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Real Progress

Improvement in non-performing asset percentage shows promise.

The first quarter of 2012 gave us another reason to be encouraged. A marked improvement in our non-performing asset percentage coupled with a decrease in our negative equity position is rewarding and points the way to future success. Over the last couple years, so much has been accomplished that doesn't show up on the financial statements. Getting control of the assets that secured our loans takes time, effort and seasoned negotiation experience. If unchallenged, borrowers can use the court system to drag the foreclosure procedure out well beyond expectations. Diligently challenging the process and untangling properties from the legal web can be time consuming and arduous with few immediate financial rewards. It is the tenacity to get through the legal quagmire and finally gain control of the assets that positions us to move forward towards our predesigned objectives. Although there is no line item on the financial sheets for this type of progress, it is a huge step forward. Today, we are better positioned to dispose of these assets, get back to cash and reemploy the capital in high yielding opportunities. Through April of this year we have closed the sale of ten REO assets with two more expected to close in May. In addition, we are in negotiation on several others. Recognizing real estate markets tend to slow down during the summer months, we are doing all we can to capture all spring sales opportunities. We have strategic relationships in all the markets we operate in, allowing us to maximize whatever energy the market provides. Although market conditions remain uncertain, the progress made in 2012, so far, is inspiring. We are confident in the improving trend of the non-performing asset percentage; however, keep in mind we may experience some additional resistance along the way. Nonetheless, real progress is being made.



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Thank you to our accounting department.



Eric Benzel
Fund Administrator



Jan Jeffery
Senior Accounting
Administrator

Great organizations get results primarily due to the members of their team. The first quarter 2012 brought a heavy load to our accounting department as an enormous amount of activity took place. REO's were sold, new loans were made, redemptions were processed and investor accounts moved from one broker dealer to a variety of others. All these time sensitive transactions necessitated a significant additional effort. SFG Fund Administrator, Eric Benzel spent many twelve hour days non-stop for several weeks, including weekends, getting the job done. Senior Accounting Administrator, Jan Jeffery also spent countless additional hours towards the effort. Eric and Jan have been with SFG for over a decade and are remarkable assets to our organization. We'd like to publicly thank Eric, Jan, along with our entire accounting and investor relations department for their tireless efforts and expertise. Their value in SFG's success cannot be overstated. Thank you!

New loan demand growing, but our screen remains tight.

New loan demand continues to grow as Seattle Funding Group remains a recognized west coast leader in the private real estate lending market. This is a good sign as it gives us terrific opportunities to look at when making the best investment decisions. Our underwriting screen however, remains tight, only allowing in deals we believe are on the lower end of the risk spectrum. Although our loan volume could be much higher, we believe it prudent to continue navigating in high alert, taking the most certain path to fund health and prosperity. In this article we have featured a recent closing as an example of a transaction making the grade and being added to the SFG Fund VI portfolio.

Encouraged as we are, we want to remind you we still have a ways to go. The real estate market has dropped steadily for three to four years now. We are still a few years away from re-establishing the equity lost in the historic real estate storm. We are confidently marching forward however, and feel positive momentum is being established. Thank you for your support.

John Odegard and Greg Elderkin, Fund Managers

Success Story



This luxury hillside home with 180° views of the Pacific Ocean is located in exclusive La Jolla, California.



A high net worth borrower took over this La Jolla California luxury home as part of a business settlement. With views of downtown San Diego and 180 degree views of the ocean, the subject property maintained an irreplaceable and high demand location. The value of the subject property is a strong \$3,000,000. Our SFG loan is \$1,900,000. We are holding back \$100,000 of the loan proceeds to ensure completion of some repairs necessary to maximize value. The borrower's exit strategy is to prepare the home for resale and put it on the market. This is a classic example of a high credit borrower recognizing the appeal of a short term transitional loan from SFG. The value they receive is well worth the interest premium.

For additional success stories, please check the Seattle Funding Group website at **SeattleFundingGroup.com**.



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