

Independent Verifier's Report

Director of Accounting
American Realty Advisors
801 N. Brand Blvd., Suite 800
Glendale, CA 91203

We have verified the compliance of American Realty Advisors (the "Company"), as defined in their annual disclosure presentations, with the requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis from January 1, 2001 through March 31, 2010 and whether the Company's processes and procedures are designed to properly construct composites, calculate performance results and present composite information in compliance with the GIPS standards. In addition, we have examined the performance results in the accompanying disclosures of the Company's *Value-Added Real Estate Investments Composite* from January 1, 2001 through March 31, 2010. The Company's management is responsible for compliance with the GIPS standards, the design of its processes and procedures, and for the Quarterly Performance and Annual Disclosure Presentations. Compliance with the Standards does not obviate the need for due diligence on the part of prospective or current clients or consultants in evaluating performance data and other important qualitative research on investment managers. Our responsibility is to express an opinion based on our verification and performance examination.

Our verification was conducted in accordance with the verification procedures set forth in the GIPS standards. Also our performance examination was conducted in accordance with the procedures set forth in the Guidance Statement on GIPS Performance Examinations. These procedures included examining, on a test basis, evidence about the Company's compliance with the GIPS standards, evaluating the design of the Company's processes and procedures referred to above, performing the procedures for a performance examination and performing any other procedures we considered necessary in the circumstances. Verification, including a performance examination, is not an audit of financial statements and is substantially less in scope than such. It does not involve forensic testing of every transaction in every account and does not ensure the absolute accuracy of performance information or guarantee against fraudulent activity. We believe that the procedures completed provide a reasonable basis for our opinion.

In our opinion, the Company, in all material respects, has complied on a firm-wide basis with the composite construction requirements of the GIPS standards as adopted by the CFA Institute. Additionally, the Company's processes and procedures are designed to calculate and present performance results in compliance with the GIPS standards. Also, in our opinion, the performance in the accompanying disclosures of the Company's *Value-Added Real Estate Investments Composite*, for the period stated above, reflects results that comply with the calculation requirements of the GIPS standards in all material respects. The Quarterly Performance and Annual Disclosure Presentations are an integral part of this opinion.

Ashland Partners & Co, LLP
Ashland Partners & Company LLP
August 18, 2010

**AMERICAN REALTY ADVISORS
 VALUE-ADDED REAL ESTATE INVESTMENTS COMPOSITE
 QUARTERLY PERFORMANCE PRESENTATION
 INCOME RETURN**

Asset-Weighted Returns Gross of Management Fees

Results have been calculated in U.S. Dollars

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
2010	Gross	1.83%				
2009	Gross	1.27%	1.43%	1.52%	1.15%	5.48%
2008	Gross	1.61%	1.52%	1.62%	1.43%	6.33%
2007	Gross	1.58%	1.65%	1.68%	1.74%	6.81%
2006	Gross	1.81%	1.75%	1.55%	2.08%	7.39%
2005	Gross	2.05%	1.70%	1.72%	1.22%	6.85%
2004	Gross	2.76%	5.66%	3.04%	2.39%	14.54%
2003	Gross	5.50%	2.73%	1.47%	4.14%	14.53%
2002	Gross	3.03%	1.25%	6.11%	3.12%	14.15%
2001	Gross	1.89%	3.12%	2.90%	2.81%	11.15%

Past performance is not indicative of future results. The Independent Verifier's Report and the Annual Disclosure Presentation are an integral part of this presentation.

**AMERICAN REALTY ADVISORS
 VALUE-ADDED REAL ESTATE INVESTMENTS COMPOSITE
 QUARTERLY PERFORMANCE PRESENTATION**

CAPITAL APPRECIATION RETURN

Asset-Weighted Returns Gross of Management Fees

Results have been calculated in U.S. Dollars

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
2010	Gross	(2.08%)				
2009	Gross	(13.69%)	(11.06%)	(8.97%)	(6.23%)	(34.48%)
2008	Gross	(0.02%)	0.82%	(0.93%)	(6.07%)	(6.20%)
2007	Gross	8.94%	2.48%	0.66%	2.02%	14.65%
2006	Gross	0.21%	0.77%	2.63%	1.55%	5.24%
2005	Gross	0.00%	0.00%	3.67%	(0.83%)	2.80%
2004	Gross	0.00%	0.00%	0.00%	0.00%	0.00%
2003	Gross	0.00%	0.00%	0.00%	0.00%	0.00%
2002	Gross	0.00%	0.00%	0.00%	0.00%	0.00%
2001	Gross	0.00%	0.00%	0.00%	0.00%	0.00%

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**AMERICAN REALTY ADVISORS
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 QUARTERLY PERFORMANCE PRESENTATION
 TOTAL RETURN**

Asset-Weighted Returns Gross of Management Fees

Results have been calculated in U.S. Dollars

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
2010	Gross	(0.25%)				
2009	Gross	(12.42%)	(9.64%)	(7.45%)	(5.08%)	(30.47%)
2008	Gross	1.59%	2.34%	0.69%	(4.65%)	(0.18%)
2007	Gross	10.51%	4.14%	2.34%	3.76%	22.20%
2006	Gross	2.02%	2.52%	4.18%	3.63%	12.92%
2005	Gross	2.05%	1.70%	5.39%	0.38%	9.79%
2004	Gross	2.76%	5.66%	3.04%	2.39%	14.54%
2003	Gross	5.50%	2.73%	1.47%	4.14%	14.53%
2002	Gross	3.03%	1.25%	6.11%	3.12%	14.15%
2001	Gross	1.89%	3.12%	2.90%	2.81%	11.15%

Past performance is not indicative of future results. The Independent Verifier's Report and the Annual Disclosure Presentation are an integral part of this presentation.



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VALUE-ADDED REAL ESTATE INVESTMENTS COMPOSITE
ANNUAL DISCLOSURE PRESENTATION
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Year End	Total Firm Assets* (millions)	Composite Assets		Annual Performance Results					
		U.S. Dollars (millions)	Number of Accounts**	Composite			NFI	Dispersion	
				Income	Appreciation	Total		High	Low
2009	3,337	356	24	5.48%	(34.48%)	(30.47%)	(40.85%)	17.60%	(102.29%)
2008	4,219	415	23	6.33%	(6.20%)	(0.18%)	(19.38%)	85.35%	(24.66%)
2007	4,363	340	23	6.81%	14.65%	22.20%	17.37%	134.89%	(49.23%)
2006	3,392	229	15	7.39%	5.24%	12.92%	19.44%	49.64%	0.92%
2005	2,523	131	9	6.85%	2.80%	9.79%	27.53%	26.15%	3.98%
2004	1,423	25	4	14.54%	0.00%	14.54%	17.84%	22.54%	5.06%
2003	1,194	34	3	14.53%	0.00%	14.53%	11.61%	17.11%	12.41%
2002	983	22	2	14.15%	0.00%	14.15%	4.83%	19.88%	10.30%
2001	1,058	15	2	11.15%	0.00%	11.15%	9.03%	11.79%	5.11%

* Assets under management represent the gross value of all assets and accounts managed by American Realty Advisors (excluding partners' share of equity and partners' share of debt on partnership investments). Prior to March 31, 2008, American reported total firm assets as the amount of assets under management plus undrawn capital commitments and noted the amount of such undrawn commitments in a footnote. Effective March 31, 2008, American has restated year end total firm assets from 2001-2007 to omit such undrawn commitments.

** Each account in the composite represents a single property investment.

Value-Added Real Estate Investments Composite is comprised of real estate assets or fixed income assets secured by real estate or real estate operating companies. The composite is comprised primarily of real estate assets (or fixed income assets secured by real estate related interests as noted above) that have not reached full stabilization or involve efforts to increase value such as releasing, repositioning, redevelopment or development, and tend to have more inherent risk than Core or Enhanced Equity investments. The composite includes investments in direct real estate that are in various stages of development, mezzanine debt, and other similar investments, located throughout the United States in or near major markets with above-average growth potential. The composite excludes speculative land investments but includes investments in entitled land that is pending development. For comparison purposes, this composite is measured against the NCREIF Fund Index – All-Value-Added Index (NFI). Prior to December 31, 2009, the composite was measured against the NCREIF Property Index (NPI). The NFI is currently the only index that solely tracks the performance of value-added investments. As such, American believes that the NFI is the most representative index for the composite and effective as of December 31, 2009, implemented this benchmark on a retroactive basis. The NFI is an unmanaged index published by the National Council of Real Estate Investment Fiduciaries. NFI returns include leverage and are shown before (gross) the deduction of any investment management fees. Although each of the portfolios included in the composite may invest in similar property types as the NFI, the weighting of each property type will differ from the NFI in any measurement period. The investment activities and performance of the underlying assets in the composite may be considerably more volatile than and have material differences from the performance of the NFI. Unlike the NFI, the portfolios in the composite are actively managed. Furthermore, the portfolios are invested in substantially fewer assets than the number of investments comprising the NFI. The NFI does not reflect payment of investment management or other fees or expenses. Because of these differences, the NFI should not be relied upon as an accurate measure of comparison. The NFI is reported on a lagged



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quarter basis, therefore, the annual return for the fourth quarter of each year will not be available until the subsequent quarter. It is important to understand that investments of the type included in the composite pose the potential for loss of capital over any time period.

American Realty Advisors has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

American Realty Advisors, founded in 1988, is a registered investment advisor with the US Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, as amended and has qualified as a Qualified Professional Asset Manager (QPAM) investment manager and fiduciary under ERISA. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. All accounts managed by American Realty Advisors are considered "discretionary" for purposes of determining composite membership, except those that contain investment guidelines significantly restricting the management team's ability to manage the assets according to the applicable product mandate. Past performance is not a guarantee of future results and it is important to understand that the investments of the type included above pose the potential for loss of capital over any time period.

The U.S. Dollar is the currency used to express performance. Income and capital appreciation component returns are presented, in addition to the total composite. The income return measures the portion of the composite's total return that is generated by the income from the operations during the period. The appreciation return measures the portion of the composite's total return that is generated from the change in the market value of the assets during the period. Performance returns are computed using the NCREIF mandated property level return formulas, which calculate time-weighted returns for real estate investments by geometrically linking component returns. The sum of income return and the capital return may not equal the total return for annualized periods due to the chain-linking of quarterly returns.

Real estate values are based upon independent appraisals performed for commingled funds annually on or about the asset's acquisition anniversary date and for separate accounts every three years, or otherwise as required by each account's Investment Management Agreement. In-house valuations are conducted quarterly and are used on an interim basis. Market values represent the value at which a willing buyer and seller would agree upon in an arm's length transaction, without any pressure to consummate the transaction on the imposed deadline. The market value does not include costs to consummate the transaction. Various approaches have been used to determine market value, including the Cost, Sales Comparison and Income approaches. Additional information regarding valuation methods is available upon request. All valuations of real estate involve subjective judgments, as the actual market price of real estate can be determined only by negotiations between independent parties in sales transactions. As of December 31, 2009, December 31, 2008, December 31, 2007 and December 31, 2006, 68%, 47%, 33% and 0%, respectively, on a market value basis, of the real estate assets in the composite had been appraised by various independent valuation firms during the year ended on such dates.



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All composite returns are presented gross of management fees and include the reinvestment of some income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. The highest and lowest annual gross of management fee property returns are shown as a measure of composite dispersion.

Additional information regarding the policies for calculating and reporting returns is available upon request.

Asset management fees vary for each fund. The fees are based on a variable which generally consists of either original acquisition cost, net asset value, fair market value, gross value or total amount allocated to American for investment. Some fee arrangements provide for the lower of two variables. The low end of the range is equal to an annual rate of 1.00% of the lower of original investment cost or fair market value of the real estate acquired with the high end of the range based on annual rate of 1.25% of net asset value. Incentive fees may also be charged. Incentive fee structures differ for each client; however, such fees are generally based upon achieving stipulated internal rate of return hurdles.

In most cases, the use of leverage is a primary component of the value added investment return strategy. Leverage is used primarily for real estate improvements, construction activities and for additional acquisitions. While fixed rate leverage is preferred, floating rate debt may also be used. Interest rate caps and swaps may be used when obtaining variable rate debt with the intention of fixing the variable rate when the overall pricing is favorable. The firm's leverage strategy takes into account a wide variety of factors and is designed to control for risks associated with the development, operating and leasing strategies of the underlying investments.

The Value-Added Real Estate Investments Composite was created on January 1, 2001. American Realty Advisors' compliance with the GIPS standards has been verified for the period January 1, 2001 through March 31, 2010 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Value-Added Equity Real Estate Investments Composite beginning January 1, 2001. A copy of the verification report is available upon request.

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