

NEWS OF INTEREST

Mid-Year 2009

SFG FAMILY OF FUNDS



SEATTLE FUNDING GROUP, LTD.



SFG leads the field.

Without question, Seattle Funding Group is the recognized leader in our lending market. Our disciplined lending practices over the last 20 years, combined with the current market correction, have solidified our position as the industry leader. Such a position sets the stage for healthy lending choices and solid portfolio performance well into the future.

Our disciplined lending practices over the last 20 years, combined with the current market correction, have solidified our position as the industry leader.

As we move through this economic cycle, we believe SFG will be way out in front in the lending arena as a proven, well recognized capital source. In addition, this leadership will drive the demand to be an “SFG investor” beyond our ability to accept everyone. Investors who are with us today will always be our first priority. You’ve earned it through your loyalty; we will be loyal in return.



IN THIS ISSUE

SFG leads the field.....	Page 1
New loan demand quality exceptional.....	Page 2
Back to the future.....	Pages 3
Thank You.....	Page 4
Favorite Quotes	Page 4

New loan demand quality exceptional

Over the last 90 days we have seen some of the best loan opportunities in our history. Loan demand has been expectantly slower than normal as economic activity has been sluggish in 2009. However, we are starting to see signs of increased activity both in the real estate lending and sales markets, especially over the last few months. This increased activity coupled with fewer competing lenders, means we are seeing a corresponding rise in quality loan applications from borrowers offering exceptional collateral. The value of being a leader in the field is evident now more than ever. Specific examples include a recent \$2.3 million dollar loan made to a credible, seasoned borrower on a well maintained and managed Los Angeles apartment building just appraised at \$10 million (valued by SFG at a conservative \$6 million). Or the \$2 million dollar loan made to a wealthy estate secured by their fully occupied apartment building in the high demand area of west Capital Hill in Seattle, (valued by SFG at over \$4 million and independently appraised at \$5 million). Many of our loans are smaller, like the 200k loan on a new Seaside Oregon house listed for sale at 425k. Regardless of loan amount, today's loan opportunities are a perfect fit for the SFG portfolio.

The benefit of capturing these loan opportunities is paramount.



Since our loans are short term in nature, they turn over faster than traditional loan sources allowing us to compensate and adjust for today's market conditions. Typically, our loan portfolio rolls over every 18 to 24 months. In today's market where liquidity has been restricted, this process may temporarily take

Every new loan we close improves the overall health of the fund and strengthens our market share.

longer, but this is still a very positive attribute to our style of lending. We believe a significant portion of our portfolio will have rolled over and reflect today's values by the end

of 2010. The value of this cannot be overstated. Time is beginning to work in our favor as new loan opportunities are closed. Every new loan we close improves the overall health of the fund and strengthens our market share.

Success Story



\$2,175,000

Seattle Washington
40 unit apartment building
with views of the city.
100% occupied, core location,
strong borrower.
Just appraised at 5 million.

**LTV
44%**

Back to the future

Today's market reminiscent of 20 years ago.

Did we mention the lack of competition in our market? It's sad, but true: The oversupply of liberal, undisciplined lenders competing for our customers are essentially gone. Their business model was built for the bubble, when it popped...so did they. This presents a huge opportunity for SFG.

So why does this environment seem so familiar? It was in a market similar to this that we started our business more than 20 years ago. Quality borrowers with plenty of collateral were being under-served by traditional lending sources—SFG developed its business model to meet the needs of this population.

Today we find ourselves in the same position, but with many times the market presence. Seattle Funding Group is a well respected name in the mortgage community. Our name

recognition affords us “first look” at the best lending opportunities, which is essential in working through this market cycle. Our incoming borrowers recognize they need to provide more than just sufficient collateral; they must also meet our heightened credit standards. Today's borrowers seem more grateful for our services and patient as we complete our thorough analysis.

We feel confident that loyal SFG investors will be served very well for many years to come.

We have great relationships with our customers, but I have to say that borrowers from 2003-2007 were a little different—much less cooperative. In the end we always got the collateral we wanted or we didn't fund the loan. Over the last five years, borrowers grew a little pompous and, as you can imagine, seemed to feel entitled. They would sometimes roll their eyes at us like a teenaged kid as if to say, “Why do you need so much collateral? I only need the money for a year....”

Today, borrowers—and their mortgage brokers—know why we need “so much collateral,” and they

are prepared to give it to us. Seattle Funding Group commands a high level of respect in the mortgage community as a leader in asset-based real estate lending. Mortgage professionals recognize it is the lending disciplines we exercised over the years that kept us ahead of the pack through the market turbulence. Our reward is a wide open market with exceptional lending opportunities. This market is tailor-made for Seattle Funding Group and the SFG Income Funds, and we feel very comfortable here.

We are confident that loyal SFG investors will be served very well for many years to come. Because SFG Income Funds provide consistent and competitive yields, capital preservation, reasonable liquidity and little correlation to the stock and bond markets, it's an investment that doesn't go out of style. Seattle Funding Group has been here for over 20 years serving investors in a variety of markets...we will be here for many more years to come. Together we will get through this economic cycle and move ahead on our way to more exciting times.

Success Story



\$1,150,000 **LTV 46%**

Maui Hawaii
High end condo residence in exclusive “Ironwood” community Ocean Front/ on golf course.
For sale for 3.5 million.
Quick sale value 2.5 million.
(SFG Management opinion)





Thank You

Thank you to all our investors and investment representatives for working together to protect investors' capital during the recent economic turmoil. History has shown that patience and reasonable expectations are critical virtues in achieving long term investment objectives.

History has shown that patience and reasonable expectations are critical virtues in achieving long term investment objectives.

SFG Income Fund has continued to provide a solid return through all market cycles - a consistency perhaps unmatched throughout most investment segments. Over the last 20 years, our identity has always been capital preservation first, yield second. Recently, we requested

a yield adjustment to enhance investor protection and better reflect the sudden change in market conditions. Approximately 90% of our investors approved the yield adjustment, which has proven to be a key component to insuring the health of the portfolio. This yield adjustment allows us to make smart decisions while working through the inevitable rise in foreclosures over the last year. We expect to see a marked improvement in this category by mid to late 2010 at which time we plan to raise investor yields. Please know we will make the adjustment as soon as it is prudent to do so.

The future is very bright for SFG... We feel there's never been a better time to be an SFG investor.

Favorite Quotes

Life responds to deserve and not to need. It doesn't say "If you need, you will reap." It says, "If you plant you will reap." The guy says, "I really need to reap." Then you really need to plant.

Learning is the beginning of wealth. Learning is the beginning of health. Learning is the beginning of spirituality. Searching and learning is where the miracle process all begins.

Success is the study of the obvious. Everyone should take Obvious 1 and Obvious 2 in school.

The guy says, "When you work where I work, by the time you get home it's late. You've got to have a bite to eat, watch a little TV, relax, and get to bed. You can't sit up half the night planning, planning, planning." And he's the same guy who's behind on his car payment.

~ Quotes by Business Philosopher Jim Rohn

If you have any favorite quotes you'd like to see in the News of Interest, please pass them along to John Odegard. We'd even be happy to mention in our newsletter where they came from. E-mail your favorite quotes to: jodegard@sfgfunds.com.



SEATTLE FUNDING GROUP, LTD. • SFG INVESTMENTS

Corporate Headquarters

425.455.1733 or 888.SFG.FUND • 1239 120th Ave. NE, Suite J, Bellevue, WA 98005

www.sfgfunds.com

"The Finest in Mortgage Investments Since 1988"