OFFERING CIRCULAR

FOR CALIFORNIA RESIDENTS ONLY

$40,000,000

BLACKBURNE & BROWN MORTGAGE FUND I,
a California limited partnership

400,000 Limited Partnership Interests ("Units")
$100 per Unit
Minimum Investment: $2,000 (20 Units)

Blackburne & Brown Mortgage Fund I, a California limited partnership (the "Partnership"), is a California limited partnership of which the sole General Partner Blackburne & Brown Mortgage Company, Inc., a California corporation (the "General Partner"). The Partnership will engage in business as a mortgage lender and will make, purchase and participate in loans secured by deeds of trust that encumber real property located within or outside of California. Partnership loans will be arranged and serviced by the General Partner (see "The General Partner and Its Affiliates").

Investors will become Limited Partners in the Partnership. An investment in the Partnership is illiquid and subject to substantial restrictions on withdrawal. (See "Withdrawal from Partnership.") This offering also involves certain ERISA risks that should be considered by tax-exempt employee benefit plans. (See "Tax Considerations" and "ERISA Considerations.")

THIS OFFERING INVOLVES SIGNIFICANT RISKS WHICH ARE DESCRIBED IN DETAIL HEREIN. SUBSTANTIAL FEES WILL BE PAID TO THE GENERAL PARTNER AND AFFILIATES, WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. (SEE "RISKS AND OTHER IMPORTANT FACTORS," "COMPENSATION TO THE GENERAL PARTNER" AND "CONFLICTS OF INTEREST.") PROSPECTIVE PURCHASERS OF UNITS SHOULD READ THIS OFFERING CIRCULAR IN ITS ENTIRETY.

	Price to Investors[1]	Selling Commissions[2]	Proceeds to Partnerships[3]
Per Unit (Minimum Investment 20 Units)	$ 100	$0	$ 100
Total Maximum	$ 40,000,000	$0	$40,000,000

(Footnotes on next page.)

General Partner:
BLACKBURNE & BROWN MORTGAGE COMPANY, INC.
4811 Chippendale Drive, Suite 101
Sacramento, California 95841
(916) 338-3232

The date of this Offering Circular is January 26, 2004.

THESE SECURITIES ARE BEING OFFERED AND SOLD ONLY TO RESIDENTS OF THE STATE OF CALIFORNIA PURSUANT TO A PERMIT GRANTED BY THE CALIFORNIA COMMISSIONER OF

CORPORATIONS. THE COMMISSIONER OF CORPORATIONS DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THESE SECURITIES, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OF THE INFORMATION SET FORTH HEREIN.

CERTAIN TERMS OF THE OFFERING

[1] The minimum purchase is $2,000 (20 Units).

[2] Units will be offered and sold by the General Partner or by its duly authorized agents and employees. The General Partner, in its sole discretion, may arrange for Units also to be sold through registered securities broker-dealers who are members of the National Association of Securities Dealers, Inc. ("NASD"). Any such agents, employees or broker-dealers will be paid selling commissions to be negotiated on a case-by-case basis. These selling commissions will be paid by the General Partner, and shall not be an expense of the Partnership. (See "Plan of Distribution.") There is, however, no firm commitment from any third party to purchase or sell any of the Units.

[3] The Partnership will bear its own organizational and syndication expenses (including without limitation legal and accounting expenses, printing costs, promotional expenses and filing fees paid to the California Department of Corporations) which may be advanced by the General Partner or its affiliates and reimbursed to the paying entity(ies) by the Partnership.

THE SALE OF LIMITED PARTNERSHIP INTERESTS COVERED BY THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS PROVIDED FOR UNDER SECTION 3(a)(11) OF THE ACT AND RULE 147 THEREUNDER RELATING TO INTRASTATE OFFERINGS.

ACCORDINGLY, THESE UNITS ARE BEING OFFERED SOLELY TO CERTAIN SELECTED RESIDENTS OF THE STATE OF CALIFORNIA, AND DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY WITH RESPECT TO ANY OTHER PERSON. FURTHERMORE, FOR A PERIOD OF NINE MONTHS FROM THE TERMINATION OF THIS OFFERING, NO UNITS MAY BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO RESIDENTS OF THE STATE OF CALIFORNIA.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY IN ANY STATE OTHER THAN THE STATE OF CALIFORNIA OR WITH RESPECT TO ANY PERSON WHO IS NOT A BONA FIDE RESIDENT OF CALIFORNIA, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN. (SEE "INVESTOR SUITABILITY STANDARDS.")

SUBSCRIPTION FUNDS RECEIVED FROM PURCHASERS OF UNITS WILL NOT BE ADMITTED TO THE PARTNERSHIP UNTIL APPROPRIATE LENDING OPPORTUNITIES ARE AVAILABLE OR SUCH FUNDS ARE REQUIRED TO PAY PROPER PARTNERSHIP EXPENSES, AS DESCRIBED HEREIN. DURING THE PERIOD PRIOR TO THE TIME OF ADMISSION, WHICH IS ANTICIPATED TO BE LESS THAN 90 DAYS IN MOST CASES, PURCHASERS' SUBSCRIPTIONS WILL REMAIN IRREVOCABLE AND WILL EARN INTEREST AT MONEY MARKET RATES, WHICH ARE LOWER THAN THE ANTICIPATED RETURN ON THE PARTNERSHIP'S LOAN PORTFOLIO. (SEE "TERMS OF THE OFFERING -- SUBSCRIPTION AGREEMENTS; ADMISSION TO THE PARTNERSHIP.")

THERE IS NO MARKET FOR UNITS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE PARTNERSHIP ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER, AND THE UNITS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF UNITS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE GENERAL PARTNER IMMEDIATELY TO CHECK ITS ACCURACY. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE PARTNERSHIP SINCE THE DATE HEREOF.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS OFFERING CIRCULAR OR ANY OTHER COMMUNICATION FROM THE PARTNERSHIP AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONAL WITH RESPECT TO THE LEGAL AND TAX ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS OWN TAX SITUATION, PRIOR TO SUBSCRIBING FOR PARTNERSHIP UNITS.

THE PURCHASE OF PARTNERSHIP UNITS BY A QUALIFIED PENSION OR PROFIT-SHARING PLAN, INDIVIDUAL RETIREMENT ACCOUNT ("IRA"), KEOGH PLAN OR OTHER QUALIFIED RETIREMENT PLAN INVOLVES SPECIAL TAX RISKS AND OTHER CONSIDERATIONS THAT SHOULD BE CAREFULLY CONSIDERED. (SEE "TAX CONSIDERATIONS" AND "ERISA CONSIDERATIONS.") INCOME EARNED BY QUALIFIED PLANS AS A RESULT OF AN INVESTMENT IN THE PARTNERSHIP MAY BE SUBJECT TO FEDERAL INCOME TAXES, EVEN THOUGH SUCH PLANS ARE OTHERWISE TAX-EXEMPT. (SEE "TAX CONSIDERATIONS.")

TABLE OF CONTENTS

SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Offering Circular. The General Partner strongly recommends that each prospective investor thoroughly review the entire Offering Circular.

Partnership Objectives	Blackburne & Brown Mortgage Fund I (the "Partnership") is a limited partnership formed for the purpose of making loans to members of the general public secured by first and second deeds of trust on real property. The Units offered hereby represent limited partnership interests in the Partnership.
The General Partner	Blackburne & Brown Mortgage Company, Inc., 4811 Chippendale Drive, Suite 101, Sacramento, California 95841.
Mortgage Broker and Servicing Agent	Blackburne & Brown Mortgage Company, Inc., a California corporation.
Suitability Standards	Units are offered exclusively to certain individuals, ERISA plans, IRAs and other qualified investors who are California residents and who meet certain minimum standards of income and/or net worth, with a minimum investment of $2,000. (See "Terms of the Offering.")
Capitalization	Minimum of $150,000; maximum of $40,000,000.
Mortgage Loan Portfolio	Partnership loans will be secured either by real estate located within or outside of California, consisting primarily of apartment buildings, office buildings, commercial and industrial properties, or by secured promissory notes which will be assigned to the Partnership. The average size of a Partnership loan as of June 30, 2001 was $128,446. Loans will be made while this offering is continuing. (See "Lending Standards and Policies.")
Compensation to the General Partner and Affiliates	The General Partner and its affiliates, will receive substantial fees. (See "Compensation to General Partner and Affiliates.")
General Partner's Experience	Although this is the General Partner's first publicly offered limited partnership, the General Partner has had substantial prior experience in the mortgage lending business.
Term of the Partnership	Until December 31, 2030, unless sooner terminated. (See

	"Summary of Limited Partnership Agreement.")
Cash Distributions.....	Choice of (1) regular monthly cash distributions of Partnership income, or (2) income credited to capital accounts. This election, once made upon subscription for Units, is irrevocable by the investor; however, the General Partner, in its sole and absolute discretion, reserves the right to commence making cash distributions at any time to previously compounding ERISA investors in order for the Partnership to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of Limited Partnership Agreement.")
No Withdrawal.....	No withdrawal for 12 months; thereafter, investors may withdraw from the Partnership subject to a limit on the amount withdrawn per quarter and also subject to available cash flow. Return of capital accounts of deceased investors shall be given priority and may be returned prior to the expiration of such 12-month investment period. (See "Withdrawal from Partnership.")
No Liquidity.....	There are substantial restrictions on transferability of Units. (See "Risks and Other Important Factors.")
Reports to Limited Partners.....	Audited annual reports and monthly statements of account.

INVESTOR SUITABILITY STANDARDS

To purchase a Unit, an investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute a Subscription Agreement in the form attached hereto as Exhibit B. By executing the Subscription Agreement, an investor makes certain representations and warranties, upon which the General Partner will rely in accepting subscriptions. Read the Subscription Agreement carefully. Each investor must represent in writing that such investor is a bona fide resident of the State of California (or if the investor is a trust, corporation or other entity, that the principal office of such trust, corporation or other entity is located in California). In addition:

1. Each Investor must have either (a) a net worth (exclusive of home, furnishings and automobiles) of at least $250,000 and an annual gross income of at least $65,000; or (b) a net worth (exclusive of home, furnishings and automobiles) of at least $500,000; and

2. The amount of each Investor's investment in Units offered hereby must not exceed ten percent (10%) of such Investor's net worth (exclusive of home, furnishings and automobiles).

If the investor is an ERISA Plan (such as a pension or profit sharing plan, Individual Retirement Account, or 401(k) plan), the foregoing requirements must be met by either the fiduciary account itself or by the plan participant who directly or indirectly supplies the funds for investment by the ERISA Plan.

TERMS OF THE OFFERING

This offering is made to a limited number of selected persons to purchase Units in the Partnership. The Unit subscription price to each Limited Partner is One Hundred Dollars ($100) per Unit with a minimum subscription from each investor of Two Thousand Dollars ($2,000), or 20 Units. Each Unit of investment represents a limited partnership interest in the Partnership upon its formation.

Formation of the Partnership

The Partnership was formed on July 3, 1990 upon the filing of the Certificate of Limited Partnership with the Office of the California Secretary of State. Pursuant to a permit issued by the California Commissioner of Corporations (the "Commissioner") effective July 8, 1991 the Partnership commenced to offer and sell limited partnership interests ("Units") to those investors who meet certain eligibility and suitability standards as set forth in the Offering Circular. (See the discussion in the Offering Circular entitled "Investor Suitability Standards.") The Partnership began doing business (i.e., investing in mortgage loans) on August 12, 1991. This offering has been extended through August, 2003, or until the maximum of 400,000 Units ($40,000,000) are sold.

Subscription Agreements; Admission to Partnership

Subscription Agreements from prospective investors will be accepted or rejected by the General Partner within thirty (30) days after their receipt. The General Partner reserves the right to reject any subscription tendered for any reason. If accepted, all or a portion of each investor's subscription funds will be admitted into the Partnership and such subscribers will become Limited Partners only when all or a portion of such subscription funds are required by the Partnership to fund a mortgage loan, to create appropriate reserves or to pay organizational expenses. The General Partner has the right to admit only a portion of an investor's subscription funds at any given time; however, in no case will the General Partner admit less than the required minimum investment by a subscriber (i.e., $2,000). (See "Use of Proceeds.") During the period prior to admittance of investors as Limited Partners, proceeds from the sale of Units are irrevocable, and will be held by the General Partner for the account of investors in a subscription account and invested in a money market or other liquid asset account. Generally, investors' funds will be transferred from the subscription account into the Partnership on a first-in, first-out basis; however, the General Partner reserves the right to admit non-ERISA plan investors before ERISA plan investors in order for the Partnership to remain exempt from the application of the plan asset regulations issued by the Department of Labor in 1986. (See "ERISA Considerations.") Upon admission to the Partnership, subscription funds will be released to the Partnership and Units will be issued at the rate of $100 per Unit. Interest earned on subscription funds while in the subscription account will be returned to all subscribers.

By executing the Subscription Agreement, an investor unconditionally and irrevocably agrees to purchase the number of Units shown thereon on a "when issued basis." Accordingly, upon executing the Subscription Agreement, an investor is not yet an owner of Units or a Limited Partner. Units will be issued when the investor is admitted to the Partnership, i.e., when the sums representing the purchase for such Units are transferred from the subscription account into the Partnership. The General Partner anticipates that the delay between delivery of a Subscription Agreement and admission to the Partnership will be less than 90 days, during which time investors will earn interest at money-market rates. Subscription Agreements are non-cancelable and irrevocable and subscription funds are non-refundable for any reason, except with the consent of the General Part-

ner. After having subscribed for at least 20 Units ($2,000), an investor may at any time, and from time to time, subscribe to purchase additional Units in the Partnership so long as the offering is open. Each investor is liable for the payment of the full purchase price of all Units for which he has subscribed.

Election to Receive Monthly Cash Distributions

Upon subscription for Units, an investor must elect whether to receive monthly cash distributions from the Partnership or to allow his or her earnings to compound for the term of the Partnership. This election, once made, is irrevocable. An investor may not change his or her election, even if his or her own circumstances or those of the Partnership subsequently change. Notwithstanding the foregoing, the General Partner reserves the right, at any time, to immediately commence making monthly cash distributions to ERISA plan investors who previously compounded earnings in order to ensure that the Partnership remains exempt from the Plan Asset Regulations pursuant to the "significant participation" exemption. Income allocable to investors who elect to compound their earnings will be retained by the Partnership for making further mortgage loans or other proper

Partnership purposes. The income from these further loans will be allocated among all investors; however, investors who compound will be credited with a larger proportionate share of such earnings than investors who receive monthly distributions since the capital accounts of investors who compound will increase over time.

Restrictions on Transfer

As a condition to this offering of Units, restrictions have been placed upon the ability of investors to resell or otherwise dispose of any Units purchased hereunder, including without limitation the following:

(1) No Limited Partner may resell or otherwise transfer any Units without the prior written consent of the General Partner, which may be withheld subject to the satisfaction of certain conditions designed to comply with applicable tax and securities laws, including without limitation the requirement that certain legal opinions be provided to the General Partner with respect to such matters. (See "Summary of Partnership Agreement.")

(2) Units may not be sold or transferred without the prior written consent of the California Commissioner of Corporations, except as permitted by the Commissioner's Rules. (See "Commissioner's Rule 260.141.11.")

(3) During the period that Units are being offered and sold and for a period of nine (9) months from the date of the last sale of Units offered hereby, no Units may be sold or otherwise transferred to any person who is not a bona fide resident of the State of California.

A legend will be placed upon all instruments or certificates evidencing ownership of Units in the Partnership stating that the Units have not been registered under the Securities Act of 1933, as amended, and setting forth the foregoing limitations on resale, and notations regarding these limitations shall be made in the appropriate records of the Partnership with respect to all Units offered hereby. The foregoing steps will also be taken in connection with the issuance of any new instruments for any Units that are presented for transfer during the nine-month period described in subparagraph (3) above.

LENDING STANDARDS AND POLICIES

General Standards for Mortgage Loans

The Partnership, either alone or by participating with other lenders (including the General Partner, an "Affiliate" or third parties), will engage in the business of making loans to members of the general public secured by deeds of trust on real property located within or outside of California, including single-family homes, multiple unit residential property (such as apartment buildings), commercial property (such as stores, shops and offices), and unimproved land. (As used herein, the term "Affiliate" shall have the same meaning as set forth in the Limited Partnership Agreement; namely, an individual or entity which directly or indirectly controls, is controlled by, or is under common control with another individual or entity.) The Partnership will also purchase all or a fractional undivided interest in existing loans from the General Partner, or Affiliates of the General Partner or third parties, subject to certain limitations discussed below. In addition to satisfying the lending standards and policies set forth below, any loan (or portion thereof) which is purchased by the Partnership from the General Partner, an Affiliate or third party shall not be in default at the time of such purchase. Partnership loans will be made and purchased pursuant to guidelines designed to set standards for the quality of the security given for the loans, as follows:

1. **Priority of Mortgages**. The lien securing each Partnership loan will not be junior to more than one other encumbrance (a first deed of trust) on the real property (the "security property") which is to be used as security for the loan. The General Partner anticipates that the Partnership's mortgage loans will be diversified as to priority approximately as follows: first mortgages--95%; second mortgages--5%. As of June 30, 2003, 100% of the Partnership's mortgage loans were secured by first mortgages. (For purposes of the foregoing, a loan will be deemed to be a "second" mortgage when it is junior to a wraparound (or "all-inclusive") mortgage, even though the liens of two mortgages are senior to the lien of the Partnership's mortgage.)

2. **Types of Loans**. Most Partnership loans will be secured by non-owner occupied properties such as apartment buildings, office buildings, commercial and industrial properties and small shopping centers. Some Partnership loans may also be secured by single-family homes or other owner-occupied residential property. The Partnership does not anticipate making a significant number of construction loans. The Partnership may occasionally make loans secured by unimproved land, but only if the Partnership would hold a first deed of trust. The properties will be located within or outside of California.

3. **Loan-to-Value Ratios**. The Partnership intends to make or purchase loans according to the loan-to-value ratios set forth below; however, these ratios may be increased if, in the judgment of the General Partner, the loan is supported by credit sufficient to justify a greater loan-to-value ratio. As used in the term "loan-to-value ratio," "value" means the appraised value of the security property as determined by an independent written appraisal at the time the Partnership makes the loan or which is "current" at the time the Partnership makes or purchases a loan, and "loan" includes both the amount of the Partnership's loan and all other outstanding debt secured by any senior deed of trust on the security property. An appraisal shall be deemed to be "current" if the General Partner has inspected the security property and made a reasonable determination that the value of the security property has not declined since the date of the appraisal.

TYPE OF SECURITY PROPERTY	LOAN-TO-VALUE RATIO
First Deeds of Trust	
Residential property with less than 5 units	75%
Commercial Property (including industrial, retail and office buildings) and residential property with 5 or more units	75%
Unimproved Land	50%
Second Deeds of Trust	
Residential property with less than 5 units	70%
Commercial property (including industrial, retail and office buildings) and residential property with 5 or more units	70%
Unimproved Land	None

The foregoing loan-to-value ratios will not apply to purchase-money financing offered by the Partnership to sell any real estate owned by the Partnership (i.e., property which is acquired through foreclosure) or to refinance an existing loan that is in default at the time of maturity. In such cases, the General Partner, in its sole discretion, shall be free to accept any reasonable financing terms that he deems to be in the best interests of the Partnership.

In determining the value of a security property, the Partnership will use only appraisers who are certified or hold designations from one or more of the following organizations: The Federal National Mortgage Association ("FNMA"), the National Association of Review Appraisers, the Appraisal Institute (M.A.I. or R.M.), the Society of Real Estate Appraisers, or who hold other qualifications acceptable to the General Partner.

Although the Partnership may conduct cursory physical inspections of the security property, due to the costs involved it will not obtain inspection reports from licensed civil engineers nor will it obtain environmental site assessments or otherwise conduct thorough environmental investigations to determine the existence of any toxic or hazardous substances. (See "Risks and Other Important Factors - Environmental Liabilities.")

4. **Terms of Loans**. Most Partnership loans, whether originated or purchased by the Partnership, will be for a period of one to ten years, but in no event more than fifteen (15) years. Most loans will provide for monthly payments of principal and/or interest, with most Partnership loans providing for payments of

interest only and a "balloon" payment of principal payable in full at the end of the term. The General Partner intends to make some adjustable rate mortgages with discounted start rates and negative amortization.

5. **Loan Documents**. All loan documents (notes, deeds of trust, etc.) and insurance policies regarding loans made by the Partnership will name the Partnership as payee and beneficiary. In such cases, loans will not be written in the name of the General Partner, or any other nominee. However, in those cases where the General Partner, an Affiliate or a third party, makes a loan which is then purchased by the Partnership, the loan documents and insurance policies will name the initial maker of the loan (i.e.,the General Partner, an Affiliate or a third party). Upon the Partnership's purchase of all, or a portion of such loan, the note and deed of trust, or such portion thereof, will be assigned to the Partnership. The assignment of deed of trust will be duly recorded in the county where the security property is located and the note will be duly endorsed.

6. **Insurance Requirements**. Loans made by the Partnership will be funded through an escrow account handled by a title company or by the General Partner. In such cases, the Partnership will instruct the escrow agent not to disburse any of the Partnership's funds out of the escrow for purposes of funding the loan until:

(a) Satisfactory title insurance coverage has been obtained for all loans, with the title insurance policy naming the Partnership as the insured and providing title insurance in an amount equal to the principal amount of the loan. (Title insurance insures only the validity and priority of the Partnership's deed of trust, and does not insure the Partnership against loss by reason of other causes, such as diminution in the value of the security property, over-appraisals, borrower's defaults, etc.)

(b) Satisfactory fire and casualty insurance has been obtained for all loans, naming the Partnership as loss payee in an amount at least equal to the value of the improvements on the security property. (See "Risks and Other Important Factors.") The General Partner does not intend to arrange for mortgage insurance, nor require the borrower to maintain liability insurance. Additionally, the General Partner may not require the borrower to carry fire and casualty insurance if the security property consists of unimproved land.

In those cases where the Partnership purchases all or a portion of a loan from the General Partner, an Affiliate or third party, the Partnership will obtain an endorsement to the original title insurance policy which will name the Partnership as the insured or co-insured, as appropriate. Additionally, the Partnership will make certain that the policy(ies) of fire and casualty insurance insuring the security property (although such policies may not specifically name the Partnership as loss payee) do provide that maker of the loan (i.e., the General Partner, an Affiliate or third party) and/or its assignee (i.e., the Partnership) is the loss payee.

7. **No Loans to the General Partner**. No loans will be made to the General Partner or to its Affiliates.

8. **Note Hypothecation**. The Partnership also may make loans which shall be secured by promissory notes, which notes shall be secured by deeds of trust on real property located within or outside of California. The amount of a Partnership loan secured by an assigned promissory note will satisfy the loan-to-value ratios set forth in Paragraph 3 above, which are determined as a specified percentage of the appraised value of the underlying property, and will not exceed 80% of the principal amount of each promissory note. For example, if the property securing a promissory note is unimproved land, the total amount of outstanding debts secured by such property, including the debt represented by the assigned promissory note and any senior mortgages, must not exceed 50% of the appraised value of such property, and the Partnership loan will not exceed 80% of the principal

amount of the assigned promissory note. For purposes of making loans secured by promissory notes, the Partnership shall rely on the appraised value of the underlying property, as determined by a current independent written appraisal as the term "current" is defined in Paragraph 3 above. Concurrently with the Partnership's making of the loan, the borrower of Partnership funds, i.e., the holder of the promissory note, shall execute a written assignment which shall assign to the Partnership his/its interest in the promissory note. No more than twenty percent (20%) of the Partnership's portfolio at any time will be secured by assigned promissory notes.

9. **Loan Diversification**. No Partnership loan (or Partnership interest in a loan) will exceed the greater of (a) $600,000, or (b) 10% of total Partnership assets.

10. **Reserve Fund**. A contingency reserve fund equal to 3% or more of the gross proceeds of this offering will be established and maintained for the purpose of covering unexpected cash needs of the Partnership. Reserve funds are not invested in mortgage loans but are invested in short-term investments (such as money market accounts) which provide lower yields than Partnership loans.

Credit Evaluations

The General Partner intends to strongly consider the income level and general creditworthiness of a borrower to determine his or her ability to repay the Partnership loan according to its terms, however, loans may be made to borrowers who are in default under other of their obligations (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations. On occasion, loans may be made based primarily on loan-to-value ratios materially superior to those described above.

Loan Servicing

It is anticipated that all Partnership loans will be serviced (i.e., loan payments will be collected) by the General Partner, and that the Partnership's assets will be managed by the General Partner. If so, the Partnership and the General Partner will enter into a written loan servicing and asset management agreement. The General Partner will also act as a loan broker in the initial placement of Partnership loans, and shall be paid a loan brokerage fee from borrowers for such services. The General Partner will be compensated for such loan servicing activities and asset management services for the full term of each loan. (See "Compensation to the General Partner and Affiliates.")

Borrowers generally will make interest payments in arrears (i.e., with respect to the preceding 30-day period), and will be instructed to make their checks or money orders payable to the General Partner. Upon receipt by the General Partner all checks will be deposited in the General Partner's trust account, and, in accordance with the General Partner's standard procedures, payment will be made to the Partnership's account at a financial institution selected by the General Partner. (See "Certain Legal Aspects of Partnership Loans.")

Sale of Loans

The Partnership will make mortgage loans for investment and does not engage in real estate operations (other than those which may be required if, among other things, the Partnership forecloses on a property on which it has made a mortgage loan and takes over management of the property). The Partnership does not presently intend to make mortgage loans primarily for the purpose of reselling such loans in the ordinary course of

business. However, the Partnership may occasionally sell mortgage loans (or fractional interests therein) when the General Partner determines that it appears to be advantageous to the Partnership to do so, based upon then current interest rates, the length of time that the loan has been held by the Partnership, and the investment objectives of the Partnership.

Merger with Other Partnerships

The General Partner, upon the prior consent of a "Majority of the Limited Partners," as defined in the Limited Partnership Agreement, will have the right to merge this Partnership with one or more other limited partnerships (of which the General Partner is a sponsor or co-sponsor) subject to certain requirements. (See "Summary of Limited Partnership Agreement.")

OPERATIONS TO DATE

The Partnership began doing business (i.e., investing in mortgage loans) on August 12, 1991 after the minimum of 1,500 Units ($150,000) were sold. As of June 30, 2003, 241,752 Units ($24,175,283) had been sold and the Partnership had invested in one hundred fifty-one (151) mortgage loans in an aggregate amount of $22,420,969. As of June 30, 2003, the Partnership had a total of $559,738 invested in four loans which were "delinquent," which the Partnership defines as being more than thirty days overdue in payment of monthly interest payments.

As of June 30, 2003, the Partnership had a total of $8,169,307 invested in thirty loans which have gone into default. Thirteen of the properties that secure these thirty (30) loans have been foreclosed on and are currently being held and managed by the investors in such loans (the Partnership being one of these investors). All of these thirteen properties are owned free and clear, and the General Partner anticipates recovering a substantial portion, if not all, of the outstanding principal balance owing under the delinquent loans by selling the properties. Seventeen of the properties securing the thirty loans are currently to be foreclosed upon. To date, all Partnership trust deed investments have been purchased as whole or fractional interests in loans originated by the General Partner.

The average size of a Partnership loan as of June 30, 2003 was approximately $148,483. Interest rates on most Partnership loans presently range from 8.9% to 19.0% and the maturity dates of loans have varied from 6 months to 15 years. All of the 151 mortgage loans made as of June 30, 2003 were secured by commercial property (including apartment buildings of 5 or more units). None of the Partnership's loans made as of June 30, 2003 were secured by residential property (1 to 4 units) or by unimproved land. The priority of these Partnership loans is diversified approximately as follows (determined according to dollar volume); first deeds of trust – 100%, second deeds of trust – 0%, third deeds of trust- 0%.

The average net investment yield to investors through June 30, 2003, calculated on an accrual basis, was 6.35% per annum. If current interest rates remain constant, the General Partner anticipates a net investment yield to investors of approximately 5.0 – 8.0% per annum; however, actual yields will vary due to fluctuations in prevailing interest rates, early loan payoffs, loan defaults, the length of time investors' funds are held in the subscription account (earning interest at money market rates, which are lower than interests on Partnership loans) and other factors beyond the control of the General Partner (See "Risk Factors").

COMPENSATION TO GENERAL PARTNER AND AFFILIATES

The following discussion summarizes the forms of compensation to be received by the General Partner. All of the amounts described below, except for the share of Partnership profits and losses, are payable regardless of the success or profitability of the Partnership. None of the following compensation was determined by arm's length negotiations.

Form of Compensation	**Amount or Method of Compensation**
Interest in Profits and Losses of the Partnership to General Partner	1% of all Partnership profits and losses to be allocated to the General Partner.
Reimbursement of Expenses to General Partner	Reimbursement for out-of-pocket organization and syndication expenses of the Partnership, including the fair value of computer programming services rendered by the General Partner, or its employees and agents in establishing Partnership accounting procedures and computer programs.
Loan Origination Fees (Points) to General Partner	Ranging from 1-6% of the principal amount of each loan, payable by borrowers and not by the Partnership.
Loan Servicing Fee to General Partner[1][2]	1/6th of 1% of the principal amount of each Partnership loan, payable monthly (i.e., 2% per year), but only as interest is received by the Partnership.
Asset Management Fee to General Partner	1/24th of 1% of Net Assets Under Management, payable monthly (i.e., 1/2 of 1% per year).[2]

---

[1] Loan servicing fees are subject to increase at the option of the General Partner on thirty (30) days notice to the Partnership, so long as such fees do not exceed the amounts generally charged for comparable services by similar mortgage lenders in the geographical area where the security property for the loan is located.

[2] "Net Assets Under Management" means the total Partnership capital, including cash, notes (at book value), real estate owned (at book value), accounts receivable, advances made to protect loan security, unamortized organizational expenses and any other Partnership assets valued at fair market value, less Partnership liabilities. The Asset Management Fee will be paid on the last day of each calendar month with respect to Net Assets Under Management as of the first day of the immediately preceding month.

FIDUCIARY RESPONSIBILITY OF THE GENERAL PARTNER

A general partner is accountable to a partnership as a fiduciary, which means that a general partner is required to exercise good faith and integrity with respect to partnership affairs. This is in addition to the several duties and obligations of, and limitations on, the General Partner set forth in the Limited Partnership Agreement.

Upon request, the General Partner must give to any Limited Partner or his legal representative, true and full information concerning all Partnership affairs and each Limited Partner or his legal representative may inspect and copy the Partnership books and records at any time during normal business hours.

The Limited Partnership Agreement provides that the Partnership shall indemnify the General Partner for any liability or loss (including attorneys' fees, which shall be paid as incurred), suffered by him, and shall hold the General Partner harmless for any loss or liability suffered by the Partnership, so long as a General Partner determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Partnership, and such loss or liability did not result from the gross negligence or gross misconduct of the General Partner. Any such indemnification shall only be recoverable out of the assets of the Partnership and not from Limited Partners.

Notwithstanding the foregoing, the General Partner nor any of its Affiliates shall be indemnified for any liability imposed by judgment (including costs and attorneys' fees) arising from or out of a violation of state or federal securities laws associated with the offer and sale of Units. However, indemnification will be available for settlements and related expenses of lawsuits alleging securities law violations if a court approves the settlement and indemnification, and also for expenses incurred in successfully defending such lawsuits if a court approves such indemnification.

In the event the General Partner seeks indemnification from the Partnership in any court proceeding involving the Partnership or the General Partner, the General Partner will apprise the court of the position of the California Commissioner of Corporations and the Securities and Exchange Commission with respect to indemnification for securities laws violations before seeking court approval for indemnification.

Limited Partners may have a more limited right of action than they would have absent these provisions in the Limited Partnership Agreement. A successful indemnification of the General Partner could deplete the assets of the Partnership. Limited Partners who believe that a breach of the General Partner's fiduciary duty has occurred should consult with their own legal counsel.

RISKS AND OTHER IMPORTANT FACTORS

Any investment in the Units offered hereby involves a significant degree of risk and is suitable only for investors who have no need for liquidity in their investments. When analyzing this offering, prospective investors should carefully consider the following risks and other factors, and should also carefully consider the matters discussed herein under the captions "Compensation to the General Partner and its Affiliates," "Conflicts of Interest", and "Tax Considerations." These risks represent only some of the risks involved in connection with an investment in the Units. Additionally, changes in circumstances with respect to the borrower, the property or the general economic climate may exacerbate existing risks or create new risks.

Lack of Liquidity

There is no public market for the Units and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Units is also restricted by the provisions of the Securities Act of 1933, as amended, and Rule 147 thereunder, and by the provisions of the Limited Partnership Agreement. Unless an exemption is available, Units may not be sold or transferred without registration under the Securities Act of 1933, as amended, and the prior written consent of the California Commissioner of Corporations. Any sale or transfer of Units also requires the prior written consent of the General Partner. (See "Summary of Limited Partnership Agreement.") Limited Partners have no right to withdraw from the Partnership or to otherwise recover any of their invested capital for a period of twelve (12) months after Units are purchased, and thereafter substantial restrictions continue to apply to any withdrawals from the Partnership. Notwithstanding the foregoing, the Partnership shall give priority to return the capital accounts of deceased investors which may be returned prior to the expiration of such 12-month minimum investment period. (See "Withdrawal from Partnership.") Investors must be capable of bearing the economic risks of this investment with the understanding that Units may not be liquidated by resale or redemption, and should expect to hold Units as a long-term investment.

Tax Risks

Investment in the Partnership involves certain tax risks of general application to all investors, and certain other tax risks specifically applicable to ERISA plans, Individual Retirement Accounts, qualified-pension and profit-sharing plans and other tax-exempt investors. (See "Tax Considerations.")

Loan Defaults and Foreclosures

The Partnership is in the business of lending money and, as such, takes the risk of defaults by borrowers. Many Partnership loans will be interest-only loans providing for relatively small monthly payments with a large "balloon" payment of principal due at the end of the term. Most borrowers are unable to repay the principal amount of such loans out of their own funds and therefore must sell the real property security or refinance at maturity. A downturn in the real estate market, fluctuations in interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to pay off or refinance their loans at maturity. If the real property security consists of undeveloped land, it may be more difficult for the borrower to sell or refinance its loan than if the real property security were improved real estate because undeveloped land is generally viewed as being a riskier and more speculative form of investment or real property security than is improved real estate. See "Risks Associated with Undeveloped Land" elsewhere in this Offering Circular.

Since the Partnership is an "asset" rather than a "credit" lender, the Partnership is relying primarily on the real property securing loans to protect its investment. There are a number of factors which could adversely affect the value of such real property security, including, among other things, the following:

1. The Partnership will rely on appraisals to determine the fair market value of real property used to secure loans made by the Partnership. No assurance can be given that such appraisals will, in any or all cases, be accurate. Moreover, since an appraisal fixes the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include general or local economic conditions, neighborhood values, interest rates, new construction, changes in applicable zoning laws and other restrictions, etc.

2. If the borrower defaults, the Partnership may be forced to purchase the property at a foreclosure sale. If the Partnership cannot quickly sell such property, and the property does not produce any significant income, the Partnership's profitability will be adversely affected.

3. The laws of the state in which the property is located and the manner in which the Partnership's security interest in the security is enforced may preclude the Partnership from recovering any deficiency from the borrower if the real property security proves insufficient to repay amounts owing to the Partnership. (See "Certain Legal Aspects Of Partnership Loans.")

4. A number of the Partnership's loans will be secured by junior deeds of trust, which are subject to greater risk than first mortgage loans. (See "Certain Legal Aspects of Partnership Loans.")

5. The recovery of sums advanced by the Partnership in making loans and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the loan was made. A foreclosure sale may be delayed by the filing by the borrower of a petition in bankruptcy, which automatically stays any actions to enforce the terms of the loan. The length of this delay and the costs associated therewith may have an adverse impact on the Partnership's profitability. If a loan is secured by hypothecated notes, then a bankruptcy filing by one of the borrowers under the hypothecated notes can weaken the value of the Partnership's security for its loan and/or delay or impair the borrower's collections on or enforcement efforts with respect to such hypothecated notes, even if the borrower under the loan is not in bankruptcy.

Borrower's Financial Status

The Partnership will evaluate the creditworthiness of a borrower based on a review of financial information provided by the borrower, and by making other inquiries (e.g., running a credit check). However this financial information and these inquiries will be given and made as of a particular point in time. The financial condition and/or credit status of the borrower could change subsequent to when this financial information and these inquiries are given and made.

If a loan is secured by hypothecated notes, the creditworthiness of the borrowers under the hypothecated notes may affect the value of the hypothecated notes as security. The Partnership may not be able to obtain any credit information about the borrowers under hypothecated notes, or the amount of credit information that the Partnership is able to obtain may be less than it would obtain in the course of evaluating the creditworthiness of the primary borrower. The Partnership will look principally to the payment history under a hypothecated note in deciding whether or not to accept the hypothecated note as security.

The Partnership may not be able to obtain credit information about a borrower under a note that the Partnership is contemplating purchasing. As with hypothecated notes, the Partnership will look principally to the payment history under the note in deciding whether or not to purchase the note.

Due-On-Encumbrance Clauses

Many first deeds of trust contain "due-on-encumbrance" clauses permitting the holder to accelerate a loan if the borrower executes an additional deed of trust on the security property in favor of a junior lienholder. Such clauses are enforceable in all cases except where the security property consists of residential property containing four or fewer units. Most Partnership loans will be secured by properties that do not fall within this exemption. The General Partner intends to follow customary and prudent lending practices when senior encumbrances contain due-on-encumbrance provisions including, when appropriate in the judgment of the General Partner, obtaining the prior written consent of the senior lienholder.

Size of the Offering

There is no assurance that the Partnership will obtain capital contributions equal to the maximum amount of the offering. Receipt of capital contributions of less than the maximum amount will reduce the ability of the Partnership to spread investment risks through diversification of its loan portfolio; however, in the opinion of the General Partner there will be no other material limitation on the Partnership's operation if less than the maximum proceeds are raised.

Unspecified Loans; Reliance on the General Partner

The specific loans in which the proceeds of this offering will be invested have not yet been determined, and Limited Partners will have no opportunity to review potential Partnership loans. The General Partner will participate in all decisions with respect to the management of the Partnership, including the determination as to what loans to make or purchase. Therefore, the Partnership, to a substantial degree, is dependent on the continued services of the General Partner. In the event of the death, retirement or other incapacity of the General Partner the business and operations of the Partnership may be adversely affected.

Management and Competition

The General Partner has substantial prior experience in the mortgage lending business. (See "The General Partner and Affiliates"). However, due to the nature of the Partnership's business, the Partnership's profitability will depend to a large degree upon the future availability of secure loans. The Partnership will compete with institutional lenders and others engaged in the mortgage lending business, some of whom have greater financial resources and experience than the Partnership. The Limited Partners will not have a voice in the management decisions of the Partnership and can exercise only a limited amount of control over the General Partner.

Fluctuations in Interest Rates

Recent years have demonstrated that mortgage interest rates are subject to abrupt and substantial fluctuations. The Partnership intends to make a number of long-term loans. Although the Partnership intends to make primarily adjustable rate mortgage loans, these loans will have an interest rate ceiling. If prevailing interest rates rise above the average interest rate ceiling being earned by the Partnership's loan portfolio, investors will be unable to liquidate their investment quickly in order to take advantage of higher returns that may be available from other investments. Therefore, the purchase of Units is a relatively illiquid investment.

General Partner Not Required to Devote Full Time to the Partnership

The General Partner is not required to devote full time to the business and affairs of the Partnership, but only such time as may reasonably be required.

Investors Not Independently Represented

Investors in the Partnership have not been represented by independent counsel in its organization, and the attorneys who have performed services for the Partnership have also represented the General Partner and its Affiliates. (See "Conflicts of Interest.")

Investment Delays

There will be a delay between the time Units are sold and the time purchasers of Units are admitted to the Partnership and begin to participate in the investment yield being realized by the Partnership on its loan portfolio. During this period, proceeds from the sale of Units will be invested in short-term certificates of deposit, money-market funds or other liquid assets which will not yield a return as high as the anticipated return to be earned by the Partnership on its loan portfolio. This delay, which is anticipated to be less than 90 days in most cases, will dilute the overall investment return to Limited Partners.

Uninsured Losses

The General Partner will require comprehensive fire and casualty insurance on the properties securing the Partnership's loans. However, there are certain types of losses (generally those of a catastrophic nature, such as losses due to war, earthquakes, floods or mudslides) which are either uninsurable or not economically insurable. Should any such disaster occur, the Partnership could suffer a loss of principal and interest on the loan secured by the uninsured property. If the property consists of undeveloped land, the General Partner may not require the borrower to carry fire insurance as there would be no improvements to insure. The General Partner will not require the borrower to carry liability insurance with respect to the real property security. If an accident should occur on the real property security (e.g., a "slip and fall") or some other event should occur that would be covered under a liability insurance policy, the borrower would be liable to pay any resulting claims. This could impair the borrower's ability to repay the loan.

Lack of Regulation

The management and investment practices of the Partnership are not supervised or regulated by any federal or state authority, except to the extent that the lending and brokerage activities of the Partnership and the General Partner are subject to supervision or regulation by the California Department of Real Estate or Department of Corporations.

Environmental Liabilities

The Partnership intends to invest primarily in mortgages secured by commercial and industrial properties. The Partnership may also make loans that are secured by undeveloped land. Under current federal and state law, the owner of real property contaminated with toxic or hazardous substances (including, under certain circumstances, a mortgage lender that has acquired title through foreclosure) is liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations. This liability generally arises regardless of who caused the contamination or when it was caused. Furthermore, even if a mortgage lender does not foreclose on a contaminated site, the mere existence of hazardous substances on the property could adversely impair the value of the real property security (e.g., decreased desirability of the property, which could lead to lower rent rates or decreased occupancy) or the ability of the borrower to repay the loan (since the borrower might have to pay for the cost to remove or clean up the contamination and might also be liable to tenants of the real property or owners or occupants of adjoining real property for property damage, bodily injury, lost profits or other consequential damages). If the borrower fails to remove or clean up contaminated real property, it is possible that federal, state and/or local environmental agencies could perform the removal or cleanup, then impose liens upon and subsequently foreclose on the real property security to pay for the costs of such removal or cleanup. These factors can significantly decrease the value of the property or the hypothecated notes as security for a loan. Furthermore, even if the Partnership does not foreclose on contaminated real property security, the mere existence of hazardous substances on such real property security may depress the market value of such real property security such that the loan is no longer adequately secured (see "Certain Legal Aspects of Partnership Loans"), A mortgage lender may be barred from seeking a personal judgment against the borrower without first foreclosing on the security property. In certain

instances, a mortgage lender may be able to forego its security interest in contaminated security property and seek a personal judgment against the borrower; however, there are substantial restrictions and conditions on a mortgage lender's ability to exercise this remedy. Thus, if the Partnership were deterred from foreclosing by the presence of hazardous substances, in most cases it would not be able to recover its investment.

A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making a loan; however, environmental inspections and investigations are very expensive, and often are not financially feasible in connection with loans of the size and type to be made by the Partnership. As a result, toxic contamination reports or other environmental site assessments will generally not be obtained by the Partnership in connection with its loans. The General Partner will, however, take certain precautions to avoid environmental problems, such as not making loans secured by properties known to be currently used as gas station sites or heavy manufacturing sites, or are generally known to have been used in the past for such purposes.

Risks of Ownership

If a borrower defaults on a loan and the Partnership forecloses and takes title to the real property security, the Partnership will bear the economic and other risks borne by an owner of real property. These risks include, but are not limited to, the financial risks involved in leasing, operating and selling the real property, the risks for environmental clean-up costs and related environmental liabilities described in the "Environmental Liabilities" section above and the risk of liability for uninsured casualties on the real property. If the property consists of undeveloped land, the risks of owning such land may be greater than the risks of owning improved real estate. See "Risks Associated with Undeveloped Land" elsewhere in this Offering Circular. These same risks apply to a loan that is secured by hypothecated notes, since these notes are themselves secured by real property security and the borrower who has pledged these notes as security for its loan will be exposed to the risks of ownership if it has to take title to such real property security.

Reliance on Information Provided by Others

The success of a loan will depend, among other things, on an accurate assessment of the creditworthiness of the borrower and the underlying value of the real property securing the loan, or the value of the hypothecated notes and the real property securing the hypothecated notes. While the General Partner will make an investigation regarding the real property security and the borrower, it will rely to some extent on third parties such as credit agencies, appraisers, and the borrower itself to provide the information upon which the General Partner will base its decision to make a loan. There is no guarantee that this information will be accurate.

Risks Associated with Undeveloped Land

The property that secures a loan, or the property that secures hypothecated notes, may consist of undeveloped land. For a number of reasons, undeveloped land is generally considered a riskier and more speculative form of security for a loan than is improved real estate. For example, before improvements can be constructed on undeveloped land the owner of the land may need to secure entitlements (e.g., zoning approvals, variances, and architectural approvals), undergo review of and obtain clearance on environmental impact issues (including issues concerning traffic, open space, school or transit impact, endangered species, wetlands, noise and air quality), obtain building permits, secure access and connections to necessary utilities, obtain construction financing, undertake and complete construction, and find buyers or tenants once the undeveloped land has been improved. Many of these risks are no longer at issue with respect to improved real estate.

Moreover, it is likely that undeveloped land will not generate any income that can be used to pay the interest and/or principal owing under the loan or real property taxes assessed against the undeveloped land. Accordingly, the borrower must have other sources of income in order to make these payments. If hypothecated notes are secured by undeveloped land, then the borrowers under such hypothecated notes must also have other sources of income in order to make their payments under the hypothecated notes.

Even if the owner of undeveloped land intends to hold the undeveloped land for investment, rather than developing the land itself, any prospective purchaser of the undeveloped land will take these risks into account when it sets the purchase price. Additionally, it can take up to several years or more to market and sell undeveloped land. Due to this potentially protracted time frame, it may be difficult for the owner of undeveloped land to sell the undeveloped land in time to pay off the loan at maturity. Finally, most lenders are more reluctant to lend against undeveloped land than against improved real estate due to the risks and other matters described above. Due to these considerations, it may be more difficult for a borrower to sell or refinance the real property security in order to repay the loan, or for the borrowers under hypothecated notes to sell or refinance in order to repay the hypothecated notes.

In acknowledgment of these increased risks, the Partnership will not make a loan secured by undeveloped land that exceeds fifty percent (50%) of the fair market value of the undeveloped land. This more conservative underwriting does not, however, eliminate the risks described above. It merely provides the Partnership with a greater equity cushion should the borrower default under a loan.

Local Market Conditions

The General Partner is based in Sacramento, California, whereas the borrower under a loan, the property that serves as security for a loan, the borrowers under hypothecated notes and the property that secures hypothecated notes may reside or be located within or outside of California. Although the General Partner will obtain and analyze financial information about the borrower, obtain an appraisal of the property that indicates that the property meets the minimum loan to value ratio set forth in the "LENDING STANDARDS AND POLICIES" section and conduct other investigation as described in this Offering Circular with respect to hypothecated notes and the underlying real property security, the General Partner may not be as familiar with the borrower, the property, and/or the local market conditions that affect the borrower, the property and/or the value of the property as it might be with borrowers or properties that are located in California. To date, all of the loans that the General Partner has underwritten has been to borrowers who reside in California and have been secured by properties located in California.

Early Loan Payoff

Interest rates are subject to fluctuation, and the cost and availability of funds may increase and decrease from time to time. If a borrower is able to borrow funds at a lower interest rate then the interest rate that it is obligated to pay under a loan arranged through this offering, it may elect to refinance its loan. This would result in the Partnership being repaid some or all of its loan prior to the stated loan maturity. The Partnership's loan documents typically allow a borrower to prepay its loan without prohibition or the payment of a prepayment premium. If a borrower repaid its loan because interest rates were lower, then, due to the lower interest rate environment, the Partnership may have difficulty re-lending its funds at the same yield that it was receiving from the prepaid loan.

ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974 ("ERISA") contains strict fiduciary responsibility rules governing the actions of "fiduciaries" of employee benefit plans. It is anticipated that some Limited Partners will be corporate pension or profit-sharing plans and Individual Retirement Accounts, or other employee benefit plans that are subject to ERISA. In any such case, the person making the investment decision concerning the purchase of Units will be a "fiduciary" of such plan and will be required to conform to ERISA's fiduciary responsibility rules. DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE APPLICATION OF ERISA TO HIS PROSPECTIVE INVESTMENT.

Prudent Man Standard

Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill and prudence which a prudent man familiar with such matters would exercise in like circumstances. In evaluating whether the purchase of Units is a "prudent" investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (see "Tax Considerations"), as well as the percentage of plan assets which will be invested in the Partnership insofar as the diversification requirements of ERISA are concerned. An investment in the Partnership is illiquid, and fiduciaries must not rely on an ability to convert an investment in the Partnership into cash in order to meet liabilities to plan participants who may be entitled to distributions. FAILURE TO CONFORM TO THE PRUDENT MAN STANDARD MAY EXPOSE A FIDUCIARY TO PERSONAL LIABILITY FOR ANY RESULTING LOSSES.

Prohibited Transactions

The General Partner shall not accept subscriptions for Units from ERISA plan investors unless, immediately after any such Units are sold, ERISA plan investors will hold less than twenty-five percent (25%) of the total outstanding equity interests in the Partnership (measured by capital accounts).

Annual Valuation

Fiduciaries of plans subject to ERISA are required to determine annually the fair market value of the assets of such plans as of the close of any such plan's fiscal year. Although the General Partner will provide annually upon the written request of a Limited Partner an estimate of the value of the Units based upon, among other things, outstanding mortgage investments, it may not be possible to value the Units adequately from year to year, because there will be no market for them.

CONFLICTS OF INTEREST

The following is a list of the important areas in which the interests of the General Partner will conflict with those of the Partnership. The Limited Partner must rely on the general fiduciary standards which apply to a general partner of a limited partnership to prevent unfairness by the General Partner and/or its Affiliates in a transaction with the Partnership. (See "Fiduciary Responsibility of the General Partner.") Except as may arise in the normal course of the relationship, there are no transactions presently contemplated between the Partnership and its General Partner or Affiliates other than those listed below.

Loan Brokerage Commissions

None of the compensation set forth under "Compensation to the General Partner" was determined by arm's length negotiations. The loan brokerage commissions charged to borrowers by the General Partner will average approximately 2.5% of the principal amount of each loan, but may range as high as 6%. Any increase in such charges will have a direct, adverse effect upon the interest rates that borrowers will be willing to pay the Partnership, thus reducing the overall rate of return to Limited Partners. Conversely, if the General Partner reduces the loan brokerage commissions charged by the General Partner, a higher rate of return might be obtained for the Partnership and the Limited Partners. This conflict of interest will exist in connection with every Partnership loan transaction, and Limited Partners must rely upon the fiduciary duties of the General Partner to protect their interests. In an effort to partially resolve this conflict, the General Partner has agreed that the loan brokerage commissions to be received by it in connection with each loan arranged for the Partnership will not exceed 6% of the total loan amount.

The General Partner has reserved the right to retain the services of other firms, in addition to or in lieu of the General Partner, to perform the brokerage services, loan servicing and other activities in connection with the Partnership's loan portfolio that are described in this Offering Circular. Any such other firms may be affiliated with the General Partner.

Other Partnerships or Businesses

In the future, the General Partner or its Affiliates may sponsor other limited partnerships which are similar to that of the Partnership. The General Partner also provides loan brokerage services to other investors besides the Partnership. It is possible that these other partnerships and investors will have funds to invest at the same time as the Partnership. There will then exist conflicts of interest on the part of the General Partner between the Partnership and the other partnerships or investors with which it is affiliated at such time. The General Partner will decide which loans are appropriate for funding by the Partnership or by such other partnerships and investors after consideration of all relevant factors, including the size of the loan, portfolio diversification, and amount of uninvested funds.

The General Partner and its Affiliates may engage for their own account, or for the account of others, in other business ventures, similar to that of the Partnership or otherwise, and neither the Partnership nor any Limited Partner shall be entitled to any interest therein.

The Partnership will not have independent management and it will rely on the General Partner and its Affiliates for the operation of the Partnership. The General Partner will devote only so much time to the

business and affairs of the Partnership as is reasonably required. The General Partner will have conflicts of interest in allocating management time, services and functions between existing partnerships, the Partnership, and any future partnerships which it may organize as well as other business ventures in which it may be involved. The General Partner believes it has sufficient staff to be fully capable of discharging its responsibilities to all such entities.

Lack of Independent Legal Representation

The Partnership has not been represented by independent legal counsel to date. The use by the General Partner and the Partnership of the same counsel in the preparation of this Offering Circular and the organization of the Partnership may result in the lack of independent review.

Sale of Real Estate Owned to Affiliates

In the event the Partnership becomes the owner of any real property by reason of foreclosure on a Partnership loan, the General Partner's first priority will be to arrange the sale of the property for a price that will permit the Partnership to recover the full amount of its invested capital plus accrued but unpaid interest and other charges, or so much thereof as can reasonably be obtained in light of current market conditions. In order to facilitate such a sale, the General Partner may, but is not required to, arrange a sale to persons or entities controlled by them. The General Partner will be subject to conflicts of interest in arranging such sales since it will represent both parties to the transaction.

The General Partner has undertaken to resolve these conflicts as follows:

1. No foreclosed property will be sold to an Affiliate unless the General Partner has first used its best efforts to sell the property at a fair price on the open market for at least 90 days.

2. In the event the property is sold to an Affiliate, the net purchase price must be more favorable to the Partnership than any third-party offer received. The purchase price will also be: (a) no higher than the independently appraised value of such property, if any, at the time of sale, and (b) no lower than the total amount of the Partnership's "investment" in the property. The Partnership's investment includes without limitation the following: the unpaid principal amount of the Partnership's loan, unpaid interest accrued to the date of foreclosure, expenditures made to protect the Partnership's interest in the property such as payments to senior lienholders and for insurance and taxes, costs of foreclosure (including attorneys fees actually incurred to prosecute the foreclosure or to obtain relief from stays in bankruptcy), and any advances made by the General Partner on behalf of the Partnership for any of the foregoing.

3. Neither the General Partner nor any of its Affiliates would receive a real estate commission in connection with such a sale.

It is the General Partner's opinion that these undertakings will yield a price which is fair and reasonable for all parties, but no assurance can be given that the Partnership could not obtain a better price if the General Partner did not also represent the purchaser of the property.

USE OF PROCEEDS

An original maximum offering of 200,000 Units ($20,000,000) was reached in or about January 2002. Thereafter, the maximum offering was increased to 400,000 Units ($40,000,000). The proceeds from the sale of the additional 200,000 Units ($20,000,000) offered hereby will be used approximately as set forth below. The amounts set forth below are only estimates, and actual use of proceeds will vary according to the availability of suitable mortgage loans for investment and the actual fees and expenses incurred to third parties.

Offering Expenses	$ 50,000	(0.25%)
Reserves	$ 600,000	(3.00%)
Mortgage Loans [1]	$ 19,350,000	(96.75%)
TOTAL PROCEEDS:	$20,000,000	(100.00%)

Footnotes:

[1] All loan brokerage commissions paid to the General Partner will be paid by borrowers out of the proceeds of loans made by the Partnership. Thus, a portion of the proceeds from the sale of Units, which will be used by the Partnership to fund its loans, will indirectly be paid to the General Partner in the form of loan brokerage commissions, but will ultimately be repaid to the Partnership (with interest) by borrowers. (See "Compensation to General Partner and Affiliate.")

TAX CONSIDERATIONS

The following is a summary of certain relevant federal income tax considerations resulting from an investment in the Partnership, but does not purport to cover all of the potential tax considerations applicable to any specific purchaser. Prospective investors are urged to consult with and rely upon their own tax advisors for advice on these and other tax matters with specific reference to their own tax situation and potential changes in applicable law.

Partnership Status

In the event the Partnership is treated for federal income tax purposes as an association taxable as a corporation in any taxable year, the Partnership would be required to pay taxes upon its net income, thus reducing the amount of cash available for reinvestment in the business of the Partnership or for distribution to the Limited Partners. If the Partnership is treated for federal income tax purposes as a partnership, no such federal income tax would be payable by the Partnership.

Under the currently applicable regulations ("Regulations") promulgated by the Internal Revenue Service ("Service"), an organization is treated as a partnership and not as an association taxable as a corporation so long as the organization does not has a preponderance of the corporate characteristics described in such Regulations. The Partnership will not have a preponderance of those corporate characteristics set forth in the Regulations as those Regulations are currently interpreted by the Service and, consequently, the Partnership should not be an association taxable as a corporation for federal income tax purposes, provided that the General Partner of the Partnership has "substantial assets" as that term is used in Section 301.7701-2(d)(2) of the Regulations, and provided that the Partnership meets the conditions set forth in the following paragraphs. The General Partner assumes that (i) the Partnership has been duly formed and will operate in conformity with the requirements of California law and the provisions of its Limited Partnership Agreement; (ii) the net worth of the General Partner of the Partnership is sufficient and will remain sufficient to satisfy the requirements of "substantial assets" within the meaning of the Regulations at all times during the existence of the Partnership; (iii) no lender on a non-recourse basis will obtain or have the right to obtain a proprietary interest in the Partnership or its assets other than as a creditor; (iv) the General Partner will at all times have at least a 1% interest in the profits, losses and each specially allocated item of income, credit or deduction of the Partnership; (v) the Partnership and the Partners will enter into the transactions described herein with a reasonable expectation of profit; and (vi) criteria or standards other than those specified in the Regulations will not be applied in determining such classifications.

At present, no specific criteria have been established by the Service (other than procedural guidelines) as to the minimum net worth or other characteristics that a general partner must maintain to qualify a Limited Partnership for federal tax classification as such, other than that the general partners must have substantial assets and not be a mere "dummy." Based on the current net worth of the General Partner of the Partnership it is likely that he would be deemed to have "economic substance" within the meaning of the Regulations, and, accordingly, that the Partnership will be treated as a partnership for federal tax purposes.

Taxation of Undistributed Partnership Income (Individual Investors)

Under the laws pertaining to federal income taxation of partnerships, no federal income tax is paid by the Partnership as an entity. Each individual partner reports on his federal income tax return his distributive share of Partnership income, gains, losses, deductions and credits, whether or not any actual distribution is made to such partner during a taxable year. Each individual partner may deduct his distributive share of Partnership losses, if any, to the extent of the tax basis of his Units at the end of the Partnership year in which the losses occurred. The characterization of an item of profit or loss will usually be the same for the partner as it was for the Partnership. Since individual partners will be required to include Partnership income in their personal income without regard to whether there are distributions of Partnership income, such investors will become liable for federal and state income taxes on Partnership income even though they have received no cash distributions from the Partnership with which to pay such taxes.

Distributions of Income

To the extent cash distributions exceed the current and accumulated earnings and profits of the Partnership, they will constitute a return of capital, and each Limited Partner will be required to reduce the tax basis of his Units by the amount of such distributions and to use such adjusted basis in computing gain or loss, if any, realized upon the sale of Units. Such distributions will not be taxable to Limited Partners as ordinary income or capital gain until there is no remaining tax basis, and, thereafter, will be taxable as gain from the sale or exchange of the Units.

Property Held Primarily for Sale; Potential Dealer Status

The Partnership has been organized to invest in loans primarily secured by deeds of trust on real property. However, if the Partnership were at any time deemed for federal tax purposes to be holding one or more Partnership loans primarily for sale to customers in the ordinary course of business (a "dealer"), any gain or loss realized upon the disposition of such loans would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are higher than those for capital gains. In addition, income from sales of loans to customers in the ordinary course of business would also constitute unrelated business taxable income to any investors which are tax-exempt entities. Under existing law, whether or not real property is held primarily for sale to customers in the ordinary course of business must be determined from all the relevant facts and circumstances. The Partnership intends to make and hold the Partnership loans for investment purposes only, and to dispose of Partnership loans, by sale or otherwise, at the discretion of the General Partner and as consistent with the Partnership's investment objectives. It is possible that, in so doing, the Partnership will be treated as a "dealer" in mortgage loans, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt investors in the Partnership.

Tax Returns

Annually, the Partnership will provide the Limited Partners (but not to assignees of Limited Partners unless they become substituted Limited Partners) sufficient information from the Partnership's informational tax return for the Limited Partners to prepare their individual federal, state and local tax returns. The Partnership's informational tax returns will be prepared by certified public accountants selected by the General Partner.

Portfolio Income

The Partnership's primary source of income will be interest, which is ordinarily considered "portfolio income" under the Internal Revenue Code ("Code"). Similarly, Temporary Regulations issued by the Internal Revenue Service in 1988 (Temp. Reg. Section 1.469-2T(f)(4)(ii)) confirmed that net interest income from an equity-financed lending activity such as the Partnership will be treated as portfolio income, not as passive income, to Limited Partners. Therefore, investors in the Partnership will not be entitled to treat their proportionate share of Partnership income as "passive income," against which passive losses (such as deductions from unrelated real estate investments) may be offset.

Unrelated Business Taxable Income

Units may be offered and sold to certain tax exempt entities (such as qualified pension or profit sharing plans or other tax exempt entities qualified under ERISA) that otherwise meet the investor suitability standards described elsewhere in this Offering Circular (see "Investor Suitability Standards"). Such tax exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income", as that term is defined by Section 513 of the Code. Under the Code, tax exempt purchasers of Units will be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the Partnership. Interest income (which will constitute the primary source of Partnership income) does not constitute an item of unrelated business taxable income, except to the extent it is derived from "debt-financed property"; however, since the Partnership will not utilize borrowed funds for the purpose of making or investing in loans, interest earned on Partnership loans should not constitute unrelated business taxable income and investors that are otherwise exempt from federal and state income taxes should not realize taxable income by reason of interest income earned by the Partnership.

Rents from real property and gains from the sale or exchange of property are also excluded from unrelated business taxable income, unless the property is held primarily for sale to customers or is acquired or leased in certain manners described in Section 514(c)(9) of the Code. Therefore, unrelated business taxable income may also be generated if the Partnership operates or sells at a profit any property that has been acquired through foreclosure on a Partnership loan, but only if such property (1) is deemed to be held primarily for sale to customers, or (2) is acquired from or leased to a person who is related to a tax-exempt investor in the Partnership.

The trustee of any trust that purchases Units in the Partnership should consult with his tax advisors regarding the requirements for exemption from federal income taxation and the consequences of failing to meet such requirements, in addition to carefully considering his fiduciary responsibilities with respect to such matters as investment diversification and the prudence of particular investments.

CERTAIN LEGAL ASPECTS OF PARTNERSHIP LOANS

The Partnership's loans will be secured by either a mortgage or a deed of trust or by hypothecated notes that are themselves secured by a mortgage or deed of trust. In some states, a mortgage is the form of security instrument used to secure a real property loan, while in other states a deed of trust is the form of security instrument used to secure a real property loan. A mortgage has two parties: a borrower called the "mortgagor" and the lender called the "mortgagee". The mortgagor gives the mortgagee a lien on the property as security for the loan or, in some states, the mortgagor conveys legal title of the property to the mortgagee until the loan is repaid but retains equitable title and the right of possession to the property so long as the loan is not in default. A deed of trust has three parties: a borrower-grantor called the "trustor", a third-party grantee called the "trustee", and a lender-creditor called the "beneficiary." The trustor grants the property, irrevocably

until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary.

Foreclosure

The manner in which the Partnership will enforce its rights under a mortgage or deed of trust or with respect to hypothecated notes, will depend on the laws of the state in which the property is situated. Depending on local laws, a lender may be able to enforce its mortgage or deed of trust by judicial foreclosure or by non-judicial foreclosure through the exercise of a power of sale. Local laws will also dictate, among other things, the amount of time and costs associated with a judicial or non-judicial foreclosure sale, whether or not a lender would be entitled to recover a deficiency judgment (i.e., the resulting shortfall if the proceeds from the sale of the property are not sufficient to pay the debt) from the borrower, either concurrently with or following a judicial or non-judicial sale, whether there are limits as to the amount of this deficiency judgment, and whether the borrower would have a right to redeem the property following a judicial or non-judicial sale.

A judicial foreclosure is a public sale of the property conducted under an order of the court of the state in which the property is located, with the sales proceeds being applied to satisfy the underlying debt. A judicial foreclosure is subject to most of the delays and expenses of other lawsuits and can take up to several years to complete, depending on how busy the local courts are.

In contrast, a non-judicial foreclosure is a private sale of the property conducted directly by the mortgagee, in the case of a mortgage, or the trustee, in the case of a deed of trust, following the giving of appropriate notice and the expiration of appropriate cure periods. It is generally cheaper and quicker to conduct a non-judicial foreclosure than to conduct a judicial foreclosure.

A lender would typically undertake a judicial foreclosure when the lender seeks to obtain a deficiency judgment. In some states, a lender is not entitled to recover a deficiency judgment if the lender foreclosures non-judicially. Some states also limit the amount of deficiency that can be recovered from a borrower following a judicial foreclosure sale to the difference between the amount of the debt owing to the lender and the higher of (i) the successful sales price bid at the foreclosure sale, or (ii) the fair market value of the property at the time of foreclosure (a so-called "fair value limitation"). Moreover, some states provide that a borrower and/or junior lienholder has a right to redeem the property for a period of time following a judicial foreclosure sale by paying to the successful bidder an amount equal to the successful sales price bid at the foreclosure sale and the costs of the foreclosure sale. This right of redemption can depress the amount bid at a judicial foreclosure sale because the successful bidder would have to take the property subject to the borrower's and/or the junior lienholder's right of redemption.

If a lender elects to undertake a non-judicial foreclosure sale it would, in many states, forego the right to obtain a deficiency judgment. However, real property that is sold through a non-judicial foreclosure sale is, in many states, not subject to a right of redemption.

In summary, whether or not a lender would pursue a judicial or a non-judicial foreclosure, and the extent and nature of other remedies available to a lender against a borrower in connection with a real property secured loan, will depend on the laws of the state in which the real property is located. If a borrower were to default under a loan, the General Partner, as the loan servicer, would evaluate the applicable laws and consider the enforcement practices typically undertaken by commercial lenders in the state in which the

property is located before commencing enforcement actions.

Hypothecated Notes

Hypothecated notes are considered personal property security. As such, the manner in which the Partnership would enforce its security interest in hypothecated notes following a loan default would be governed by the terms of a security agreement to be given by the borrower in favor of the Partnership, as well as by the Uniform Commercial Code and other laws applicable in the governing state. In many states, a secured creditor may sell the personal property security by providing notices to the debtor and perhaps to other secured creditors of the debtor and then to sell the personal property security at a public or private sale. Generally, the secured party must act in good faith and in a commercially reasonable manner in noticing and conducting this sale. Depending on the laws of the governing state, the debtor may be entitled to reinstate the debt by paying the delinquent amount prior to the sale, and the secured party may or may not be entitled to purchase at the sale.

If a secured creditor fails to comply with the laws that govern the sale of personal property security, the secured creditor's ability to obtain a deficiency judgment (i.e., the deficiency that results if the proceeds from the sale of the personal property collateral are insufficient to cover the debt) may be limited, impaired or forfeited, a court may enjoin the sale, and/or the secured party may be liable to the debtor for the damages that it suffered due to the secured party's failure to comply, which may include a claim for conversion.

Depending on the laws of the governing state, the secured party may be entitled to retain the personal property security in satisfaction of the debt by giving notice to the debtor and perhaps other parties of its intent to do so. If such parties fail to object within a prescribed period of time, the secured party can retain the personal property security in satisfaction of the debt. If such parties object to this course of action, the secured party will be obligated to conduct a public or private sale.

Generally, the proceeds from a sale of personal property collateral are applied first, against the costs of the sale, then to the senior secured claim, then to any junior secured claim, and the balance to the debtor.

Other Loan Enforcement Issues

Other matters, such as litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws, may have the effect of delaying enforcement of the lien of a defaulted loan and may in certain circumstances reduce the amount realizable from sale of a foreclosed property. Where a loan is secured by hypothecated notes, the bankruptcy of a borrower under a hypothecated note can impair the value of the hypothecated note as security.

In some instances, a loan may not only be secured by real property security but also guaranteed by a third party guarantor. Limited Partners should be aware that, depending on local laws, a guarantor may have defenses that would impair the ability of the lender to enforce its guaranty. For example, in some states if a loan obligation is modified without the guarantor's consent, the guarantor may be exonerated from part or all of its obligations under the guaranty. Other states may require that a lender first exhaust all of its remedies against the borrower and real property security and only then can seek any resulting deficiency from the guarantor. A guarantor may, under some local laws, be able to waive some of these defenses in advance provided that the waivers are sufficiently explicit.

Special Considerations for Junior Encumbrances

In addition to the general considerations concerning trust deeds and mortgages discussed above, there are certain additional considerations applicable to second and third deeds of trust or mortgages ("junior encumbrances"). By its very nature, a junior encumbrance is less secure than more senior ones. Only the holder of a first trust deed or mortgage is permitted to bid in the amount of his credit at his foreclosure sale; junior lienholders must bid cash at a first trust deed or mortgage foreclosure sale. (At a junior lienholder's foreclosure sale, a junior lienholder may bid the amount of his credit.) Accordingly, a junior lienholder (such as the Partnership) would need to protect its security interest in the secured property by taking over all obligations of the trustor or mortgagor with respect to senior encumbrances and then keep such obligations current. As a long-term solution, a junior lienholder would need to commence a foreclosure action and arrange either (a) to find a purchaser for the property at a purchase price which will recoup the junior lienholder's interest, or (b) to pay off the senior encumbrances and therefore assure that his/its encumbrance achieves first priority. Either of the alternatives described above will require the Partnership to make substantial cash expenditures to protect its interest. (See "Risk Factors--Defaults in Loan Payments.")

The standard form of deed of trust or mortgage used by most institutional lenders, like the one that will be used by the Partnership, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any condemnation proceedings, and to apply such proceeds and awards to any indebtedness secured by the deed of trust, in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the beneficiary under the underlying first deed of trust or mortgage will have the prior right to collect any insurance proceeds payable under a hazard insurance policy and any award of damages in connection with the condemnation, and to apply the same to the indebtedness secured by the first deed of trust or mortgage before any such proceeds are applied to repay the Partnership's loan.

Prepayment Charges

It is unlikely that loans originated by the Partnership will provide for prepayment charges to be imposed on the borrowers in the event of certain early payments on the loans. In the event prepayment charges are imposed, however, any prepayment charges collected on loans will be retained by the Partnership. Prepayment penalties are generally enforceable as an alternative performance or option on the part of the borrower, and in some circumstances may be enforceable even where the prepayment results from acceleration upon default.

THE GENERAL PARTNER AND AFFILIATES

The General Partner, Blackburne & Brown Mortgage Company, Inc., a California corporation, will manage and direct the affairs of the Partnership. Loans will be arranged and serviced and the Partnership assets will be managed by the General Partner. The General Partner and General Partner's principal executive officer is described below.

Blackburne & Brown Mortgage Company, Inc.: Blackburne & Brown Mortgage Company, Inc. was formed in 1980 for the purpose of originating loans which are secured by first and second deeds of trust on income-producing real property in Northern California. These loans are marketed to individual investors and employee benefit plans and are fully serviced by the General Partner. The General Partner has experienced steady, controlled growth over the past 20 years and now services a loan portfolio of approximately $49 million. General Partner also brokers larger loan requests to selected financial institutions, such as banks. George Blackburne, III is the President and sole shareholder of the General Partner.

George Blackburne, III (Age 50): George Blackburne, III is the founder and President, Secretary and Chief Financial Officer/Treasurer of General Partner. He is a graduate of the University of Santa Clara where he majored in finance. In 1982 he received his M.B.A. from the University of Santa Clara, with an emphasis in finance. He graduated with honors from the University of Northern California School of Law in May of 1991 and was admitted to the California State Bar in November 1991. Mr. Blackburne is a licensed California real estate broker and is also a licensed California attorney. As president, he is responsible for all phases of Partnership operations. Mr. Blackburne's net worth exceeds $1,000,000.

SUMMARY OF LIMITED PARTNERSHIP AGREEMENT

The following is a summary of the Limited Partnership Agreement for the Partnership, and is qualified in its entirety by the terms of the Agreement itself. Potential investors are urged to read the entire Agreement, which is set forth as Exhibit A to this Offering Circular.

Rights and Liabilities of Limited Partners

The rights, duties and powers of Limited Partners are governed by the Limited Partnership Agreement and Sections 15611, et seq. of the California Corporations Code (the California Revised Limited Partnership Act) and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to such Agreement and Act.

Investors who become Limited Partners in the Partnership in the manner set forth herein will not be responsible for the obligations of the Partnership. They will be liable however, to the extent of any deficit in their capital accounts upon dissolution, and may also be liable for any return of capital plus interest if necessary to discharge liabilities existing at the time of such return. Any cash distributed to Limited Partners may constitute, wholly or in part, return of capital.

Limited Partners will have no control over the management of the Partnership, except that Limited Partners representing a majority of the outstanding Limited Partnership interests may, without the concurrence of the General Partner, take the following actions: (a) terminate the Partnership (including merger or reorganization with one or more other partnerships); (b) amend the Limited Partnership Agreement; (c) approve or disapprove the sale of all or substantially all the assets of the Partnership; or, (d) remove and replace the General Partner. The approval of all Limited Partners is required to elect a new general partner to continue the business of the Partnership after the General Partner ceases to be a general partner other than by removal. Limited Partners representing 10% of the Limited Partnership interests may call a meeting of the Partnership.

Capital Contributions

Interests in the Partnership will be sold in Units of $100, and no person may acquire less than 20 Units (i.e., $2,000). (For purposes of meeting this minimum investment requirement, a person may cumulate Units he purchases individually with Units purchased by his or her spouse and for his or her ERISA plan, IRA, rollover-IRA, pension or profit sharing plan.) The General Partner will contribute an amount in cash equal to 1/10th of 1% of the aggregate investments by Limited Partners.

Profits and Losses

Profits and losses of the Partnership will be allocated among the Limited Partners according to their respective outstanding capital accounts as of the first day of any given calendar month. Upon transfer of Units (if permitted under the Limited Partnership Agreement and applicable law), profit and loss will be allocated to the transferee beginning with the next succeeding calendar month. One percent (1%) of all Partnership profit and loss will be allocated to the General Partner.

Cash Distributions

Cash distributions will be made only to those Limited Partners who make the written election, upon subscription for Units, to receive such distributions on a monthly basis. Other Limited Partners will receive credits to their capital accounts. Limited Partners may not change their elections after subscribing for Units. The General Partner will also receive an amount equal to 1% of all "Cash Available for Distribution," as defined in the Limited Partnership Agreement.

As a result, the percentage Partnership interests of non-electing Limited Partners (including voting rights and shares of future income) will gradually increase due to the compounding effect of crediting income to their capital accounts, while the percentage Partnership interests of Limited Partners who receive cash distributions will decrease during the term of the Partnership.

Merger with Other Partnerships

The General Partner, upon the prior written consent of a "Majority of the Limited Partners," as defined in the Limited Partnership Agreement, will have the right to merge this Partnership with one or more other limited partnerships (of which the General Partner is a sponsor or co-sponsor) which limited partnerships also engage in the business of making and investing in loans secured by deeds of trust on California real property ("Merger Partnership"); provided that the average monthly yield (i.e., monthly Partnership income divided by total Partnership capital) for the most recent 6-month period of a Merger Partnership differs by no more than ten percent (10%) from the average monthly yield for the most recent 6-month period of this Partnership. (For example, if the most recent 6-month average monthly yield of this Partnership were 1.15%, the most recent 6-month average monthly yield of a Merger Partnership would have to be between 1.035% and 1.265%.) In requesting the consent of a "Majority of Limited Partners," the General Partner shall fully and accurately disclose to the Limited Partners in writing all of the material terms and conditions of any such proposed merger.

Accounting and Reports

The General Partner will cause to be prepared and delivered to the Limited Partners an annual report of the Partnership's operation, which will be audited by an independent accounting firm. Within 120 days after the close of the year covered by the report, a copy or condensed version will be delivered to the Limited Partners. The Limited Partners shall also be provided such detailed information as is reasonably necessary to enable them to complete their own tax returns within 90 days after the end of the year.

Restrictions on Transfer

The Limited Partnership Agreement places substantial limitations upon transferability of Units. Any transferee must be a person that would have been qualified to purchase a Unit in this offering and no transferee may acquire or hold less than 100 Units. No Unit may be transferred if, in the judgment of the General Partner, a transfer would jeopardize the status of the Partnership as a partnership or cause a termination of the Partnership for federal income tax purposes. The written consent of the California Commissioner of Corporations may also be required prior to any sale or transfer of Units. (See "Commissioner's Rule 260.141.11.")

A transferee may not become a substituted Limited Partner without the consent of the General Partner. A transferee who does not become a substituted Limited Partner has no right to any information regarding the Partnership or to inspect the Partnership books, but is entitled only to the share of income or return of capital to

which the transferor would be entitled.

General Partner's Interest

The General Partner may withdraw and retire from the Partnership at any time upon not less than six (6) months' written notice to all Limited Partners. Upon such withdrawal and retirement, the General Partner is not entitled to any termination or severance payment from the Partnership, but shall be paid its then-outstanding capital account balance. The General Partner may also sell and transfer its General Partner's interest in the Partnership (including all powers and authorities associated therewith) for such price as it shall determine in its sole discretion, and neither the Partnership nor the Limited Partners will have any interest in the proceeds of such sale. However, any such successor or additional general partner must be approved by Limited Partners holding a majority of the outstanding Limited Partnership interests.

Term of Partnership

The term of the Partnership will commence upon the filing of the Certificate of Limited Partnership with the Office of the Secretary of State of California, and will continue until December 31, 2030, unless dissolved sooner: (1) upon the removal, death, retirement, insanity, dissolution or bankruptcy of the General Partner, unless the business of the Partnership is continued by a new General Partner elected to continue the business of the Partnership by all the Limited Partners (or by a majority-in-interest of the Limited Partners, in the case of removal); (2) upon the affirmative vote of a majority-in-interest of the Limited Partners; (3) upon the sale of all or substantially all of the Partnership's assets; or (4) by operation of law.

Winding Up

The Partnership will not terminate immediately upon the occurrence of an event of dissolution, but will continue until its affairs have been wound up. Upon dissolution of the Partnership, the General Partner will wind up the Partnership's affairs by liquidating the Partnership's assets as promptly as is consistent with obtaining the fair current value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan. All funds received by the Partnership shall be applied to satisfy or provide for Partnership debts and the balance shall be distributed to partners in accordance with the terms of the Limited Partnership Agreement.

WITHDRAWAL FROM PARTNERSHIP

Limitations on Withdrawal

A Limited Partner has no right to withdraw from the Partnership or to obtain a return of all or any portion of the sums paid for the purchase of Units (or reinvested earnings with respect thereto) for a minimum of twelve (12) months after such Units are purchased. Withdrawal payments will be made on the last day of a given calendar quarter, subject to certain limitations on the amount withdrawn per quarter and available cash flow as discussed herein. A Limited Partner may initiate a withdrawal (or partial withdrawal) from the Partnership by giving written notice to the General Partner ("Notice of Withdrawal"). If a Notice of Withdrawal is delivered on or before the last day of the month immediately preceding the last month of a given calendar quarter, then withdrawal payments shall commence on the last day of such calendar quarter. (For example, a Limited Partner must give the General Partner Notice of Withdrawal on or before May 31st in order to commence receiving withdrawal payments on June 30th.) Additionally, a Limited Partner may give Notice of Withdrawal during the 12-month minimum investment period, provided that the Partnership shall not be required to return any sums to a withdrawing Limited Partner prior to the end of such 12-month period. (For example, the Partnership would commence returning sums to a Limited Partner on the day immediately following such 12-month period if such day is also the last day of a given calendar quarter and the Limited Partner had given the General Partner Notice of Withdrawal on or before the last day of the immediately preceding month.)

Exceptions to Limitations on Withdrawal

Notwithstanding anything to the contrary stated above, in those situations which are discussed herein, the Partnership may give priority to the return of the capital accounts of certain Limited Partners and may return such capital accounts prior to the expiration of the minimum 12-month investment period.

First, upon the death of the sole beneficiary of a corporate pension or profit-sharing plan, Individual Retirement Account or other employee benefit plan subject to ERISA or upon the death of a Limited Partner (the "Deceased Investor"), the return of such Deceased Investor's capital account shall have priority over the return of other withdrawing Limited Partners' Capital Accounts and may be returned prior to the expiration of such 12-month minimum investment period. Accordingly, if the administrator, executor or other personal representative of the estate of the Deceased Investor gives the General Partner Notice of Withdrawal on or before the last day of the month immediately preceding the last month of a given calendar quarter, the entire capital account of the Deceased Investor will be returned on the last day of such calendar quarter regardless as to whether or not the 12-month minimum investment period has been satisfied. Notwithstanding the foregoing, if the Deceased Investor's capital account exceeds $50,000, then such capital account shall be returned in quarterly installments not to exceed $50,000 until the entire capital account has been returned in full.

Second, the General Partner, at its sole and absolute discretion, will have the right, at any given time, to immediately return all or a portion of the capital account of one or more ERISA plan investors (the "ERISA Plan Investors") in order to ensure that the Partnership remains exempt from the Plan Asset Regulations. (See

"ERISA Considerations.") The return of such ERISA Plan Investors' capital accounts shall have priority over the return of all other withdrawing Limited Partners' capital accounts, including those of Deceased Investors, and may be returned prior to the expiration of such 12-month minimum investment period.

Return of Capital Account

The amount that a withdrawing Limited Partner will receive from the Partnership is based on the Limited Partner's capital account. A capital account is a sum calculated for tax and accounting purposes, and may be greater than or less than the fair market value of such investor's Limited Partnership interest in the Partnership. The fair market value of a Limited Partner's interest in the Partnership will generally be irrelevant in determining amounts to be paid upon withdrawal, except to the extent that the current fair market value of the Partnership's loan portfolio is realized by sales of existing loans (which sales will not be made in the ordinary course of the Partnership's business).

A withdrawing Limited Partner's capital account will be returned subject to the following limitations:

(1) The Partnership will not establish a reserve from which to fund withdrawals, and accordingly, the Partnership's capacity to return a Limited Partner's capital account is restricted to the availability of Partnership cash flow in any given calendar quarter. For this purposes, cash flow is considered to be available only after all current Partnership expenses have been paid (including compensation to the General Partner and its Affiliates) and adequate provision has been made for maintaining adequate reserves and for the payment of all monthly cash distributions on a pro rata basis which must be paid to Limited Partners who elected to receive such distributions upon subscription for Units.

(2) At the sole and absolute discretion of the General Partner in order to ensure that the Partnership remains exempt from the ERISA plan asset regulation, the Partnership may apply available cash flow to return all or a portion of the capital accounts of ERISA Plan Investors.

(3) The Partnership will first apply any available cash flow to return the capital accounts of Deceased Investors, subject to a $50,000 limit per Deceased Investor per calendar quarter.

(4) If current cash flow in any given calendar quarter is inadequate to return a Limited Partner's capital account, the Partnership is not required to liquidate any mortgage loans prior to maturity for the purpose of liquidating the capital account of a withdrawing Limited Partner, but is required to pay whatever cash flow is available to withdrawing Limited Partners in order of withdrawal requests received.

(5) Except as otherwise provided by clause (3) above, distributions of capital accounts to withdrawing Limited Partners in any given calendar quarter shall be limited to $25,000 per such calendar quarter for any withdrawing Limited Partner. Notwithstanding the immediately preceding sentence, if more than 20,000 Units (i.e., $2,000,000) are sold, the Partnership shall increase the maximum amount any withdrawing Limited

Partner is entitled to receive per calendar quarter by $5,000 per each additional 10,000 Units sold (i.e., $1,000,000). (For example, if the Partnership sells 30,000 Units, the maximum amount a withdrawing Limited Partner would be entitled to receive per calendar quarter would be $30,000.)

(6) Finally, except upon the winding up and termination of the Partnership, the General Partner may not within any one calendar year liquidate more than 20% of the total Partnership Capital Accounts outstanding at the beginning of such calendar year.

LEGAL MATTERS

The General Partner has retained Stein & Lubin LLP of San Francisco, California to advise it in connection with the organization of the Partnership and the offer and sale of the Units offered hereby. Stein & Lubin, LLP is not involved in documenting, closing, servicing or enforcing Partnership loans.

PLAN OF DISTRIBUTION

Units will be offered and sold by the General Partner or by its duly authorized agents and employees. Additionally, the General Partner, in its sole discretion, may arrange for Units also to be sold through registered securities broker-dealers who are members of the National Association of Securities Dealers, Inc. ("NASD"). Any such agents, employees or broker-dealers will be paid selling commissions to be negotiated on a case-by-case basis. These selling commissions will be paid by the General Partner, and shall not be an expense of the Partnership. There is no firm commitment from any third party to purchase any Units, and there is no assurance that the maximum amount (or the increased maximum amount) of this offering will be received.

ADDITIONAL INFORMATION AND UNDERTAKINGS

The General Partner undertakes to make available to each offeree every opportunity to obtain any additional information from the Partnership or the General Partner necessary to verify the accuracy of the information contained in this Offering Circular, to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, all the organizational documents of the Partnership, information regarding past mortgage lending experience of the General Partner, and all other documents or instruments relating to the operation and business of the Partnership which are material to this offering and the transactions contemplated and described in this Offering Circular.

COMMISSIONER'S RULE 260.141.11

In addition to the various restrictions on the transfer of Units imposed by the Limited Partnership Agreement and state and federal securities laws generally, no Unit may be sold or transferred or any consideration received therefor without the prior written consent of the California Commissioner of Corporations, except as provided in the Commissioner's Rules. A copy of Commissioner's Rule 260.141.11 is attached hereto.

260.141.11 Restriction on Transfer.

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

(1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;

(4) to the transferor's ancestors, descendants or spouse or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation inter vivos or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the

Code, of the securities to be transferred, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112, or 25113 of the Code, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;

(15) by the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities; or

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

> "IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."