



MAYFIELDGENTRY
REALTY ADVISORS, LLC

February 2010

RE: MayfieldGentry Year End Portfolio Review and Outlook, 2010

Dear Friends and Colleagues:

As we begin a new decade, I want to take the opportunity to wish you the best and give you an update on MayfieldGentry Realty Advisors, LLC's (MayfieldGentry's) key activities and performance for 2009. Last year, I received many favorable comments on our second Year End Portfolio Review and Outlook, so I want to continue that effort going forward.

We predicted – although with not too much difficulty – that 2009 would be a challenging year for commercial real estate and indeed it was. However, challenges by nature, also present opportunities. MayfieldGentry opted to focus on the opportunity presented to refine its recognition that it is not just in the real estate business, but also in a service business. High portfolio performance for our investors was achieved by focusing on the fundamentals. Our strict adherence to high quality services, focused property management, and accounts receivable collections proved to be absolutely critical to successfully weathering the turmoil present within the economy. Moreover, establishing and maintaining real relationships with the executives of the companies who occupy our properties translated into longer-term tenancies, as well as lower vacancy and fewer collection issues, thereby enhancing portfolio value.

Our adherence to customer service and operating fundamentals enabled us to achieve the following in 2009:

- **MayfieldGentry's portfolio continued to perform above budgeted projections and peer returns.** For example, we exceeded our goals for budgeted cash remittances to our clients by 31%. Many of our assets also performed better than their peers according to NCREIF standards, which serve as one of the key benchmarks for institutional real estate performance. Our ability to successfully execute and surpass those goals demonstrates our commitment to provide exemplary service to our investors. Thus, we believe that the outlook for the portfolio overall continues to be positive in 2010.

- **The Firm achieved significant traction in one of the most pro-Tenant leasing environments in recent memory.** Our adherence to customer service and aggressive pro-active leasing to secure early renewals allowed us to achieve a 70% tenant renewal rate. Moreover, the adage that real estate is about location was demonstrated yet again by our North Carolina investments which boast assets with occupancies above 90%, leasing activity totaling 128,912sf, and the attainment of 100% occupancy at Glenwood Plaza, Raleigh, acquired in 2007 at 72% leased, yet closed 2009 fully occupied.
- **MayfieldGentry explored new business ventures at home and abroad.** In December 2009, I travelled to Beijing, China, along with our Chief Investment Officer, W. Emery Matthews, and our Director of Financial Analysis, Yi Wang, as part of a distinguished delegation of senior business leaders invited to China by The Marathon Club (TMC). TMC is an organization dedicated to accelerating the creation and building of strategic business relationships and is a catalyst for more substantive deal flow. TMC and our delegation met with The Committee of 100, an organization of distinguished public and private sector Chinese Americans and Chinese nationals dedicated to the dual mission of strengthening economic and cultural relations between Americans and Chinese. At the same time, we met the executives from China Investment Corporation, HOPU Investment, Morgan Stanley China, Hang Lung Properties and Shanghai CRED Real Estate Stock Co., Ltd. The meetings focused on opportunities for further US business expansion and future collaborations within China, as well as domestic joint venture possibilities.
- **The Firm created an ideal opportunity for non-profit associations in our nation's Capitol.** Our continued equity development in Washington, DC, similarly serves as an example of the resiliency and strength of prime markets in spite of the economic downturn, which allowed us to execute our value-added strategy for the 1522 K Street asset. The project involves the conversion of an existing asset to Office Condominiums, including a phased, state-of-the-art rehabilitation of the property designed by Group Goetz Architects, and engaging locally-based Cushman & Wakefield (C & W) for marketing of the property to non-profits wanting to relocate into the prestigious central business district. C & W reports strong interest in the product and we expect sales activity to begin in earnest in 2010.

- **The Firm successfully raised its first real estate private equity investment vehicle, MGRA Genesis Value Fund (“Fund I”).** The marketing campaign for the value-add vehicle closed in August 2009. Fund I seeks a 12% - 14% gross return by investing in a diversified portfolio primarily in the Top 30 U.S. markets. Despite the stalled capital markets environment, Fund I closed with total commitments over \$100 million from various U.S. public plan sponsors.
- **We continued to work with our property management partner to create a hallmark of excellence at more of our assets.** In the fall of 2009, this culminated in the honor of four regional The Office Building of the Year (TOBY) awards from Building and Office Managers Association (BOMA) for our portfolio, including TOBY awards for One Detroit Center and Grand Park Centre in Detroit, Michigan for the second straight year in their respective classes. TOBY awards were also given to Crossroads Corporate Center (Cary, NC) and the Yamato Office Center (Boca Raton, FL).
- **Finally, 2009 was also a year in which both our company and many on our team received professional recognition from industry peers.** MayfieldGentry was again recognized by *Pensions and Investments Magazine* as one of the 100 largest real estate asset management firms in the US as well as by *Black Enterprise* magazine as one of the Top 5 private equity firms in the US. Firm Director of Financial Analysis Yi Wang and Asset Manager Erin Curry were both selected by *Real Estate Forum* magazine as “One of Tomorrow’s Newsmakers.” This same publication recognized our COO, Marsha Bass, as one of the most influential women in real estate. In November, I was lucky enough to be invited to Ernst & Young’s Entrepreneur of the Year National Awards in Palm Springs, CA, as one of the nominees in the Real Estate category, having been earlier named as Entrepreneur of the Year in Real Estate for the Central Great Lakes region. We are truly blessed with a dynamic and very talented team at MayfieldGentry and because of those professionals we look forward to further success in 2010.

Next, the year ahead...

2010 appears to have opened with a feeling in broader investment circles that the economy at large may be through the worst of a recession which has mercilessly battered both Main and Wall Street allowing for a downturn in capital and new investments. Cautious optimism that key elements of the economy would return to an even keel by the end of 2010 and set the scene for growth is the prevailing view. This optimism is certainly in line with the Federal Reserve having already called a “technical” end to this

economic recession. However, while the federal government's attack on the credit crisis averted an implosion of the U.S. financial markets, 2010 will, in our opinion, remain subject to the strain of a U.S. economy beset by deeply entrenched unemployment and wavering consumer confidence, despite near or record profits being posted by the investment banking industry. For the coming year, commercial real estate nationally is expected to continue to confront flat or declining occupancy rates, constrained access to credit and extremely cautious transaction activity. These market factors are further expected to contribute to substantially enhanced industry scrutiny of commercial real estate investors' valuation practices.

Thus, while I hold a guarded optimism, I believe that the key to recovery is sustained job growth and most economists do not see this occurring with any measurable impact until late next year. So, by the end of 2010 and barring any further downward economic pressure, we expect enhanced stability in the economy and, perhaps, the first signs of job growth. However, because commercial real estate is a lagging indicator of the economy, even the most optimistic of investors should not expect fundamentals such as occupancy, rent growth and of course valuations, to improve until at least 2011.

As we observed last year, if there is a silver lining for real estate out of the cloudy skies of the U.S. economy, it was that there would be a premium over the next several years for skilled operators of institutional real estate, such as MayfieldGentry. We fully expect to see further opportunities for our asset management teams to demonstrate that expertise in 2010 in a market which demands each and every asset to perform at its optimum operational efficiencies. We also will deploy our skills in repositioning assets to create further value enhancement as the market begins to turn.

We also expect MayfieldGentry to be able to acquire select assets in key markets in spite of lingering credit constraints for acquisition. Through our nationwide portfolio of assets we have developed a strong presence in our key markets and a growing network of relationships throughout the industry which we intend to continue to leverage in order to locate new assets at the earliest opportunity.

We are also leveraging our extensive experience in repositioning properties and implementing value-enhancing programs by sponsoring a second U.S value-added real estate investment vehicle, MGRA Genesis Value Fund II, which is scheduled to launch in the first quarter of this year.

All in all, it's been a tough environment in which to operate but we are heartened by the fact that even during difficult times, we have been able to maintain a level headed approach which has resulted in our exceeding our goals in the most important area of our business: client returns. Last year, I left you with a quote from 20th century British

statesman, historian and writer Winston Churchill. This year, our mantra comes from another, albeit unknown, British writer of the same era. In 1939, as Britain prepared for an expected invasion by Hitler's army, copywriters in the Ministry of Information set about producing motivational posters to stiffen the resolve of the British populace. The most well known of these posters – at least, most well known today – was never used. It simply said: **Keep Calm and Carry On.** We think that's good advice for us all.

We wish you a happy, progressive and prosperous 2010 and look forward to our continued growth.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Mayfield', written in a cursive style.

Chauncey C. Mayfield
President and CEO
MayfieldGentry Realty Advisors, LLC