

May 10, 2011

The following is our Spring update on the LRG Real Estate Partners (LRG REP) portfolio of 8 commercial properties in Marin/Sonoma/Berkeley. We are pleased to report that our apartment properties are currently 100% occupied and our office and retail properties have over 90% occupancy while maintaining steady lease rates, as described in detail below.

We are also pleased to announce that we have received Planning Commission approval for the good Earth Grocery Store project in Fairfax and hope to have a small groundbreaking ceremony for local press and the community following Town Council approval in early June. We will be serving morning refreshments and hope you can attend. We will send you confirmed details in a subsequent communication.

Property Overviews

Fair-Anselm Plaza (66,100 sq. ft. of retail and office space):

On April 1, 2011 LRG REP closed the purchase of the 66,000 square foot Fair Anselm Shopping Center in Fairfax. In the next couple of weeks, we expect to close on a new \$9M permanent loan on the entire property, of which \$3M will be earmarked for the Good Earth Grocery Store construction project. We received a \$15M appraisal (post construction) from the bank for the Fairfax property.

The recent approval from the Fairfax Town Planning Commission for the Good Earth construction project is subject to final approval by the Fairfax Town Council in a meeting on June 1, 2011. Following Town Council approval, which we hope will go smoothly, we plan to begin construction the following week and currently have a detailed schedule with an aggressive target of opening the store by November 1, 2011.

We have recently entered into a new 5-plus year lease with Sukhasiddhi Foundation for a 2772 sf space. Additionally the China Village Restaurant has decided to vacate its 1260 sf location and we have received a LOI for that space. Currently we have only 430 sf office space available right now.

The only other vacant space on the property is the former Broadway Video space. Per an agreement that was signed when the property was purchased, the prior owners of the property are paying us guaranteed rent of \$7500/month and paying all remediation costs until an investigation of the space is finalized by the California Department of Toxic Substances (DTCS).

220 Canal St, San Rafael (43 apartments)

220 Canal is 100% occupied. We lowered our garbage costs this quarter by implementing a recycling program and we have instituted a sewer maintenance program. We have recently extended the term of the first mortgage on this property another 4 years to May 2018, at a fixed rate of 4.5% with interest only payments.

18360 Sierra Dr., Sonoma (31 apartments)

This complex, located one block from the Sonoma Mission Inn, is currently 100% occupied. We continue to make capital improvements and have now tiled the floors and bathrooms of about one quarter of the apartment units. We have also upgraded the landscaping, built an enclosed vegetable garden and installed concrete curbs and sidewalks along one of the driveways to the property.

1254 Hearst St., Berkeley (23 apartments)

This 23 unit apartment building is presently 100% occupied. While apartment rental rates in Berkeley declined over the past year as several new residential buildings came on the market, we have maintained our rents in 2010 primarily by upgrading apartments. During this past quarter LRG REP purchased an additional 7% interest in 1244 Hearst from one of the other partners who needed to cash out at a 25% discount off of the original purchase price. LRG REP now owns 50% of 1244 Hearst.

505A San Marin Drive, Novato (19,577 sf, three-story office)

Despite the significant upgrades to this property, the demand for north Novato office space dropped to almost nothing in this quarter. Consequently, this building has three small suites vacant and has 82% occupancy.

384 Bel Marin Keys, Novato (26,740 sf two story office)

This quarter we completed construction of the Cameron, Coffey and Kaye Accountants (2472 sf) office space. The Live Out Loud lease expired as they have downsized their business, so we currently have 4453 sf of vacant space in this building. We have significantly modified our marketing tactics for this building which has increased interest in this space.

851 Irwin St., San Rafael (27,000 sf three story office building)

This centrally located building is 95% occupied, with one 1100 sf suite available. We recently completed the repair and re-painting of the exterior in a new color scheme, with very positive feedback from our tenant community.

125 East Sir Francis Drake Blvd, Larkspur (34,738 sf historical Brick Kiln building)

Market Metrix, LLC moved into its 8,415 sf suite on April 1, with a five year lease. We also recently leased a 1,400 sf suite to an investment firm. We have a 5,500 sf suite available.

LRG REP Outlook

Our approach for the LRG REP Fund is for long term capital appreciation in our real estate investments. We have made considerable progress upgrading our \$40M portfolio of properties over the past two years and look forward to continued growth and improvement over the remaining five years of our Fund. We invite you to contact us at any time with any questions or suggestions that you have, and assure you that, as both managers and as the largest investors in LRG REP we will continue to give this investment Fund our complete focus and attention.