

January 15, 2010

Dear Shareholder:

We've had a couple pieces of good news. Neither of them, unfortunately, is good news about the value of commercial real estate in general, which declined by 40% after the top in the summer of 2007. That was about the midpoint of the period in which the Lightstone Value Plus REIT did its investing. So we were pleased when, against that market backdrop of down 40%, LSVP recently reported its first Net Asset Value at \$9.97 per original \$10.00 share. Valuations were performed both internally and by an outside expert. The ranges overlapped and the final number is within both ranges.

\$9.97 is close to par, of course, and we believe it offers validation of our view that we can create value in real estate - independent of the trend in the overall real estate market. While Moody's and other real estate indices confirm the 40% decline we've observed, we were able to "value-add," increase the value of certain properties in LSVP, by enough to overcome that decline. In addition, your fund has consistently paid an annual dividend of \$.70 per share.

Not all properties in LSVP have increased in value. But we have been able to limit the losses in some properties and create enough value in others to preserve the value of your investment. In particular the outlet centers owned by LSVP have expanded, and they have marketed themselves very successfully - taking market share away from full-price malls during the current Recession.

That brings us to the other good news, which is the planned acquisition of Prime Outlets by the Simon Property Group. Your fund first acquired a mall in St. Augustine - which we turned into a "Prime Outlet," filled up with tenants and expanded. Then it bought interests in additional Prime Outlets from minority owners, making the REIT a co-investor with the Lightstone Group. In December we announced the acquisition of Prime Outlets by Simon for \$2.325 billion including the assumption of debt and preferred stock. Net proceeds to the REIT before transactions costs are expected to be approximately \$245 million, of which 20% would be paid in Simon operating partnership units (stock) and 80% in cash. This is obviously a large transaction and it's relatively complex, involving CMBS financing, tax protection agreements, etc. While everyone is working towards a closing in the first quarter, it could just as easily occur in the second quarter of 2010. The balance of the REIT's assets are not as successful; they more closely reflect overall commercial real estate prices. But the overall result to date means that during a period when commercial real estate and stocks declined precipitously, your investment in Lightstone's REIT, has maintained its value and paid a dividend of 7%.

It was the independent directors on your board who were responsible for evaluating the transaction, and they unanimously concluded that it was in the best interests of you and your fellow shareholders. Assuming the transaction closes, the board will then be responsible for deciding how to handle the proceeds. The primary alternatives will be to re-invest the proceeds or pay them out to investors. Originally we envisioned and so told you to expect the standard 7-10 year life span for a non-traded REIT. The average investor has been in LSVP for less than two years.

Paying the proceeds out would mean you would receive your share and could re-invest those dollars, though you would bear the costs of doing that. The properties that would remain in your fund - the rest of your REIT's assets sans your Prime outlets – are not performing as well and could not sustain a 7% dividend, if they could provide any dividend.

On the other hand, taking profits now from the holdings that have most dramatically outperformed the market offers your fund the opportunity to re-cycle that capital into other real estate that has gotten 40% cheaper. Reinvesting the proceeds would cause LSVP to have a larger portfolio, one that would have economies of scale and be more efficient to manage. We are pleased that LSVP has outperformed the market, but we are focused on absolute gains, real dollar returns. With re-investment, shareholders would end up owning more real estate at cheaper prices. LSVP could pay down debt. And potentially we could increase the dividend from its current 7%.

Assuming the transaction with Simon goes forward and closes, your board will make a determination as to what is in the best interest of the REIT's shareholders with respect to the transaction proceeds. We now are in a market where cash is king; real estate prices are historically low; good yields are available. So it is likely that management's recommendation will be to re-invest and look to complete most of the 7 to 10 year life that was originally expected.

We hope your Holidays were good ones. You can expect to receive your 1099 form for reporting your 2009 taxes by the end of January. For now, your dividend continues at a 7% annual rate. We will report again in April.

Sincerely,



David Lichtenstein  
Chairman



Stephen H. Hamrick  
President

# Special Report to Lightstone Value Plus REIT Investors

## Lightstone announces \$2.3 Billion Prime Outlet agreement



On Tuesday, December 7, 2009 David Lichtenstein announced that Lightstone Group, on behalf of its affiliates, had entered into an agreement to sell the Prime Outlet mall chain to the nation's largest mall operator, Simon Properties for \$2.3 billion. This announcement, which has been characterized as the year's largest commercial real estate transaction in the United States, encompasses 22 high quality outlet centers located in major metropolitan markets including Washington, DC, Baltimore, MD, San Antonio, TX and tourist venues including Orlando, FL and Williamsburg, VA.

Lightstone Value Plus REIT (LSVP REIT), a Lightstone Group affiliate, owns more than a third of the Prime Outlet portfolio of properties. Most of the 7,734 LSVP REIT investors committed their capital in 2008. Proceeds to the Fund, which has 31.3 million shares outstanding, are expected to be approximately \$245 million. The original offering price was \$10 per share.

Mr. Lichtenstein, founder and CEO of Lightstone, noted that at a time when the Moody's commercial real estate index has dropped 42.9% from its high in March, 2007 to October, 2009, Lightstone was able to create value for LSVP REIT investors and their advisors. Along the way, investors have been earning 7% per year while the properties have been upgraded.

*The Wall Street Journal* recently profiled the transition that the Prime portfolio experienced: "After buying Prime, Lightstone decide to move the company away from the outlet-center industry's reputation of offering cheap goods at cheap prices. Instead, Mr. Lichtenstein and his team sought to recast the tenant ranks of Prime's centers to focus on fashion merchandise from upscale brands. Gradually, Prime dismissed outlet center staples such as Mikasa, Sears Hardware and the Walking Co. Holdings' Big Dog. Lightstone replaced them with the likes of the Gucci Group, Armani, 7 for All Mankind jeans, Restoration Hardware Inc. and Hugo Boss."

The sale of Prime Outlets is expected to close at the end of the first quarter. The LSVP REIT Board will consider the disposition of the proceeds and announce its decisions late in the first quarter of 2010.

"While this pending transaction is a great achievement by the team at Lightstone, LSVP REIT owns over 30 other properties that we are working on every day to maximize their value for the Fund's investors," according to Mr. Lichtenstein.

### Prime Outlets Properties

#### Existing Malls

- Pismo Beach, CA.
- Ellenton, FL.
- Florida City, FL.
- Naples, FL.
- Outlet Marketplace, FL.
- Calhoun, GA.
- Huntley, IL.
- Hagerstown, MD.
- Queenstown, MD.
- Lee, MA.
- Birch Run, MI.
- Gulfport, MS.
- Jeffersonville, OH.
- Grove City, PA.
- Gaffney, SC.
- Lebanon, TN.
- San Marcos, TX.
- Pleasant Prairie, WI.

#### Recently Expanded

- Orlando, FL.
- St. Augustine, FL.
- Puerto Rico
- Williamsburg, VA.

#### New Developments

- Livermore, CA.
- Grand Prairie, TX.

