SFG INCOME FUND VI NEWS

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Progress....and Patience.

Even as we continued to face market resistance due to sustained declines in real estate values in 2010, we are encouraged by our accomplishments and the progress we have made as of late. In a market that has experienced little positive momentum, we have created our own.

The fourth quarter of 2010 showed a rise in high quality loan volume as well as encouraging improvement in our non-performing asset percentage and liquidity, all good signs as we move into 2011. In fact 45% of our annual loan volume took place in the fourth quarter of 2010, with December being our highest loan volume month of the year. Remember, it is the transition of "out with the old and in with the new" where profitability is amplified and progress is formed.

A key number that symbolizes our momentum is the Fund's non-performing asset percentage. As this number improves, so does our profitability and velocity of our ultimate success. A majority of our efforts have been directed towards reversing the directional pull of our non-performing asset percentage, from climbing to declining. We have gained traction in this endeavor, dropping this percentage from just over 52% during the 3rd quarter of 2010, to 43.5% at year end. We had prepared for the non-performing asset percentage to rise into the high 50% range before a slow descent down. Keep in mind, this number will bounce around some, however, we are encouraged by the improvement

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at this early stage. The momentum has continued into 2011 with heightened REO sales activity.

Interestingly, our liquidity has increased substantially due to the continued successful cycle of performing loans as well as resolution of non-performing assets. Holding cash can have a negative effect on profitability, but we would naturally rather hold cash than bear the inherent ongoing costs and potential value declines of a foreclosed asset. Heightened liquidity also positions us to capitalize on opportunities as they arise and readily meet any investor redemption requests.

We expect to make great strides in 2011.

As we continue to add new loans to our portfolio, borrowers' credit and capacity now play a larger role in our decision making than in years past. We remain primarily a collateral based lender, lending on properties with high equity positions, yet today, we are filling the portfolio with top quality borrowers as well. Our average credit score for borrowers added in 2010 is 710, whereas our average portfolio credit score in 2006 was in the mid 500's. Again, we are primarily a collateral based lender rather than a credit based lender, but today we getting the best of both. Quite frankly, the events of 2008 and 2009 have sufficiently influenced our underwriting philosophy to raise credit and character standards permanently in addition to our typical, yet substantial, collateral requirements. This philosophical adjustment bodes well for our future, as we are committed to coming through this market better and with all lessons learned.

What to expect in 2011:

As we have stated before, the first 12-18 months of our plan is when most of the heavy lifting takes place as we move through a difficult market selling foreclosed assets and re-employing that money into new loans at today's valuations. There will undoubtedly be ups and downs, but we expect to see continued progress in our non-performing asset percentage during the second half of the year. From that point, we should be making steady progress towards filling our current negative equity gap and moving towards whole and higher yields ahead. While the market continues to resist our progress, we are on track and will not rest until we have achieved this objective. We look forward to 2011 with caution, yet are confident we will meet the objectives set before us.

Sincerely,

John Odegard and Greg Elderkin

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