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Dear Jon:

Q. Do you think that home auctions are good places to find investment bargains?

A. We've attended a few home auctions and, if you've done your homework, you can find some good investment deals. Make sure to review the list of properties beforehand, choose neighborhoods with which you are familiar, and research each home you may bid on. Look at the property's listing price and then see what other, similar homes in the area are selling for. Consider its condition – will you need to invest more money before renting it or moving in?

Given the current real estate market, now is a good time to look for deals. Properties can be discounted 30-40% in some areas. But this discount level is not significant enough if you plan to flip the property. Only consider these deals for buy-and-hold investment purposes or for homes you plan to live in. And if you are going to buy a home as an investment, make sure the property can create sufficient cash flow on it's own or that you can comfortably make up the difference with your income.

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Fast Home Sales: Attention to Pricing & Promotion

How long has it been on the market? That's a question most buyers are quick to ask. What most sellers don't realize is that the answer can have a dramatic impact on how potential buyers perceive their property. In fact, the longer a house sits, the harder it is to sell, said John Asdourian, a broker with McGuire Real Estate and the current president of the San Francisco Association of Realtors.



"The Bay Area housing market is different today. Buyers are taking their time to buy, waiting to find just the right house at the right price," Asdourian said. "When buyers hear a property has been on the market for a while, they immediately wonder what's wrong with it?"

So, in this deflated market, what can sellers do to keep their house from becoming a tired listing? Sellers can help themselves by making sure:

- The house is priced properly.
- It's marketed aggressively.
- It looks good.

Melissa Riccio knows all too well about what it's like to have a house sit too long. In August, she and her husband put their three-bedroom, two-bath house in San Carlos on the market for \$1.15 million. Sixty days later, it was still on the market with no offers.

The couple switched agents and gave the listing to Justine Ford, with Re/Max Today. "For the Riccios, the first thing I did was pull the listing," Ford said. "Then, based on comparable sales in the area, we relisted at a new price." The new price was \$50,000 less than the initial asking price. Not a huge reduction, only 4.5 percent, but enough to bring the property in line with the local market.

Before listing the property, Ford also brought in a handyman to freshen up the place with a little patching and spot painting. She hired a staging company that brought in all new furniture and reworked the layout and space flow in each room, and created professional marketing materials including glossy brochures and high-end mailings.

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Investor Profile: Won Choi

Won Choi is Korean, but was born and raised in China during the 2nd World War. Her father was a paralegal and her mother, a teacher. After the war, her family moved back to Seoul. Won graduated college, getting her degree in French Literature. In 1962, she moved to the United States.

Once in this country, Won got her cosmetology license and began working in a salon. After 10 years, she bought House of Wigs, a business in East Palo Alto.

cont. p2

Company News

At the end of each year, Stonecrest engages Armanino McKenna, LLP, a high-end CPA firm that specializes in auditing private mortgage funds, to independently audit the Private Capital Fund. The benefit to our investors is an added layer of assurance because a reputable, independent, third party evaluates our entire portfolio of loans. Armanino McKenna have now completed their work and everything went very smoothly. We are quite pleased with the results. The audited financial report is available to investors upon request. [S](#)

Dear Jon... (cont.)

Real estate auctions tend to be very popular and you may find 500 or more potential buyers attending the more established events. It's important to decide in advance what your bidding limit will be and then to stick to it. It's easy to get caught up in the excitement and go too far with your bid – so be very disciplined. [S](#)

Fast Home Sales... (cont.)

When the Riccios' property listed for the second time in October, they received an offer of \$1.1 million (\$1,000 over asking) in three days.

Price, perception and promotion. That's what it takes to sell a home fast in today's market. For sellers, faster is better because the last thing you want is for a potential buyer to walk into your house and say, "So why has this place been sitting on market so long, what's wrong with it?" [S](#)

*Craig Venezia, 1/20/08
excerpted from the San Francisco Chronicle*

Featured Loan: Oakland, CA

This month's featured loan is a 3-story, 12,900sqft commercial warehouse on a 4,300sqft lot, located at 241 10th Street, in Oakland.

Our clients, who have excellent credit and abundant cash reserves, purchased this warehouse building, located in Oakland's China Town area, so they can renovate it into a Chinese grocery store. Because the building was vacant when purchased, bank financing was not an option. Our clients plan to renovate the property using several hundred thousand dollars of their own money. The "as is" appraisal shows the building's value at \$1,350,000 and once the renovations are done, the value is estimated to be \$1,800,000. We hold the first trust deed at \$791k, which puts us at a loan to value of 58.59%. After the upgrades, our loan to value will improve even further to 43.94%. When the improvements are complete and the building is occupied, our clients will obtain bank financing and take us out. [S](#)

Won Choi... (cont.)

She moved her store to Palo Alto and has worked there for 35 years.

Won is an active Christian and she expresses her passion for her religious beliefs in everything she does. Many of her customers at House of Wigs have cancer and she supports them through prayer and through other acts of compassion.

Won owns her own home in Palo Alto and is close to her two grown daughters. One is a stay-at-home mom to four children ages 11, 9, 7, and 3. Her younger daughter lives at home with Won and is CEO of Happy Childhood, a non profit organization. Her greatest joy is spending time with her family, and especially with her grandchildren, whom she refers to as her blessings.

Won learned of the Private Capital Fund through her son-in-law, Jeffrey Freeman. She trusts him and Jon Freeman fully and is very happy with the returns she has been getting. [S](#)

Performance Report as of 2/29/08

Last Month's Return: 9.2% YTD: 9.3% Loans in default: 4

Number of loans: 92 (64 in 1st and 28 in 2nd position)

Gross loan portfolio dollars: \$33,889,435

Average loan to value on loans in the fund: 49.92%

Comments: Our thanks go to those investors who refer others to us. We appreciate the vote of confidence!

Property Types

