

March 30, 2010

Dear Shareholder:

Commercial real estate is on sale right now, with properties marked down 40 to 50%. Owners are trying to hold on rather than sell at such low prices, but as time passes and mortgages come due, many will have to sell. Already we are looking at some properties that that can produce immediate income and yet are, or we believe soon will be, available at prices well below what it would cost to build those same properties today – well below what’s referred to as “replacement cost.”

As you would expect, the fact that properties are today worth less than what it costs to build them has resulted in new construction coming to a near standstill. Some properties are being completed, but there are almost no new starts. In the future that will mean less supply of commercial real estate and so higher rents and prices for the properties that do exist. Today we can buy properties well below replacement cost, knowing that we will not have new competition until property prices appreciate back up to replacement cost.

In our January letter, we reported that your fund’s Net Asset Value was \$9.97 per original \$10 share. One way we’ve been able to maintain the value of your REIT’s shares while commercial property prices plunged is through your REIT’s significant investment in outlet centers. Featuring elite brands and discount prices, the Prime Outlets in which your fund invested experienced a 4.7% growth in sales last year. That set your outlet centers apart from most retail real estate. Non-anchor sales at malls, for example, declined by 8.5% in 2009 - the worst annual performance in some time. Good sales at Prime’s outlet centers has enabled Prime to charge good rents, allowing these properties to perform better than other commercial real estate over the last couple years.

We expect to capitalize on this favorable result when the Simon Property Group completes its acquisition of Prime’s properties. Involving 22 outlet centers, over 2000 leases and some complex mortgage financing, it’s a big, complicated transaction, but we expect to finalize and close it in the next few months. Proceeds could then be distributed, reinvested or some combination - a decision that will be made by your board.

If the board decides to distribute all the proceeds, your fund will not be able to maintain your 7% dividend, if it can pay any dividend at all. This is because the remaining properties, in the aggregate, are not performing as well as the outlet centers. There are exceptions, but there are also some properties that may need additional investment.

Industrial Properties

Your REIT's industrial properties are doing reasonably well with the exception of those in San Antonio, a market with high vacancies at present. At yearend your properties in San Antonio had 68.6% occupancy; while those in New Orleans and Baton Rouge were at 83.5% and 95.6% respectively. The property in Sarasota that was purchased out of foreclosure and without a tenant recently signed a lease for 21% of its space.

Office

1407 Broadway in New York is just under 80% leased, but we are deferring-until the Manhattan market strengthens-the major project of converting to tenants who can pay higher rents and sign long term leases. You may be interested in knowing that the season's final episode of the TV show "Project Runway" was filmed in your building recently.

Retail Properties

Your REIT owns two retail properties that are not outlet centers. Your power center in Lake Jackson, Texas is fully leased, and the one in Omaha is 99% leased. Both will struggle to maintain those occupancies as leases expire because the demand for retail space is generally poor.

Hotels

Hotels have suffered in the current recession, particularly those oriented to business travelers. Your two hotels are holding their own, with occupancies running between 60 and 70%.

Multi-family Properties

Perhaps your REIT's biggest challenges are with its multi-family properties. Apartment occupancy tends to rise and fall with employment, and unemployment is high right now, as you are no doubt aware. While your apartments in Michigan continue to provide cash flow, those in Florida and North Carolina are not doing as well. Two of those apartment complexes are losing money. We have decided not to put more money in them, and we expect the lender to take full ownership shortly. Those two were written off to zero last fall, and this will not affect the Net Asset Value of your shares. Fortunately we have gains as well, and overall your REIT shares are now valued at \$9.97 per share.

The choice we face with properties that are losing money is whether to invest more cash in them, hoping their performance will improve in the future, or to let the property go and use available cash for a better opportunity. If we let a property go, it will then be owned by the other investor - the mortgage lender. Generally with commercial real estate, unlike home mortgages, the lender expects the property to provide mortgage payments. Before lending money on commercial real estate, the bank "underwrites" the property to judge the likelihood it will produce enough profit to cover the mortgage payments. If their judgment is that it will, then the bank makes an investment in the form

of a mortgage loan. In the event the property fails to produce enough profit and the equity investor chooses not to subsidize it, ownership of the property passes to the lender as specified in the original loan documents. In the case of the two apartment complexes, we have chosen not to subsidize the payments because we believe your REIT can use the cash that would require more profitably elsewhere. Had your fund made these two investments by itself originally, without a mortgage lender, it would have suffered a bigger loss than is possible now.

Certain of the struggling properties can recover and provide good profits in the future. But, in the meantime, if the board elects to distribute all proceeds from the outlet center disposition, your remaining properties may be strapped for cash and unable to pay you a meaningful dividend. We do expect, however, that something between \$7 and \$8 could be distributed, and you would then be able to maintain your current level of income if you reinvest those proceeds and get a yield of 9% or 10%.

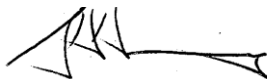
In the alternative, your board may elect to have your fund re-invest some or all of the proceeds from the outlet center disposition. We would buy properties at well under their replacement cost and believe that over time we could increase your dividend. This would put your fund on track with its original plan of investing for 7 to 10 years, increasing the value of its properties over that time. At present LSVP investors have owned their shares for an average of almost two years. Given current real estate prices, we could buy significantly more real estate than your fund was able to afford initially.

So the news from your Lightstone REIT is not bad. Your dividend has been a steady 7% or 70 cents per share per year, and even after write-offs on some properties your shares are valued at about what you invested in them. We will report to you again no later than July.

Sincerely,



David Lichtenstein
Chairman



Stephen H. Hamrick
President