LOS ANGELES LDC, INC. AND SUBSIDIARIES

(NONPROFIT ORGANIZATIONS)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2009 AND 2008

LOS ANGELES LDC, INC. AND SUBSIDIARIES
(NONPROFIT ORGANIZATIONS)
CONTENTS
September 30, 2009 and 2008

SingerLewak LLP

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Los Angeles
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Silicon Valley

50 YEARS 1959–2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles LDC, Inc. and Subsidiaries
Los Angeles, California

We have audited the accompanying consolidated statements of financial position of Los Angeles LDC, Inc. and Subsidiaries (collectively, the "Organization") as of September 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2009 and 2008 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the Organization received a demand for repayment letter from the City of Los Angeles for its outstanding EDA loan and grant funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 17, 2009

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LOS ANGELES LDC, INC. AND SUBSIDIARIES

(NONPROFIT ORGANIZATIONS)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2009 and 2008

ASSETS

	2009	2008
Assets		
Cash and cash equivalents	$ 1,311,343	$ 2,499,003
Investments	1,114,507	1,510,151
Notes receivable, less allowance for uncollectible loans of $459,161 and $230,316, respectively	5,582,123	4,753,699
Interest receivable	47,729	32,889
Prepaids and other receivables	7,094	58,846
Investment in 504 ACE Loan Fund I (2004), LLC	244,707	527,450
Property and equipment, net of accumulated depreciation of $55,766 and $53,568, respectively	-	2,198
Foreclosed asset held for sale (Note 6)	-	-
Total assets	**$ 8,307,503**	**$ 9,384,236**

LIABILITIES AND NET ASSETS

	2009	2008
Liabilities		
Lines of credit	$ 52,600	$ 894,500
Accounts payable and accrued expenses	128,891	126,093
Loan participations	978,300	492,389
Notes payable	3,800,000	3,966,667
Total liabilities	4,959,791	5,479,649
Commitments (Note 10)		
Net assets		
Unrestricted – general	3,347,712	3,904,587
Total liabilities and net assets	**$ 8,307,503**	**$ 9,384,236**

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

LOS ANGELES LDC, INC. AND SUBSIDIARIES
(NONPROFIT ORGANIZATIONS)
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2009 and 2008

	Unrestricted	
	2009	2008
Revenues		
Interest		
Loans	$ 362,035	$ 638,977
Investments	41,088	60,636
Loan fees	35,286	20,752
Service fee income	31,271	40,256
Grants	43,000	39,600
Investment in subsidiary	9,200	40,500
Other	53,634	112,094
Total revenues	575,514	952,815
Interest expense	214,756	464,946
Net interest, fees and other income	360,758	487,869
Allowance for uncollectible loans	(378,845)	(12,290)
Net interest, fees and other income after allowance for uncollectible loans	(18,087)	475,579
Functional expenses		
Advertising and printing	7,557	13,572
Bank charges	13,469	14,605
Depreciation	2,198	2,820
Fringe benefits	34,769	30,356
Insurance	14,198	13,053
Lease and parking	36,050	48,094
Maintenance	13,024	6,201
Equipment rental	13,668	12,532
Lending expense	4,016	2,758
Other	55,313	45,810
Payroll taxes	12,862	12,576
Personnel	200,000	200,000
Professional services	116,331	104,243
Supplies	5,711	9,127
Telephone	9,622	12,441
Total functional expenses	538,788	528,188
Change in net assets	(556,875)	(52,609)
Net assets, beginning of year	3,904,587	3,957,196
Net assets, end of year	**$ 3,347,712**	**$ 3,904,587**

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

LOS ANGELES LDC, INC. AND SUBSIDIARIES
(NONPROFIT ORGANIZATIONS)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	$ (556,875)	$ (52,609)
Adjustments to reconcile change in net assets to		
net cash used in operating activities		
Depreciation	2,198	2,820
Allowance for uncollectible loans	378,845	(151,158)
Changes in assets and liabilities		
(Increase) decrease in interest receivable	(14,840)	66,039
Increase (decrease) in prepaids and other receivables	51,752	(8,250)
Decrease in due to 504 ACE Loan Fund I (2004), LLC	-	(3,175)
Increase in accounts payable and accrued expenses	2,798	33,985
Net cash used in operating activities	(136,122)	(112,348)
Cash flows from investing activities		
Sale and purchase of investments, net	395,644	45,229
Disbursements of notes receivable	(1,377,503)	(17,506)
Collections on notes receivable	170,234	5,861,212
Investment in 504 ACE Loan Fund I (2004), LLC	282,743	161,500
Net cash provided by (used in) investing activities	(528,882)	6,050,435
Cash flows from financing activities		
Principal borrowings on lines of credit	-	13,745
Paydowns on lines of credit	(841,900)	(1,656,045)
Borrowings and payments on notes payable, net	(166,667)	458,333
Borrowings and paydowns on loan participations, net	485,911	(3,254,343)
Net cash used in financing activities	(522,656)	(4,438,310)
Net increase (decrease) in cash and cash equivalents	(1,187,660)	1,499,777
Cash and cash equivalents, beginning of year	2,499,003	999,226
Cash and cash equivalents, end of year	**$ 1,311,343**	**$ 2,499,003**
Supplemental disclosures of cash flow information		
Interest paid	**$ 214,756**	**$ 464,946**

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

NOTE 1 – GENERAL

Nature of the Organization

Los Angeles LDC, Inc. ("LDC") and Subsidiaries (collectively, the "Organization") is a not-for-profit community development financial services corporation organized to promote community development by initiating, sponsoring, promoting and carrying out plans, policies and activities that promote the creation and retention of jobs by expanding businesses and revitalizing economically distressed communities primarily throughout the County of Los Angeles. The Organization (as defined in Note 2) provides direct loans, investments and technical assistance to businesses, real estate developers, not-for-profit service providers and other targeted borrowers operating in specific investment areas.

The Organization is certified as a Community Development Financial Institution ("CDFI") by the United States Department of Treasury Community Development Financial Institutions Fund (the "CDFI Fund") and the California Department of Insurance California Organized Investment Network ("COIN"). It is authorized to make commercial loans under a Commercial Finance Lenders license by the California Department of Corporations.

The Organization was originally created to administer two federally funded revolving loan funds ("RLF"), under an agreement with the City of Los Angeles, through the Mayor's Office of Economic Development ("MOED"), an Executive Department of the Office of the Mayor.

Since its inception the Organization has operated the following capital access programs:

The Industrial-Commercial Revolving Loan Fund – Through this program, eligible borrowers located in underserved communities or underserved people, can obtain loans or investments to finance growth, expansion, revitalization, capital assets or other needs. As loan repayments are received, they are used to replenish the Revolving Loan Fund so that additional loans may be made. Loans are secured by real estate, equipment and other collateral, and bear interest at the prevailing market rate.

The Emergency-Disaster Revolving Loan Fund – Through this program, which was established on July 8, 1992, eligible borrowers that were affected by civil unrest or natural disasters are provided loans or investments due to physical or economic injury sustained. As loan repayments are received, they are used to replenish the Revolving Loan Fund so that additional loans may be made. Loans are secured by real estate, equipment and other collateral, and bear interest at the prevailing market rate.

Descriptions of the individual sub-funds used by the Organization to account for its operations are as follows:

NOTE 1 – GENERAL (Continued)

Nature of the Organization (Continued)
EDA Fund – This component of the Industrial-Commercial Revolving Loan Fund Program was initially funded by grants received from the Federal Economic Development Administration ("EDA"). Revenues to this fund are used to fund additional loans and to pay certain administrative costs.

SCBDC Fund – In 1999, the Organization purchased the community development loan portfolio of the Southern California Business Development Corporation ("SCBDC"), a multi-bank community development corporation. Since August 1999, the Organization has borrowed $3,400,000 under Equity Equivalent ("EQ2") subordinated notes from SCBDC, which will be used to make additional community development loans, as defined under the Community Reinvestment Act ("CRA"), to eligible borrowers.

Leverage Fund – In 2002, the Organization was certified as a CDFI by the CDFI Fund program. This certification requires the Organization to have a primary mission of promoting community development and maintaining other requirements as set forth in the CDFI Fund regulation A 12CFR Part 1805 and is more fully described in 12 CFR Sections 1805.200 and 1805.201. The Organization is required to meet certain financial mutually agreed-upon performance goals under the Assistance Agreement between the CDFI Fund and the Organization. The goals include, but are not limited to, the Organization exceeding its goal of leveraging total private sector dollars to CDFI Fund dollars. As of September 30, 2009, the Organization did not receive any funds relating to the CDFI Fund program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of LDC and its wholly owned subsidiaries, 504 ACE Loan Fund II (2006), LLC and LDC Management Services, LLC (collectively, the "Organization"). All significant intercompany accounts and transactions are eliminated in consolidation. In addition, the investment in 504 ACE Loan Fund I (2004), LLC is accounted for under the equity method.

- 504 ACE Loan Fund II (2006), LLC: This is a wholly-owned subsidiary of LDC that was developed in December 2001 to promote access to capital and community development in geographically targeted areas with underserved populations of low-income residents. This subsidiary was originally named EZ Credit LLC.

- LDC Management Services, LLC: This is a wholly-owned subsidiary of LDC that was organized in March 2002 to provide management services to various investment funds on behalf of LDC and its investors. The 504 ACE Loan Fund I (2004), LLC, in which it has a 10% ownership interest, is the first investment fund it is managing.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation (Continued)

- 504 ACE Loan Fund I (2004), LLC (the "Fund"): This was created to promote access to capital for women and minority-owned businesses and to promote community development in certain geographically targeted areas. It was inaugurated in September 2004 and capitalized with $10 million from investors and from LDC Management Services. LDC Management Services owns 10% of the Fund after its investment of $1 million. The Fund commenced funding activity in October 2004. LDC Management Services exerts significant control over the operations and the management of the Fund. As such, it is consolidated under the Equity Method.

Basis of Accounting

The accompanying financial statements are presented utilizing the accrual basis of accounting.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization did not have any permanently restricted or temporarily restricted net assets at September 30, 2009 and 2008.

Revenue Recognition

Loan fees are recognized as revenue when the related loan is sold. Interest income on loans, net of participations sold, is recorded as earned from the date the borrower signs the promissory note to the date the note is paid off or to the end of the reporting period. Grants and other revenues are recognized when funds are available and earned.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization 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.

Investments

Investments in marketable securities with readily determinable fair values are recorded at fair value and are classified as available-for-sale securities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments

Financial instruments included in the Organization's statement of financial position include cash and cash equivalents and investments in certificate of deposit. For cash and cash equivalents, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity.

On July 1, 2009, the Organization 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.

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 Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)
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 Organization'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.

The adoption of the updates did not have a material effect on the Organization's financial statements.

Notes Receivable and Related Allowance for Losses
Notes receivable are recorded in the accompanying financial statements at face value, less payments received and funds not yet disbursed. 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. Loan losses are charged against the allowance for losses. Provisions for losses are based on management's judgment as to the need to absorb known and inherent risks in the loan portfolio.

The Organization acts as the lead lender for certain community development loans. The Organization and the participants record their proportionate share of the loans on their respective accounting records. During the years ended September 30, 2009 and 2008, respectively, the Organization's participation share was 17% and 10% of the total participating loans, which at September 30, 2009 and 2008 aggregated $978,300 and $492,389, respectively.

Property and Equipment
Property and equipment at September 30, 2009 consisted solely of equipment, which is stated at cost. Depreciation is provided using the straight-line method over an estimated useful life of three (3) years. Depreciation expense was $2,198 and $2,820 for the years ended September 30, 2009 and 2008, respectively. Purchases of property and equipment over $300 with a useful life greater than three (3) years are capitalized.

Allocation of Expenses
The costs of providing direct loans and technical assistance to the Organization's borrowers have been summarized on a natural classification basis in the statement of activities. Management estimates the administrative costs were approximately $113,382 and $111,352 for the years ended September 30, 2009 and 2008, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code. Accordingly, a provision for income taxes is not required in the financial statements.

Estimates

The preparation of financial statements 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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and notes receivable. The Organization places its cash balances with reputable financial institutions. Concentrations of credit risk with respect to notes receivable are limited due to the large number of customers composing its loan portfolio, regular monitoring and collateral requirements. The Organization places its investments in reputable financial institutions and monitors its credit ratings periodically.

Recently Adopted Accounting Pronouncements

In June 2009, the FASB issued Accounting Standards Codification ("ASC") Topic No. 105, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162." ASC Topic No. 105 replaces SFAS 162, "The Hierarchy of Generally Accepted Accounting Principles," and establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. The issuance of ASC Topic No. 105 and the Codification does not change GAAP. ASC Topic No. 105 became effective for the Organization as of the period ended September 30, 2009. The adoption of ASC Topic No. 105 had no impact on the Organization's Consolidated Financial Statements. However, because the Codification completely replaces existing standards, it has affected the way GAAP is referenced by the Organization in its Consolidated Financial Statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)
In September 2006, the FASB issued ASC Topic No. 820, "Fair Value Measurements." ASC Topic No. 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. ASC Topic No. 820 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under ASC Topic No. 820 fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," which permitted a one-year deferral for the implementation of ASC Topic No. 820 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Organization adopted ASC Topic No. 820 for the fiscal year beginning January 1, 2008, for nonfinancial assets and nonfinancial liabilities that were recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The adoption of the remaining provisions of ASC Topic No. 820 have been applied for the fiscal year beginning January 1, 2009 and have not had a material effect on the Organization's consolidated financial statements.

In February 2007, the FASB issued ASC Topic No. 825, "The Fair Value Option for Financial Assets and Financial Liabilities – an amendment of FASB Statement No. 115," which permits entities to measure many financial instruments and certain other items at fair value, and establishes the presentation and disclosure requirements to facilitate comparisons between entities choosing different measurement attributes for similar types of assets. ASC Topic No. 825 is effective for fiscal years beginning after November 15, 2007. Adoption of ASC Topic No. 825 did not have a material effect on the Organization's consolidated financial statements.

In August 2008, the FASB issued ASC Topic No. 958, "Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds," which provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The updates also improve disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The provisions became effective for fiscal years ending after December 15, 2008. The Organization adopted the provision, which had no material impact on Organization's statements of financial position, activities or cash flows.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)
On September 30, 2009, the Organization adopted FASB ASC Topic No. 855, "Subsequent Events." ASC Topic No. 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, ASC Topic No. 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of ASC Topic No. 855 had no impact on the Organization's Consolidated Financial Statements.

The Organization adopted the provision during the year ended September 30, 2009 and evaluated subsequent events through December 17, 2009, which is the date the financial statements were issued. The provision did not have a material impact on the financial statements.

Recently Issued Accounting Pronouncements
In June 2006, the FASB issued FASB ASC Topic No. 740, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The pronouncement prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of the provision, these will be accounted for as an adjustment to the opening balance of retained earnings.

Additional disclosures about the amounts of such liabilities will be required also. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits. The Organization has elected to defer the application of this provision, as an update from the FASB has deferred the effective date of the provision for nonpublic enterprises, such as the Organization, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
The Organization will be required to adopt the provision in its fiscal year ending September 30, 2010 annual financial statements. Management has not yet assessed the impact of the provision and has not determined if the adoption of the provision will have a material effect on its financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization 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 Organization 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 – FAIR VALUE MEASUREMENTS

Investments consist of certificates of deposit held at a certified financial institution. Investment balances at September 30, 2009 and 2008 were $1,114,507 and $1,510,151, respectively. All of the Organization's investments were classified as Level 1.

NOTE 5 – NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS

At September 30, 2009, notes receivable were comprised of 18 loans. The loans are generally secured by trust deeds on real estate, generally bear interest at various rates ranging from approximately 5.5% to 10% per annum, and mature at various dates through 2022. The notes receivable balance as of September 30, 2009 and 2008 were $5,654,620 and $4,753,699, respectively.

The allowance for uncollectible loans at September 30, 2009 and 2008 consisted of the following:

	2009	2008
Balance, beginning of year	$ 230,316	$ 381,474
Change in allowance for uncollectible loans	228,845	(151,158)
Balance, end of year	**$ 459,161**	**$ 230,316**

NOTE 6 – FORECLOSED ASSET HELD FOR SALE

During the year, the Organization foreclosed on a loan, which was secured by real estate. The property foreclosed upon was subordinated by two liens, which are held by a related party, 504 ACE Loan Fund I (2004), LLC (the "Fund"). Subsequent to year end, the property was appraised at $575,000. As the liens held by Fund exceed the appraised value of the property, the Organization has recognized the property at a value of $0.

NOTE 7 – LINES OF CREDIT

At September 30, 2009 and 2008, the Organization maintained various lines of credit with separate institutions that allow the Organization to borrow a maximum of $2,500,000. They are listed below:

	2009	2008
$1,500,000 available line of credit with California Economic Development Lending Initiative, collateralized by a $100,000 standby letter of credit and a security interest in the underlying notes receivable pledged as collateral, and bears interest at 3% below Prime, with a minimum rate of 4.25%. The line of credit was issued with certain financial requirements that management is required to meet. The line of credit expires on January 31, 2010, payable interest only.	$ 52,600	$ 67,000
$1,000,000 available line of credit with Bank of America, bearing interest at 0.002% below BBA LIBOR, collateralized by a $1,000,000 certificate of deposit, bearing interest at 5.5039%. The line of credit expired on March 1, 2009, payable interest only.	-	827,500
Total	**$ 52,600**	**$ 894,500**

As noted above, the California Economic Development Lending Initiative line of credit was issued with certain financial requirements that management is required to meet. LA LDC was found to be in breach of one financial requirement, which stipulated that LA LDC's net assets must exceed $3,700,000. As of September 30, 2009, LA LDC's net assets were $3,347,710. LA LDC obtained a waiver for the $52,600 line of credit as of December 2, 2009. As noted above, the line of credit is secured by a $100,000 standby letter of credit and underlying security interest in a note receivable pledged as collateral.

NOTE 8 – LOAN PARTICIPATIONS

The Organization sells loan participations to other lenders out of the loans that it originates. The terms of participation are identical to the terms of the original loans, except that the Organization keeps a small spread margin on the loans that are transferred. The participation agreements provide that the Organization has the right to repurchase the loans at any time before their maturity dates. Accordingly, the transferred loans have been recorded as secured borrowings. However, participants do not have recourse to the assets of the Organization other than their interest in the loan participations. The Organization had participations outstanding as of September 30, 2009 and 2008 in the amount of $978,300 and $492,389, respectively.

NOTE 9 – NOTES PAYABLE

Notes payable at September 30, 2009 and 2008 consisted of the following:

	2009	2008
Subordinated promissory notes with interest payable in annual installments at 4% per annum. The debt is subordinated to the right of any senior debt as defined in the agreement. The principal balance is due at maturity in September 2010. The debt was issued with certain financial requirements that management is required to meet. This debt is similar to the EQ2 promissory notes, which are a form of debt capital commonly known as equity equivalent investments. The EQ2 promissory notes have certain characteristics of an equity investment in that they are unsecured, are subordinated to all other obligations of the Organization, bear a below-market interest rate, and have an indefinite maturity. In addition, certain investors or note holders, which are primarily regulated financial institutions, may receive favorable regulatory consideration under CRA by purchasing these EQ2 promissory notes, payable interest only. This balance represents four different notes due to the Southern California Business Development Corp.	$ 3,400,000	$ 3,400,000

NOTE 9 – NOTES PAYABLE (Continued)

	2009	2008
Note payable to the Opportunity Finance Network. The note is uncollateralized, bearing interest at 4%. The debt was issued with certain financial requirements that management is required to meet. Due to non-compliance, the note was declared payable May 21, 2009. The note requires quarterly interest payments of $14,000 at 4%. Subsequent to year-end, the note was paid off on October 23, 2009.	350,000	500,000
Note payable to the Evangelical Lutheran Church in America. The note is uncollateralized, bearing interest at 2%, and expires on June 20, 2012 and requires semi-annual interest payments of $1,000.	50,000	50,000
Note payable to the United States Department of Treasury. The note bears interest at 0.17% per annum, requires semiannual principal and interest payments, and matured in January 2009.	$ -	$ 16,667
Total	**$ 3,800,000**	**$ 3,966,667**

Future maturities of notes payable at September 30, 2009 were as follows:

Year Ending September 30,	
2010	3,750,000
2011	-
2012	50,000
Total	**$ 3,800,000**

NOTE 10 – COMMITMENTS

The Organization leases equipment and office facilities under operating leases expiring through December 2011. Future minimum lease payments under operating leases that have remaining noncancelable terms in excess of one year are as follows:

Year Ending September 30,	
2010	$ 45,572
2011	40,387
2012	9,089
Total	**$ 95,048**

Rent expense under operating leases amounted to $45,158 and $42,014 for the years ended September 30, 2009 and 2008, respectively.

NOTE 11 – 401(K) RETIREMENT PLAN

The Organization maintains a non-contributory 401(k) retirement plan that allows eligible employees to contribute a proportion of their annual compensation, subject to certain limitations. The Organization incurred total operational costs of $1,375 and $850 during the years ended September 30, 2009 and 2008, respectively.

NOTE 12 – FEDERAL AWARDS COMPLIANCE AND SUBSEQUENT EVENT

The Organization operates a commercial revolving loan program under an Agreement with the City of Los Angeles. The Agreement under which the Organization has operated the commercial revolving loan program has expired and was not extended by the City of Los Angeles. The Organization has attempted and is continuing to work with the City of Los Angeles to resolve noncompliance with the loan program by restructuring and extending the loan agreement and its related reporting requirements.

The Organization received a letter dated December 15, 2009 from the City of Los Angeles' Office of Economic Development demanding repayment of over $11 million in outstanding EDA loan balances and grant funds from two EDA-funded projects. As of the date of this report, management has not yet determined how this figure was derived and intends to meet with City management to resolve and renegotiate the amount under demand.

SUPPLEMENTAL INFORMATION

SingerLewak LLP

www.SingerLewak.com

Los Angeles
Orange County
Woodland Hills
Monterey Park
San Diego
Silicon Valley

50 YEARS 1959–2009

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Los Angeles LDC, Inc. and Subsidiaries
Los Angeles, California

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 17, 2009

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IGAF Worldwide An Association of Independent Firms

ASSETS

	LA LDC	504 ACE Loan Fund II (2006), LLC	LDC Management Services, LLC	Eliminating Entries	Total
Assets					
Cash and cash equivalents	$ 1,301,580	$ 4,624	$ 5,139	$ -	$ 1,311,343
Investments	1,114,507	-	-	-	1,114,507
Notes receivable, net	5,582,123	-	-	-	5,582,123
Interest receivable	47,729	-	-	-	47,729
Foreclosed asset held for sale (Note 6)	-	-	-	-	-
Prepaids and other receivables	7,094	-	-	-	7,094
Investment in subsidiaries	7,990	-	-	(7,990)	-
Investment in 504 ACE Loan Fund I (2004), LLC	244,707	-	-	-	244,707
Investment in 504 ACE Loan Fund II (2006), LLC	1,000	-	-	(1,000)	-
Total assets	**$ 8,306,730**	**$ 4,624**	**$ 5,139**	**$ (8,990)**	**$ 8,307,503**

LIABILITIES AND NET ASSETS

	LA LDC	504 ACE Loan Fund II (2006), LLC	LDC Management Services, LLC	Eliminating Entries	Total
Liabilities					
Lines of credit	$ 52,600	$ -	$ -	$ -	$ 52,600
Accounts payable and accrued expenses	128,891	-	-	-	128,891
Loan participations	978,300	-	-	-	978,300
Due to LDC	-	4,790	3,200	(7,990)	-
Notes payable	3,800,000	-	-	-	3,800,000
Total liabilities	4,959,791	4,790	3,200	(7,990)	4,959,791
Net assets					
Unrestricted – general	3,346,939	(166)	1,939	(1,000)	3,347,712
Total liabilities and net assets	**$ 8,306,730**	**$ 4,624**	**$ 5,139**	**$ (8,990)**	**$ 8,307,503**

LOS ANGELES LDC, INC. AND SUBSIDIARIES
(NONPROFIT ORGANIZATIONS)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

	LA LDC	504 ACE Loan Fund II (2006), LLC	LDC Management Services, LLC	Eliminating Entries	Total
Revenues					
Interest					
Loans	$ 362,033	$ -	$ 2	$ -	$ 362,035
Investments	41,088	-	-	-	41,088
Loan fees	35,286	-	-	-	35,286
Service fee income	31,271	-	-	-	31,271
Grants	43,000	-	-	-	43,000
Investment in subsidiary	9,200	-	-	-	9,200
Other	53,634	-	-	-	53,634
Total revenues	575,512	-	2	-	575,514
Interest expense	214,756	-	-	-	214,756
Net interest, fees and other income	360,756	-	2	-	360,758
Allowance for uncollectible loans	378,845	-	-	-	378,845
Net interest, fees and other income after allowance for uncollectible loans	(18,089)	-	2	-	(18,087)
Functional expenses					
Advertising and printing	7,557	-	-	-	7,557
Bank charges	13,386	83	-	-	13,469
Depreciation	2,198	-	-	-	2,198
Fringe benefits	34,769	-	-	-	34,769
Insurance	14,198	-	-	-	14,198
Lease and parking	36,050	-	-	-	36,050
Maintenance	13,024	-	-	-	13,024
Equipment rental	13,668	-	-	-	13,668
Lending expense	4,016	-	-	-	4,016
Other	55,313	-	-	-	55,313
Payroll taxes	12,862	-	-	-	12,862
Personnel	200,000	-	-	-	200,000
Professional services	116,331	-	-	-	116,331
Supplies	5,711	-	-	-	5,711
Telephone	9,622	-	-	-	9,622
Total functional expenses	538,705	83	-	-	538,788
Change in net assets	(556,794)	(83)	2	-	(556,875)
Net assets, beginning of year	3,903,733	(83)	1,937	(1,000)	3,904,587
Net assets, end of year	**$ 3,346,939**	**$ (166)**	**$ 1,939**	**$ (1,000)**	**$ 3,347,712**

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