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Dear Jon:

Q. Why does the fund's share price fluctuate?

A. Very good question. We've had many inquiries on this topic. On the

1st day of every month the share price is \$1,000. The main reason that the share price increases is because of accrued interest. On the first of the month, the fund pays the investors all the interest earned from the preceding month. This action causes the share price to drop back to \$1,000. For example, on the fifth day of the month the share price may be \$1001. The extra dollar in share price is the accrued interest earned for the first five days of the month. The value of the shares goes up because of those five days interest, which has been earned but not yet paid by the borrowers. Every day thereafter, the share price rises reflecting more days of accrued interest. Again, when the earnings for the month are distributed on the first of the next month, the share price will drop back to \$1,000. The main benefit of a fluctuating share price is that new investments made on any given day of the month have a purchase price that accurately reflects their share value for that particular day. **S**

A Second Home, for the Love of the Land

Richard Radcliffe is putting his second home to work. Three years ago, Mr. Radcliffe, 48, who lives in San Francisco, bought a six-acre vineyard in Occidental, Calif., in Sonoma County. He now sells his annual harvest of pinot noir grapes (last year he generated 17 tons) to two local Sonoma County winemakers who use them for wines that retail for \$45 to \$55 a bottle.

Then again, Mr. Radcliffe, a former chef, might say that he is the one being put to work. His time at the property, which has a three bedroom vacation home as well as a house occupied by long-term renters, is spent



managing the vineyard, repairing irrigation systems and bringing in crews of workers for late winter vine pruning and the fall harvest.

"I live there full time during harvest," he said. "It's nerve-racking." After investing about \$30,000 in the vineyard each year, he manages to squeeze out a small profit.

Yet while the economics of running the vineyard are important to Mr. Radcliffe, who tries to increase his profits by handling much of the labor on his own, he readily admits that it isn't the financial reward that drives him. "It's love of the outdoors, and the love of the cycle of nature," he said. "That's why I do it."

For some second-home owners, a vacation retreat isn't simply about relaxation. Be it a ranch, a vineyard laden with cabernet (or pinot noir) grapes, or an orchard filled with rows of pecan trees, houses with an agricultural element can tap into a second-home owner's inner love of the land. And it is that notion, rather than any potential riches, that drives owners to buy such properties.

"There is a fair amount of romance in it," said John Pierce, a partner at Hall and Hall, a real estate brokerage that sells large ranches in the western states and

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Investor Interview: Dennis Taormina

Born and raised in the Bay Area, Dennis Taormina has spent majority of his life in Orange County and Santa Barbara. He currently owns a loft in Santana Row in San Jose and a home in Laguna Beach. He comes from a large Italian family where his mother's spaghetti sauce recipe is legendary. Dennis loves to scuba dive, travel, and enjoys the arts and fine wine. To top off his list of active hobbies, he has recently become adept at spear fishing.

Dennis has just accepted a new position as Regional Sales Manager for Chase Sub-Prime Wholesale. He previously worked for 12 years as an account executive with a different sub prime wholesaler. Prior to that, he spent 12 years as a T.V. producer. He decided to leave producing in order to have

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Featured Loan: San Jose, CA.

This month's featured loan is a duplex investment property on North 12th Street in San Jose, with a total of 4 bedrooms and 3.5 baths. Both units together total 2,107 square feet, and the duplex sits on a 5,375 square foot lot.



The purchase price was \$798,000 and we did a new 1st loan of \$518,000, which puts us at 65% loan to value.

Our own appraiser did the appraisal for this loan and felt that the property was actually worth a little more than the purchase price. The client had some credit issues that kept him from traditional financing. We felt good about the deal for two reasons: good equity protection and the property is in our own "backyard".

Dennis Taormina (cont.)

a life outside of work. A mentor talked to him about the banking wholesale business and, finding that he had an aptitude for it, his new career took off quickly. He splits his time between his office in Orange County and his team in the Bay Area and loves what he does.

Dennis has been doing business with several of Stonecrest's executives for many years and considers them part of his extended family. He thinks they are the most trust worthy people he has ever met and so didn't hesitate investing in the Private Capital Fund. He loves the fund's strong returns and lower risk, and being involved with people he trusts.

Second Homes... (cont.)

South America. "It's typically not so much that they think they will make a bunch of money. But the operations can help cover the cost of ownership."

Often, buying an agricultural property requires opting for a second home in a remote location. Mr. Pierce, the ranch broker, said that to get bigger parcels, more home buyers are looking at ranches far from metropolitan areas. Sure, there are ranches an hour outside Jackson, Wyoming., or Sun Valley, Idaho, but there are many more distant choices that are appealing, he said.

Homeowners of smaller properties may be able to handle the upkeep on their own. Karin Davidson, a real estate agent in Las Cruces, N.M., who has three acres of certified organic pecan trees on her property, said that a resident with a two- or three-acre orchard could maintain the trees on his or her own and sell the harvest to a local nut accumulator, who buys up the production of small farmers.

By Amy Gunderson
Excerpted from New York Times, 3/21/07

Company News

We've tested the water, and it seems to be fine, so we're just going to say that Spring has sprung. We are excited to welcome four new baby girls to our Stonecrest family: one arrival - and three impending arrivals:



- Joan Verduzco, Private Capital Fund's Administrator, welcomed a new grand daughter, Riley Jane Allmen, in late May.
- Shawna Christenberry, Stonecrest's Receptionist, is expecting her 1st child, a little girl, at any moment.
- Kasia Hayes, Stonecrest Properties Administrator, is expecting her second daughter and third child the last week in June.
- Shafiq Taymuree, Private Capital Fund's Sr. Underwriter, is expecting his 2nd little girl at the end of June.

Please join us in welcoming our future Stonecrest employees into the world. Congratulations to all!

Performance Report as of 5/31/07

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

Number of loans: 60 (43 in 1st and 17 in 2nd position)

Gross loan portfolio dollars: \$22,144,104

Average loan to value on loans in the fund: 52.22%

Comments: This month, we had lots of great, balancing transactions between new loans added to the portfolio and loans that paid off.

Property Types

