

Message from the President Dan J. Harkey

Are Your Bank Accounts Really Insured?

I had an interesting experience with one of Point Center's investors the other day. A dear 87-year-old investor called me and asked my opinion about purchasing a new automobile. She was aware of my passion for cars, which can be traced back to my first car. When I was 14 years old, a 1949 Chrysler destined for the junkyard, was given to me instead, provided that I tow it away from the owner's home. Those of you who know me, know that the old Chrysler created a passion in me that exists to this day. At any rate, this investor told me that she wanted a two-door car that was sexy and sporty that didn't remind her of a family car. We discussed her price range and the characteristics she was looking for, and then I showed her a website where we were able to see pictures and color combinations of small BMWs and Mercedes. She was excited at what she saw and wanted to go visit the car dealership right away.

During the discussion, she mentioned that she had a large amount of cash at a major financial institution (well in excess of \$100,000), and that she thought she might pay cash for the car, roughly around \$35,000. My first reaction was to tell her "Wait a minute! We have an issue more urgent than buying new a car! You have more than \$100,000 in one bank!"

As a result of that conversation, I felt compelled to remind Point Center's investors about FDIC insurance. First, I want to reiterate that none of Point Center's investments are insured by the FDIC or any other entity. That said,

(Continued to page two)

Contact Info.

ADDRESS

Point Center Financial, Inc.
7 Argonaut
Aliso Viejo, CA 92656

PHONE

Local No. (949) 661-7070	Toll-Free No. 1-800-544-8800
-----------------------------	---------------------------------

EMAIL INQUIRIES

comments or questions to:
info@pointcenter.com

current investments to:
investors@pointcenter.com

the newsletter to:
newsletter@pointcenter.com

WEBSITE

www.pointcenter.com

(Continued from page one)

some investors, like my 87 year old sports car enthusiast, may have a false sense of security in believing that "if my money is in a bank, it's covered." Not necessarily so! So what is covered?

The FDIC's website puts it this way:

The FDIC insures all deposits at insured banks, including checking, NOW and savings accounts, money market deposit accounts, and certificates of deposit (CDs), up to the insurance limit. The FDIC does not insure the money you invest in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if you purchased these products from an insured bank.

The basic insurance amount is \$100,000 per depositor per insured bank. Certain retirement accounts, such as Individual Retirement Accounts, are insured up to \$250,000 per depositor per insured bank.

WARNING: If you have more than \$100,000 per depositor in any one FDIC insured financial institution (\$250,000 for an IRA), you should immediately confirm your insurance coverage by calling the institution or move part of your savings to multiple banking institutions. More information about FDIC insurance coverage is available at www.fdic.gov, along with a handy web tool that estimates insurance coverage for your own personal situation at:

<http://www.fdic.gov/edie> ■

The Failing Economy: Real or Media Hype?

On June 13, 2008, the Wall Street Journal ran an article headlined: "Life Is Good, So Why Do We Feel So Bad?" The point of the article was that by nearly all objective standards - inflation adjusted income, buying power, pollution, crime, health standards, education levels, even inflation and unemployment - the United States is better off than at almost any time in our history. A similar themed article ran in the July 26, 2008 edition of The Economist magazine, "Working Man's Blues." So why the "four alarm panic"? Why do 78% of Americans report that the U.S. is worse off today than five years ago? The Journal pins the blame squarely on the media.

Natural disasters and wars are not only big news, but we now get real time feeds of the devastation piped directly into our living rooms via high definition, big screen, plasma televisions with surround sound. News of The War to End All Wars came via grainy black and white newsreels shown at the local movie theater. What if the devastation of World War II had been piped into our living rooms the way today's news is? Would America still have pulled together - or would it have fallen apart?

Union strikes and plant closures are big news. Americans are out of work. But did you know that in the same period of time that Ford and General Motors closed plants, Honda and Toyota opened new ones? Probably not. Good news, it seems, is not news at all.

The media effect is intensified in an election year. Fingers are pointed for both real and imaginary woes. Regardless of which party is in power, the other will go to great lengths to explain why things are so unbearable and a change is necessary. Perhaps the most interesting fact in the Wall Street Journal article is that Americans tell opinion polls that the country is in a mess, but when asked about their own personal lives - their jobs, schools, doctors and communities - well, those things are just fine. A case of the whole being less than the sum of the parts. The Economist concurs, finding that only 6% view the economy positively, but 80% are satisfied with their own circumstances.

Okay, Dan, but what's the point? The point is that until the presidential election, the two political parties will be slinging so much mud at each other about how bad things are and whose fault it is, that you can expect to hear nothing but negativity from the media. I believe that negativity has become a self-fulfilling prophesy, continuing to depress the economy. BUT, starting November 5th, the day after the presidential election, I believe things will start to turn around. Whichever candidate wins will focus on what will be done to "fix" things. At a minimum, the tide of media negativity will somewhat recede, and perhaps some post-election optimism will come through. Things will get better. ■

One Man's Troubles Are Another's Opportunity.

While the media clearly emphasizes the negative, there is no denying that the entire U.S. banking industry has been and will continue to be in turbulence. The banking industry in general has been highly leveraged, hiding assets of dubious value, called level 3 assets, off balance sheet. Now banks are being forced to move level 3 assets onto their books and are posting billions of dollars in losses as a result. While they are in the process of pulling these assets back on to their books, they are generally illiquid and are not much in the mood to make real estate loans in the near future, probably for at least the next 24 months.

This provides an opportunity for private capital funding sources like Point Center Financial to make loans that are close to bank quality at private capital rates, and you, the investor, will benefit. We are already seeing some new lending opportunities come in, and we are optimistic that post-election, and into the first quarter of next year, we will begin turning the corner on trust deed investment opportunities.

And it's not just bank woes that may help generate good business for Point Center. Point Center was a major player in first trust deed residential loans until Wall Street firms invaded that market. Wall Street extended credit on inflated appraisals to unqualified borrowers who never really stood a chance of paying back the loans once they hit fully indexed rates, all

(Continued to page four)



7 Argonaut, Aliso Viejo, CA 92656

PRESORTED
STANDARD MAIL
US POSTAGE PAID
POINT CENTER FINANCIAL
Change Service Requested

(Continued from page three)

the while funding the loans with Wall Street smoke and mirrors. Private lenders with rational underwriting standards could not compete in that market.

Now the Wall Street House of Cards has come tumbling down. By some estimates, there will be as many as 3 million foreclosures in the next year. Foreclosures in the second quarter of 2008 are up 121% compared to 2007. Wall Street executives have been led away in handcuffs on national television. When all the dust settles, where will borrowers with less than perfect credit turn for a loan? Point Center Financial and other private money lenders. Lenders who got out of the business because they refused to jump on the "Liar's Loan" bandwagon, funding loans with little or no income or property verification.

By year end, Point Center expects to return to the first trust deed residential lending business to serve those homeowners who have legitimate reasons for not qualifying for a bank loan, but whom we believe have the ability to repay, along with significant equity in their homes. No Liar's Loans. No trumped up appraisals. No underwriting at unrealistic temporary teaser rates. Just solid loans to solid borrowers who are having trouble with traditional bank financing, which in turn will provide new investment opportunities for our investors. ■

And Now For The Good News...

We had a great week last week. In a matter of one week we had a \$7 million pay off, settled an \$18 million defaulted loan that will be placed on a loan modification and will start making payments again, two delinquent loans are now paid current, and 28 units of a condo conversion building have been successfully sold.

Finally, I would like to welcome all our investors to call and schedule a site visit to Point Center's corporate offices in Aliso Viejo.

Until next time, search for the good news! ■

Call us to schedule a tour of our facility today!

Investor Relations Team
1-800-648-9115