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CAVAN OPPORTUNITY FUND LOOKS WEST TO ENHANCE PORTFOLIO

The purchase of the Mesa Verde property which comprised a total of 44 total acres was completed in the second quarter of this year. Our pre-development team continues its diligent work with City of Flagstaff representatives on approval of a master plan for the now 105-acre McMillan Mesa Village.

As the Prescott Valley project continues to expand, our pre-development team has been and will be working with city officials to annex any new parcels into Prescott Valley. A site plan for the 21-acre assemblage is underway, but subject to change should contiguous land be purchased in the future. In accordance with the current plan, the pre-development team is working with

the city to rezone the property as commercial; general sales and services from its current status, which is residential; single-family limited.

Further enhancing the diversity of its acquisition objectives, three new parcels are currently under contract for inclusion in the Opportunity Fund portfolio. All are located on the west side of the Greater Phoenix area, well positioned for western expansion in response to metropolitan population growth. Additionally, each parcel is favorably located near a major highway exit. Two contiguous parcels consisting of 140 acres lie where plans call for construction of Loop 303. The third property consists of 29 acres near Interstate 10.



Aerial of O-Fund Property near Avondale & I10

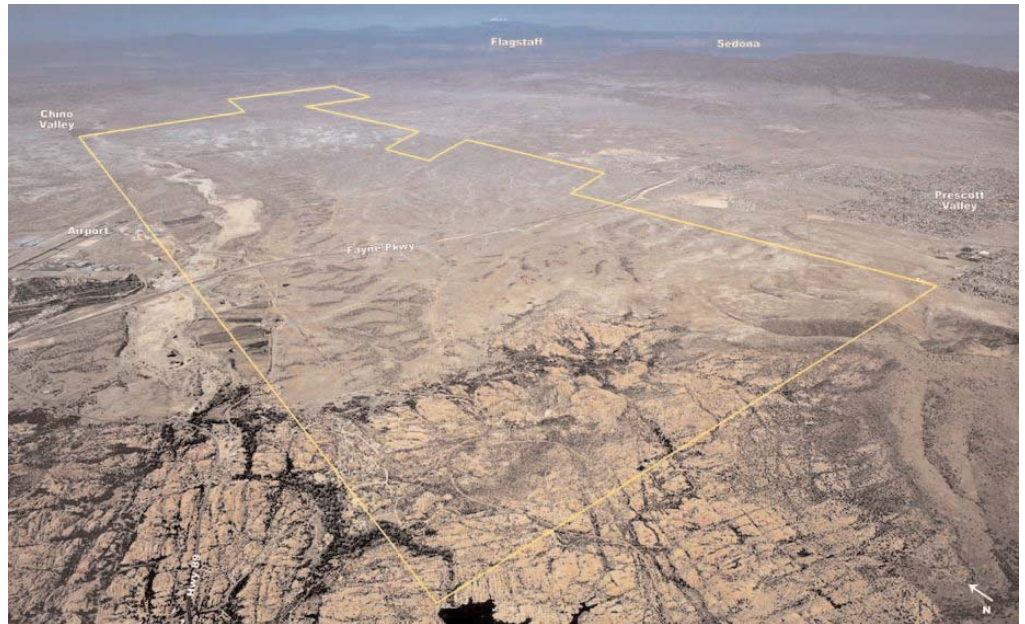
In
the know



New Faces Setting the Benchmark: *John Cleland*

Among some new faces at Seven Canyons is a dynamic professional charged with leading our golf program—John Cleland, recently appointed as Director of Golf. John brings to Seven Canyons a total of 37 years in the golf business—32 of them as head golf professional. He's worked in Illinois, California and Kansas, as Assistant Head Golf Professional at La Quinta Country Club and Head Professional at Indian Hills and Butterfield Country Clubs. John attended Loyola Academy in Wilmette, Illinois and received his B.A. at DePaul University in Chicago. Notable honors include serving as President of the Illinois PGA for two years and 1989's Illinois Professional of the Year. John has been married for 35 years and has four grown children.

GRANITE DELLS ACQUISITION



Cavan Real Estate recently acquired a large parcel of land that lies directly in the path of future development in an area known as Tri-Cities – Chino Valley, Prescott, and Prescott Valley – an approximate two-hour drive north of Phoenix.

Immediately after acquiring the parcel, approximately 1,100 acres were sold to a local developer and 3,600 acres are anticipated to be sold in the upcoming year.

The Tri-City area is a well-known and desirable location that is attracting substantial in-migration, both from within Arizona and other states. An analysis of prospective real estate opportunities for the next 10 years cites relocation of baby boomers from highly appreciated homes in California and other affluent housing markets to less costly, but still high quality homes in Arizona as a major trend. In September



The property is loosely bound by natural rock formations known as the Granite Dells to the south, Highway 89 to the west, Chino Valley to the north, and Prescott Valley to the east. The 16,000-acre property is roughly 4 miles wide (east to west) and 8 miles long (north to south). The sole activities on-site are cattle ranching and gravel mining.

2006, *Money Magazine* named Prescott, AZ the nation's third Best Place to Retire. The area offers the advantages of relatively inexpensive land, a climate 10 to 15 degrees cooler than Phoenix, and ready access to thousands of acres of national forest and other recreational opportunities.

ANOTHER RAINTREE SOON TO JOIN RAINTREE FAMILY

The construction crew is putting in the finishing touches on Raintree Corporate Center III (RC3). With its doors opening to tenants in the final quarter of 2006, RC3 will proudly join its siblings Raintree Corporate Center I (RC1) and II (RC2) as well as other notable class "A" office buildings in the Valley. Construction successfully met its deadline and was within budget. With RC3 coming to completion (together with the parking garage structure), grading work has begun for Raintree Corporate Center IV (RC4).

RC1 and RC2 continue to perform well. Two RC1 leases are due to expire at the end of November; however, the tenants have indicated the desire to extend until February 2007. RC2's leases will not expire until 2012.

Economic activity in the metro Phoenix area remained strong throughout the first half of 2006 due to continued job growth and population inflow. According to Arizona Blue Chip Economic Panel, Arizona's Gross State Product topped every other state in the nation at the end of 2005. The Panel projects continued strong growth in population, employment, wages, and construction activity – especially commercial real estate. According to Colliers International, 3.5 million square feet (msf) have been delivered to the Phoenix office market midway through 2006 compared to just 6.7 msf for all four quarters of last year. Construction

was brisk during the first half of 2006. At the end of the second quarter, deliveries totaled 1.72 msf with 5.44 msf under construction. Colliers also reports a decline in office vacancy rates at mid-year. The first quarter showed a vacancy rate of 11.2%, down from 12.8% at the end of 2005.

The Q2 year-to-date class "A" market posted 1.18 msf of absorption along with a vacancy below 10%, indicating a need for additional inventory. Throughout the Valley, 15 of the 22 submarkets have projects under construction, with Scottsdale still among submarket leaders in office space development. Grubb & Ellis estimates Scottsdale's submarkets hold the highest levels with the Scottsdale Airpark recording 1.2 msf, Scottsdale North (where all Raintree properties are located) 304,000 square feet, and Scottsdale South 483,000 square feet of new space under construction. Coupled with low vacancy rates are increasing rental rates. The Scottsdale Airpark submarket's Q2 asking rent for class "A" office space is approximately \$28.90 per square foot.

With vibrant economic activity, the Valley is expected to continue to prosper going into 2007. The commercial real estate market, and particularly office space, will continue to show strength.

COLORADO SPRINGS OFFICE MARKET CONTINUES TO SHINE

Ranked 1st in 2006 *Top 10 Best Places to Live* by *Money* magazine, Colorado Springs continues to attract new businesses and talents to the city. According to *The Wall Street Journal Online*, during the first five months of 2006, the unemployment rate fell to 4.5% from 5.4% in the year-earlier period, slightly healthier than the June national average of 4.6%. Among 35 cities in the United States, Colorado Springs was recently ranked the 7th most cost effective to operate a data center in a study by The Boyd Company Inc., a Princeton, N.J.-based location consultancy. Progressive Corporation just completed its \$57 million data and document production center in July 2006, and more than 140 IT-oriented jobs will be needed for the facility. Federal Express is seeking approval for a 97,540-square-foot data-center office building on a 28-acre site in the Northgate business park on the city's north side.

With its low unemployment rate and stable economy, Colorado Springs' office market is enjoying strong improvement in vacancy and rental rates, and the trend is

expected to continue into 2007. Colorado Springs-based Turner Commercial Research reported the combined vacancy rate for office, industrial and retail buildings fell to 7% as of Sept. 30 – the lowest rate since 2000 – from 8.2% at the end of last year. Particularly, office vacancies were down to 7.7% in the third quarter from 8.1% three months earlier and 8.7% at the end of 2005. Class "A" office space played a leading role in ongoing recovery of the office market in the area, where the vacancy rate averages 16.07%. The class "A" office/commercial asking rates are currently \$13.41 per square foot, according to a local commercial real estate research firm.

Platte Airpark Center, with its strong management team and class "A" status, continues to perform well in Colorado Springs' current vacancy and rental rate climates.

In
the know



New Faces Setting the Benchmark: Cale D. Cournoyer

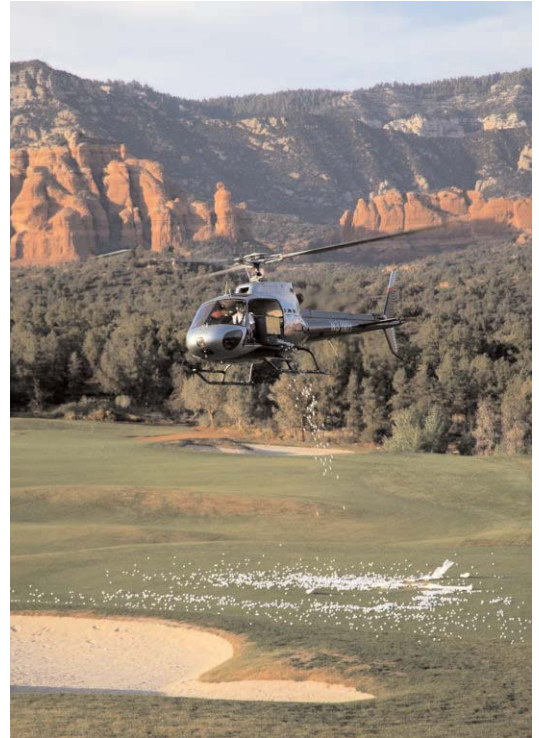
As Head Golf Professional, Seven Canyons has introduced Cale D. Cournoyer, a seven-year veteran of Head Professional responsibilities and graduate of the PGA of America's Golf Professionals Training Program. Cale began his career in South Dakota, but soon after relocated to Scottsdale and the Pinnacle Peak Country Club. He has also worked at The Estancia Club and most recently as Head Pro at the Tonto Verde Golf Club in Rio Verde. Cale is a certified Titleist and Ping custom club fitter, and a consummate outdoorsman whose interests include hunting, fishing, camping and dog training.

LOCAL CHARITIES BENEFIT FROM SEVEN CANYONS BALL DROP

On September 30, it really did rain golf balls on the Practice Green at Seven Canyons!

In a first-time event of its type for the Sedona area, the course hosted the *Miracle at Seven Canyons* helicopter ball drop, a charitable fundraiser in which participants purchased numbered golf balls that were dropped en masse from a helicopter hovering high above a large white "X" that marked the hole on the Practice Park green. More than 9,000 balls poured down, some bouncing along the green, others rolling into sand traps. The first one that found its way into the hole made its owner, Steve Cerri of Paradise Valley, the winner of a 2007 Lexus RX400h hybrid SUV.

More than \$600,000 was raised by the weekend-long event, which included a silent auction, live auction and golf tournament. The three charities sharing the funds are The Sedona Foundation, Northern Arizona Boys and Girls Club, and the Verde Valley Sanctuary.



GIVING -- A CAVAN HALLMARK

Among the many ways in which Cavan employees demonstrate their spirit of communal giving, on October 6 a group of Cavan early risers joined a program called the "Corporate Breakfast Club" at the Society of St. Vincent de Paul in downtown Phoenix. There they helped serve breakfasts, coffee, juice and tea to approximately 300 individuals who are just some of the Valley's population of homeless and working poor.



The group served the morning meals at a new St. Vincent de Paul service area at 1075 W.

Jackson St., one of six area dining halls that provide food for hundreds of needy individuals each day. Cavan volunteers are scheduled to serve again on November 17.



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