,159 in 2012 and $14,117 in 2011	**1,302,784**	1,397,576
Interest receivable	**5,639**	6,065
Total assets	**$ 1,441,225**	$ 1,532,826
LIABILITIES AND NET ASSETS		
Liabilities		
Due to related party	**$ 2,213**	$ 2,205
Total liabilities	**2,213**	2,205
Members' equity		
Members' equity	**1,295,110**	1,377,558
Members' equity - related party	**143,902**	153,063
Total members' equity	**1,439,012**	1,530,621
Total liabilities and members' equity	**$ 1,441,225**	$ 1,532,826

See notes to financial statements.

		Years ended December 31		
		2012		**2011**
Revenue				
Interest on notes receivable	$	**70,030**	$	75,066
Recovery of allowance for doubtful accounts		**958**		927
Interest income		**58**		189
Total operating revenues		**71,046**		76,182
Operating expenses				
Audit and tax preparation fees		**2,410**		5,460
Management fees		**6,800**		7,271
Accounting services		**3,500**		4,200
Bank charges		**3,062**		208
Taxes		**800**		800
Miscellaneous		**83**		650
Total operating expenses		**16,655**		18,589
Net income	$	**54,391**	$	57,593

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 NA	JP Morgan Chase	Wells Fargo Community Dev. Corp.	Total Members' Equity
Balance, January 1, 2011	$ 160,127	$ 160,127	$ 160,127	$ 32,025	$ 32,025	$ 160,127	$ 288,228	$ 320,254	$ 288,228	$ 1,601,265
Capital Distributions	(8,274)	(8,274)	(8,274)	(1,655)	(1,655)	(8,274)	(14,892)	(16,547)	(14,892)	(82,737)
Income Distributions	(4,550)	(4,550)	(4,550)	(910)	(910)	(4,550)	(8,190)	(9,100)	(8,190)	(45,500)
Net Income	5,759	5,759	5,759	1,152	1,152	5,759	10,367	11,519	10,367	57,593
Balance, December 31, 2011	$ 153,063	$ 153,063	$ 153,063	$ 30,612	$ 30,612	$ 153,063	$ 275,513	$ 306,125	$ 275,513	$ 1,530,621
Ownership Interest	10%	10%	10%	2%	2%	10%	18%	20%	18%	100%
Balance, January 1, 2012	$ 153,063	$ 153,063	$ 153,063	$ 30,612	$ 30,612	$ 153,063	$ 275,513	$ 306,125	$ 275,513	$ 1,530,621
Capital Distributions	(8,000)	(8,000)	(8,000)	(1,600)	(1,600)	(8,000)	(14,400)	(16,000)	(14,400)	(80,000)
Income Distributions	(6,600)	(6,600)	(6,600)	(1,320)	(1,320)	(6,600)	(11,880)	(13,200)	(11,880)	(66,000)
Net Income	5,439	5,439	5,439	1,088	1,088	5,439	9,790	10,878	9,790	54,391
Balance, December 31, 2012	$ 143,902	$ 143,902	$ 143,902	$ 28,779	$ 28,779	$ 143,902	$ 259,023	$ 287,803	$ 259,023	$ 1,439,012
Ownership Interest	10%	10%	10%	2%	2%	10%	18%	20%	18%	100%

See notes to financial statements.

	Years ended December 31	
	2012	**2011**
Cash flows from operating activities		
Net income	**$ 54,391**	$ 57,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery of allowance for doubtful accounts	**(958)**	(927)
Change in operating assets and liabilities:		
Interest receivable	**426**	410
Due to related party	**8**	(1,603)
Net cash provided by operating activities	**53,867**	55,473
Cash flows from investing activities		
Principal payments on notes receivable	**95,750**	92,725
Capital distributions	**(80,000)**	(82,737)
Income distributions	**(66,000)**	(45,500)
Net cash used in investing activities	**(50,250)**	(35,512)
Change in cash and cash equivalents	**3,617**	19,961
Cash and cash equivalents, beginning of year	**129,185**	109,224
Cash and cash equivalents, end of year	**$ 132,802**	$ 129,185

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, 2011 and 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.

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. 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.

Financial 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, notes receivable consisted of the following:

		2012		**2011**
Notes receivable	**$**	**1,315,943**	$	1,411,693
Less allowance for doubtful accounts		**13,159**		14,117
Net	**$**	**1,302,784**	$	1,397,576

Notes receivable at December 31, 2012 become due as follows:

Current - 5 years	$	531,941
5 years - 10 years		784,002
Total	$	1,315,943

As of December 31, 2012 and 2011, notes receivable comprised three (3) notes to three (3) borrowers. The largest single note receivable at December 31, 2012 and 2011 was approximately $795,833 and $845,833, respectively, which represented 60% of the total loan portfolio for 2012 and 2011.

During the years ended December 31, 2012 and 2011, 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 were no accounts in default during the two years.

NOTE 5 MEMBERS' CONTRIBUTIONS

In 2012 and 2011, 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 N.A.		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, 2012 and 2011 aggregated to $6,800 and $7,271, respectively. The balances owed to LA LDC at December 31, 2012 and 2011 were $2,213 and $2,205, respectively.

There were no loans purchased from LA LDC during the years ended December 31, 2012 and 2011. As of December 31, 2012 and 2011, the related party members' equity is $143,902 and $153,063, respectively.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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:

2012

	Level 1	Level 2	Level 3	Total
Notes receivable	$ -	$ -	$ 1,315,943	$ 1,315,943

2011

	Level 1	Level 2	Level 3	Total
Notes receivable	$ -	$ -	$ 1,411,693	$ 1,411,693

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:

	2012	2011
Beginning balance	$ 1,411,693	$ 1,504,418
Issuances	-	-
Collections	(95,750)	(92,725)
Gains (Losses)	-	-
Ending balance	$ 1,315,943	$ 1,411,693

NOTE 8 SUBSEQUENT EVENTS

Subsequent to December 31, 2012 and through May 10, 2013, 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.