

In This Issue:

Feature Article: Office Condos Cater to Small Businesses	p1
Dear Jon	p1
Investor Profile: Arlene Wible	p1
Featured Loan: San Jose	p2
Company News	p2
Performance Report	p2



Dear Jon:

Q: I have heard the term cross-collateralization used by members of your company. Could you explain what this means and how is this a benefit to investors?

A: Most loans are secured or collateralized by one property. When a loan is cross-collateralized, more than one property is used to secure the loan. Typically a cross-collateralized loan would be secured by two properties, but it is also possible to include more than two properties if the loan is structured properly.

The reason for cross-collateralized loans is security for the lender. If a borrower defaults on their payments, the lender can foreclose on both (or several) properties to satisfy the outstanding loan. Even if the borrower's investment property has enough equity to satisfy a loan request, we will sometimes still cross-collateralize the loan using the borrower's personally occupied property. This gives us more leverage over the borrower since most borrowers would rather lose their investment property than the home they live in. The borrower is much more likely to communicate and work with us to resolve any out-

cont. p2

Office Condos Cater to Small Businesses

ALAMEDA - Lake Louise Ziwa is a first-time commercial landlord -- her own.

Ziwa, owner of Skin, Mind, Body Essentials Inc., now in San Leandro, will be moving to her company's new \$399,000 Alameda home by May 1. She



is one of the first to buy a commercial condominium in the second phase of the Venture Commerce Center in Harbor Bay Business Park, a 24-property development for small business owners with fewer than 20 employees.

According to NAI BT Commercial, commercial rents in the I-80/I-880 corridor rose about 10 percent from the end of 2005 to the end of 2006, and most brokers across the East Bay are projecting rises from the Tri-Valley to Solano County. In this time of residential real estate uncertainty, many small business owners want to become landlords for tax benefits, or to counter rising rents. These commercial condos, offered mostly at the cost of a home, are filling the gap.

Ziwa, 43, financed a fixed-rate business loan to purchase the property through the U.S. Small Business Administration's CDC/504 Program, where she put 10 percent of the purchase price down. The other 90 percent is financed by a non-profit company acting with private lenders and the SBA, said James Hall, spokesman for the federal agency.

In addition to the building, the two-story commercial condos usually come with an office front and can have a rear side flex area with a roll-up truck door for distribution. Smaller properties may lack the flex area, Eves said. The condos range from 1,224 square feet to 2,734 square feet, and prices for existing condos range from \$559,000 to \$709,000.

cont. p2

Investor Interview: Arlene Wible

Arlene Wible grew up in northern Ohio in a small, quiet, picturesque town that is now quite modern and filled with homes and businesses. Responding to demand at the time, she got her degree in education at Miami University in Oxford, Ohio.

Arlene met her late husband, Glenn, a banker, and they had 3 children. When their youngest was less than a year old, her husband changed jobs and they moved to California. They settled in Sunnyvale in 1965 when beautiful orchards filled the landscape and everyone worked for Lockheed. Over the years, many Apple interns from all over the world have lived with them since she is only two miles from their main campus. She taught in Cupertino for 30 years -- her passion being first grade. She has 6 grandchildren.

Arlene is an OPAL: an older person with active lifestyle. She still works

cont. p2



Arlene Wible (cont.)

with children, helping them to read; volunteers at Montalvo, in Saratoga, line dances; plays bridge and tennis; and likes to walk. Her passion is travel – last summer her adventures took her to Eastern Europe. Her philosophy of life: to laugh a lot.

Arlene heard of Stonecrest through Lee Emerson and joined the fund last November. “I think Christina is amazing”, said Arlene. “I appreciated her coming out to my house to handle my transaction – a real sign of great customer service”. Great service aside, she admits that the interest rate is her favorite feature of the fund. **S**

Company News

We’d like to welcome the newest member of our team: Regina Wiedemann, who is responsible for establishing new investor relationships for our Private Capital Fund.

Prior to joining us, Regina spent 20 years in several executive level sales and marketing positions with startup and established organizations in the telecommunications, internet and software industries including Sprint, SBC, and DIRECTV. During her career, she managed organizations of up to 250 people and with revenues up to \$100 million.

Regina is a graduate of Central WA University Business Administration, is a licensed real estate agent, and is a member of California Association of Mortgage Brokers and National Association of Mortgage Brokers. Regina enjoys traveling, boating, and cooking with her two teenagers.

We look forward to Regina’s contribution to our team! **S**

Dear Jon: (cont.)

standing issues if they know they can lose their home.

Have a question for Jon Freeman, Stonecrest’s President? Please email it to Joan Verduzco, Fund Administrator, at jpverduzco@stonecrest.net. Please put ‘Dear Jon’ in your subject line. Both basic and complex questions are invited and all inquiries will receive a response from Stonecrest. **S**

Office Condos Cater to Small Businesses (cont.)

While residential real estate has flattened or weakened, commercial real estate isn’t having the same problems, and business owners are noticing, said Jim Peterson, vice president with Cornish & Carey Commercial in Pleasanton. Peterson said that while big companies are consolidating and the economy seems sluggish, commercial building owners are busy dividing offices into small spaces for small business owners. “It’s always been the engine driving the local economy,” he said. **S**

*By Barbara E. Hernandez
Excerpted from The Contra Costa Times Online, 3/27/07*

Featured Loan: San Jose

Our featured loan this month is located at 438 S. Buena Vista, San Jose, California. It was originally an apartment building but the owner/borrower has converted the units to condos and has completed 6 of the 8 remodels. Each condo has 1210 square feet with 3 bedrooms and two baths. Each unit also has separate utilities and two carports. The value of each condo is \$495,000, which brings the total value of the property to \$3,960,000. Our loan is a 2nd for \$1 million behind a 1st of \$700,000 which puts us at a combined loan to value of 43%.



The borrower plans on selling all the units in May or June of this year. But he had another investment opportunity and couldn’t wait for sale of the condos to be finalized – he needed a bridge loan. The borrower has great net worth, many other investment properties in his portfolio, and outstanding credit history. We love to help strong clients like this! **S**

Performance Report as of 3/31/07

Last Month’s Return: 9.2% YTD: 9.4% Loans in default: 1

Number of loans: 52 (38 in 1st and 14 in 2nd position)

Gross loan portfolio dollars: \$19,451,506

Average loan to value on loans in the fund: 51.87%

Comments: The first quarter of 2007 has turned out to be our best quarter yet. We are looking forward to continuing this trend.

Property Types

