



February 2009

**RE: MayfieldGentry Year End Portfolio Review and Outlook, 2009**

Dear Friends and Colleagues:

I wanted to take the opportunity at the beginning of this new year to wish you the best and give you an update on MayfieldGentry Realty Advisors, LLC (MayfieldGentry) -- including a brief summary of our key activities and performance in 2008 and our goals for 2009. And, because we live in very interesting economic times, I also want to share with you our thinking on the current condition of the commercial real estate market and what opportunities and challenges may lie ahead.

There's no doubt that 2008 was a difficult year for much of the global economy and just a cursory glance of headlines in the U.S. business media suggest that the economic downturn we have all witnessed will remain with us for some months to come. That said, we are confident that the new administration in Washington is focused on reviving the economy and that, sooner rather than later, the combination of the recent bailout package and further economic stimulus measures promised by Washington will put the economy on a much stronger footing. Meanwhile, like others in our industry, we see short term economic uncertainty and continued challenges to the real estate market.

However, we do believe that with uncertainty and instability comes opportunity. And, as you might expect, we intend to focus in 2009 on realizing opportunities when and where we see them, providing they follow our overall corporate goals of preserving investor capital through experienced asset and financial management, and adding value to the real estate through our strong operating capabilities and seamlessly executing transactions.

**But first, the highlights for MayfieldGentry in 2008:**

- In an increasingly difficult economic market, we successfully raised \$102 million for our first fund, MGRA Genesis Value Fund, with commitments for an additional \$50 million expected to close in 2009. We were also able to identify and execute acquisitions totaling \$30M for the fund in several key markets despite a challenging acquisition climate.

- In 2008, MayfieldGentry was recognized by *Pensions & Investments* magazine as one of the Top 100 Money Managers in the United States and by *Black Enterprise* as one of the Top 10 Private Equity Managers in the country, as well as one of the magazine's Top 100 Companies.
- In 2008, the company's institutional real estate portfolio grew by 12% to stand at more than 4.6 million square feet of high quality office, retail, industrial and multi-family assets spread across seven states.
- Despite the economic situation, MayfieldGentry's current portfolio has performed within expectations and the outlook for these assets is positive. Last year, in the face of a challenging transaction market, we were able to acquire 1522 K Street in Washington DC. The K Street property is just three blocks from the White House and affords us the opportunity to add value through the upgrading of key systems as well as cosmetically.
- In May 2008, we acquired the Crossroads Corporate Park, a 390,542 square foot office campus with 16 acres of developable land in Cary, NC, for \$59 million. Of note is that we were not the highest bidder for this asset, but we were successful in closing the transaction. With additional assets in Raleigh and two major holdings in downtown Charlotte (200 and 201 S. Tryon), MayfieldGentry is now one of the largest private commercial real estate operators in North Carolina, a market which notwithstanding the current upheaval in the financial services sector, we expect to continue to outperform over the next few years.
- One other highlight of note in 2008 was the completion of the build-out of an additional retail pad at Dublin Place Shopping Center in Dublin, CA. This 17,000 square foot addition - anchored by restaurants Panera Bread and Chipotle -- expanded the center by 16 percent and added about \$8 million to the value of the property while further cementing its position as the retail heart of downtown Dublin. The center is 100 percent occupied.
- You may remember that in December 2007, we significantly strengthened the company with the appointment of Yi Wang as Director of Financial Analysis. This year, we have again expanded our bench by attracting top talent in our asset management division through the appointment of Karen Waldon as Vice President, Asset Management. In May, we further strengthened the company's organizational structure with the appointment of Kristen Calkins as Director of Human Resources. We continue to seek out talented individuals in all aspects of real estate as part of our long term plan to grow the company's capabilities, resources, reach and expertise over the next five years

Next, capitalizing on opportunities:

All in all we had a successful year in 2008. There is no doubt in our minds that the next twelve months will be a time of challenges for some. The global economic slowdown clearly has some distance to go before the real estate market returns to equilibrium and the major downside for real estate a re-pricing of some assets is taking place as a result of the deleveraging underway in the market. The \$700 billion taxpayer-funded bailout package has gone some way to restoring liquidity in the real estate credit markets but has to go a lot further before normalcy returns to the real estate debt and equity markets.

If there is a silver lining for real estate out of the cloudy skies of the U.S. economy, it is that there will be a premium over the next several years for our core skills of asset and property management. MayfieldGentry prides itself on its ability to add value in a disciplined and strategic way to real estate, as we did last year in Dublin, CA, and as we are currently doing with 1522 K Street in Washington, DC. We also place great emphasis on minimizing negative variances to cash flow through prudent expense management of assets, as we have at Yamato Office Center in Boca Raton, FL, and Grand Park Centre in Detroit, MI. These are exactly the skill sets that will be in demand over the next several years in real estate and we are ready and able to deploy them on a larger scale as the market dictates.

Though a challenging transaction market, we also expect there to be opportunities for acquisitions in the next 12 months and we plan to use our on-the-ground knowledge and expertise to acquire additional strategic assets in some of our current markets, as well as enter a new phase of transaction growth by seeking out buying opportunities in key metro markets in New England.

The United States is also on the brink of a major public works development program on a scale not seen since FDR's *New Deal*. With upwards of \$500 billion likely to be funneled over the next two to five years by the federal government into major capital improvements projects in highway infrastructure, water resource and treatment systems, public transit, intercity rail, airports, schools and universities, research facilities and border security, and the concomitant commercial real estate development, this program will spur and is likely to provide additional exciting opportunities for companies such as MayfieldGentry.

Globally, real estate markets are also in a state of flux. Last year, MayfieldGentry sent representatives to China on a fact-finding trip designed to provide first hand insight into the real estate economy. Yi Wang, our Director of Financial Analysis and Emery Matthews, Chief Investment Officer, reported that their meetings with government officials and representatives of the real estate investment sector went well and through the connections made during this visit and consequent follow ups, we believe that 2009 may provide opportunities for MayfieldGentry and its investors to participate in the incredible growth in commercial real estate in China.

Finally, this summer, we hosted events in Raleigh and Charlotte, NC as part of our commitment to those markets. The Charlotte event was covered by local news organization WENS-TV; a video documenting the event has been posted on YouTube. To view the video, please use this link: <http://www.youtube.com/watch?v=fzSrplXwbeA>

I think you will agree that these are interesting times in which we live. Unlike Charles Dickens who saw the best of times and the worst of times in one period of history, I prefer to see the *possibility* of our time: this is the time in the economic cycle when we must prepare for the next major period of expansion. One thing we've learned over several economic cycles is that what goes up will come down but one thing we often forget is that the reverse is also true. So, we look forward with relish to the next stage of our growth and we are ready for it.

We wish you a happy and prosperous 2009. If you have further questions or need clarification on any of these comments, please feel free to call me.

Sincerely,

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

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