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Progress....and Patience Part II

We continue to make progress in key areas of our portfolio, primarily in the reduction of our non-performing asset percentage and the addition of new loans based upon today's market realities.

The positive effect on our bottom line will be substantial as we "get back to cash" on non-performing loans and redeploy the capital in new high yield loans as well as meet our noteholder's investment redemption requests. We encourage you to go to the FundVIrecap.com website to get a taste of some of our recent loan investments. Our lead in the private real estate lending market is more evident now than any time in our history, which bodes well for our future and the health of the Fund. In this letter we feature a recent closing in Carlsbad California as an example of this reality.

The key ingredient to our success and resiliency in the face of challenging times stems from three primary attributes: our long standing relationships and reputation as a leader in all the markets we service, our seasoned executive team and our unyielding commitment to get our investors through the storm. For over 23 years, SFG has developed an impressive network across the West Coast, allowing us the first look at many of the best transactions the market has to offer. Our seasoned SFG team is well known and respected throughout the lending and real estate

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markets. Over 80% of the SFG staff has been with the company 10 years or more. These synergies have allowed us to get results and gain traction in a market that has spared little, both from the workout of non-performing assets and the avail of terrific new loan opportunities. The engine that will drive us back to full recovery has started and progress is being made. However, keep in mind our challenges are not behind us by any means, as we still face continued market headwinds resisting our progress.

Challenges we still face.

We have said from the beginning of the Recapitalization Plan, the first 18 months is when the bulk of the heavy lifting will take place. The first 18 months is "stage one" where we reverse the directional pull of non-performing assets, reasonably dispose of as many foreclosed assets as possible and reemploy the capital in new loans underwritten at today's valuations, greatly increasing our profitability. Basically, get the ship back on course, profitable and heading in the right direction. Now, after the first year of the recapitalization plan, we are on track for that objective in spite of uncooperative market conditions. From that point forward, it should be a smoother ride, but we are mindful of the challenges still before us.

The unprecedented collapse of the real estate market has left debris that won't be cleaned up over night, but over time. Although we maintain a high sense of urgency, the process will be somewhat slow, but certain. Stubborn markets require patience to navigate through in a sensible manner. Haste creates waste and unnecessary waste at that.

Management remains confident in our objectives, encouraged by our progress and thankful for your support. We expect to make great progress throughout 2011 and will continue to communicate with you every step of the way.

John Odegard and Greg Elderkin.

Featured Loan

Loan to Value Ratio: 21%
Location: Date Ave, Carlsbad, CA

A failed California bank stopped making construction loan draws to a developer/builder whose seven-unit luxury ocean view town home project was 90% complete. We stepped in and provided a $2,100,000 construction completion loan, secured in first position on the subject property. The property was independently appraised for $10,000,000 "as is" and $14,000,000 when complete. Our loan is very well secured not to mention that construction funds are held by us and dispersed only as work progresses.