

July 15, 2008

Dear Shareholder:

It's no secret that owners of sub-prime and other mortgages have had a difficult time of late, and that may have contributed to the opportunity for your REIT's most recent investment. There is an exchange-traded mortgage REIT that has been a minority owner of Prime Retail's factory outlet centers, which are majority owned by the Lightstone Group. With its shares at a low, we believe the mortgage REIT was motivated by a desire to show a successful result and create some liquidity. In any event, your fund was able to acquire its interests, ranging from 22.5% to 25%, in twenty outlet centers managed by Prime at a price that is significantly lower than the most recent comparable sale of factory outlet centers. (Specifically, a 7.2% cap rate versus 5.3% and \$253 per square foot versus \$534.) This acquisition makes your REIT a co-investor in these centers, on equal terms with the Lightstone Group.

The timing of this investment is auspicious. Retailers and landlords with both types are reporting meager, even negative growth at their full-priced stores; while their sales at factory outlet centers are growing impressively. This trend has accelerated in the current economic downturn. In the most recently reported quarter (Q1 of 2008) Prime and the other major operators of factory outlet malls showed good increases in operating income.

All the necessary legal documentation and closings should occur before yearend. Along with your financial advisor, we will be providing you with additional information, and we hope you get a chance to visit one of the outlet centers in which you are now an owner. This investment is an opportunity to add substantially to your cash flow, and we are pleased your REIT was able to seize it.

The current economy presents challenges, as you know, but the properties your REIT has acquired are showing progress. Two good examples are the hotels in the Houston market that were acquired last October. At the time their occupancy rate was an unprofitable 42%. Seven months later, after being plugged into the Extended Stay America's management and reservation system, their occupancy rate for May was 74%. Buying unprofitable properties and making them profitable creates value, of course, and this is one way to do it.

Your Lightstone Value Plus REIT continues to grow its assets and its profits. As you will see in the enclosed financial statements, operating income and cash flow swung into the black in the first quarter of 2008 versus negative numbers for the same period last year. As always we caution that these comparisons are not really “apples to apples” and won’t be until your REIT finishes raising funds and substantially completes its portfolio.

Fund-raising will cease later this year and your REIT will no longer be available to new investors. We anticipate your fund will be fully invested not long after that, as we are pleased with the investment opportunities that are emerging. While the current economic distress makes it more difficult to operate properties profitably, it also does a couple helpful things: it produces motivated sellers and it reduces the creation of new supply, new building. Reduced competition in the future will enhance the value of existing properties. And, post-recovery, we may see a new, inflated cost of constructing new properties – which would provide another boost to the value of existing commercial real estate.

Your dividend continues at a 7% annual rate. We thank you for your confidence in us and look forward to reporting more progress.

Sincerely,

A handwritten signature in black ink, appearing to read 'DL', with a long horizontal flourish extending to the right.

David Lichtenstein
Chairman

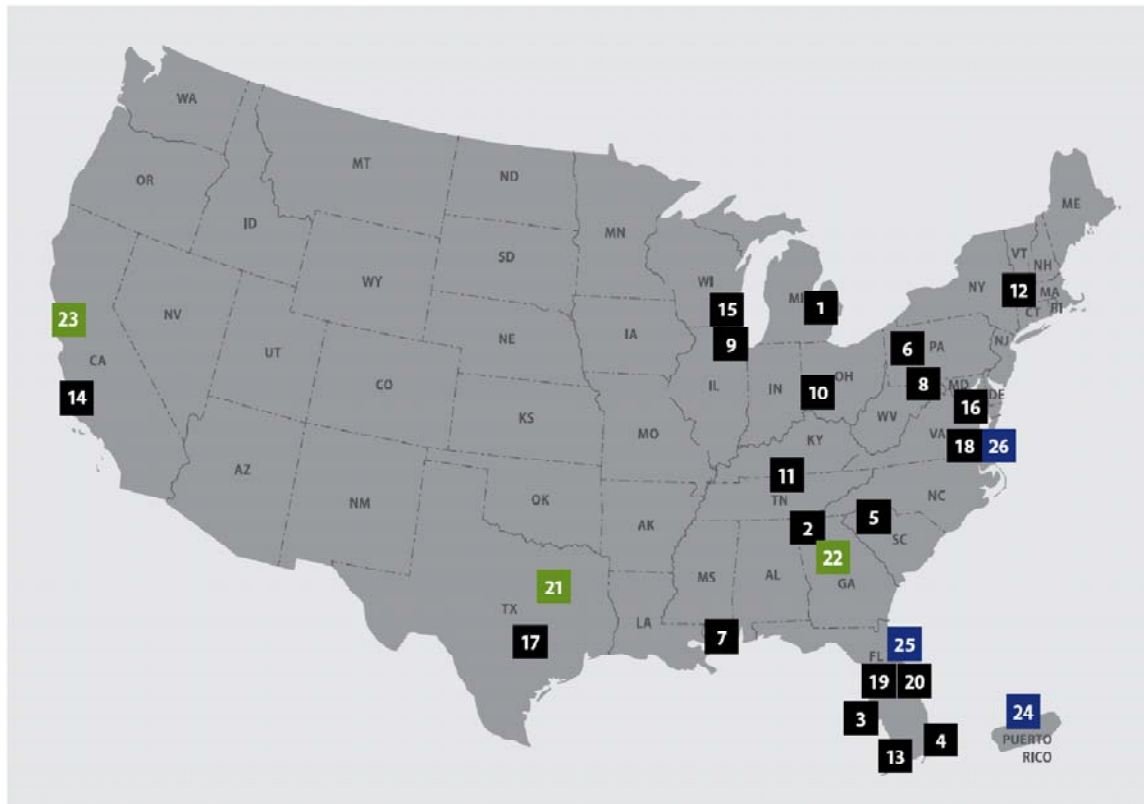
A handwritten signature in black ink, appearing to read 'SHH', with a long horizontal flourish extending to the right.

Stephen H. Hamrick
President

Prime Outlets Portfolio Summary

The Portfolio currently includes 23 properties in 16 states. The development pipeline includes four properties – Grand Prairie (Dallas), Texas; Livermore Valley (San Francisco Bay Area), California; Holly Springs (Atlanta), Georgia; and the expansion of Ellenton, Florida.

PRIME OUTLETS PROPERTY LOCATIONS



PROPERTIES INCLUDED IN TRANSACTION

- | | | | |
|---------------------------|------------------------------|--------------------------------|---|
| 1 Birch Run, MI | 7 Gulfport, MS | 13 Naples, FL | 19 Orlando Outlet World, FL |
| 2 Calhoun, GA | 8 Hagerstown, MD | 14 Pismo Beach, CA | 20 Orlando Design Center, FL |
| 3 Ellenton, FL | 9 Huntley, IL | 15 Pleasant Prairie, WI | 21 Grand Prairie, TX
(under development) |
| 4 Florida City, FL | 10 Jeffersonville, OH | 16 Queenstown, MD | 22 Holly Springs, GA
(under development) |
| 5 Gaffney, SC | 11 Lebanon, IN | 17 San Marcos, TX | 23 Livermore Valley, CA
(under development) |
| 6 Grove City, PA | 12 Lee, MA | 18 Williamsburg, VA | |

PROPERTIES NOT INCLUDED IN TRANSACTION

- | | | |
|-------------------------------------|---|----------------------------------|
| 24 Puerto Rico - Barceloneta | 25 St. Augustine, FL (owned by LVPR) | 26 Williamsburg Mazel, VA |
|-------------------------------------|---|----------------------------------|

The following table is a summary of the 20 Properties included in the transaction, ranked by gross leasable area. The total gross leasable area of the portfolio is approximately 7.3 million square feet and the occupancy as of May 31, 2008 is 93.4%.

Property	Location	Year Built	Year		Date Acquired	Total GLA ⁽¹⁾	Occupancy ⁽²⁾
			Renovated/Expanded				
POAC							
San Marcos I & II	San Marcos TX	1990	2005R		Dec-03	671,272	95.9%
Grove City	Grove City PA	1994	N/A		Dec-03	532,056	96.4%
Williamsburg	Williamsburg VA	1988	2005E		Dec-03	343,924	97.1%
Hagerstown	Hagerstown MD	1998	N/A		Dec-03	485,231	94.7%
Ellenton	Ellenton FL	1991	N/A		Dec-03	476,651	96.7%
Jeffersonville	Jeffersonville OH	1993	N/A		Dec-03	409,811	98.2%
Pleasant Prairie I & II	Pleasant Prairie WI	1988	2006E		Dec-03	401,585	95.3%
Gaffney	Gaffney SC	1992	N/A		Dec-03	303,599	96.4%
Gulfport	Gulfport MS	1995	2006R		Dec-03	302,857	92.8%
Queenstown	Queenstown MD	1989	2006R/E		Dec-03	297,820	94.3%
Huntley	Huntley IL	1994	N/A		Dec-03	278,759	87.2%
Birch Run	Birch Run MI	1986	2005R		Dec-03	679,664	91.4%
Calhoun	Calhoun GA	1990	N/A		Feb-06	253,667	94.3%
Lebanon	Lebanon TN	1998	N/A		Dec-03	226,869	90.2%
Lee	Lee MA	1996	N/A		Dec-03	224,526	96.8%
Florida City	Florida City FL	1994	N/A		Dec-03	207,873	92.1%
Pismo Beach	Pismo Beach CA	1994	N/A		Dec-03	147,396	98.5%
Naples	Naples FL	1991	N/A		Dec-03	145,966	80.5%
Mill Run LLC							
Orlando Outlet World ⁽³⁾	Orlando FL	2007	2008E		May-05	694,188	93.2%
Orlando Design Center ⁽⁴⁾	Orlando FL	1991	2008R		May-05	204,730	64.1%
TOTAL / WEIGHTED AVERAGE			1994			7,288,444	93.4%

(1) GLA as of 5/31/08

(2) Occupancy as of 5/31/08

(3) Properties recently redeveloped or under redevelopment

(4) Currently in lease-up; stabilization is projected in 2009

PRIME PROPERTY PORTFOLIO TOP TEN TENANTS BY GLA			
TENANT	# CENTERS	GLA (SF)	% OF TOTAL GLA (SF)
Gap	17	447,481	6.1%
Philips Van Heusen	20	442,462	6.0%
Nike	14	199,814	2.7%
Vanity Fair	17	197,022	2.7%
Jones Retail	20	181,103	2.5%
Ralph Lauren	16	161,834	2.2%
Liz Claiborne Holdings	14	146,987	2.0%
William Sonoma	4	142,247	1.9%
Dress Barn	17	134,227	1.8%
Ann Taylor Retail	15	117,410	1.6%
Total		2,170,587	29.5%
Other		5,196,003	70.5%
TOTAL PROPERTY PORTFOLIO		7,366,590	100.0%