

As the real estate market continues to stabilize and show some modest growth in Q1 2010, LRG Capital Real Estate Partners I (“LRG REP I”) has assembled, over the past year and a half, a portfolio of eight outstanding Marin/Sonoma/Berkeley commercial real estate properties at a total cost of \$37.6M, with an average price of \$190 per sq. ft. (prices not seen since 1998). After consideration of a variety of factors, **we will be closing the LRG REP I investment fund on June 30, 2010.** While we still see some excellent buying opportunities, we plan to pursue them through the LRG Real Estate Partners II Fund, which we expect to open in the Fall of 2010. For the next 30 days, **we invite you invest in LRG REP I, a well balanced, locally based portfolio of properties on behalf of yourself or your clients.** We can also accept IRA or SEP IRA funds with no tax consequences.

As you may be aware, real estate prices appear to be on the way up as Bay Area residential real estate is up 26% this past quarter compared to a year ago. We believe that significant inflation in the US economy is imminent, and appreciation will soon follow in the commercial property sector as well. While there are no guarantees that Marin or neighboring counties’ commercial real estate in general, or LRG REP I properties will appreciate over the next 7 years, **we are betting our own money side by side with your with the well-reasoned view that they will;** of the \$12M in equity capital, over 80% has been invested personally by LRG Management partners.

While the commercial real estate sector underperformed in 2009 as a result of economic conditions and severely constrained debt capital, primarily for large properties, this environment has provided LRG REP I with unique opportunities to buy boutique commercial properties at attractive prices in our focused geographic area. Comparatively, the San Francisco Bay Area has fared well through the economic crisis and Marin in particular has remained relatively stable due to high barriers of entry for new development (constrained supply), the active small tenant population, relatively lower use of debt and the stability of a privately held commercial real estate ownership community.

Q1 2010 Transactions

Fair-Anselm Plaza (mixed-use): On May 4, 2010 we acquired a master lease and option to purchase the Fair-Anselm Plaza located at 700-779 Center Blvd in Fairfax, California. LRG REP I is only the second operator of the property since in development in 1960. The mixed-use property consists of approximately 66,100 square feet in four separate buildings. The complex mix includes two single tenant buildings, one of which is a former Albertsons Supermarket and two buildings with first level retail suites and second level office space. Current tenants include the US Post Office, Iron Springs Pub and Brewery, Sunshine Bicycles and the Fairfax Health Club. We are in discussions with several interested tenants with a view to have the center 80-100% occupied by mid-to-late 2011.

Current Portfolio Overview

Key Attributes: A solid and diversified locally-focused portfolio of Marin, Sonoma and Berkeley commercial properties at a total cost of \$37.6M. The LRG REP I portfolio is entirely self-managed by the LRG management team. Property loans are all fixed rate loans, with most fixed for 7 years at interest rates averaging in the low 6% range.

Office Properties: Our four Marin office building purchases averaged in the low to mid \$200s/sf, well below prices paid over the last several years, and close to market lows.

- Leasing activity continues to slowly improve as we are seeing more interested tenants at all of our buildings. We have also worked consistently to structure leasing arrangements to retain tenants and maximize long term leasing revenues. At the same time, we are keeping tenants in business at our properties in the short term.
- LRG REP I began a ground floor remodel at 505 A San Marin Dr property. Lobby and office upgrades have renewed tenant interest at this quality property, bringing occupancy up to 88% with 2 new leases.
- 384 Bel Marin Keys continues to have a 96% occupancy level with a strong tenant base and escalating rents
- 851 Irwin has maintained its 100% occupancy level throughout this quarter and provides strong cash flow for the portfolio.
- The historical Brick Kiln building at 125 East Sir Francis Drake Blvd has one vacant suite and one sub-lease available. There is very low vacancy in this sub-market, so we are optimistic that the right tenants will emerge from the market soon.

Multi-family Properties: Our three apartment buildings have maintained close to or at 100% occupancy since we purchased them. Rental rates have remained relatively stable and we have overall positive cash flow from these properties.

- Our Berkeley and Sonoma apartment buildings are 100% occupied and 220 Canal in San Rafael is 97% occupied.
- Our local investment focus on Marin and Sonoma properties enables us to take a very “hands on” approach to leasing and management. We visit each property weekly, we know the market for tenants well -- which is especially important in challenging economic times -- and we supervise vendors and address building issues quickly. This hands-on management has allowed us to keep units upgraded as turnovers occur and keep our buildings fully occupied.

Q1 2010 Fund Performance

LRG REP I has recorded net income from our properties in Q1 2010 before tax-related depreciation, upgrading and superior maintenance of our properties, a significant percentage of which are capital improvements.

LRG REP Outlook

While economic data still does not indicate immediate inflation, when interest rates do rise, LRG Management believes there will be no stopping inflationary forces. With the total federal, state and local government debt a mind-blowing \$123 trillion, in our opinion there is no escaping the impact on the dollar and ensuing inflation in the years to come. Having taken advantage of prices not seen since 2000, LRG REP I is well positioned to benefit from an inflationary period. Near term, we continue to attract quality tenants to our office buildings and upgrade our apartment and office buildings thus keeping the majority at or near 100% occupied.

As we bring LRG REP I to a close and gear up for LRG REP II in the ensuing months, we still believe that there are opportunities to buy quality properties at great prices within the San Francisco Bay Area and continue to actively search for new opportunities to launch LRG REP II.

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