



THE CORNERSTONE

"The Newsletter So Good Someone Named A Company After It"

Volume 10, Issue 1

PRG Real Estate Management, Inc.

First Quarter 2009

Opportunity Knocks

While most of the real estate world is sitting on their hands hoping for a fire sale, or licking their wounds from their own overleveraged portfolio; that is not the game plan at PRG. Under the leadership of company principals Steve Berger and Jon Goodman, along with our Director of Acquisitions, Sam Foster, PRG has two new properties under contract and in due diligence.

Economic conditions may have changed for the worse, but where there is change there is opportunity. Over the past six months, market capitalization rates have increased in our world from 6.5% to 8.5%. What that means to us is better quality assets are available at better prices.

Interestingly, across the board neither rents nor interest rates have changed materially, making us believe that cap rates will return to lower levels. But for the time being, we are seeing some good buys. That's not to say our acquisitions from last year are in trouble. On the contrary, our occupancy and rents remain stable in almost all markets and our conservative financing is not under stress.

Our two newest acquisitions, Chinoe Creek in Lexington and Lake Johnson Mews in Raleigh, are highly attractive properties in exceptional locations. Lexington is a city where PRG has had very positive experiences; first with our

Saddlebrook Apartments and then, Tates Creek Village. As the second largest city in the state after Louisville, it is also home to the University of Kentucky. Chinoe Creek is located in the Landstowne-Merrick neighborhood of Southeast Lexington, an affluent suburb. Built in 1985 as a community of 356 units, Chinoe Creek sits on 22 acres of landscaped rolling hills yet is only 5 minutes from downtown Lexington and the University. With good current occupancy and solid cash flow, Chinoe Creek is sure to join the list of PRG successes in the State of Kentucky.

But that is not all! What could be better than an apartment on a lake with fishing, boating and jogging right out your back door? Just ask the residents of Lake Johnson Mews in Raleigh, NC.

Located in the highly sought after Lake Johnson recreational neighborhood, the property has 300 feet of frontage right on Lake Johnson. Built in 1972, this 201-unit colonial-style property is very desirable to the young, well-educated demographic that makes up the Raleigh market. As usual, PRG intends to enhance the property's appeal with various projects including trimming the trees to take better advantage of the lake views and completing the kitchen and bath rehab in 90 unrenovated units. Once we've finished, this property is sure to be a PRG superstar!



Chinoe Creek in Lexington, KY



Lake Johnson Mews in Raleigh, NC

Moving From Good to Great

During my first 90 days at PRG I have visited most of our communities and met many of our employees. The most common question posed to me is, "Where do you see the company going?" My answer: I want to move PRG from good to great!

PRG has a decade-long track record of growth and success. We have many strengths: a talented, educated and enthusiastic workforce, a geographically diversified portfolio of assets in desirable markets, a strong results orientation and a management team committed to high achievement. Our costs are among the lowest in the industry and we have committed, well-capitalized principals in Jon and Steve. How can it get better than that?

There are a few areas of opportunity to move PRG from "Good to Great". The first is to improve employee retention. Our residents value seeing the same smiling faces at our properties every day, building trust with our teams over time. We want to ensure that we bring the best and brightest to PRG and give them the tools they need to be successful in a long, satisfying career with PRG.

Our next opportunity is in customer service and resident retention. Over the course of the average lease, a resident spends \$12,893 to live at a PRG property. Every time we

speaking with a resident, we have a chance to offer value for their dollar and say thank you for making a PRG community your home. Our maintenance teams are key in that equation, touching every aspect of our customer's experience, from the condition of the apartment at move in to the quality of continuing service. They are our "Promise Keepers" making the difference when a resident is deciding to renew a lease and stay another year.

Finally, there is that certain something we call "The PRG Way". Last year we added 14 new properties and expanded into Texas, Georgia and Illinois. Expansion is healthy and presents opportunity for our employees to grow, but in 2008 it tested our management team. Nothing is more gratifying than seeing our field personnel step up to the challenge. Summer Davis and Pamela Williams were recently promoted, joining Stephen Prochnow and Amy Cain on the Regional Director team. I look forward to working with each of them to bring our best to the table. *✍*



*Ron Monson,
Chief Operating Officer*

This Deal Gets A High "RAITing"

In October 2008, PRG entered into a joint venture with RAIT Financial Trust, a Philadelphia-based lender, to own and manage eight properties across the United States. In approaching PRG as a partner, RAIT counted on our expertise in marketing, rehabilitation, and hands-on management to return the properties to profitability. Six months into the deal, we have made excellent progress on all fronts.

Portfolio occupancy on takeover was 80%. Economic occupancy was something else. Of the existing tenant base, at least 5% were more than one month delinquent in their rental payments. In six short months our management teams have increased portfolio occupancy to 86% while cutting accounts receivable in half. There is still a lot of work to do but these numbers are encouraging.

Central to PRG's value-added strategy is physical rehabilitation. We have undertaken large construction projects at each of the eight communities. From a color change at Copper Mill in Austin to turning 100 down units at Oyster Point in Newport News to a major parking lot upgrade and exterior

overhaul at Tuscany Bay in Orlando, our collective efforts are paying off with increased occupancy in the short term and the ability to attract a higher profile tenant in the long term. PRG's proficiency in construction management gives us the biggest "bang for the buck" without sacrificing quality of workmanship.

PRG has been successful implementing the initial phase of our portfolio plan. Challenges still exist but we are confident our partnership with RAIT Financial Trust will be successful for all involved. *✍*



Mandalay in Austin, TX

Promoting Our Best and Brightest

In March, PRG created two new Regional Director positions for Florida and the Eastern Carolinas. This commitment to the career development of top performers has been a long thread through PRG's history, but never more evident since our 2008 acquisition of a portfolio of eight geographically diverse properties.

It was a pleasure to offer these new regional positions to two dedicated senior managers, Pamela Williams and Summer Davis. Both Pamela and Summer have been with PRG for six years. They began their careers in the manager-in-training (MIT) program and rose from Marketing Director to Property Manager at a series of gradually larger properties. This graduated promotion path was designed to build solid experience in our managers. Summer and Pamela both advanced steadily, becoming senior managers and developing roots in their regions.

Summer started her career at Gateway Lakes in Sarasota and has worked in Florida and the Carolinas. Over the last

two years, Summer has been instrumental in the successful integration of four Orlando properties into the PRG portfolio.

With this promotion to Regional Director, Summer will be responsible for our Florida portfolio.

Pamela Williams began as an MIT at Willow Ridge in Charlotte, North Carolina where she is now based as Regional Director. Before returning to Willow Ridge in 2005 as a Senior Manager, she worked in the Carolinas, Florida and Tennessee. With her new responsibilities, Pamela will supervise our Eastern Carolinas portfolio of communities.



Pamela Williams and Summer Davis

Summer and Pamela bring continuity and a deep understanding of "The PRG Way" to their new roles. Both have been integral in the company's recruiting programs, taking a lead in training and mentoring our new generation of managers. As Regional Directors, Pamela and Summer will take a forward role in shaping new initiatives and directions for the operations side of the business. Their experiences, from those first days as MITs, will help them and PRG go on to even greater things. ✍

From Ugly Duckling to Swan

PRG's newest Extreme Makeover can be found nestled in a park-like setting in Winston-Salem, NC. Glendare Park Apartments, formerly Village Resort, no longer has the appearance of a neglected property with dated brick, discolored roofs, and worn privacy fencing. It has undergone a \$3.0 million extreme makeover, transformation with fresh paint, new colors, clean rooflines, and southern-style porches. Other efforts such as paving, concrete work, gutter improvements, landscaping, new playground equipment, pool improvements, tennis upgrades, and the addition of a dog park amenity were also made – just to name a few. Glendare Park Apartments is now truly the perfect place to call home! ✍



Glendare Apartments - before



Glendare Apartments - after

Customer Service Blitz Creates Raving Fans

At the 2009 Leadership Conference, PRG inaugurated a new measure of excellence, The Raving Fan award. The Raving Fan is our way of recognizing superior customer service. It could be awarded for a great new customer service idea, or to highlight a notable act of service. The award takes its name from the book, *The Raving Fan*, written by Kenneth Blanchard and Sheldon Bowles, which was required reading for our leadership conference and formed the linchpin of our 2009 customer service theme.

In March, our first Raving Fan award went to Nayeli Lozado at Wellspring Apartments in Columbia, South Carolina. Nayeli was recognized for a highly personal customer service campaign that turned a burgeoning customer service problem into a positive.



Nayeli Lozado,
Property Manager at Wellspring

Nayeli was promoted to the manager spot at Wellspring at a difficult time. There had been an escalating resident situation that culminated in two manager/supervisor resignations.

Upon arrival at Wellspring, Nayeli went door to door with a notepad introducing herself to each resident and writing down any service issues needing attention. She then delivered on her commitment to resolve her residents' outstanding service requests.

Nayeli's personal approach and prompt attention to her residents turned a charged situation into a huge customer service success. Her debut at Wellspring illustrates the best of PRG's customer service values — courtesy, timeliness, continuous improvement

and a personal touch. Kudos to Nayeli, our first recipient of the Raving Fan. ✍

★★★★★★★★★★★★★★ *The Excellence Award* ★★★★★★★★★★★★★★

January

Throughout 2008, while managing the 600-unit Glendare Park in Winston-Salem, Jamie Newton was a regular "Show Me the Money" winner. In January, delinquency was reduced from \$24.54 to \$12.27, while Jamie managed training and mentoring staff at this NC training hub. By February, Jamie had earned a promotion to Sr. Property Manager at Park Ridge in Durham, North Carolina. Kudos for a job well done.



Jamie Newton

February

As the property manager of our 700-unit Prentiss Creek community in Downers Grove, Jena Paulenich and her team leased more than 40 apartments in the dead of a Chicago winter, increasing occupancy to 94% by month end. The Prentiss Creek team has been a model of creativity and productivity, creating internal teams to attract nurses, preferred employers, teachers and students to Downer's Grove.



Jena Paulenich

March

Alfred Green, Maintenance Supervisor at Crestmont Apartments in Marietta, Georgia is described by his manager, Kelsey Kolt, as the ultimate team player. In March, Al completed 18 make-readies, helping his property to achieve 91% occupancy, while posting a favorable variance in his maintenance budget for materials, contracts and recurring replacements for the first quarter. Respected by both the maintenance and office staff, Al is always thinking of ways to improve the property and its performance in the marketplace, recently spending a Saturday passing out marketing flyers at local businesses.



Al Green

THE PRG HONOR ROLL

FIRST QUARTER 2009

Top Gun Collections

JANUARY

Betty had a great start, ending the month at \$0.09! With Alison at River Oak and Hollie at Linkhorn, a blistering pace is set for 2009.

1. Betty Hurdle	Lancaster Arms	\$0.09
2. Alison McKnight	River Oak	\$0.56
3. Hollie Robinson	Linkhorn Bay	\$0.82

FEBRUARY

Alison had a fantastic month, collecting every penny of rent! Close behind is Lori from Mandalay. Katie makes our list, only two months after we acquired Sawgrass!

1. Alison McKnight	River Oak	\$0.0
2. Lori Bonugli	Mandalay	\$0.24
3. Katie Day	Sawgrass	\$0.34

MARCH

Pinewood tops our list ending at \$0! Katie continues to excel at Sawgrass, while Zach had a great month, too!

1. Kami Poole	Pinewood	\$0.00
2. Katie Day	Sawgrass	\$0.22
3. Zach Lantelme	Saddlebrook	\$0.70

Show Me the Money!

1. Jena Paulenich	Prentiss Creek	\$ 67,580
2. Brandon Rucker	The Corners	\$ 40,422
3. SummerDavis	Flagler Pointe	\$ 39,305

The 700-unit Prentiss Creek at Downer's Grove is a new acquisition and part of the PRG RAIT partnership. Jena Paulenich rocked the first quarter, increasing occupancy and beating her budget by \$67K+. A stellar performance.

In second spot, Brandon Rucker led his team at The Corners in Spartanburg, SC to a \$40K positive variance. Brandon gives kudos to his entire team for making the positive variance a reality. "We have a strong team, but it's all about communication and collaboration."

It's no coincidence that Flagler Pointe is on our Kudos pages more than once this quarter. Summer Davis, Regional Director, and Joyce Kolk, Flagler's Assistant Manager, have worked together for years, creating a well-oiled machine in St. Pete. Congratulations on a strong third place showing.

Razzle Dazzle Leasing

JANUARY

Jocelyn Diaz took top spot for January, with Andy and Jeff nipping at her heels.

1. Jocelyn Diaz	Tuscany	22
2. Andy Singleton	Chanticleer	20
3. Jeff McClendon	Mandalay	19

FEBRUARY

In February, Carl and Kelsey ran neck and neck, while Matt at Park Ridge ran a close third. Next time, Matt!

1. Carl Hill	Oyster Point	20
1. Kelsey Colt	Cumberland Glen	20
3. Matt Morrison	Park Ridge	18

MARCH

Kervin Wilson at Bavaria had a stellar month with 28 leases. But Sarah at Linkhorn and Richard at Hampton were coming from behind.

1. Kervin Wilson	Bavaria	28
2. Sarah Bower	Linkhorn Bay	21
3. Richard Hardman	Hampton Chase	20

The Titanium Toolbelt

1. David Eubanks	The Corners	0.09
2. Benjamin Nicastro	Flagler Pointe	0.14
3. Michael Rodriguez	Sawgrass	0.30

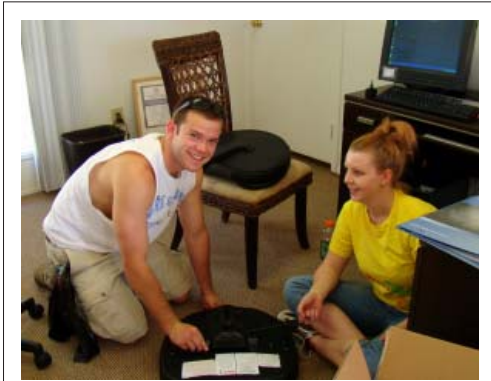
Dave Eubank's team at The Corners, our 176-unit property in Spartanburg, rocked their work order close ratios in Q1. Dave is a self-described perfectionist who takes great pride in his work and in his team. It shows in the numbers. Great job!

Ben Nicastro at Flagler Pointe was recently promoted to Maintenance Supervisor. And he continues creating raving fans at the 416-unit St. Petersburg property. Ben and his team were quickly closing in on The Corners staff. Next quarter may be theirs to win.

In third spot was Michael Rodriguez from one of our newer acquisitions, the 208-unit Sawgrass Apartments in Orlando. M-Rod has been at or near 0.0 every month since we took over at Sawgrass. His manager, Katie Day describes him as "a godsend" who, while tackling construction and make-readies, is always keeping an eye out for that little extra project to wow his customers.

Walking On Sunshine in Cary

On Saturday April 18, PRG kicked off Spring with a Resident Appreciation Day at Cary Pines Apartments. Thirty PRG employees, from the Raleigh-Durham area and corporate headquarters in Philadelphia, converged at the community for a blitz of clean up, organization and general beautification. Our organizational mavens – Jamie Newton, Senior Manager for the Raleigh Durham area and Brittani Patterson, Manager-in-Training at Woodcreek Apartments – organized work crews to fit the varied project list.



Matt Morrison and Brittani Smith

Residents were encouraged to join in the fun and stay for lunch with Cary Pines and PRG staff. Brittani, tireless in her efforts to gather donations of food and prizes from local vendors, set up a lunchtime raffle while new manager, India Laughlin shook hands and answered questions.

The day's success was a team effort, with PRG staff, vendors and residents pitching in together. Chris Canada of CCC Construction arrived with a ten-man team and a truck load of supplies. Steve Berger, PRG Principal, lent a hand setting up the new network scanner/printer and rewiring the office phones. Glendare Park's crack maintenance crew – Chad Cook, Dave Cockerham and Jeremy Stowers – arrived ready to work with Lonnie Anderson and his Cary Pines maintenance team. Together these two powerhouse teams whipped through outstanding work requests and finished off several community projects. Laundry rooms were repainted, the maintenance shop was reorganized, and the flower beds at the leasing office were replanted and mulched, adding spring color to the property.

We extend a big thank you to all our volunteers for giving up their gorgeous, sunny Saturday and being part of the team. ☺



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End Of An Era

On February 13, 2009, Bob Dominy stepped down as President of PRG Real Estate after a decade of leading the company field operations.

In Bob's own words; "On July 27, 1998, I walked through the doors of PRG Real Estate for the first time. At that time, we were a small company with nine communities, but were seeking to do big things. In the ten and a half years since then, we've grown to 48 communities. I wanted to thank everyone who has been a part of that growth, because this never could have been accomplished without all of your support. You have all done an excellent job. We never could have been as successful without you!

I have always looked forward to the day when I could start my own company and work for myself. That day is here. As many of you know, I love St. Michaels, Maryland. I have always wanted a situation where, when the wind blows, I sail, and when the wind lays down, I work. At least that's the way the theory goes!"

While it is never easy to see someone so much a part of our culture and success move on, we all understand Bob's desire to create something on his own. We will miss Bob, but there is plenty of work left to be done. With our new team in place, we are excited about charting a new course for success at PRG.



Robert M. Dominy, III

We wish Bob well!! ☺