

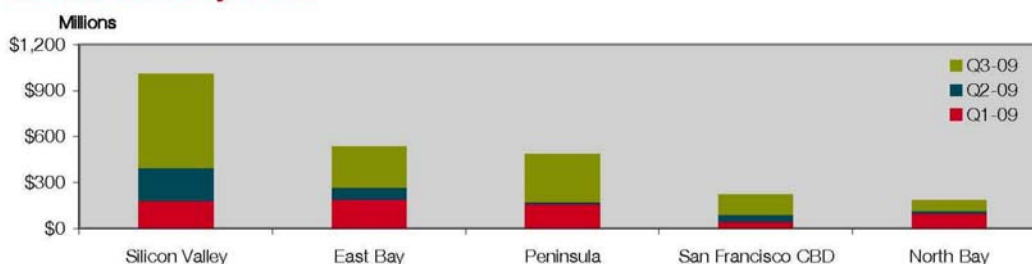
Investment Summary

Investment activity picked up in the San Francisco Bay Area in the 3rd quarter with \$2.3 billion in investments versus \$1.4 billion for the first half of 2009. As NAIBT states, “While far shy of a flood, one could safely say that the tide is coming back in – slowly.” At the current acquisition rate, 2009 may surpass the \$3.3 billion reached in 2002, which marked the bottom of the last investment cycle. At that time it receded from a much lower \$7.9 billion in 2000 versus the skyrocketed \$34.8 billion in 2007.

Many investors, LRG REP I included, are viewing the multi-family sector as a conservative play amidst the area’s economic forces that are negatively impacting the office, industrial and R&D sectors. Multi-family accounted for a higher than usual 21% of the quarter’s transactions.

Cap rates ranged from 6.3% for multifamily to 9% for industrial properties.

Total Dollar Volume by Market



Investment Activity by Property Type

Market	Properties Traded	Volume in Dollars	Avg. Price/SF, Unit*		Avg. CAP Rate	
			YTD-09	2008	YTD-09	2008
Office	26	\$1,138,304,873	\$295	\$295	8.7%	6.6%
Industrial	42	\$449,823,806	\$95	\$126	9.0%	6.5%
Retail	19	\$234,277,108	\$237	\$368	7.6%	6.0%
Multi-Family	27	\$487,812,092	\$169,969	\$201,383	6.3%	5.2%

*Multi-family price/unit, all other price/sf

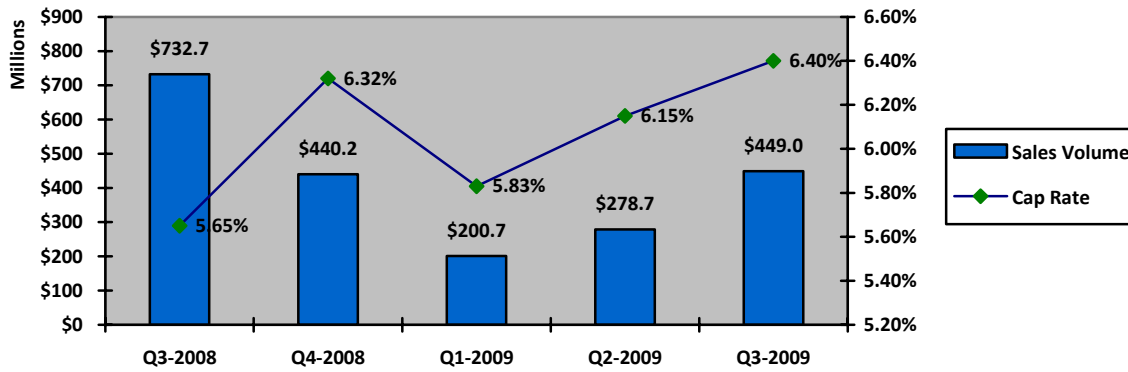
Apartment Rental Market: Bay Area and North Bay

- ✓ Rents across Northern California have shown signs of stabilization with nearly all regions reporting rental rate gains, or losses of less than 1%.
- ✓ Average rental rates for Bay Area apartment communities dropped less than 1% during Q3 2009. For the North Bay, including Marin, Napa, Solano and Sonoma counties, average rental rates were up less than 1% from the prior quarter.
- ✓ The average Bay Area vacancy rate for apartment properties with 99 Units and Less was 5.8%, down from 5.7% in Q2 2009. Marin County vacancy rates were the best in the region at 4.5%.

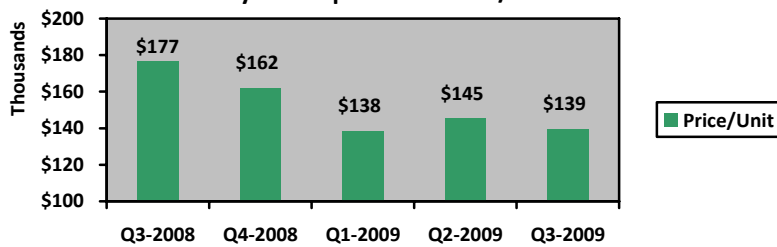
Apartment Sales Market: Bay Area and North Bay

- ✓ Bay Area apartment sales volume of \$449 million was up 60+% in Q3 2009 from Q2 2009, and up 123% from Q1 2009. Smaller properties comprised the majority of completed Bay Area sales, with 80% under 30 units.

Bay Area Apartment Sales Volume vs. Cap Rate

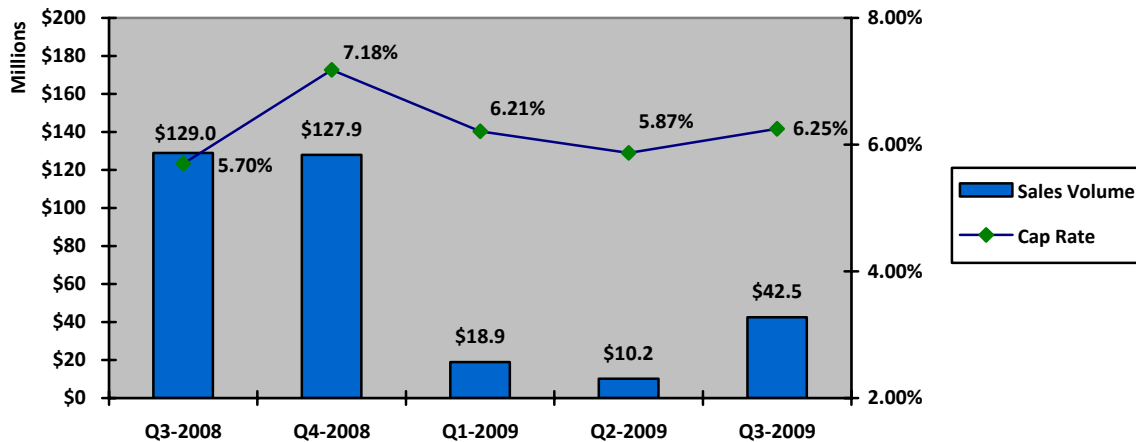


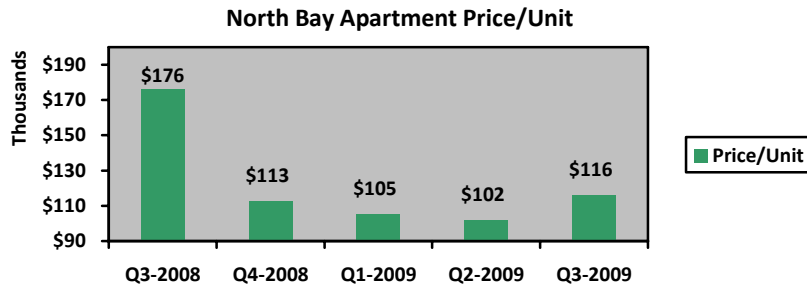
Bay Area Apartment Price/Unit



- ✓ Bay Area cap rates were 6.40% in Q3 2009, up from 6.15% in Q2 2009 and 5.65% in Q3 2008.
- ✓ Sale activity in the North Bay jumped from 7 transactions totaling \$10 million in Q2 2009 to 11 transactions totaling \$42.5 million in Q3 2009.

North Bay Apartment Sales Volume vs. Cap Rate

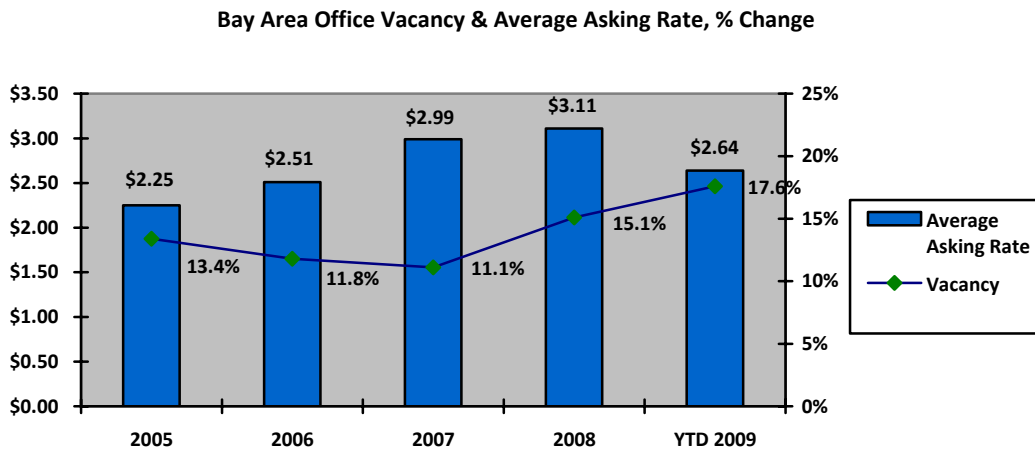




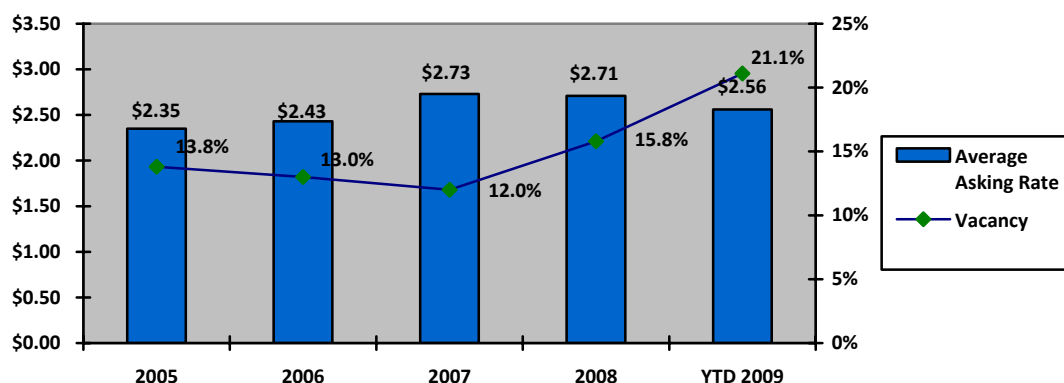
- ✓ North Bay cap rates averaged 6.25%, up from 5.87% in Q2 2009 and 5.7% in Q3 2008.
- ✓ Price per unit for the Bay Area apartment market eroded to \$139,406 in Q3 2009. Price/SF followed suit with an 18% decline.

Bay Area Office Market Update

- ✓ The rapid decline seen in the office market that occurred in 2008 through the beginning of 2009 decelerated somewhat during Q2 and Q3 2009 as vacancy saw its smallest quarter over quarter increases.
- ✓ The market continues to be plagued by high vacancy rates, relatively high sublease space, plummeting rental rates, historically low leasing activity, and a growing trend of foreclosures.
- ✓ The economy's high unemployment rates are not helping, especially since they are expected to remain that way for some time.
- ✓ That said, in terms of nearing the bottom of the market, we may be there.



Marin Office Vacancy & Average Asking Rate



LRG Capital: Commentary

The 3rd quarter's increased investment activity in the Bay Area, combined with increased prices for Marin apartments, supports our theory that the bottom has been reached or is near, and the buying window of opportunity is limited. LRG Capital has capitalized on property values over the past 12 months at levels not seen since 2000, however we believe that the next 6 months is the time to enter this market before it is too late.

Interest rates continue to be very attractive with 10-year fixed rates at 5.0%-5.5%, depending on loan to value ratios, for loans over \$3 million. Rates are slightly higher for loans under \$3 million, but financing fees are lower. As of yesterday, the Fed pledged to hold rates at the record low levels for an extended period.

LRG Capital's real estate fund takes the following approach to utilizing leverage to generate superior returns on its commercial real estate investments. Fund capital is generally used for up to 35% of the investment property purchase price and financing is used for the additional 65% or more of the purchase price. In other words, for a \$10 million property, the fund would use \$3.5 million of fund capital and finance the remaining \$6.5 million. If you assume an average growth rate of approximately 4.5% per year, the property value would be worth \$13.6 million at the end of the fund's 7 year term. Cash flow from the properties is expected to pay down the debt to approximately \$5 million during the 7 years. Therefore, the net equity from the property would be \$8.6 million (\$13.6 million in value minus \$5 million in debt). The net return on the original \$3.5 million investment would be 146% over the 7 year period or 15% on an annualized internal rate of return basis.

We continue to be very bullish on the commercial real estate sector. When compared to other asset classes, the returns from this hard versus paper asset, look compelling. As of Nov. 4, the 10-year treasury was yielding 3.38%, the 10-year investment grade corporate bonds were yielding between 4.32% and 6.39%, junk bonds are yielding 9% or higher but they come with a 10% or greater default risk. The CRB index and the S&P, up 60% and 19%, respectively, over the past 6 month period, seem ripe for a decline when the dollar strengthens. In particular, gold, the most popular commodity at the moment as a result of the weak dollar, is likely to slump in response to a reversal of the dollar.

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