

Risk Disclosures - Fractional Notes

FRACTIONAL NOTE OFFERING CIRCULAR:

Page ii: THIS OFFERING INVOLVES SIGNIFICANT RISKS WHICH ARE DESCRIBED IN DETAIL HEREIN. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

THERE IS NO MARKET FOR FRACTIONAL INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. FRACTIONAL INTERESTS ARE NOT REDEEMABLE AND ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFER, AND THEREFORE SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

Page 2: No Liquidity

The Fractional Interests are subject to substantial restrictions on transferability and no established market exists for the trading of Fractional Interests. Investors should not purchase Fractional Interests unless they intend to hold them for the full term of the Secured Note.

Page 19: Change in Financial Ability of Borrower or Guarantor

While PCF will make inquiries to determine whether the Borrower and/or its guarantors are creditworthy at the time the Loan is made, there is no assurance that the Borrower or guarantor will have the same ability to respond and pay the amount owing at maturity as they had when the Loan was made.

Page 21: Risks of Litigation

PCF will act in good faith and use reasonable judgment in selecting borrowers and making and servicing the loans. However, the Investors are exposed to the risk of litigation by a borrower for any allegations by the borrower (warranted or otherwise) regarding the terms of the loans or the actions or representations of PCF or the disbursement agent in making, managing or foreclosing on the loans. It is impossible for PCF to foresee what allegations may be brought by a specific borrower, and PCF will use its best efforts to avoid litigation if, in PCF's judgment, the circumstances warrant an alternative resolution. If an allegation is brought and/or litigation is commenced against PCF, the Investors may be named as defendants in any such litigation and could incur legal fees and costs to respond to the allegations and to defend any resulting litigation.

General Risks of Real Estate

As Lenders whose debt is secured by real estate, and potentially as owners of real estate, if the Lenders take title to the Property after an uncured default by the Borrower, the Lenders will be subject to the general risks of investing in developed and/or undeveloped real estate. Such risks include: (a) periodic fluctuations in general and local market conditions, such as oversupply of developed or developable real estate in the local area. (b) changes in the general condition of the local and regional economy, including inflation and levels of employment and changes in Federal or State tax laws. (c) changes in laws and regulations such as zoning restrictions and environmental controls, and (d) changes in interest rates charged by lending institutions or in the availability of funds from institutions that may be required to develop the property or refinance the Secured Note.

Page 23: Absorption Risks

The demand for newly constructed homes may be less than anticipated by a Borrower. This could result in slower sales of the homes, or in the Borrower having to reduce the prices of the homes or offer greater incentives to prospective purchasers of the homes. Any of these factors, or any combination of these factors, could cause the development of the Property to run over budget and increase the risk of the Borrower defaulting under the Loan.

Page 26: Refinancing of the Loan

PCF may loan monies to the Borrower to permit the Borrower to pay all of the interest and principal owing under the Secured Note or it may act as broker and servicing agent for others who refinance the loan made to Borrower by Lenders. Lenders may have no right to participate in such a refinancing of the loan. It is possible, though not likely, that a refinancing on behalf of the Borrower which permits Borrower to pay off the loan owed to Lenders and avoid foreclosure would not be in the best interests of Lenders in that they might otherwise obtain title to the property and profit from its later sale.

FRACTIONAL NOTE LOAN SERVICING AGREEMENT:

Page 9: Limitation of Liability. The Lenders hereby release Servicer and its officers, directors, shareholders, employees and agents (“Servicer Parties”) from any and all actions, liabilities, damages, claims, suits and demands of every kind, nature and description that the Lenders may hereafter acquire against the Servicer Parties arising out of any acts or omissions of the Servicer Parties under this Agreement, so long as the Servicer Parties are acting in good faith under this Agreement, are not grossly negligent and have not engaged in willful misconduct. Additionally, each Lender hereby agrees, but only to the extent of such Lender's Fractional Interest, to indemnify, defend and hold the Servicer Parties harmless

from and against any and all losses, claims, liabilities, costs and expenses threatened against or incurred by the Servicer Parties not covered by insurance and arising out of or in connection with any acts or omissions of the Servicer Parties under this Agreement, so long as the Servicer Parties are acting in good faith under this Agreement, are not grossly negligent and have not engaged in willful misconduct.

FRACTIONAL SUBSCRIPTION AGREEMENT:

Page 1: REPRESENTATIONS AND WARRANTIES. The undersigned represents and warrants as follows:

I have received, read, and fully understood (1) Offering Circular (2) the Loan Servicing Agreement attached as Exhibit A to the Offering Circular, and (3) the Lender/Purchaser Disclosure Statement attached as Exhibits B to the Offering Circular together with all additional disclosure documents referenced in, and attached to, the Lender/Purchaser Disclosure Statement (collectively the "Disclosure Documents"). In making this investment I am relying only on the information provided in the Disclosure Documents and I have not relied on any statements or representations inconsistent with those contained in the Disclosure Documents.

I understand that an investment in the Fractional Interests involves certain risks, including those described in the Offering Circular.