

A Message from the President

Leading Us to a Prosperous Future

Real estate investors understand that the real estate market is cyclical, and always has been. There were real estate downturns in the 70s, the 80s, and the 90s. Now we face the granddaddy of them all, the downturn of the new millennium. We successfully managed investor money through the earlier downturns, which served as excellent battle hardening for the incredible challenges we face today. We can't control the economy or the real estate market anymore than we can control the weather. What we can do is lead us through the storm and manage the outcome.

As you know, Point Center's primary focus has traditionally been on lending and loan servicing. Today our focus is primarily on the management of foreclosed real estate, known in the industry as "Real Estate Owned" or "REO". Thousands of hours a month go into managing and preserving REOs on behalf of Point Center's investors. There are a few individuals who think they can do a better job managing the portfolio themselves, and profit while changing horses in the middle of a raging river. I am personally grateful for the overwhelming majority of you who have expressed your continuing support. Implicit in that vote is your

understanding that managing and maintaining REO properties, not just physically, but all the development entitlements as well, involves a tremendous amount of time and expense and comes at a time when cash flow into Point Center is at an all-time low for the size of the portfolio under management.

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We are especially thankful to those of you who responded to the calls for additional cash required for the maintenance and management of the REO properties you personally own. You understand that if the property is allowed to deteriorate or the entitlements lapse, the value may be reduced to a fraction of what it is today. Without you, we simply could not finance the work and maintenance in progress. You are owners of real estate and there are certain responsibilities attached to that ownership. Money contributed to maintain the properties earns interest and is paid back first when the property is ultimately sold. Each request for funds identifies why the money is needed and

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Organizational Overview

Administration – The Point Center organization has 30+ years in the real estate and financial services industry. Experience includes real estate loan procurement, loan servicing, regulatory requirements, activities post foreclosure, real estate development, and property management.

Loan Servicing/Asset Management – is responsible for all post closing loan duties and works directly with the Investor Relations, Loan Processing, Underwriting, Funding, and the Legal Department.

Broker Relations – assists the broker with outside brokers, borrowers, and referral relationships answering loan inquiry questions, procures loans, reviews loan packages, and follows up on requests for loans in process.

Investor Relations – assists the broker with the development of new investor relationships as well as maintaining a strong rapport with our existing investors. In addition to managing investment requests, this department provides comprehensive information about our products so that our investors can make informed decisions.

Marketing – creates meaningful marketing campaigns to connect with prospective and active clients through various channels that may include: direct mail, customer loyalty programs, e-marketing, newspaper and trade show publications, seminars and trade shows.

Technology - is responsible for initiating, implementing and maintaining technology solutions that support the company's in-house systems and web-based programs.

Legal - counsels the operations staff and executive management regarding legal matters, including all loan transactional matters, corporate matters, litigation, labor and employment matters, and general management issues relative to the company's operations and duties.

Production - produces investor correspondence, marketing materials, loan summaries, postcards, investor packages, and general mailings. They also supervise equipment maintenance, supplies, pick-up and delivery, and on site maintenance.

Property Development – works directly with third party vendors such as engineers, utility companies, maintenance staff, municipalities, insurance companies, Homeowners' Association Boards, and construction/contractor representatives on properties through the development phases to protect the interests of investors.

Accounting – performs general and specific accounting functions. Tasks include cash management, bank reconciliations, internal accounting controls, general ledger analysis and reconciliation, and preparation of financial statements. This department also coordinates Federal/State tax filings, and the accounts payable/accounts receivable.

Human Resources – provides service and support in employee recruitment, employee relations, benefits, compensation, training and safety, and retention. This department fosters an environment based on teamwork and family friendly environment, integrity, efficiency, problem solving, and ethical business practices. ■

Our Main Focus Today!

Loan Servicing Department Services:

- Manage all investor inquiries and communication
- Provide investor access to account information through myPCF web-based online portal providing on-line access for our clients (see page 7)
- Provide updates to investors on portfolio activity
- IRS reporting (Federal and State)
- Manage all collections activities
- Send out pre-foreclosure notifications to delinquent borrowers
- Manage property tax and insurance
- Record Uniform Commercial Code (UCC) filings with the appropriate local and state agencies
- Provide demand statements for payoff
- Manage all processes relating to payment processing and fund management
- Manage trust fund accounting
- Insure Point Center is compliant with Loan Servicing compliance standards
- Monitor property lien activity
- Manage bankruptcy and foreclosure processes including coordinating with outside counsel
- Perform loan modifications and workouts
- Oversee Fund Control functions for construction draws

Asset Management/ Real Estate Owned Department Services: (Post Foreclosure)

- Insure property is secured (re-keyed, fenced, boarded, if applicable)
- Transfer all utilities over to Point Center
- Set-up and manage Limited Liability Companies (LLC) including: books, records, filings, tax information, and coordinate interfacing with Certified Public Accountants, and owners/investors of the properties.
- Communicate with investors, third party vendors, and business partners
- Coordinates with third party real estate brokers to sell foreclosed property
- Perform site visits and security inspections
- Manage accounting and cash management of property related expenses
- Manage property tax and insurance
- Monitor conditions as set forth in the HOA/County/ Local ordinances
- Real Estate Development management
- Real Estate Development and coordination of project managers
- Monitor property lien activity
- Coordinate marketing, print production, and postage for all documents, flyers, brochures, and investor communication
- Web-site maintenance and updates (myPCF)
- In-house legal support
- Coordination with outside attorneys ■

Point Center in the News

Media Report

The agenda of the media is very specific. They stir the pot and create sensation solely for the purpose of selling papers and increasing web traffic. Sensationalism and negativity are the food sources of the media. And guess who got thrown into the pot? Our very own Point Center Financial! Why, you ask? Or, how did a small private company get such attention? Both questions are easily answered with one word, POLITICS! As most of you already know Dan's wife, Diane Harkey, was recently elected to the California State Assembly. That success made Diane and Dan into public figures susceptible to the media.

The lawsuit recently filed against Point Center

Financial, Dan Harkey, and Diane Harkey has made headlines in more than one area of the media. From local television news to newspapers to the blogs, Point Center has definitely been in the lime light in a negative way. The plaintiff's are using Diane's political standing to get media attention. Their allegations are nothing but mere illusions of truth and have no real factual backing. The vast majority of investors who know us have paid very little attention to all the hoopla, and the public at large that tends to believe what they read will eventually be enlightened. To all our supportive investors: we greatly appreciate all your encouragement during these turbulent times.

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where it will go, including the management fees that keep Point Center afloat. Many of you have inquired what services are provided by Point Center so we have included a separate article in this newsletter to explain what we provide on your behalf. If you have received a request for additional funding and have not responded, please forward your contribution today.

It is in your best interest that we keep these properties until the market recovers. We receive calls from so-called "vulture funds" every day. These are private investors and Hedge Funds looking to "pick the bones" of desperate property owners that are in dire need of immediate cash flow. These investors and capitalized Hedge Funds are buying real estate for pennies on the

dollar and holding until the real estate market recovers. Point Center is determined to see future returns go to its investors, not vultures or Hedge Funds. That is why we are holding the majority of the assets rather than unloading them at wholesale.

FACT: 14 of Point Center's major competitors, representing over \$4.5 billion in invested capital, are either bankrupt or in serious trouble. Point Center has considerably trimmed its expenses to the bone so that we can be here for the long haul. This market will turn around, and together with you, we plan to prosper again.

-Dan Harkey, President ■

Our Growing Family

**We may be down to 25 employees
but *our family is growing.***

**Here's the news on the
Point Center team and thier families:**

- Gina's back – Congratulations to Gina in our Investor Relations Department and her husband Sean who welcomed their first baby, Connor! We are happy to have Gina back.
- Erik has a new baby boy – Congratulations to Erik in our Information Technology Department, his wife Shannon and his 3 1/2 year old daughter Sloan. Welcome baby Zachery James!
- Shannon's having a baby - Congrats to Shannon in our Loan Servicing Department and her husband Gary on their soon-to-be new baby girl.
- Lisa's getting married – Congratulations to Lisa in our Investor Relations Department and her fiancé Paul on their recent engagement. ■



And Now For Some Good News!

Thanks to the hard work of the Point Center staff, there have been numerous success stories in the last few months. To highlight a few:

SCC/INDIO CITRUS RANCH

After payment and progress defaults, PCF successfully negotiated a Loan Modification in November of 2008 that, as of February 2009, is performing under modified terms.

PROVO PROPERTY (PETTRO)

Successfully worked with the Environmental Protection Agency (EPA) and Army Corps of Engineers for over two years which resulted in the EPA approving a minimal mitigation plan to allow Point Center to sell the property free and clear of any EPA restrictions. The property is now in escrow under contract and expected to close before the end of the 1st quarter 2009.

LINCO HOLDINGS, LLC

Office/Warehouse building in Indiana paid back ALL Point Center investors in full 100% principal and accrued interest before the loan matured.

BURBRECK, LP

Successfully negotiated a workout with the Borrower and Tenant that allowed Point Center to foreclose, modify the lease terms for the tenant and allow Point Center to market the property. By doing so it prevented a reorganizational bankruptcy filing that would have resulted in thousands of dollars in legal expenses and several months of additional time to foreclose and, at the same time, created cash flow from the property.

AUGUSTINE ISLAND

Successfully negotiated Deed's in Lieu of foreclosure on two loans which resulted in savings of several thousands of dollars in legal and foreclosure expenses and several months of foreclosure time.

NEW AMERICA

Negotiated a Forbearance Agreement resulting in the Borrower dismissing the reorganizational bankruptcy filing. The Borrower must also pay all the delinquent property taxes and pay off a substantial portion of the loan. In the event the Borrower fails to perform, Point Center's counsel holds a Deed in Lieu of foreclosure (DIL) which will be recorded without further proceedings. The Forbearance Agreement resulted in savings of several thousands of dollars in legal expenses and several months of bankruptcy and foreclosure time.

RCS-CHANDLER

Successfully negotiated a stipulated bankruptcy plan which allows Point Center to "co-auction" the property along with the Borrower. If Point Center finds a qualified buyer that meets all the requirements, the Borrower must move forward with the sale. By doing so, it resulted in savings of several thousands of dollars in legal expenses and several months of bankruptcy and foreclosure time. ■

myPCF. A faster way to see your investments.

What is myPCF?

If you have investments with Point Center you are eligible to enroll in myPCF online at www.pointcenter.com. It's free and in just **3 easy steps** you'll have the ability to:

- Receive email "web alerts". These alerts are sent directly to your inbox and provide important status updates on your investment accounts.
Benefit: You don't have to log on to myPCF to view these web alerts. (Web alerts are only sent to myPCF account users.)
- View regular updates and web alerts on your investments that are posted to your account.
Benefit: A sequential log of your updates is displayed for you to view at anytime.
- Access your investment accounts 24/7 and monitor investment activity.
Benefit: Get the information you need, when you need it, even after business hours.
- Update your Lender Account information online and submit comments or questions to our Loan Servicing department.



3 EASY STEPS to set up your free myPCF account:

- 1 Visit www.pointcenter.com
- 2 Refer to the myPCF login area and click on **sign up now**
- 3 Complete the registration process and click on **Register Now**

An email confirming your registration will be sent to you. A representative in our Loan Servicing Department will process your registration. Please allow two to three business days for account activation.

Security & Access

Security is our highest priority. When you access your account, rest assured that Point Center has taken every step to ensure your privacy. You can view all your Point Center investment information online, 24 hours a day. A snapshot of your account information is updated each weekday evening from our investment servicing database.

Viewing Your Investments

The Accounts Overview page will allow clients with one or more accounts to see a summary of all their balances in trust deed investments.

If you hold title in multiple ways, such as one account for a family trust and another account for an individual retirement account (IRA), each account is listed separately.

Who should I call?

Investor's Directory

Before you call, connect yourself with the right department.

By contacting the designated department, it will insure that your inquiry will be handled efficiently and effectively.

INVESTOR RELATIONS

1-800-648-9115

- Information on current investment opportunities
- Place an investment reservation
- General information about your portfolio with Point Center

LOAN SERVICING

(949) 276-6140

- Account information
- Payment status
- Replacement checks
- Direct Deposit
- Tax Reporting
- myPCF online access

FUNDING

(949) 276-6115

- Inquires about completing and returning your subscription documents
- Deadlines and funding dates

MAIN PHONE NUMBERS | TOLL FREE 1-800-544-8800 | LOCAL (949) 661-7070

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Aliso Viejo, CA 92656

PRESORTED
FIRST CLASS MAIL
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Change Service Requested