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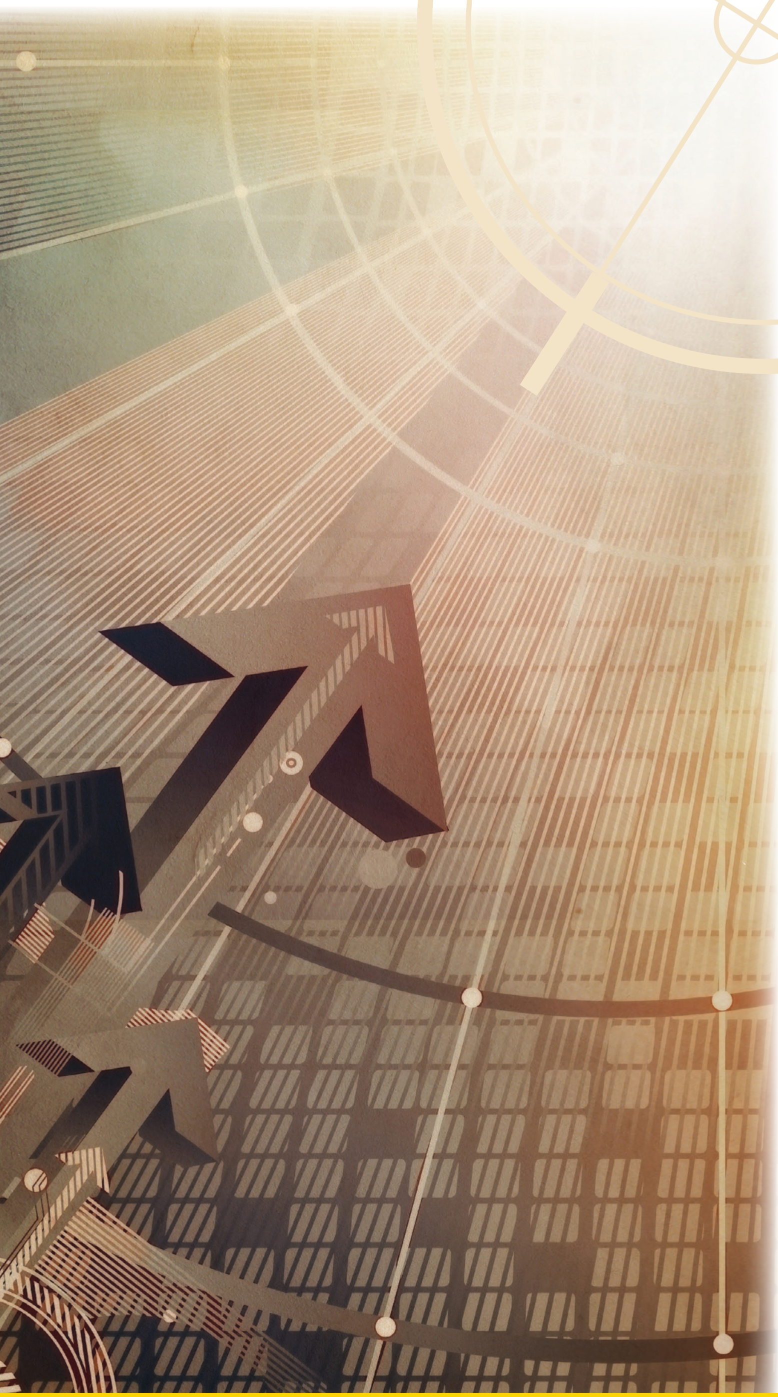

2013: Profitability and Improved Investor Value in the Crosshairs

As we discussed in our February 2012 Newsletter, our recapitalization efforts primarily concentrated on "getting back to cash" by seizing, rehabbing and reselling our non-performing assets, putting us in position to regain profitability. Looking back, we made noteworthy progress in 2012. Twenty three REO properties (loans on which we foreclosed and took ownership) were sold in 2012 alone, totaling over $13 million in gross proceeds. Our non-performing asset percentage, which includes both non-performing REO's and loans, decreased from approximately 37% to 21%, nearing our goal. New loans totaling approximately $40 million were originated while over $10 million in investor redemption requests were serviced and paid out. Not bad. 2012 was a great year, assisted by the groundwork of 2010 and 2011. The Fund is considerably healthier today than at any time since the global economic collapse.

So now it is time to ask, ***"With all this "progress" when will the investor redemption percentage improve?"***

The quick answer is, through 2013 we should achieve noteworthy improvement in the investor redemption rate.

We are now in position to increase our income through employing funds previously stuck in non-performing assets into new performing loans. Synergistically, Seattle Funding Group has maintained and enhanced its position as the premier private lender on the West Coast. While many competing lenders fell by the wayside during the market collapse, SFG continued to gain market share. This puts us in an excellent position to capture the best lending opportunities. Furthermore, we expect profits from a few investment asset sales in 2013 that should help jump start additional income.

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On the expense side, the cost of holding, maintaining, improving and selling REO properties should now decline. These costs were burdensome. Additional value markdowns and impairment should not be significant as the real estate markets are stabilizing. More importantly, fewer assets are at risk of value declines as we get back to cash and capital is re-deployed in new loans with substantial equity cushions.

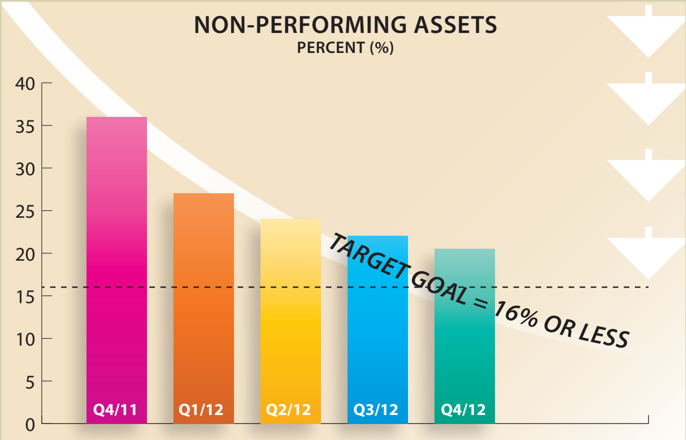
We are enthusiastic and focused on continuing our progress through increased profitability and improvement of the investor redemption percentage. The redemption percentage will be recalculated in 2013 (after the 4/30/13 redemption event) based upon the Fund's negative equity on 3/31/13, as approved by investors as part of our recapitalization strategy. While we do not anticipate much of a change then, momentum is picking up and you should see marked improvement by the next annual adjustment date.

Some may ask "why has the process taken so long?" Let's not forget what we have all been through and the challenge we faced. The decline in the real estate markets was historical. Unnatural forces and political decisions exacerbated the situation. The value declines were deeper and continued for a longer period than ever seen before. Additional write downs and reserves were required to further protect investors. At one point our non-performing asset percentage peaked at 53%. Through all this we made headway and continued to pay a reasonable yield based upon investor's full investment amount while replacing non-performing, at risk assets with new performing, well secured loans. We see the light at the end of the tunnel and are marching confidently towards it.

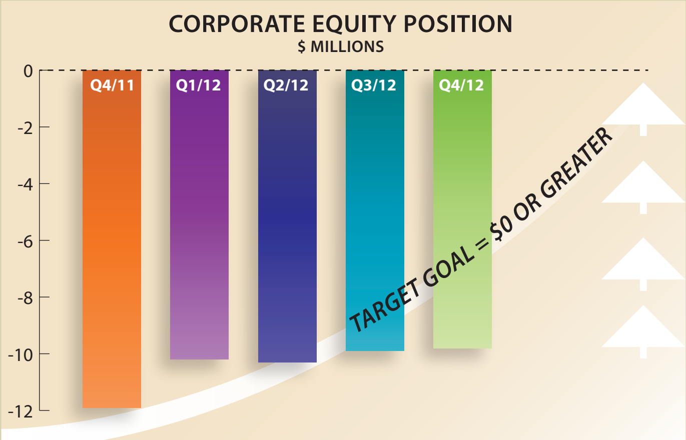
SFG is positioned like no other firm in our industry to deliver investors an enhanced yielding, alternative fixed income product well into the future. Our management team and key employees have stayed together through the toughest time in our history to serve investors to the highest level. Today we are more seasoned, skilled and committed to our investment model than ever before. We are grateful for the enormous support we have received from investors and their representatives as we continue confidently down the path of achieving our mutual objectives.

John Odegard and Greg Elderkin

Progress Charts



Substantial progress has been made in this category and we are close to our goal. To date, this is where much of the heavy lifting took place. The Fund is now positioned for the final stage of our recapitalization strategy, profit and fill the negative equity gap. The Fund is considerably healthier today than at any time since the global economic collapse.



Due to our success in getting back to cash and improvement in our non-performing asset percentage, **we now have the tools to concentrate squarely on rising profitability.** This category is the final stage of our strategy and is firmly in our focus. We expect significant improvement in this category during 2013.

Keep in mind, investors still have been receiving a respectable yield on their full investment value all along.

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