

INTEGRITY. RESPONSIBILITY. ACCOUNTABILITY.

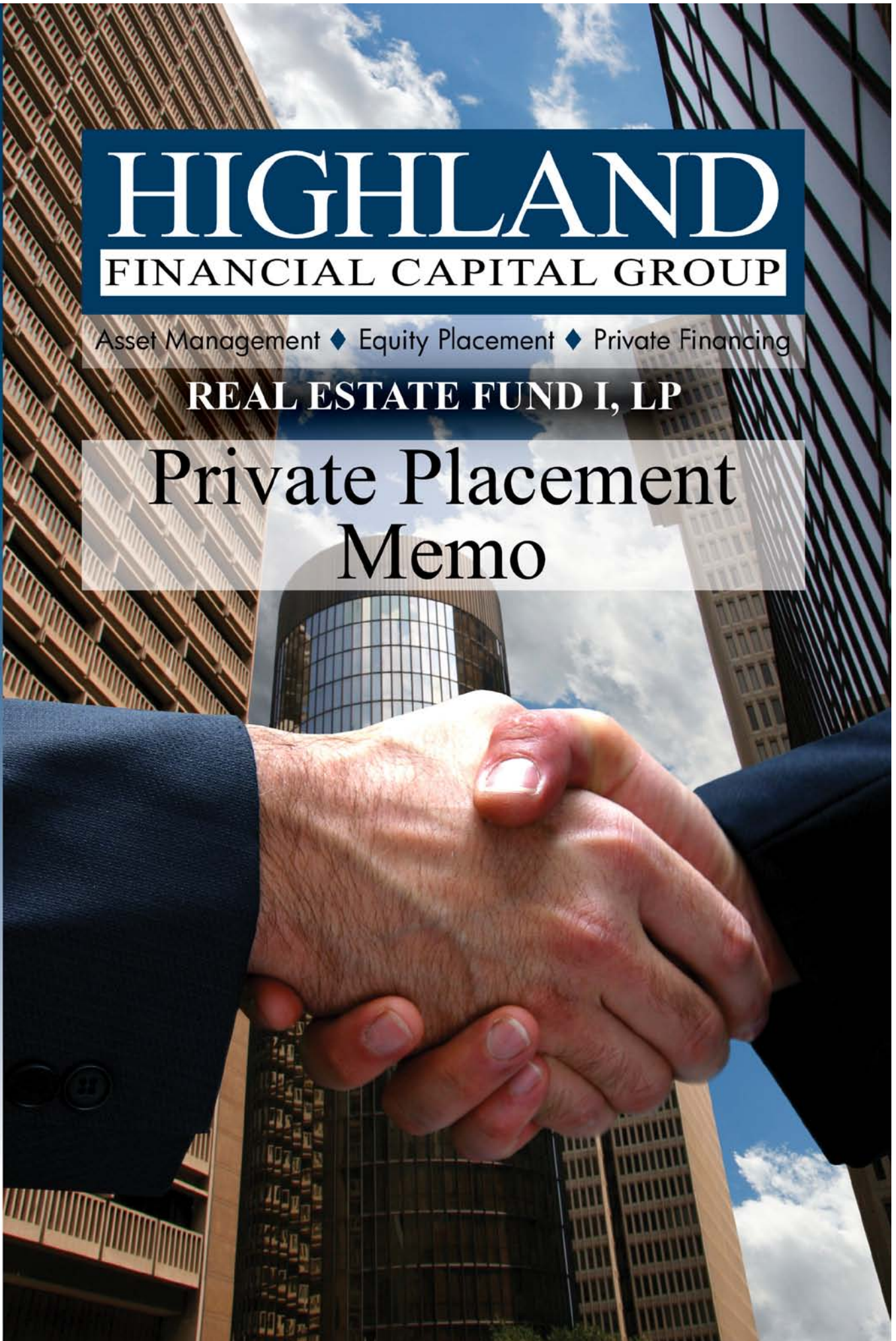
HIGHLAND

FINANCIAL CAPITAL GROUP

Asset Management ♦ Equity Placement ♦ Private Financing

REAL ESTATE FUND I, LP

Private Placement Memo



CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM

HIGHLAND FINANCIAL CAPITAL GROUP
REAL ESTATE FUND I, LP

INTERESTS IN THE HIGHLAND FINANCIAL CAPITAL GROUP REAL ESTATE FUND I, LP (THE “FUND” OR THE “LIMITED PARTNERSHIP”) ARE BEING OFFERED TO A LIMITED NUMBER OF “QUALIFIED CLIENTS” AS DEFINED IN RULE 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE “INVESTMENT ADVISERS ACT”). THE FUND WILL BE MANAGED BY THE GENERAL PARTNER, SABI VARON.

	Highland Financial Capital Group Real Estate Fund I, L.P.
Qualification	Only a limited number of “qualified clients” may participate
Maximum Offering	\$10,000,000 of Limited Partnership Interests \$50,000 per Unit The Fund will have no more than 95 Limited Partners
Minimum Offering	No subscription commitments will be deemed accepted unless and until the General Partner accepts subscription commitments aggregating at least \$500,000 (the “Minimum Offering”) by December 31, 2009, provided, however, that the General Partner may, in its sole discretion, terminate this offering at any time prior to the Termination Date or extend the Termination Date to a date no later than March 30, 2010 (such earlier or later date, the “Termination Date”). If commitments totaling \$2,000,000 in the aggregate are not received and accepted on or before the Termination Date, all funds will be returned to the subscribers.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAW OF ANY STATE, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH APPLICABLE STATE LAWS. THE UNITS MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE PARTNERSHIP AGREEMENT OR UNDER THE SECURITIES ACT OR SUCH APPLICABLE STATE LAWS PURSUANT TO REGISTRATION OR EXEMPTION THERE FROM. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. The Units are being offered on a best efforts basis by the General Partner and one or more placement agents (“Placement Agents”) on a “best efforts” basis which Placement Agents or consultants may receive cash and/or equity compensation for their services.

	Units Offered	Offering Price (\$50,000 per unit)	Max. Placement/ Consultant Fees	Proceeds to the Fund ⁽¹⁾
Offering	400	\$10,000,000	\$600,000	\$9,400,000

⁽¹⁾ Amount shown includes a maximum fee that may be payable by the Fund to Placement Agents and/or consultants out of the General Partner’s Subscription Fee.

The date of this Memorandum is August 25, 2009.

THIS MEMORANDUM HAS BEEN PREPARED FOR DISTRIBUTION TO CERTAIN ACCREDITED INVESTORS THAT ALSO CONSTITUTE “QUALIFIED CLIENTS” UNDER THE INVESTMENT ADVISORS ACT TO ASSIST THEM IN EVALUATING A PROPOSED INVESTMENT IN THE PARTNERSHIP. THE FUND MAY REFUSE TO SELL UNITS OFFERED HEREBY TO ANY PERSON OR PERSONS FOR ANY REASON WHATSOEVER. THIS OFFERING IS INTENDED TO BE EXEMPT FROM REGISTRATION UNDER THE SAFE-HARBORS PROVIDED BY RULE 506 OF REGULATION D AND/OR RULE 903 OF REGULATION S, EACH PROMULGATED UNDER THE SECURITIES ACT.

THE UNITS ARE BEING OFFERED ONLY TO ACCREDITED INVESTORS WITHIN THE MEANING OF RULE 501(A) OF REGULATION D OF THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND NON-U.S. PERSONS WITHIN THE MEANING OF RULE 902(K) OF REGULATION S OF THE SECURITIES ACT WHO ARE ACQUIRING THE SECURITIES FOR INVESTMENT PURPOSES ONLY AND NOT FOR RESALE.

ALL SUBSCRIPTIONS ARE SUBJECT TO ACCEPTANCE BY THE FUND, IN WHOLE OR IN PART, AND MAY BE REJECTED FOR ANY REASON. THE MINIMUM SUBSCRIPTION COMMITMENT IS FOR \$200,000, UNLESS OTHERWISE APPROVED BY SABI VARON (THE “GENERAL PARTNER”). SUBSCRIPTION COMMITMENTS IN EXCESS OF THE APPLICABLE MINIMUM COMMITMENTS MUST BE IN INTERVALS OF \$50,000, UNLESS OTHERWISE APPROVED BY THE GENERAL PARTNER.

THIS PRIVATE PLACEMENT MEMORANDUM (THIS “MEMORANDUM”) IS CONFIDENTIAL AND PROPRIETARY AND IS SUBMITTED TO YOU FOR USE SOLELY IN CONNECTION WITH THE CONSIDERATION OF PARTICIPATION IN THE PROPOSED INVESTMENT IN THE FUND. ITS USE FOR ANY OTHER PURPOSE IS NOT AUTHORIZED. THIS MEMORANDUM MAY NOT BE REPRODUCED, DISSEMINATED OR DISCLOSED IN WHOLE OR IN PART EXCEPT TO ANY ADVISOR RETAINED BY THE RECIPIENT TO PROVIDE COUNSEL WITH RESPECT TO THE PROPOSED INVESTMENT.

BY ACCEPTING DELIVERY OF THIS MEMORANDUM, THE RECIPIENT HEREBY AGREES: (1) NOT TO REPRODUCE OR DISTRIBUTE THIS MEMORANDUM, IN WHOLE OR IN PART, OR DISCLOSE OR DIVULGE ANY INFORMATION CONTAINED HEREIN, WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER; AND (2) TO RETURN THIS MEMORANDUM TO THE GENERAL PARTNER IF THE RECIPIENT DOES NOT UNDERTAKE TO PURCHASE ANY OF THE SECURITIES OFFERED HEREUNDER.

AN INVESTMENT IN THE LIMITED PARTNERSHIP INTERESTS IN HIGHLAND FINANCIAL CAPITAL GROUP REAL ESTATE FUND I, L.P. (THE “INTERESTS”) INVOLVES SIGNIFICANT RISKS DUE TO, AMONG OTHER THINGS, THE NATURE OF THE FUND’S INVESTMENTS AND THE NATURE OF THE INTERESTS. NO ASSURANCE CAN BE GIVEN THAT THE FUND’S INVESTMENT OBJECTIVE WILL BE ACHIEVED OR THAT INVESTORS WILL RECEIVE A RETURN OF THEIR CAPITAL. INVESTORS SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY WHICH ARE CHARACTERISTIC OF THE INVESTMENT DESCRIBED HEREIN.

THIS MEMORANDUM CONTAINS A SUMMARY OF THE AGREEMENT OF LIMITED PARTNERSHIP OF HIGHLAND FINANCIAL CAPITAL GROUP REAL ESTATE FUND I, LP (THE “LIMITED PARTNERSHIP AGREEMENT”) AND CERTAIN OTHER DOCUMENTS REFERRED TO HEREIN. HOWEVER, THE SUMMARIES SET FORTH IN THIS MEMORANDUM DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE LIMITED PARTNERSHIP AGREEMENT AND SUCH OTHER DOCUMENTS. IN THE EVENT THAT THE DESCRIPTION IN OR TERMS OF THIS MEMORANDUM ARE INCONSISTENT WITH OR CONTRARY TO THE LIMITED

PARTNERSHIP AGREEMENT OR SUCH OTHER DOCUMENTS, THE TERMS OF THE LIMITED PARTNERSHIP AGREEMENT AND SUCH OTHER DOCUMENTS SHALL CONTROL. CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS MEMORANDUM SHALL HAVE THE MEANINGS SET FORTH IN THE LIMITED PARTNERSHIP AGREEMENT.

THIS MEMORANDUM IS INTENDED ONLY AS A SUMMARY OF CERTAIN SELECTED INFORMATION RELEVANT TO AN INVESTMENT IN THE UNITS OFFERED HEREBY AND IS NOT INTENDED TO BE A COMPLETE DISCLOSURE DOCUMENT. REFERENCE SHOULD BE MADE TO THE PARTNERSHIP AGREEMENT, AND SUPPORTING DOCUMENTS AND OTHER INFORMATION FURNISHED HERewith FOR THE COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO. THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS, WHICH SUMMARIES ARE BELIEVED TO BE ACCURATE, BUT REFERENCE IS HEREBY MADE TO THE ACTUAL DOCUMENTS FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO. COPIES OF SUCH DOCUMENTS ARE AVAILABLE FROM THE MANAGER UPON WRITTEN REQUEST. ALL SUMMARIES OF SUCH DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE ACTUAL DOCUMENTS.

BY ACCEPTING THIS MEMORANDUM, THE RECIPIENT AGREES TO BE BOUND BY THE PROVISIONS SET FORTH HEREIN. IF THE RECIPIENT CHOOSES NOT TO MAKE AN INVESTMENT IN THE FUND, THIS MEMORANDUM AND ALL INFORMATION SUPPLIED TOGETHER HERewith, SHALL BE PROMPTLY RETURNED TO THE FUND.

EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND AFTER THE DATE HEREOF. NEITHER THE FUND NOR THE GENERAL PARTNER IS UNDER NO OBLIGATION WHATSOEVER TO PROVIDE UPDATES TO YOU OR TO SUPPLEMENT THIS MEMORANDUM AT ANY TIME.

THE INFORMATION CONTAINED HEREIN IS SUBJECT TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED SOLELY TO ASSIST PROSPECTIVE INVESTORS IN EVALUATING AN INVESTMENT IN THE FUND AND FOR NO OTHER PURPOSE. SUCH INFORMATION DOES NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL OF THE INFORMATION AND DATA THAT A PROSPECTIVE INVESTOR MAY DESIRE. THIS MEMORANDUM DOES NOT CONTAIN, AND SHOULD NOT BE CONSTRUED AS, INVESTMENT, TAX OR LEGAL ADVICE. EACH RECIPIENT OF THE INFORMATION CONTAINED HEREIN SHOULD PERFORM ITS OWN INDEPENDENT INVESTIGATION AND ANALYSIS OF THE INVESTMENT. THE INFORMATION CONTAINED HEREIN IS NOT A SUBSTITUTE FOR THE INDEPENDENT EVALUATION AND ANALYSIS BY THE RECIPIENT AND THE RECIPIENT'S INVESTMENT, LEGAL AND TAX ADVISORS.

THIS MEMORANDUM SUPERSEDES ANY AND ALL BUSINESS PLANS, OFFERING MATERIALS, CORRESPONDENCE, AND OTHER REPRESENTATIONS, WHETHER ORAL OR IN WRITING, PROVIDED BY THE FUND, GENERAL PARTNER OR ITS MANAGERS, MEMBERS, EMPLOYEES OR REPRESENTATIVES RELATED TO AN OFFERING OF THE UNITS. ANY ADDITIONAL INFORMATION OR REPRESENTATIONS GIVEN OR MADE BY THE FUND OR GENERAL PARTNER IN CONNECTION WITH THIS OFFERING, WHETHER ORAL OR WRITTEN, ARE QUALIFIED IN THEIR ENTIRETY BY THE INFORMATION SET FORTH IN THIS MEMORANDUM.

THE INFORMATION CONTAINED HEREIN MAY INCLUDE CERTAIN STATEMENTS, ESTIMATES AND PROJECTIONS WITH RESPECT TO ANTICIPATED FUTURE PERFORMANCE. SUCH STATEMENTS, ESTIMATES AND PROJECTIONS REFLECT VARIOUS ASSUMPTIONS CONCERNING ANTICIPATED RESULTS, WHICH ASSUMPTIONS MAY OR MAY NOT PROVE TO BE CORRECT. NO REPRESENTATIONS OR WARRANTIES (EXPRESS OR IMPLIED) BY THE FUND OR ITS AFFILIATES ARE MADE AS TO THE ACCURACY OF SUCH STATEMENTS, ESTIMATES OR PROJECTIONS. ACTUAL RESULTS MAY VARY MATERIALLY FROM THE PROJECTED RESULTS CONTAINED HEREIN.

THE INTERESTS IN THE FUND HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, OR BY ANY SIMILAR AUTHORITY OF ANY OTHER COUNTRY OR JURISDICTION, AND NEITHER THE SEC NOR ANY OTHER AUTHORITY WILL DO SO. THE INTERESTS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THERE WILL BE NO PUBLIC MARKET FOR THE INTERESTS. EACH PURCHASER WILL BE REQUIRED TO REPRESENT THAT IT IS ACQUIRING THE INTERESTS PURCHASED FOR INVESTMENT AND NOT WITH A VIEW TO RESALE OR DISTRIBUTION. EACH PURCHASER MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD BECAUSE THE INTERESTS (I) CANNOT BE SOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE ACT OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE AND (II) ARE SUBJECT TO THE RESTRICTIONS ON TRANSFER CONTAINED IN THE FUND'S LIMITED PARTNERSHIP AGREEMENT. AT THIS TIME, THE FUND IS NOT EXPECTED TO BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE INTERESTS IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON OR ENTITY TO WHOM, IT IS UNLAWFUL TO MAKE SUCH AN OFFER, SALE OR SOLICITATION. THIS SOLICITATION OF SUBSCRIPTION COMMITMENTS BY THE FUND CAN BE WITHDRAWN AT ANY TIME AND IS SPECIFICALLY MADE SUBJECT TO THE TERMS DESCRIBED IN THIS MEMORANDUM. THE GENERAL PARTNER OF THE FUND RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTIONS IN WHOLE OR IN PART.

NO PERSON OR ENTITY HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION (OTHER THAN AS DESCRIBED BELOW) OR TO MAKE ANY REPRESENTATION OR WARRANTY NOT CONTAINED HEREIN OR IN A SUPPLEMENT HERETO. IF SUCH OTHER INFORMATION IS GIVEN OR OTHER REPRESENTATIONS OR WARRANTIES ARE MADE, THEY MUST NOT BE RELIED UPON. PRIOR TO CLOSING, THE FUND WILL PROVIDE EACH PROSPECTIVE INVESTOR WITH THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM A REPRESENTATIVE OF THE FUND CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING.

THE GENERAL PARTNER ALSO WILL RESPOND TO REASONABLE REQUESTS FOR ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN. INQUIRIES SHOULD BE DIRECTED TO:

Sabi Varon, General Partner
Highland Financial Capital Group Real Estate Fund I, L.P.
1155 Hammond Drive
Building D, Suite 4060
Atlanta, Georgia 30328-5320
Phone: 770.730.1707

ALL PROSPECTIVE INVESTORS ARE BEING PROVIDED WITH A SUBSCRIPTION BOOKLET AND A COPY OF THE LIMITED PARTNERSHIP AGREEMENT TOGETHER WITH THIS MEMORANDUM. THESE DOCUMENTS CONTAIN IMPORTANT AGREEMENTS AND DOCUMENTS RELATING TO THE FUND AND THE OFFERING OF THE INTERESTS. EACH PROSPECTIVE INVESTOR SHOULD REVIEW THIS MEMORANDUM AND EACH AGREEMENT AND DOCUMENT PRIOR TO PURCHASING ANY INTERESTS.

THE DELIVERY OF THIS MEMORANDUM DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE ON THE COVER HEREOF.

NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM SHALL BE EMPLOYED IN THE OFFERING OF THESE UNITS EXCEPT FOR THIS PRIVATE OFFERING MEMORANDUM AND APPENDICES ATTACHED HERETO. NO PERSON OTHER THAN THE GENERAL PARTNER HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS OR GIVE ANY INFORMATION WITH RESPECT TO THE FUND OR THE UNITS, EXCEPT FOR THE INFORMATION CONTAINED IN THIS MEMORANDUM AND IN THE APPENDICES THAT ACCOMPANY THIS MEMORANDUM. ANY REPRESENTATION OR INFORMATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF ITS GENERAL PARTNER, LIMITED PARTNERS, MEMBERS, OFFICERS OR EMPLOYEES.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This Memorandum, together with all amendments or supplements, and any other information provided by the General Partner to prospective investors includes or may include certain statements and estimates that reflect various assumptions of management that may or may not prove to be correct. The General Partner makes no representations as to the Fund's future performance. The General Partner obtained the market and industry data used throughout this Memorandum from research, surveys or studies conducted by third parties and industry or general publications. The General Partner has not independently verified market and industry data provided by third parties or industry or general publications.

The statements contained in this Memorandum that do not state historical facts may be forward-looking statements (as such term is defined in the U.S. Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as believe, expect, may, will, should or anticipate or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy, risks and uncertainties. In addition, from time to time, the General Partner or its representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in, but not limited to, press releases, published articles, marketing materials, or oral statements made by or with the approval of an authorized executive officer of the General Partner or Fund. These forward-looking statements

involve predictions. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following: (i) the Fund's limited operating history; (ii) Fund's potential inability to raise additional capital; (iii) the development stage nature of the planned products of the Fund; (iv) the lack of proven acceptance of the Fund's product offering; (v) the Fund's potential inability to implement its business plan successfully; (vi) competitive risks; (vii) the risk that the Fund or General Partner might lose key personnel; and (viii) the risk that the Fund or General Partner might not successfully execute its strategic plans. Further information on these factors and other factors that could affect the Fund's financial results is included in the section entitled Risk Factors on page 14.

I. EXECUTIVE SUMMARY

This executive summary of the offering of Interests in the Fund is qualified in its entirety by reference to the remainder of this Memorandum, the Limited Partnership Agreement and the Subscription Booklet. There can be no assurance or guarantee that the Fund's investment objective will be attained or that any specific return or any return at all will be achieved. Investors should carefully consider the factors under the heading "Risk Factors" before investing in the Fund.

The Fund is seeking \$10 million in capital commitments from limited partners, but the General Partner may increase the offering in its sole discretion. The Fund will be managed by the General Partner.

The Fund is offering Interests to investors, which will be sold in units, each evidencing a subscription commitment of \$50,000. Only whole units of Interests may be purchased, unless the General Partner in its sole discretion determines otherwise. The minimum subscription commitment accepted will be \$200,000, however, the General Partner, in its sole discretion, may accept subscription commitments for lesser amounts. No subscription commitments will be deemed accepted unless and until the General Partner accepts Limited Partner subscription commitments aggregating at least \$2,000,000 by the Termination Date, provided, however, that the General Partner may, in its sole discretion, terminate this offering at any time prior to the Termination Date or extend the Termination Date to a date no later than March 30, 2010. If commitments totaling \$2,000,000 in the aggregate are not received and accepted on or before the Termination Date, all funds will be returned to the subscribers. See "Subscriptions."

The General Partner may, from time to time, engage one or more Placement Agents in connection with sales of the Units. Principals of the General Partner or affiliates thereof may receive commissions or compensation in connection with the sale of the Units. Placement Agents and/or consultants are to be compensated out of the General Partner's Subscription Fee.

Overview

Highland Financial Capital Group Real Estate Fund I, L.P., a Georgia limited partnership (the "Fund"), is being formed to acquire distressed real property and debenture assets, principally under-performing assets primarily located in the Southeastern United States (investments are referred to herein as "Portfolio Assets"). Investments by the Fund will generally involve the acquisition of income producing commercial real estate shopping and strip centers.

Sabi Varon, a Georgia resident will serve as the general partner (the "General Partner") of the Fund. The General Partner anticipates creating and managing additional investment groups in Georgia and the United States. These investment groups consist of qualified individuals who wish to invest in under-performing and distressed assets in either: (i) specific industries or (ii) government-sponsored private-public partnerships. The General Partner will assemble a board (the "Advisory Board") composed of individuals whom the General Partner believes to have substantial experience and insights to assist in identifying and evaluating potential investments for the Fund and to provide strategic and financial guidance to the General Partner.

The Fund is seeking \$10 million in capital commitments from Limited Partners. All subscriptions are subject to acceptance by the Fund, in whole or in part, and may be rejected for any reason. The minimum subscription commitment is \$200,000, unless otherwise approved by the General Partner. Subscription commitments in excess of the applicable minimum commitments must be in intervals of \$50,000, unless otherwise approved by the General Partner. Such contribution will be made upon the dates and in such proportions as the Limited Partners make their Committed Capital. The Fund intends to focus its investment opportunities in the Southeastern United States, but will not be limited to this region only. The General Partner believes that it will be

able to invest the Fund's capital in attractive assets at favorable valuations without encountering significant competitive hindrances from other established sources of private equity capital.

The Fund may purchase Portfolio Assets with the assistance of Highland Equity, LLC ("Highland Equity"), an affiliated entity of the General Partner. Highland Equity could potentially become a licensed real estate agent in the future and may work exclusively for the Fund. Highland Equity or broker David Bernstein may provide services to the General Partner and the Fund by using its experience, expertise and market positioning to negotiate and provide a opportunities and value to the General Partner and the Fund. In return for such services, the Fund, at the direction of the General Partner, may pay Highland Equity or Mr. Bernstein real estate commissions up to 10% and remit portions of such proceeds to the General Partner, if applicable and permissible under rules and regulations. Investors are hereby advised on the potential conflicts arising from Highland Equity or Mr. Bernstein paying or sharing commissions or other fees with the General Partner or an affiliate of the General Partner.

Generally, real estate commissions are paid by a seller. However, in the case of the properties that the Fund is considering, the General Partner expects that the seller will primarily be banks or other entities that have acquired the Portfolio Asset through foreclosure or other distress proceedings. As a result, the seller will generally not pay a real estate commission to the General Partner, the Fund or third-party real estate broker or agent. Accordingly, the Fund may agree to pay a commission not to exceed ten percent (10%) to Highland Equity or David Bernstein or any other third-party broker or agent that the General Partner may engage in its sole and absolute discretion from time to time. Broker may pay share fees with the General Partner or an affiliate of the General Partner.

The Fund expects to offer investors an opportunity for above-average investment returns by capitalizing on the relationships of the General Partner and relying upon the members of the Advisory Board to identify opportunities for the Fund.

Rigorous Analytical Review and Due Diligence

The General Partner strongly believes that there is no substitute for careful and exhaustive analysis of investment opportunities. Therefore, upon identifying an investment which meets the Fund's criteria, the members of the investment team will undertake an extensive review of the prospective asset. This review will include both quantitative and qualitative analysis of the existing market and the investment opportunity.

Complementary Strengths of Partnership Management

The General Partner believes that the Fund's management and Advisory Board should possess skills and experiences that are diverse yet complementary. The General Partner will work together with its advisors in coordinating the generation of investment opportunities, the evaluation of potential assets, the due diligence process, the structuring and execution of selected deals, assistance in the management of portfolio assets, the raising of additional capital and the negotiation of exit strategies. The General Partner intends to recruit additional experienced investment professionals to join the team prior to or after the final closing of the Fund.

Investment Highlights

Product Target. The General Partner has extensive experience in the area of sales and leasing of retail strip centers and believes that this targeted product is the best fit for today's immediate demand of small businessman who wish to maintain employment and cash flow.

Operator. The General Partner has 30 years experience in every aspect of real estate management. The General Partner believes that the following factors make the Fund an attractive investment opportunity for institutional investors and high net-worth individuals:

Identifying Attractive Opportunities. The General Partner expects that the relationships of the General Partner and the Advisory Board with regional and community financial institutions, the community bankers associations and investment firms will provide the Fund with strong deal flow.

Experienced Team. The General Partner and its Advisors have extensive experience in private equity investing and financial transactions. The General Partner has strong ties to professional service organizations, comprised of experts in various fields which it believes will lend vital support to the Fund.

Investment Objective

The Fund's investment objective is to generate returns in excess of those generally available through conventional investments in real property by carefully selecting a balanced portfolio composed of distressed real property, personal property and debenture assets, principally under-performing assets primarily located in the Southeastern United States. Investments by the Fund will generally involve the acquisition of income producing commercial real estate shopping and strip centers.

II. SUMMARY OF TERMS

This summary of terms of the offering of Interests in the Fund is intended solely for convenient reference and is qualified in its entirety by reference to the remainder of this Memorandum, the Limited Partnership Agreement and the Subscription Booklet. All of the foregoing must be read together in their entirety by prospective investors for a complete understanding of the Fund and the offering of Interests in the Fund. Capitalized terms not otherwise defined in this Memorandum shall have the meanings set forth in the Limited Partnership Agreement.

The Fund:

Highland Financial Capital Group Real Estate Fund I, L.P., a Georgia limited partnership, is being formed to provide capital financing primarily to acquire distressed real property, personal property and debenture assets, principally under-performing assets primarily located in the Southeast United States geographic area. Investments by the Fund will generally involve the acquisition of income producing commercial real estate shopping and strip centers.

Investment Strategy:

The Fund does not anticipate investing more than twenty percent of its total Committed Capital in any single Portfolio Asset. However, the Fund will have the flexibility to make a larger investment in a Portfolio Asset if the General Partner determines that a larger investment is in the best interests of the Limited Partners. See "Investment Objectives, Strategies and Procedures."

Risk Factors:

An investment in the Fund carries with it high business and financial risks, including without limitation, business risks associated with companies generally, the valuation of assets, illiquidity of investment, reliance on key personnel, lack of transferability, conflicts of interest, lack of participation in management, special tax consequences for tax-exempt investors and other tax risks. Investors should carefully consider

the factors under the heading “Risks Factors” before investing in the Fund.

General Partner:

Sabi Varon will serve as the Fund’s general partner. See “Fund Management.”

Advisory Board:

The General Partner has created an Advisory Board consisting of the individuals advising the Fund or investing substantial assets in the Fund.

The General Partner will evaluate individuals and add members to the Advisory Board as it deems appropriate. The Advisory Board will assist the General Partner in identifying and evaluating potential Portfolio Assets, conduct due diligence on assets and otherwise advise the General Partner as requested. See “Fund Management.”

Placement Agents:

The General Partner may, from time to time, engage one or more Placement Agents in connection with sales of the Units. Principals of the General Partner or affiliates thereof may receive commissions or compensation in connection with the sale of the Units. Placement Agents and/or consultants are to be compensated out of the General Partner’s Subscription Fee.

Property Manager

The General Partner intends to act as the property manager (the “Property Manager”) and enter into a Property Management Agreement to operate and manage the day-to-day affairs of Portfolio Assets. In light of the extraordinary high level of vacancies in the commercial retail market and the severe impact of the current financial crisis, the General Partner will need to employ an active, hands-on approach. Because of its high level of involvement, the General Partner will charge a property management fee of ten percent (10%) of the gross revenues from the Portfolio Assets for these services; at the high end of the typical 5-10% range for property management fees. In the event the General Partner no longer acts as the Property Manager, the General Partner will secure a third-party Property Manager and shall pay the Property Manager a monthly fee to be negotiated and agreed to by the General Partner and the Property Manager.

Limited Partner Commitments:

The Fund is seeking \$10 million in capital commitments from Limited Partners, but the General Partner may increase the offering in its sole discretion. The Fund is offering Interests to investors, which will be sold in units, each evidencing a subscription commitment of \$50,000. Only whole units of Interests may be purchased, unless the General Partner in its sole discretion determines otherwise. The minimum subscription commitment accepted will be \$200,000. However, the General Partner, in its sole discretion, may accept subscription commitments for lesser amounts. No subscription commitments will be deemed accepted unless and until Limited Partner subscription commitments aggregating at least \$500,000 have been received by the Termination Date, provided, however, that the General Partner may, in its sole discretion, terminate this offering at any time prior to the Termination Date or extend the Termination Date to a date no later than March 30, 2010. If

commitments totaling \$500,000 in the aggregate are not received and accepted on or before the Termination Date, all funds will be returned to the subscribers. See “Subscriptions.”

For a description of the process of drawing down the subscription commitments of the Limited Partners, see “Summary of Terms--Capital Contributions” below.

Term:

The Fund will dissolve five (5) years after filing the Limited Partnership’s certificate of limited partnership with the Office of the Secretary of State of Georgia, unless terminated earlier pursuant to the terms of the Partnership Agreement. If the General Partner determines that it is in the best interests of the Fund, the General Partner may extend the term for up to three one-year periods.

Fees & Expenses:

The initial subscription fee shall be \$3,000 for each subscribed Unit and shall be deducted from the gross proceeds at the time of subscription. The first year’s annual fee shall be \$1,000 for each subscribed Unit and shall be deducted from the gross proceeds at the time of subscription. All subsequent annual fees (described below) will be due and payable on the anniversary of the Termination Date. The General Partner may advance organization and offering costs of the Fund, for which it would be reimbursed by the Fund in an amount not to exceed \$15,000. The General Partner also may advance, on behalf of the Fund, placement agent fees relating to this offering of Interests for which the General Partner would be reimbursed by the Fund. After the Termination Date, the Fund will pay all its expenses, any remaining organization and offering costs and placement agent fees, taxes, legal and accounting expenses, Advisory Board fees and expenses, interest on borrowed funds, insurance premiums, expenses of portfolio transactions, and any extraordinary expenses. The General Partner will bear all ordinary costs and expenses incurred by it in connection with its management of the Fund.

Each Limited Partner shall pay the General Partner an annual fee to cover expenses associated with servicing these investments, including, without limitation, communicating investment analysis information, preparing accounting statements and documents associated with each Investment LLC. The annual fee is 2.0% of the aggregate amount of each Limited Partner’s remaining invested capital in all Portfolio Assets and Investment LLCs.

Compensation to the Sponsor:

In addition to the General Partner’s interest in the Partnership and Property Management Fees, the General Partner will receive or be entitled to receive the following compensation (collectively, the “General Partner Fees”):

- (i) a one-time acquisition fee of one percent (1.0%) of the purchase price of each Portfolio Asset for completing the acquisition of such asset (the “Acquisition Fee”);

- (ii) a one-time financing fee equal to 1.0% of the total project debt in exchange for arranging all of the project related financing of each Portfolio Asset (the “Financing Fee”),
- (iii) a monthly fee of two percent (2.0%) of the total gross revenues derived from the Portfolio Assets’ operations (the “Asset Management Fee”), provided that no Asset Management Fee shall be paid or due to the General Partner for a particular asset if it is not managing the day to day affairs of the Portfolio Property;
- (iv) to the extent that there are profits to the Partnership after deducting all General Partner Fees, Property Management Fees, all Preferred Returns, Operating Income Returns, Allocated Proceeds Returns and after allocating all Limited Partner Distributions, if any, the General Partner shall retain all remaining profits.

Limited Partner Returns:

After deducting the General Partner Fees, Property Management Fees and other fees accrued by the Fund, distributions of operating income generated by the Portfolio Assets (i.e., excess cash which exceeds the Fund’s current and anticipated needs) (collectively, “Available Cash”), upon approval of the General Partner, will be made as follows:

- First, as a preferred return to the Limited Partners equal to an annualized ten percent (10%) per annum internal rate of return (“IRR”) on such Limited Partner’s adjusted capital investment (the “Preferred Return”);
- Second, to the extent that there is Available Cash available for distribution in excess of the Preferred Return, Limited Partners will be entitled to receive monthly payments equal to fifty five percent (55%) of the gross monthly net operating profits derived from the Portfolio Assets until the Limited Partners have achieved an annualized twelve percent (12%) IRR on such Limited Partner’s adjusted capital investment (the “Operating Income Return”). For each Portfolio Asset, such monthly payments shall first commence sixty (60) days following the closing date of such Portfolio Property.
- Lastly, upon the successful disposition of a Portfolio Asset, to the extent that there is Available Cash available for distribution in excess of the Preferred Return and the Operating Income Return, Limited Partners will be entitled to receive twenty percent (20%) of the proceeds from a disposition in the aggregate in proportion to each Limited Partner’s respective Ownership Percentage (the “Allocated Proceeds Return”).

As a reserve for expenses or other contingencies of the Fund or Portfolio Assets, the General Partner may retain amounts that would otherwise be distributed as Available Cash in its sole and absolute discretion.

General Partner

The General Partner is Sabi Varon.

Capital Contributions:

Subscription for each Unit shall be payable as: (i) an initial capital contribution equal to \$5,000.00 (the “Initial Capital Contribution”), and (ii) the remainder of the subscriber’s capital contribution shall be in the form of a subscription note which may be called, at the sole discretion of the General Partner, at any time upon ten (10) day’s prior written notice to the Limited Partner (each capital contribution made in response to a capital call from the General Partner shall be referred to herein as a “Capital Contribution”). The subscription notes will not bear interest unless the investor fails to make a Capital Contribution when due. From the Initial Capital Contributions, the Fund may reimburse the General Partner for organization and offering costs (up to \$15,000) and placement agent fees. See “Use of Proceeds” and “Subscriptions.”

The General Partner shall deduct from each Limited Partner’s Initial Capital Contribution: (i) the Subscription Fee of \$3,000 for each subscribed Unit, and the first year’s Annual Fee of \$1,000 for each Unit subscribed, each at the time of subscription.

All capital calls will be made pro-rata based on the Limited Partners’ respective Committed Capital. In anticipation of receipt of Capital Contributions from the Limited Partners, the Fund may borrow funds to meet its obligations, including obligations with respect to existing or potential Portfolio Assets, on terms (including the interest rate) the General Partner determines are commercially reasonable.

Default Provisions:

If any Limited Partner does not fund a Capital Contribution when required or make payment of the annual management fee within ten (10) days of its due date, the General Partner may, in its sole discretion, declare the Limited Partner in default, in which case the amount due will accrue interest from the original due date until payment at the greater of (i) eighteen percent per annum, or (ii) the maximum legal contract rate in the State of Georgia. If the Limited Partner’s default continues for more than thirty (30) days from the original due date, the General Partner may then use reasonable efforts to secure another person or entity (which may be an existing Limited Partner or a third party that may be affiliated with the General Partner) to assume the defaulting Limited Partner’s Interest and to pay such defaulting Limited Partner’s unpaid capital commitment and/or management fee. The General Partner alternatively, in its sole discretion, may distribute such defaulting Limited Partner’s Interest to all non-defaulting Limited Partners on a pro rata basis, effective as of the first day of the fiscal period in which such default occurs. In either case, such Interest shall be forfeited by the defaulting Limited Partner without any payment to such defaulting Limited Partner.

Restrictions on Transfer:

The Interest of a Limited Partner may not be assigned, sold, transferred or otherwise disposed of, whether voluntarily or by operation of law, unless the General Partner has consented in writing to such sale,

assignment or transfer. See “Summary of Partnership Agreement – Restrictions on Transfer by Limited Partner.”

Investor Suitability:

This Offering is intended to be exempt from registration under the safe-harbors provided by Rule 506 of Regulation D and Rule 903 of Regulation S promulgated under the Securities Act. The Units are being offered to certain accredited investors within the meaning of Rule 501(a) of Regulation D of the Securities Act and non-U.S. persons within the meaning of Rule 902(k) of Regulation S of the Securities Act who are acquiring the securities for investment purposes only and not for resale and who also qualify as “qualified clients” under the Investment Advisors Act.

Manner of Subscribing:

Prospective investors may subscribe for Interests by completing, executing and delivering to the General Partner a Subscription Agreement and the other documents contained in the Subscription Booklet delivered herewith. The execution and delivery of such documents by a prospective investor constitutes a binding offer to purchase the Interests set forth therein and an agreement to hold such offer open until it is either accepted or rejected by the Fund. Acceptance by the Fund of a prospective investor’s subscription constitutes an agreement by the prospective investor to be bound by the terms of both the Subscription Agreement as well as the Limited Partnership Agreement. See “Subscriptions.”

III. RISK FACTORS

As with any investment, an investment in the Fund carries with it a risk of loss of all or a portion of invested capital. However, there are additional risks associated with investing in the Fund (some of which are summarized below) which are not applicable to typical investments in the public equity markets. There can be no guarantee or representation that the Fund will achieve its investment objective or that any specific return or any return at all will be achieved. Prospective investors should carefully review the risks associated with investing in the Fund with their financial and legal advisors.

Investment Risks

Generally. Venture capital investing involves a high degree of business and financial risk that can result in substantial losses. In order for the Partnership to succeed, it must be able to accurately identify potentially undervalued assets, a process which is difficult even for those with extensive experience. Portfolio assets may be operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital. Investment in the Partnership is highly speculative, involves a high degree of risk and could result in the loss of part or all of an investor's capital. Therefore, prospective investors should not subscribe for Interests unless they can bear such a loss. Moreover, there can be no assurance that the Partnership's investment objectives will be achieved and investment results may vary materially from one reporting period to the next. Consequently, an investment in the Partnership is suitable only for sophisticated investors who are capable of making an informed independent decision as to the risks involved in an investment in the Partnership. Potential risk factors to consider prior to making an investment in the Partnership include but are not limited to the factors discussed below.

Illiquidity; Risk of Loss. The Fund is intended for long-term investors who can accept the risks associated with making highly speculative, primarily illiquid, investments in debt securities through privately-negotiated transactions. Illiquidity may result from the absence of an established market for investments as well as from legal or contractual restrictions on their resale by the Fund. Except in very limited circumstances, Limited Partners may not sell, transfer, exchange, assign, pledge, hypothecate or otherwise dispose of their Interests in the Fund (or any portion thereof) nor may they withdraw from the Fund without the consent of the General Partner, which may be withheld in its sole discretion. It is possible that not all Portfolio Assets will be sold, liquidated or otherwise disposed of by the end of the Fund's term. In that case, there may be in-kind distributions by the Fund of interests in such Portfolio Assets, which are likely to be illiquid. There can be no assurance that any Limited Partners would be able to dispose of such investments or that the value of such investments determined by the Fund for purposes of the determination of distributions would ultimately be realized.

Adverse Change in Economic Conditions. The Fund's financial performance will be directly related to the debt, securitized assets and real estate market, as well as to the national and local economy in general. Considerable economic and political uncertainties currently exist that could have adverse effects on consumer buying habits, construction costs, availability of labor and materials and other factors affecting the real estate industry in general. Additionally, there are significant expenditures associated with investment in real estate, such as real estate taxes, maintenance costs and debt payments, cannot generally be reduced if changes in the national, state or local economy cause a decrease in revenues from operations. In particular, if the growth rate of the economy declines or a recession occurs in the geographic area where the Fund has invested capital, the Fund's profitability could be materially adversely affected.

Adverse Economic and Geopolitical Conditions. The Fund will be affected by the unprecedented volatility and illiquidity in the financial and credit markets, the general global economic recession, and other market or economic challenges experienced by the U.S. economy or the real estate industry as a whole. If economic conditions persist or deteriorate, then the Fund's results of operations, financial condition, financial results and/or

ability to service debt and to pay distributions may be adversely affected by the following, among other potential conditions:

- Significant job losses are expected to continue, which may decrease demand from potential renters of Portfolio Assets, causing market rental rates and property values to be negatively impacted;
- The Fund's ability to borrow on terms and conditions that it finds acceptable, or at all, may be limited, which could reduce its ability to compete;
- Reduced values of Portfolio Assets may limit the Fund's ability to dispose of assets at attractive prices or to obtain debt financing secured by the Fund's properties and may reduce the availability of unsecured loans;
- Reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair the Fund's ability to access capital; and
- One or more Limited Partners could refuse or be unable to fund their financing commitment to the Fund and the Fund may not be able to replace the financing commitment of any such parties on favorable terms, or at all.

Economic Impact on the Real Estate Industry. The Fund's economic performance and the value of its Portfolio Assets are subject to the risk that if properties do not generate revenues sufficient to meet the Fund's operating expenses, including debt service and capital expenditures, the Fund's cash flow and ability to pay distributions to Limited Partners will be adversely affected. Events or conditions beyond the General Partner's control that may adversely affect the Fund's operations or the value of Portfolio Assets include:

- Downturns in the national, regional and local economic climate including increases in the unemployment rate and inflation;
- Competition from other retail, office and commercial buildings;
- Local real estate market conditions, such as oversupply or reduction in demand for commercial space;
- Changes in interest rates and availability of financing;
- Vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;
- Increased operating costs, including insurance expense, utilities, real estate taxes, janitorial costs, state and local taxes, labor shortages and heightened security costs;
- Civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;
- Significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property; and
- Declines in the financial condition of tenants and the Fund's ability to collect rents from tenants.

Disruption in the Debt Capital Markets. Since mid-2007, there has been a marked deterioration in the credit markets affecting the availability of credit, the terms on which it can be sourced and the overall cost of debt capital. This could negatively affect the Fund by:

- Increasing the cost of debt the Fund uses to finance acquisition activities, thereby increasing costs and reducing returns; and
- Preventing the Fund from accessing necessary debt capital on a timely basis leading the Fund to consider potentially more dilutive capital transactions such as undesirable sales of properties or securities.

Bankruptcy or Insolvency of Tenants. The current economic conditions is expected to cause tenants to experience financial difficulties. If tenants experience financial difficulties, including bankruptcy, insolvency or a general downturn in their business, there could be an adverse effect on the Fund's financial performance. A

bankruptcy filing by or relating to tenant or a lease guarantor would bar efforts by the Fund to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless it receives an order permitting the Fund to do so from the bankruptcy court. The bankruptcy of a tenant or lease guarantor could delay the Fund's efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid in full. If, however, a lease is rejected by a tenant in bankruptcy, the Fund would have only a general, unsecured claim for damages. Any such unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that the Fund can make if a lease is rejected. As a result, it is likely that the Fund would recover substantially less than the full value of the remaining rent during the term.

Availability of Investments. The success of the Fund depends upon its ability to identify, select and consummate the closing, on terms favorable to the Fund, Portfolio Assets that it believes offer the potential for superior returns within the time frame it desires. The availability of such opportunities will depend, in part, upon general market conditions. Although the Fund believes that significant opportunities currently exist and that others will arise, there can be no assurance that the Fund will be able to identify, select and consummate a sufficient number of opportunities to permit the Fund to invest all of its Committed Capital or to invest its Committed Capital to the extent described in this Memorandum.

Risk of Unspecified Investment. The Fund will have no investments or commitments to invest prior to the first admission of Limited Partners to the Fund. Therefore, investors will not have an opportunity to evaluate for themselves the Portfolio Assets, but must depend solely upon the ability of the General Partner to identify and select Portfolio Assets for the Fund. The Fund anticipates, but cannot be certain, that full investment of the Capital Contributions will be made in Portfolio Assets within forty eight (48) months after the Termination Date.

Lack of Operating History. The Fund has no operating history upon which an investor can evaluate its business and prospects. There can be no assurance that the Fund will be able to successfully implement its investment strategy or that the Fund will achieve any of its investment objectives.

Limited Diversification of Risk. The Fund will invest primarily in distressed real property, personal property and debenture assets, principally under-performing assets primarily located in the Southeastern United States. Although the Fund does not anticipate investing more than twenty percent (20%) of the Fund's total Capital Contributions in any single Portfolio Asset, Portfolio Assets will primarily be concentrated in the Southeastern region. Because of this concentration of investments in a single geographic area, the Fund is much more susceptible to the risk inherent such strategy. Instability, fluctuation or an overall decline within this geographic region may not be balanced by investments in other areas.

Business Relationships. Successful implementation of the Fund's business plan depends on the ability to maintain and develop relationships with potential sellers, banks, federal or state agencies, property developers and other service providers, as well as the ability to form other strategic alliances within the real estate industry. Failure to develop these relationships could materially adversely affect the Fund's business, financial condition, results of operations and cash flows.

Adequate Capital Raise. Debenture and real estate acquisition activities require significant capital expenditures. Although the Fund anticipates obtaining these funds through this Offering and various financing arrangements, there is no assurance that the capital available from these sources will be adequate to fund required or desired capital expenditures for acquisition activities. If the Fund is unable to obtain sufficient capital, it may have to defer or otherwise limit acquisition activities. There can be no assurance that the Fund will be able to raise adequate capital needed to finance the development of the maximum number of assets contemplated in this Memorandum. If the Fund is unable to raise adequate capital, investments may become concentrated in a few or

even one property, and as a result, the Fund's financial condition may be substantially affected by poor performance of a single property. Additionally, the Fund may not be able to fund all future capital needs, including capital for acquisitions. It therefore may have to rely on third-party sources of capital, which may or may not be available on favorable terms, or at all. The Fund's access to third-party sources of capital depends on a number of things, including the market's perception of the growth potential of the Portfolio Assets and perceived future earning potential. The Fund may subsequently conduct additional equity offerings. Additional equity offerings may result in substantial dilution of Limited Partners' interests, and additional debt financing may substantially increase the Fund's degree of leverage.

Leverage in Acquiring Portfolio Assets. The Fund may engage in borrowing activity to finance certain costs in association with the acquisitions of Portfolio Assets. Such borrowing is often referred to as "leveraging." The effect of leveraging is to decrease the amount of cash required to acquire property in relation to its cost. If the Portfolio Assets were to increase in value at a greater rate than the cost of borrowing, the return on invested capital would be increased. However, leveraging also creates an additional element of risk in the event that the cash flow of the investments is insufficient to service the debt. The Fund's Partnership Agreement does not limit the amount of debt that it may incur. The degree to which the Fund is leveraged could have important consequences, including the following:

- leverage could affect the Fund's ability to obtain additional financing in the future to repay indebtedness or for working capital, capital expenditures, acquisitions other general purposes;
- leverage could make the Fund more vulnerable to a downturn in the value of the Portfolio Assets or the economy generally; and
- as a result, leverage could lead to reduced value of the Limited Partners' interests.

In such event, the Fund's interest in such Portfolio Assets may be reduced or lost through foreclosure of such indebtedness, and it is possible that Limited Partners could lose their entire investment.

Ownership of Real Estate Entails Uncontrollable Risks. Real estate investments are subject to varying degrees of risk. The yields available from investments in real estate depend upon the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection therewith. If the Portfolio Assets do not generate income sufficient to meet operating expenses, then the Fund's financial performance will suffer accordingly. The Fund's financial operations may be adversely affected by the general economic climate, local conditions such as oversupply of real estate space or a reduction in demand for real estate space in the areas in which they are located, the attractiveness of the properties to potential tenants, competition from other properties, the Fund's ability to provide adequate maintenance and insurance and increases in operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues from properties and real estate values are affected by such factors as the cost of compliance with regulations and the potential for liability under applicable laws, including changes in tax laws, and are also affected by interest rate levels and the availability of financing. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property. While the Fund will conduct a reasonable due diligence review and inspection of each Portfolio Asset, there are no guarantees that once the Fund acquires an asset, a subsequent defect will not be discovered, that the asset will not experience economic challenges that adversely affect its economic performance, and that adequate cash flow from the investment will be obtained through the asset's ownership and operation. This is a risk inherent in any real estate investment.

Portfolio Assets Will be Geographically Concentrated. The Fund intends to focus its investment opportunities in the Southeastern United States, but will not be limited to this region only. Accordingly, the

economic growth and health of those areas are important factors in the success of the Fund's operations. As a result, any adverse change to the economic growth and health to these areas, could materially adversely affect the Fund's financial results.

Risks Inherent in Acquisition and Development of Real Estate. The Fund may invest in the development of certain properties. Such development will be subject to risks that may be beyond its control, such as changes in development and construction plans, construction delays, inability to acquire required permits, inability to secure tenants and inability to attract purchasers. These, in turn, may be adversely affected by general and local economic conditions, adverse use of adjacent or neighboring real estate, increasing operating costs, expenses, building codes, real property tax rates and assessments, environmental compliance requirements and zoning laws. The real estate industry is subject to government regulation and restriction, some of which may be significant and burdensome. Although the General Partner will use commercially reasonable efforts to determine the actual development or redevelopment costs or any property, there is no assurance that the actual costs will be as projected.

Inability to Consummate Transactions. The General Partner expects that there will be significant competition for attractive investment opportunities from other major distressed asset and real estate investors with significant capital, including both publicly-traded Real Estate Investment Trusts ("REITs") and private investment funds. Because of competition from other well-capitalized real estate investors, no assurance can be given that the Fund will be able to make investments on terms and conditions satisfactory to Limited Partners. Where it is possible to acquire operating properties, no assurance can be given that the Fund will be able to do so on advantageous terms. In addition, no assurance can be given that any such investments will be financed on terms favorable to the Fund, or that such investments, if any, will meet the Fund's return expectations. Any one of the foregoing events could have an adverse effect on the Fund's financial condition, results of operations and cashflow.

Inability to Dispose of properties Portfolio Assets. The Fund's ability to dispose of Portfolio Assets on advantageous terms is dependent upon certain factors beyond its control, including competition from other real estate owners that are attempting to dispose of similar properties, and the availability of financing on attractive terms for potential buyers of the Portfolio Assets. The Fund's inability to dispose of properties on favorable terms could have an adverse effect on its financial condition, results of operations and cash flow.

Unsuccessful Development Activities. The Fund may pursue development activities as opportunities arise. Development activities require various government and other approvals. The Fund may not recover its investment in development projects for which approvals are not received. The Fund incurs other risks associated with development activities, including:

- the risk that it may abandon development opportunities and lose its investment in these developments;
- the risk that development costs of a project may exceed original estimates, possibly making the project unprofitable;
- lack of cash flow during the construction period; and
- the risk that occupancy rates and rents at a completed project will not be sufficient to make the project profitable.

If the Fund sustains material losses due to an unsuccessful development project, its business, financial condition, results of operations, and cash flows could be materially adversely affected.

Natural Disasters. The occurrence of natural disasters, such as hurricanes, floods, fires, unusually heavy or prolonged rain and droughts, could have a material adverse effect on the Fund's ability to acquire, develop,

lease, market and sell various Portfolio Assets or to realize income from such assets. The occurrence of natural disasters could also cause increases in property insurance rates and deductibles which could reduce demand for such assets.

Uninsured Losses. The Fund may have to carry comprehensive liability, fire, flood, extended coverage, rental loss and environmental insurance for its Portfolio Assets with policy specifications and insured limits customarily carried for similar properties. There are, however, some types of losses, such as from hurricanes, terrorism, wars or earthquakes, which may be uninsurable, or the cost of insuring against such losses may not be economically justifiable. If an uninsured loss occurs, the Fund could lose both the invested capital in and anticipated revenues from the asset, but would still be obligated to repay any recourse mortgage debt on the property. In that event, the Fund's business, financial condition, results of operations, and cash flows could be materially adversely affected.

Increases in Interest Rates. An increase in interest rates could reduce the demand for the Portfolio Assets and could increase the Fund's acquisition and maintenance costs. In particular, demand for commercial properties or land that the Fund may acquire or develop may be adversely affected by rising interest rates. Such a reduction in demand could materially adversely affect the Fund's profitability.

Possible Joint Ventures. The Fund may engage in joint ventures or partnerships with third parties from time to time. Such parties may have interests different from the Fund's and may take actions that adversely affect the Fund. Joint ventures involve the following special risks:

- The Fund may not have voting control over the joint venture;
- The venture partner at any time may have economic or business interests or goals inconsistent with that of the Fund;
- The venture partner may take actions contrary to the Fund's instructions or requests, or contrary to its policies or objectives and
- The venture partner could experience financial difficulties.

Also, actions by venture partners may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or have other adverse consequences.

Potential Environmental Regulation and Liability. A rapidly changing and growing body of law imposes potential liability upon owners and operators of real property for the presence, storage, treatment and/or release of toxic, hazardous and otherwise environmentally undesirable materials upon their real property (such as the discharge of untreated or partially treated sewage). Under various federal, state and local laws and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred in connection with the contamination. These laws can impose liability without regard to whether the owner or operator knew of or caused the release of these hazardous substances. The presence of contamination or the failure to remediate contamination may adversely affect the Fund's ability to effectively market an investment. The operation and subsequent removal of certain underground storage tanks are also regulated by federal and state laws. In connection with the ownership or development of a property, the Fund could be held liable for the costs of remedial action with respect to regulated substances or tanks of these kinds or related claims for personal injury, property damage or fines. The Fund's general reserves for contingencies, and the proceeds of insurance, if any, could be insufficient to pay the cost of such remedial action and/or liability to third parties. Furthermore, the Portfolio Assets may be located in areas

where development may have to address the natural habitats of various endangered or protected wildlife species or in sensitive environmental areas such as wetlands and coastal areas. This also may adversely affect the Fund's financial results.

Defects in Title. Any property that the Fund may acquire or otherwise invest in may contain defects in its title. The prior owners of a property will generally warrant that they had good and marketable title to the property subject to limited title exceptions which do not materially interfere with the operation and use of the property, and will not materially interfere with the continued operation and use of the property. At the time of any property transfer, the General Partner will: (i) review appropriate records, and (ii) obtain a current title report from agents and examiners associated with reputable title companies, and review exceptions contained in the title report and the underlying documents. If there are defects in the title that prove to be material, the General Partner may determine that it has not obtained good and marketable title to the property and, as a result, would need to seek to correct the defects or prosecute a claim under the agreement of purchase and sale.

Competition. There are many private equity, venture capital and asset acquisition funds in the United States and abroad. In addition, there are a number of alternative sources of capital to fund the needs of potential Portfolio Assets. As a result, there is substantial competition for attractive investment opportunities. There is no assurance that the Fund will be able to invest its capital on terms favorable to the Fund and the Limited Partners.

In addition, the real estate industry is intensely competitive and there can be no assurance that the Fund will be able to compete successfully in the future. Many companies participate in, or may decide to enter the real estate industry in the area where the Fund intends to invest, including companies that are much larger and more diversified than the Fund and that have substantially greater resources available for marketing and improvement of their properties. Many of the Fund's anticipated competitors may also have substantially greater financial, marketing and other resources, including broader political influence, which may be crucial in obtaining the required approvals from governmental agencies for property development. In addition, competitors or potential competitors may have longer operating histories, longer customer relationships and significantly greater financial, managerial, technical, sales and marketing and other resources.

Dependence on Key Personnel. The performance of the Fund will depend in significant part upon the skill and expertise of the key personnel of the General Partner, other Portfolio Assets and may be affected by key individuals joining or leaving the General Partner or other Portfolio Assets. The loss of any of such key personnel or the inability to find and hire qualified personnel as required by the General Partners or other Portfolio Assets, could have a material adverse effect on the performance of the Fund.

Reliance on the General Partner. Holders of the Interests will have very limited rights or powers to direct the General Partner. Limited Partners will have no right or power to participate in the management or control of the business of the Fund and thus must depend solely upon the ability of the General Partner with respect to making, monitoring and disposing of investments. Accordingly, no potential investor should purchase any Interests unless he or she is willing to entrust all aspects of day-to-day management of the Fund's operations to the General Partner. Investors will be relying on the expertise and experience of the General Partner's management to identify and administer Fund's investments. Past investment performance provides no assurance of future results.

Liability for Return of Distributions. Generally, the Limited Partners do not have personal liability for the obligations of the Fund in excess of their unfulfilled capital commitments. However, under Georgia law, Limited Partners could be required to return distributions previously made by the Fund if it is determined that such distributions were wrongfully made. Additionally, Limited Partners may have to return all or a portion of distributions to the extent the Fund has an obligation to withhold any amounts from such distribution for tax purposes.

In addition, pursuant to the Fund's Limited Partnership Agreement, all distributions will be subject to recontribution to the Fund for an indefinite period to the extent necessary to fund (i) any indemnification or similar obligations in respect of Portfolio Assets or (ii) indemnification obligations of the Fund under the Limited Partnership Agreement. Certain of these obligations may extend beyond the termination of the Fund.

Performance. There can be no assurance or guarantee that the Fund's investment objectives will be attained or that any specific return to investors will be achieved. An investment in the Fund should only be considered by persons who can afford to lose their entire investment.

Conflict of Interest. The Fund's Limited Partnership Agreement does not prevent the General Partner, its principals and affiliates, the members of the Advisory Board, or the Limited Partners from engaging in outside activities, including those that are competitive with the Fund, and does not impose any obligation on such persons to offer any interest in such activities to the Fund or any Limited Partner. Among the known potential conflict to date:

- The General Partner intends to act as the property manager and enter into a Property Management Agreement to operate and manage the day-to-day affairs of Portfolio Assets. In light of the extraordinary high level of vacancies in the commercial retail market and the severe impact of the current financial crisis, the General Partner will need to employ an active, hands-on approach. Because of its high level of involvement, the General Partner will charge a property management fee of ten percent (10%) of the gross revenues from the Portfolio Assets for these services; at the high end of the typical 5-10% range for property management fees.
- The Fund may purchase Portfolio Assets with the assistance of Highland Equity, LLC ("Highland Equity"), an affiliated entity of the General Partner. Highland Equity could potentially become a licensed real estate agent in the future and may work exclusively for the Fund. Highland Equity or broker David Bernstein may provide services to the General Partner and the Fund by using its experience, expertise and market positioning to negotiate and provide opportunities and value to the General Partner and the Fund. In return for such services, the Fund, at the direction of the General Partner, may pay Highland Equity or Mr. Bernstein real estate commissions up to 10% and remit portions of such proceeds to the General Partner, if applicable and permissible under rules and regulations. Investors are hereby advised on the potential conflicts arising from Highland Equity or Mr. Bernstein paying or sharing commissions or other fees with the General Partner or an affiliate of the General Partner.
- In addition to the General Partner's interest in the Partnership and Property Management Fees, the General Partner will receive or be entitled to receive various General Partner Fees including without limitation: (i) the Acquisition Fee, (ii) the Financing Fee, (iii) the Asset Management Fee, and (iv) to the extent that there are profits to the Partnership after deducting all General Partner Fees, Property Management Fees, all Preferred Returns, Operating Income Returns, Allocated Proceeds Returns and after allocating all Limited Partner Distributions, if any, the General Partner shall retain all remaining profits.

Restrictions on Transfer and Withdrawal. The Interests have not been registered under the Securities Act or any other applicable securities laws. There will be no public market for the Interests. In addition, the Interests are not transferable except with the consent of the General Partner, which may be withheld in its sole and absolute discretion. Limited Partners may not withdraw capital from the Partnership. Consequently, investors may not be able to liquidate their investments prior to the end of the Partnership's term.

Failure to Meet Capital Calls or Pay Management Fees. If any Limited Partner does not fund a Capital Contribution upon request or make payment of the annual management fee within ten (10) days of its due date, the

General Partner may, in its sole discretion, declare the Limited Partner in default, in which case the amount due will accrue interest from the original due date until payment at the greater of (i) eighteen percent per annum, or (ii) the maximum legal contract rate in the State of Georgia. If the Limited Partner's default continues for more than thirty (30) days from the original due date, the General Partner may then use reasonable efforts to secure another person or entity (which may be an existing Limited Partner or a third party that may be affiliated with the General Partner) to assume the defaulting Limited Partner's Interest and to pay such defaulting Limited Partner's unpaid capital commitment and/or management fee. The General Partner alternatively, in its sole discretion, may distribute such defaulting Limited Partner's Interest to all non-defaulting Limited Partners on a pro rata basis, effective as of the first day of the fiscal period in which such default occurs. In either case, such Interest shall be forfeited by the defaulting Limited Partner without any payment to such defaulting Limited Partner.

Applicability of the Investment Company Act. The Fund is not currently planning on registering under the Investment Company Act in reliance upon the exception provided thereunder for entities whose outstanding securities are beneficially owned by fewer than 100 persons. The Fund intends to conduct the offering of Interests in a manner so as to ensure that there will be fewer than 100 holders of its securities. Investors will not have the benefits and protection arising out of the registration under the Investment Company Act. However, if the Fund were to become subject to the Investment Company Act because of a change of law, the integration of security holders of related funds with the Limited Partners, or otherwise, the various restrictions imposed by that act and the substantial costs and burdens of compliance therewith could adversely affect the Fund's operations and profitability. Moreover, parties to a contract with an entity which has improperly failed to register under the Investment Company Act may be entitled to otherwise void their contracts with the unregistered entity.

Failure to Qualify for Relevant exemptions under the Investment Advisers Act. The Investment Advisers Act prohibits any investment adviser, absent an applicable exemption, from receiving compensation based on the capital gains or appreciation of the funds of any client. The General Partner is compensated by the Fund through an allocation of a portion of the profits of investments made in the Fund's Portfolio Assets. One exemption provided by the rules and regulations promulgated under the Investment Advisers Act allows such otherwise prohibited compensation arrangements if each client is a "qualified client" as defined in the rules and regulations. As a result, the General Partner has structured this offering to be made available only to a limited number of "qualified clients" as such term is defined in Rule 205-3 of the Investment Advisers Act. If the General Partner were to become subject to the Investment Advisers Act because of a change of law or otherwise, the various restrictions imposed by that act could adversely affect the Fund's operations and profitability.

Changes in the Law. The Fund must comply with various legal requirements, including requirements imposed by the U.S. federal, state, and foreign securities laws and tax laws. Should any of those laws change over the term of the Fund's existence, the legal requirements to which the Fund and its Investors may be subject could differ materially from current requirements, which could increase the cost of doing business or preclude the Fund from undertaking certain parts of its business plan, which would result in adverse consequences to the Fund and the Investors.

Risks Inherent in Real Estate Investments

General Real Estate Risks. The Fund will be subject to risks incident to the ownership of real estate, including: changes in general economic or local conditions, such as a decrease in demand for commercial and industrial space due to a decrease in population or employment or changes in technology or adverse business developments affecting tenants that lease space; changes in tenant preferences that reduce the attractiveness of the Fund Assets to tenants; fluctuation in occupancy rates, operating expenses and rental schedules; costs associated with the need to periodically repair, renovate and re-lease space; withdrawal of tenants and difficulty replacing tenants; tenant defaults; changes in supply or demand of competing properties in an area, such as an excess supply resulting from over-building; changes in interest rates, zoning and other governmental regulations and availability

of permanent mortgage funds that may render the sale of a property difficult or unattractive; increases in maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur as other circumstances such as market factors and competition cause a reduction in revenues from such properties; inflation; changes in tax laws and rates; and imposition or extension of rent controls by governmental authorities.

Due Diligence and Analytic Risks. There is generally limited publicly available information about real properties, and the Fund must therefore rely on due diligence conducted by the General Partner, and/or its affiliates. Should the General Partner's pre-acquisition evaluation of the physical condition of each new investment fail to detect certain defects or necessary repairs, the total investment cost could be significantly higher than expected. Furthermore, should the General Partner's estimates of the costs of improving, repositioning or redeveloping an acquired property prove too low, or its estimates of the time required to achieve occupancy prove too optimistic, the profitability of the investment may be adversely affected.

Competitive Risks. The Fund may face competition on several fronts. First, it may face competition for attractive properties from other prospective bidders, some whom may have greater resources or experience than the General Partner. Second, once properties are acquired, the properties may be subject to vigorous competition for tenants or purchasers from other properties in the same vicinity. Also, the Fund may be required to sell properties during periods of over-supply, when demand for properties is limited and prices are depressed.

Delays in Deployment of Invested Capital. Due to the possibility of delay in finding suitable investment opportunities, delays in the actual investment of funds may occur that could adversely affect returns, if any.

Tenant Default and Bankruptcy. A tenant's default in performing its lease obligations, or the tenant's bankruptcy, could adversely affect cash flow from a real estate investment and cause the Fund to incur legal costs and other costs that would not likely be recouped. An early termination of a lease by a bankrupt tenant would likely result in unanticipated expenses to re-let the premises.

Non-Renewal of Leases. The Fund's real estate investments will be subject to the risks that, upon expiration, leases for space may not be renewed, the space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions, may be less favorable than current lease terms. In the event of any of these circumstances, cash flow from the Fund Assets and, therefore, the value of an investment in the Fund, could be adversely affected. These risks may be particularly acute for single-tenant properties.

Fixed and Variable Cost Risks. Many costs associated with a real estate investment, such as debt service and real estate taxes, are not reduced even when a property is not fully occupied, or other circumstances cause a reduction in income from the investment. These fixed costs intensify the risk to the Fund of a tenant default or an unanticipated delay in achieving occupancy of a new or redeveloped property or reletting a property upon lease expiration. Some costs associated with a real estate investment, such as maintenance and repairs, may be subject to cost increases beyond the control of the Fund. Variable rate debt in a time of rising interest rates could also result in unanticipated cost increases.

Limitation on Borrowing Capacity. A substantial portion of the purchase price of the Fund's properties is expected to be financed. The degree of leverage could have important consequences to the Limited Partners, including limiting the ability of the Fund to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes and making the Fund more vulnerable to a downturn in business or the economy generally. The Partnership Agreement contains no limitations on the Fund's indebtedness.

Loan Default Risks. The mortgage loan documents for the Company's properties will generally contain customary covenants, such as requirements relating to the maintenance of the property securing the debt, restrictions on creating other liens on the property, restrictions on incurring additional indebtedness and restrictions on transactions with affiliates. Failure by the Fund to make timely payments of principal and interest on mortgage loans or to observe these loan covenants could result in the declaration of a default by the lender. The consequences of a declaration of default include foreclosure of the mortgage, resulting in loss of both the property and the income it produces, the incurrence of substantial legal costs, the imposition of a deficiency judgment if the foreclosure sale does not result in proceeds sufficient to satisfy the mortgage, and potential adverse tax consequences to the Limited Partners. In addition, if any loan contains cross-default provisions, a default under one loan could result in default under other loans.

Refinancing Risks. Mortgage loans on the Fund's properties may be subject to relatively short maturities, which may require refinancing before the properties are disposed of. There is no assurance that replacement financing can be obtained or, if it is obtained, that interest rates and other terms would be as favorable as for the original loans. Inability to refinance a loan on favorable terms may compel the Fund to attempt to dispose of the property or other properties on terms less favorable than might be obtained at a later date.

Need for Personal Guarantees. Certain lenders may require personal guarantees in connection with their financing of property acquisitions. Such guarantees may be provided by General Partner, Limited Partners or their respective affiliates, or by unaffiliated third parties, in return for cash and/or other compensation. The Partnership Agreement imposes no limits on the amount of cash and other compensation they may receive.

Liquidity Risk. Liquidity relates to the ability to sell a property in a timely manner at a price that reflects fair market value. At the time the Fund desires to sell its property, there may not be a ready market for the property, based on either property-specific factors (e.g., location, condition, tenants) or general market and economic conditions, including the unavailability of financing at favorable rates. Inability to sell properties or to sell them at fair market value could adversely affect the Fund's ability to make distributions to Limited Partners and ultimately, affect the return to Limited Partners from their investment in the Fund.

Tax Risks

Challenges to Allocations. Allocations of the Fund's taxable income, gain, loss, deductions and credits, and corresponding adjustments to the Limited Partner's capital accounts, are intended to be made in accordance with U.S. Treasury Regulations. There can be no assurance, however, that the Internal Revenue Service (the "IRS") will not challenge the Fund's allocations of taxable income, gain, loss, deductions and credits, or that, if it does, such challenge will not be successful. If these allocations are successfully challenged, the Limited Partners may be allocated different amounts of taxable income, gain, loss, deductions or credits than initially reported to the Limited Partners.

Unrelated Business Taxable Income. A tax-exempt Limited Partner's share of Fund income (and possibly the gain on the sale of all or a portion of the Limited Partner's Interest in the Fund) may constitute unrelated business taxable income ("UBTI"), which is subject to federal (and possibly state and local) taxation at rates applicable to taxable investors. The General Partner anticipates that the majority of the Fund's investments will not generate substantial amounts of UBTI; however, there are no restrictions on the Fund's ability to realize income that would be characterized as UBTI.

State and Local Taxes. Limited Partners may be subject to state and local taxes in jurisdictions in which the Fund acquires portfolio investments. Limited Partners may also be required to file tax returns in such jurisdictions. Investors should consult their own tax advisors with respect to the specific federal, state and local tax consequences of the purchase and ownership of an Interest in the Fund.

Possibility of Taxation without Corresponding Distribution. Due to potential timing differences between income recognition for tax purposes and actual cash distributions, it is possible that a Limited Partner may incur income tax liabilities in excess of actual cash distributions made prior to the date the liability arises or the tax is due. In addition, it is possible that, for federal income tax purposes, income or gain will be allocated to the Limited Partners with respect to cash distributions that are treated as a return of invested capital under the Fund's distribution provisions.

Change in Tax Year. It is anticipated that the Fund's fiscal year for federal income tax purposes (a "Tax Year") will be the calendar year. However, depending on the tax years of the Fund's Limited Partners for any period, the Fund may be required to have a Tax Year different from the calendar year or may be required to change its Tax Year, which might accelerate a Limited Partner's recognition of the Limited Partner's distributable share of the Fund's taxable income.

Partnership Audit Procedures. A tax audit by the IRS of the Fund's tax returns may lead to adjustments, in which event Limited Partners may be required to file amended federal income tax returns and amended state and local tax returns. Under existing federal partnership audit rules, partners may be substantially restricted in their ability to participate in any negotiation, audit, appeals or court proceedings undertaken between the Fund and the IRS with respect to proposed tax adjustments. If any additional taxes become payable as the result of an audit, interest on such unpaid taxes (and penalties) generally will accrue from the date taxes should originally have been paid to the date of actual payment. In addition, an audit of the Fund's return, or the return of any one of its Limited Partners, could result in the audit of the tax returns of all Limited Partners and the Fund. In such event, the IRS could make adjustments to such returns to items of income, gain, loss, deduction or credit not relating to the Fund, as well as items relating to the Fund. The Fund, acting through the General Partner as Tax Matters Partner, may also unilaterally extend the statute of limitations for assessments of partnership tax items without the consent of the Limited Partners.

Change in Tax Laws. There can be no assurance that the anticipated federal income tax consequences of a purchase of Interests will not be modified, perhaps retroactively, by legislative, judicial or administrative action. Any such modification could affect the tax consequences of an investment in Interests of the Fund.

The Fund may be taxed as a corporation instead of a partnership. Prospective investors should carefully consider the tax aspects of this investment. The availability of the tax benefits of investing in the Fund depends upon its classification as a partnership, rather than as an "association taxable as a corporation" for federal income tax purposes. The IRS may, on audit, determine that for tax purposes the Fund is an association taxable as a corporation, which would result in adverse consequences to the Fund and the Investors.

Investors are urged to consult their own tax advisors with specific reference to their own tax situations and potential changes in the tax laws applicable to an investment in the Fund.

Risks Related to this Offering

No Public Market for the Limited Partnership Interests. There is no public market for the Limited Partnership Interests offered by this Offering, and none is expected to develop in the foreseeable future. The Limited Partnership Interests offered are not registered under the Securities Act of 1933 or the securities laws of any other jurisdiction. Additionally, the Partnership Agreement restricts transferability of the Limited Partnership Interests to certain limited circumstances. The Limited Partnership Interests offered may not be resold or otherwise transferred unless the Limited Partnership Interests are registered under the Securities Act and the securities laws of any other appropriate jurisdiction, unless exemptions from other registration requirements are available. Accordingly, investors may be unable to liquidate their investment in the Limited Partnership Interests and must be

prepared to bear the economic risk of an investment for an indefinite period and to withstand a total loss of their investment.

Projections or Forecasts. ANY PROJECTIONS OR FORECASTS PROVIDED IN CONJUNCTION WITH THIS MEMORANDUM ARE PREPARED BASED ON ASSUMPTIONS REGARDING FACTS AND FUTURE EVENTS THAT MAY OR MAY NOT MATERIALIZE. THERE CAN BE NO ASSURANCE THAT THE FUND'S ACTUAL BUSINESS OPERATIONS WILL CORRESPOND WITH THE PROJECTIONS OR FORECASTS. SINCE MANY FACTORS AFFECTING THE FUND ARE BEYOND ITS CONTROL, NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE BY THE FUND, THE GENERAL PARTNER, ITS ACCOUNTANTS, ATTORNEYS, OR ANY OTHER PERSON ASSOCIATED WITH THE FUND OR GENERAL PARTNER THAT ANY PROJECTIONS OR ASSUMPTIONS WILL CORRESPOND WITH FUTURE EVENTS.

Broad Discretion in Allocating the Net Proceeds. The Fund intends to use the proceeds from this Offering for the purposes generally described in this Memorandum. However, the Fund reserves and maintains full and exclusive discretion on how to allocate these proceeds. There can be no assurance that the General Partner will allocate the proceeds in a manner that the Limited Partners in this Offering find acceptable or appropriate.

No Independent Evaluation of this Offering. Each prospective Limited Partner should conduct a full review of the information contained in this Memorandum and the attached appendices so that the investor can satisfy itself as to the financial merit of an investment in the Fund. Information contained in this Memorandum is based on assumptions by the General Partner and should therefore not be considered as absolute. Accordingly, each investor should conduct his or her own review of the investment opportunity to determine the financial merit of the investment.

IV. INVESTMENT FOCUS AND PROCESS

Overview

Highland Financial Capital Group Real Estate Fund I, L.P., a Georgia limited partnership (the "Fund"), is being formed to acquire distressed real property, personal property and debenture assets, principally underperforming assets primarily located in the Southeastern United States (investments are referred to herein as "Portfolio Assets"). Investments by the Fund will generally involve the acquisition of income producing commercial real estate shopping and strip centers. The General Partner believes that the unprecedented liquidity and credit crunch problems in the United States have created once in a lifetime opportunities in commercial real estate.

Investment Strategy

The Fund seeks to acquire income producing commercial real estate shopping and strip centers that meet the investment criteria the General Partner applies, given economic, market and other circumstances. Given the current economic, capital market and retail industry conditions, the Fund expects its acquisition activities to be limited by the availability of debt or equity capital to fund such efforts.

When evaluating acquisitions, the Fund conducts a detailed analysis of the property and other factors. If a property substantially meets the investment criteria, given economic, market and other circumstances, the Fund will pursue it further if it believes it is well positioned to compete for it. The General Partner believes it has positive working relationships with many industry participants, including banks, prospective sellers and financing sources, which enable it to become aware of acquisition opportunities.

The Fund seeks to earn above market rates of return for its investors. To implement this strategy, the General Partner is guided by an investment strategy that focuses on:

- Purchasing undervalued assets in inefficient markets;
- Acquiring assets at a discount to their intrinsic value;
- Utilizing event driven sales to create value for sellers and investors; and
- Actively managing the assets to create value for the Limited Partners.

The issues involved in analyzing and restructuring real estate debt and equity are often complex, leaving more efficient capital on the sidelines. These inefficient markets include purchases of assets from banks, out of bankruptcy or from the Federal Deposit Insurance Corporation (“FDIC”) or other governmental and non-governmental sources and organizations. For example, in the early 1990s, the Resolution Trust Corporation was an inefficient seller of assets. At the same time there was a lack of real estate liquidity and investment capital. These events led to opportunistic purchases of undervalued assets in many classes including business loans and real estate. Today, the General Partner believes that there are extraordinary opportunities created by the depressed conditions in the economy, coupled with a massive de-leveraging of real estate and other assets due to the persisting credit crises.

The Fund seeks to acquire assets from motivated sellers. Often the catalyst for the sale is an event that causes the seller to offer an asset in a way that precludes efficient marketing. Event driven sales force a seller to sell. These events may be bankruptcy, death, divorce, liquidation of a partnership, litigation, tax sales, foreclosure or a default on a loan, to name a few. For the motivated seller, certainty of a sale may be more important than receiving the highest price possible.

The Fund intends to hold Portfolio Assets until it determines that the sale of such a property is advantageous in view of the Fund’s investment objectives. In deciding whether to acquire or sell a Portfolio Asset, the General Partner may consider factors such as potential capital appreciation, net cash flow, tenant credit quality, market lease rates, potential use of sale proceeds and federal income tax considerations.

In evaluating a particular Portfolio Asset, the General Partner may consider a variety of factors, including:

- Location, visibility and accessibility of the property;
- Geographic area and demographic characteristics of the community, as well as the local real estate market, including potential for growth, market rents, and existing or potential competing properties or retailers;
- Size of the property;
- Purchase price;
- Non-financial terms of the proposed acquisition;
- Availability of funds or other consideration for the proposed acquisition and the cost thereof;
- Compatibility of the property with the Fund’s existing Portfolio Assets;
- Potential for, and current extent of, any environmental problems;
- Quality of construction and design and the current physical condition of the property;
- Financial and other characteristics of the existing tenants;
- Tenant’s business plan, operating history and management team;
- Tenant’s industry;
- Terms of any existing leases; and
- Rent to be paid by tenants.

While the Fund’s primary business objectives primarily emphasize performing real estate, the Fund may invest in (i) a wide variety of property types and tenant types, (ii) leases, mortgages, commercial mortgage residual interests and other types of real estate interests, (iii) loans secured by personal property, (iv) loans secured by other assets, or (v) securities of public or private REITs or other entities engaged in real estate activities or securities of other issuers. The Fund is not operated as a REIT under Sections 856-858 of the Internal Revenue Code of 1986, as amended (the “Code”).

Focus on an Attractive Market

The Fund’s capital will be invested primarily in assets located in the Southeastern United States, but will not be limited to this region only. The Southeastern United States currently holds a number of key demographic and economic characteristics that make it attractive for venture investing:

- Atlanta, Charlotte, Raleigh-Durham, Birmingham, Nashville and other nearby cities are home to world-class universities like Georgia Institute of Technology, University of North Carolina Chapel-Hill, Emory University, Duke University, Vanderbilt University, and the University of Alabama, and thus have an extremely well-educated population. These schools’ graduates fuel the growth of regional entrepreneurship. This region also has a large influx of corporations and immigration from northern parts of the United States and from foreign countries.
- Atlanta is home to many Fortune 500 companies which provide a steady flow of software, telecommunication, medical, manufacturing, information technology and professional services investment opportunities.
- The cost of living in the Southeast is substantially lower than other major markets like California, Florida and New York.

Rigorous Due Diligence

The General Partner strongly believes that there is no substitute for careful and exhaustive due diligence in investment opportunities. The due diligence process will be performed by an investment team led by a member of the General Partner. The process may include multiple meetings with the asset owners, understanding and analyzing the assets historical financial performance and examining financial projections and assumptions. The process will focus on necessary capital expenditures, operating margins and growth.

During the due diligence process the investment team will also carefully evaluate the “exit” opportunities available to the investment opportunity and the projected time frame and performance needed for a successful liquidity event.

Competitive Advantages

The Fund believes that its business strategy and operating model distinguish it from other acquirers, owners and operators of real estate in a number of ways, which include a focused strategy and local market knowledge. The Fund is only seeking to acquire distressed real property, personal property and debenture assets, principally under-performing assets primarily located in the Southeastern United States. In addition, the Fund has established relationships with local banks, prospective tenants and property managers in its market.

Financing Strategy

The Fund's financing objective is to manage its capital structure effectively in order to provide sufficient capital to execute its operating strategies while servicing debt requirements and providing value to its Limited Partners. The Fund intends to utilize debt and equity security offerings, bank borrowings, the sale of properties, and to a lesser extent, internally generated funds to meet its capital needs.

The Partnership Agreement does not limit the amount or percentage of indebtedness that the Fund may incur. Additionally, the Fund may change its financing strategy at any time.

Realization on Portfolio Investments

The method and timing of the sale and disposition of Portfolio Assets will be critical to the overall investment results of the Fund. Most of the investments in Portfolio Assets will require significant additional time to develop before the potential benefits of growth and increased valuation can be realized. Generally, the General Partner will attempt to structure features in each investment that enhance liquidity and value, such as demand and piggyback registration rights, convertible debt and preferred stock, merger premiums calling for a minimum rate of return, warrants, and buy/sell agreements including put options and mandatory redemptions. In certain instances, the General Partner, in its sole discretion, may elect to distribute a Portfolio Asset pro rata to the Limited Partners.

Projections

Many factors influencing the operation of the business of the Fund are beyond the control of the Fund and its General Partner. There can be no assurance that the actual operation of the Fund's business will correspond with any assumptions or expectations included in this Memorandum. No representation or warranty of any kind is made by the Fund, management, its General Partner, its accountants, attorneys or any other person associated with the Fund that the assumptions or expectations made by the Fund herein will correspond with future events.

Projections included in this Memorandum have been prepared on the basis of the best information available to the Fund and incorporates certain assumptions about the economy and future events. Achievements of these forecasted results may be affected by fluctuation in economic conditions and is dependent upon the occurrence of other future events which cannot be assured. The actual results achieved by the Fund will vary from the forecasts and such variation could be material. In addition, Federal and state tax laws are subject to continuous change. There may be future legislative or other developments which would alter the forecasted results. The projections are only the Fund's best estimates based upon currently available information and are not guaranties of results.

Use of Proceeds

The proceeds of the Offering will be used to: (i) invest in Portfolio Assets, which the Fund will purchase, operate and manage, (ii) pay or reimburse certain parties for expenses and closing costs associated with the formation and marketing of the Fund, and (iii) provide working capital for the Fund for construction and to establish reserves.

Though the Fund will use commercially reasonable efforts to determine the actual cost of improvements, there is no assurance that the actual costs will be as projected. While the General Partner will have conducted a reasonable due diligence review and inspection of the Portfolio Assets, there are no guarantees that once a Portfolio Asset is acquired by the Fund a subsequent defect will not be discovered, that a Portfolio Asset will not experience economic challenges that adversely affect the Portfolio Asset's economic performance, and that adequate cash flow from the investment will be obtained through the Fund's ownership and operation which would enable the investors to recoup his investment in the Portfolio Asset. This is a risk inherent in any real estate investment.

All legal, accounting and marketing expenses, including, without limitation, the costs of complying with applicable securities laws, marketing costs, and all related expenses incurred in connection with the sale of the Units and the admission of Limited Partners will be borne by the Fund. The General Partner will be entitled to reimbursement for all costs and expenses it incurs by the Fund from the proceeds of this Offering.

The proceeds from the sale of the Units offered hereby may only enable the Fund to execute its business plan only to a limited extent. There can be no assurance that when the proceeds from the sale of the Units have been used, that additional funding will be available to the Fund. The Fund intends to use the proceeds from this Offering for the purposes generally described herein. However, the General Partner reserves and maintains full and exclusive discretion on how to allocate these proceeds. There can be no assurance that the General Partner will allocate the proceeds in a manner that the investors in this Offering find acceptable or appropriate.

POTENTIAL PROPERTIES UNDER CONSIDERATION

The success of the Fund depends upon its ability to identify, select and consummate, on terms favorable to the Fund, Portfolio Assets that it believes offer the potential for superior returns within the time frame it desires. The availability of such opportunities will depend, in part, upon general market conditions. Although the Fund believes that significant opportunities currently exist and that others will arise, there can be no assurance that the Fund will be able to identify, select and consummate a sufficient number of opportunities to permit the Fund to invest all of its Committed Capital or to invest its Committed Capital to the extent described in this Memorandum.

The Fund will have no investments or commitments to invest prior to the first admission of Limited Partners to the Fund. Therefore, investors will not have an opportunity to evaluate for themselves the Portfolio Assets, but must depend solely upon the ability of the General Partner to identify and select Portfolio Assets for the Fund. The Fund anticipates, but cannot be certain, that full investment of the Capital Contributions will be made in Portfolio Assets within forty eight (48) months after the Termination Date.

Subject to the foregoing, the General Partner has attempted to identify potential assets that it may consider acquiring. The Fund's Limited Partnership Agreement does not prevent the Fund or General Partner from entering into transactions (such as investments, acquiring properties or assuming loans) of its principals or Advisory Board. Additionally, members of the Advisory Board may receive compensation in the form of cash or equity from Portfolio Assets which are sourced and/or consulted by them.

VI. FUND MANAGEMENT

General Partner and its Principal

Although the Fund is a new entity, the General Partner and its Advisory Board are expected to possess extensive backgrounds in private equity investing, real estate acquisition, finance and business operations. Biographical sketches of the General Partner principals and its Advisory Board are provided below.

The following table sets forth the names, ages and positions of the General Partner's principals and its Advisory Board as of the date of this Memorandum:

<u>Name</u>	<u>Position</u>
Sabi Varon	General Partner

Advisory Board

The members of the Advisory Board are yet to be determined by the General Partner. The General Partner will select: (i) at least three (3) individuals with substantial, relevant business knowledge and experiences who will assist the General Partner in evaluating potential investments for the Fund, and (ii) another three (3) individuals who are Limited Partners or representatives thereof, each to serve as an Advisory Board to the Fund. The Advisory Board will be purely advisory in nature and will evaluate economic conditions, conduct industry analyses and provide other support requested by the General Partner. In addition, the Advisory Board will (i) review the annual valuation of the Fund's Portfolio Assets, (ii) review the audited financial statements of the Fund, (iii) consult with the General Partner regarding any extensions of the Fund's term, (iv) recommend prospective advisors and alliances to assist in the implementation of the Fund's strategy, and (v) otherwise advise the General Partner as requested. Consent or approval from the Advisory Board is not required prior to any portfolio investment by the Fund.

Payments and Distributions to the General Partner

Subscription Fee. Each Limited Partner shall pay the General Partner a Subscription Fee to compensate the General Partner and to cover expenses associated with the Fund's organization and solicitation of investors. The Subscription Fee shall be \$3,000 for each subscribed Unit. The General Partner shall deduct the Subscription Fee from each Limited Partner's Initial Capital Contribution at the time of subscription.

Annual Fee. Each Limited Partner shall pay the General Partner an Annual Fee to compensate the General Partner and to cover expenses associated with the Fund's operations, including, without limitation, communicating investment analysis information, preparing accounting statements associated with each investment and for general administration expenses incurred in preparing and sending newsletters, financial statements and notices. The Annual Fee shall be 2.0% of the aggregate amount of each Limited Partner's remaining invested capital in all Portfolio Assets and Investment LLCs.

Offering Expenses. In addition to the Initial and Annual Fee, the Fund will reimburse the General Partner (i) up to \$15,000 for the costs and expenses advanced by it on behalf of the Fund relating to the offer and sale of the Interests (other than placement fees and commissions), including such expenses as legal and accounting fees and the costs of organizing the Fund, and (ii) any placement fees and commissions in connection with the offer and sale of the Interests. The General Partner shall bear all ordinary costs and expenses incurred by it in connection with its management of the Fund, except for those expenses borne by the Fund as set forth in the Limited Partnership Agreement. Such ordinary costs and expenses of the General Partner include salaries, wages, travel,

entertainment and other expenses of the General Partner's officers and employees, as well as lease expenses for space used by the General Partner or the Fund, preparation of reports to the Limited Partners and certain expenses incurred in investigating and evaluating investment opportunities and disposing of Portfolio Assets.

After the Termination Date, the Fund will pay all its expenses, any remaining organization and offering costs and placement agent fees, taxes, legal and accounting expenses, Advisory Board fees and expenses, interest on borrowed funds, insurance premiums, expenses of portfolio transactions, and any extraordinary expenses. The General Partner will bear all ordinary costs and expenses incurred by it in connection with its management of the Fund.

Compensation to the Sponsor:

In addition to the General Partner's interest in the Partnership and Property Management Fees, the General Partner will receive or be entitled to receive the following compensation (collectively, the "General Partner Fees"):

- (i) a one-time acquisition fee of one percent (1.0%) of the purchase price of each Portfolio Asset for completing the acquisition of such asset (the "Acquisition Fee");
- (ii) a one-time financing fee equal to 1.0% of the total project debt in exchange for arranging all of the project related financing of each Portfolio Asset (the "Financing Fee"),
- (iii) a monthly fee of two percent (2.0%) of the total gross revenues derived from the Portfolio Assets' operations (the "Asset Management Fee"), provided that no Asset Management Fee shall be paid or due to the General Partner for a particular asset if it is not managing the day to day affairs of the Portfolio Property;
- (iv) to the extent that there are profits to the Partnership after deducting all General Partner Fees, Property Management Fees, all Preferred Returns and after allocating all Limited Partner Distributions, if any, the General Partner shall retain all remaining profits.

Limited Partner Returns:

After deducting the General Partner Fees, Property Management Fees and other fees accrued by the Fund, distributions of operating income generated by the Portfolio Assets (i.e., excess cash which exceeds the Fund's current and anticipated needs) (collectively, "Available Cash"), upon approval of the General Partner, will be made as follows:

- First, as a preferred return to the Limited Partners equal to an annualized ten percent (10%) per annum internal rate of return ("IRR") on such Limited Partner's adjusted capital investment (the "Preferred Return");
- Second, to the extent that there is Available Cash available for distribution in excess of the Preferred Return, Limited Partners will be entitled to receive monthly payments equal to fifty five percent (55%) of the gross monthly net operating profits derived from the Portfolio Assets until the Limited Partners have achieved an annualized twelve percent (12%) IRR on such Limited Partner's adjusted capital investment (the "Operating Income Return"). For each Portfolio Asset, such monthly payments shall first commence sixty (60) days following the closing date of such Portfolio Property.
- Lastly, upon the successful disposition of a Portfolio Asset, to the extent that there is Available Cash available for distribution in excess of the Preferred Return and the Operating Income Return, Limited Partners will be entitled to receive twenty percent (20%) of the proceeds from a disposition in the aggregate in proportion to each Limited Partner's respective Ownership Percentage (the "Allocated Proceeds Return").

As a reserve for expenses or other contingencies of the Fund or Portfolio Assets, the General Partner may retain amounts that would otherwise be distributed as Available Cash in its sole and absolute discretion.

Conflicts of Interest

The Fund's Limited Partnership Agreement does not prevent the General Partner or its principals and affiliates from engaging in outside activities, including those that are competitive with the Fund, and does not impose any obligation to offer any interest in such activities to any Limited Partner or to the Fund. The General Partner and its principals and affiliates, in the future may engage in future ventures or entities with the same or similar business purposes and objectives as the Fund.

The General Partner and its principals and affiliates may act as shareholders, partners, members, directors, officers, employees, advisors or administrative officials of other entities, including Portfolio Assets. Principals of the General Partner may provide consulting services to Portfolio Assets (and possibly other entities) in exchange for fees and other compensation. Additionally, members of the Advisory Board may receive compensation in the form of cash or equity from Portfolio Assets which are sourced and/or consulted by them.

Fiduciary Responsibility and Indemnity of the General Partner

The General Partner owes fiduciary duties to the Fund and the Limited Partners and consequently must exercise good faith and integrity in managing the affairs of the Fund. The law of fiduciary duties is changing and developing, and Limited Partners who have questions concerning the duties of the General Partner should consult with their own counsel.

The General Partner, its officers, managers, members, agents and employees, and any affiliates of the General Partner engaged in the performance of services on behalf of the Fund, as well as any affiliated person assisting a Portfolio Asset at the request of the General Partner, as well as each member of the Advisory Board (each an "Indemnified Person" or collectively the "Indemnified Persons"), will be indemnified by the Fund for any claim, demand, controversy, dispute, cost, loss, damage, expense (including attorneys' fees and costs of investigation) judgment or liability incurred by or imposed upon the Indemnified Persons. They will have no liability to the Fund or to any Limited Partner for any liability or loss suffered by the Fund which arises out of any action or inaction of any Indemnified Person (including any liability incurred by reason of treatment under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") of Fund assets as assets of an employee benefit plan or trust or treatment of the General Partner as a "fiduciary" or a "party in interest" under ERISA) if (i) the General Partner has determined, in good faith, that such course of conduct was in the best interests of the Fund or not opposed to it and (ii) such liability or loss was not the result of gross negligence or willful misconduct by the Indemnified Person.

Any amounts payable to an Indemnified Person will be recoverable first out of the assets of the Fund. If the Fund's assets are not sufficient to satisfy the indemnification obligation, the General Partner may require the Limited Partners to make a contribution to the Fund, but that contribution would in no event exceed the non-refunded balance of the Limited Partners' aggregate Committed Capital plus the amount of any prior distributions from the Fund to the Limited Partners. The General Partner may, on behalf of the Fund, cause the Fund to purchase and maintain insurance for the protection of any Indemnified Person against any liability incurred by such person, regardless of whether the Fund has the power to indemnify such person against such liability. The General Partner may also cause the Fund to purchase and maintain insurance for the protection of any officer, director, employee, consultant or agent of any other organization which the Fund owns, has an interest in, or has been a creditor of, against similar liabilities, regardless of whether the Fund has the power to indemnify him or it against

such liability. The Fund must also pay certain expenses incurred by an Indemnified Person in defending against a civil or criminal action, suit or proceeding in accordance with the terms of the Agreement.

VIII. SUBSCRIPTIONS

All subscriptions are subject to acceptance by the Fund, in whole or in part, and may be rejected for any reason. The minimum subscription commitment is \$200,000, unless otherwise approved by the General Partner. Subscription commitments in excess of the applicable minimum commitments must be in intervals of \$50,000, unless otherwise approved by the General Partner.

An investor desiring to subscribe must complete and sign all of the documents in the Subscription Booklet delivered as Appendix II herewith, and must deliver those documents to the Fund, including an executed Subscription Note and the Initial Capital Contribution. The remainder of the subscriber's capital commitment shall be in the form of a Subscription Note which may be called, at the sole discretion of the General Partner, at any time upon ten (10) day's prior written notice to the Limited Partner. The subscription notes will not bear interest unless the investor fails to make a Capital Contribution when due. From the Initial Capital Contributions, the Fund may reimburse the General Partner for organization and offering costs (up to \$15,000) and placement agent fees.

The General Partner shall deduct the Subscription Fee and first year's Annual Fee from each Limited Partner's Initial Capital Contribution at the time of subscription.

If any Limited Partner does not fund a capital commitment or make payment of the annual management fee within ten (10) days of its due date, the General Partner may, in its sole discretion, declare the Limited Partner in default, in which case the amount due will accrue interest from the original due date until payment at the greater of (i) eighteen percent per annum, or (ii) the maximum legal contract rate in the State of Georgia. If the Limited Partner's default continues for more than thirty (30) days from the original due date, the General Partner may then use reasonable efforts to secure another person or entity (which may be an existing Limited Partner or a third party that may be affiliated with the General Partner) to assume the defaulting Limited Partner's Interest and to pay such defaulting Limited Partner's unpaid capital commitment and/or management fee. The General Partner alternatively, in its sole discretion, may distribute such defaulting Limited Partner's Interest to all non-defaulting Limited Partners on a pro rata basis, effective as of the first day of the fiscal period in which such default occurs. In either case, such Interest shall be forfeited by the defaulting Limited Partner without any payment to such defaulting Limited Partner.

The General Partner will apply the proceeds from the Initial Capital Contributions to (i) reimburse the General Partner for organization and offering costs incurred by the General Partner up to \$15,000, and (ii) pay placement agent fees, if any. See "Use of Proceeds."

The Fund is seeking \$10 million in capital commitments from Limited Partners, but the General Partner may increase the offering in its sole discretion. This offering of Interests will terminate on the Termination Date, provided, however, that the General Partner may, in its sole discretion, terminate this offering of Interests at any time prior to the Termination Date or extend the Termination Date to a date no later than March 10, 2010.

No subscription commitments will be deemed accepted unless and until the General Partner accepts Limited Partner subscription commitments aggregating at least \$500,000 by the Termination Date (the "Closing"). If commitments totaling \$500,000 in the aggregate are not received and accepted on or before the Termination Date, all funds will be returned to the subscribers.

IX. SUMMARY OF THE PARTNERSHIP AGREEMENT

The following is a summary of certain provisions in the Fund's Limited Partnership Agreement, which are not otherwise fully described in this Memorandum. This summary is entirely qualified by reference to the full text of the Limited Partnership Agreement, which is included as Appendix I. Capitalized terms not otherwise defined in this Memorandum will have those meanings set forth in the Limited Partnership Agreement.

Liability of Limited Partners

No Limited Partner will be personally liable for any of the debts of the Fund or any of the losses thereof in excess of the Limited Partner's share of Fund assets, prior distributions and its committed Capital Contribution.

Rights of Limited Partners

Limited Partners having Allocation Percentages equal to at least ninety percent (90%) of the total Allocation Percentages of the Limited Partners may, without the concurrence of the General Partner, vote to remove the General Partner for cause. In addition, the approval of a Majority in Interest of the Limited Partners and the General Partner is required in connection with the sale of all or substantially all of the assets of the Fund in one transaction or a series of related transactions other than in the Fund's ordinary course of business.

Within ten (10) days after receipt of a request submitted in writing and delivered in person or by certified mail for a meeting of the Fund Partners, by Limited Partners who collectively own at least fifty-one percent (51%) of the limited partnership interests, the General Partner shall call such a meeting and shall notify all Limited Partners of the date, time, place and the purpose thereof.

All management responsibility of the Fund is vested in the General Partner and not the Limited Partners.

Removal or Withdrawal of General Partner

The General Partner may withdraw pursuant to the terms of the Limited Partnership Agreement.

In the event the General Partner withdraws or is removed by the Limited Partners, the successor general partner will, at the election of the General Partner in its sole and absolute discretion be required to purchase all of the general partnership Interest of the General Partner.

The purchase price shall be equal to the then fair market value of the general partnership interest being purchased, as determined by agreement of the General Partner and the successor general partner or, if they cannot agree, by arbitration in accordance with the then current rules of the American Arbitration Association. The expenses of arbitration will be borne by the General Partner if it is withdrawing, or borne by the Fund if the General Partner is removed. The purchase price of the General Partner's interest shall be payable in accordance with the Limited Partnership Agreement.

General Partner's Right to Remove Tax-Exempt Limited Partner

If because of the existence of a Tax-Exempt Limited Partner, the Fund, the General Partner, or such Tax-Exempt Limited Partner becomes subject to any adverse consequences under ERISA, as determined by the General Partner, the General Partner may require that such Tax-Exempt Limited Partner withdraw in part or in total from the Fund.

Restrictions on Transfer by Limited Partner

The limited partnership interest of a Limited Partner may not be assigned, sold, transferred or otherwise disposed of, whether voluntarily or by operation of law, unless the General Partner consents in writing to such sale, assignment or transfer. The General Partner's consent may be withheld in its sole discretion, and Limited Partners should not expect the General Partner to consent to any proposed transfer of their limited partnership interests. A Limited Partner may pledge or mortgage its limited partnership interest only if the pledgee or mortgagee agrees to be subject to the transferability restrictions set forth in the Limited Partnership Agreement.

Withdrawal of Limited Partners

Limited Partners may not withdraw from the Fund except under the very limited circumstances described in the Limited Partnership Agreement.

Substituted Limited Partners

A permitted transferee of a Limited Partner will be entitled to receive the share of Fund income, gains, losses, deductions, credits and distributions to which its immediate predecessor would have been entitled. Such person may not, however, become a Substituted Limited Partner unless: (1) the instrument of assignment so provides; (2) the General Partner, in its sole discretion, consents to the admission of such person as a Substituted Limited Partner; (3) the Substituted Limited Partner shall have paid the General Partner an administrative fee equal to two percent (2%) of the preceding party's Committed Capital and shall have reimbursed the General Partner for its reasonable attorneys' fees in connection with such transfer, (4) the Substituted Limited Partner shall have waived its rights to receive any Allocated Proceeds Returns in accordance with the Operating Agreement, and (5) the assignee executes with reasonable promptness instruments substituting the assignee, and the assignee agrees to be bound by the terms of the Limited Partnership Agreement. Notwithstanding anything contained herein to the contrary, a Substituted Limited Partner

Any transfer may be conditioned by the General Partner upon receipt by the Fund of an opinion of counsel in accordance with the terms of the Limited Partnership Agreement.

Borrowings

The Fund may borrow funds from the General Partner or third parties and pledge or mortgage Fund assets and revenues attributable to such assets, including the Limited Partners' subscription notes. Unless otherwise designated in the loan agreements or accompanying documents, repayment of principal and interest on such loans will be solely the obligation of the Fund and not of the Partners. Any loans to the Fund from the General Partner or its Affiliates will bear interest at a rate not to exceed the rate of interest such lending General Partner or its Affiliates are then paying for borrowed funds or the maximum legally permissible interest, whichever is less. The General Partner will not receive points or other financing charges or fees on such loans to the Fund, regardless of the amount.

Dissolution

The existence of the Fund will continue until the earliest to occur of: (1) a written election by the General Partner to dissolve the Fund; (2) a Bankruptcy Event; or (3) the expiration of the term of the Fund (unless extended by the General Partner pursuant to the Limited Partnership Agreement).

Upon the dissolution of the Fund, no further business will be conducted except for the taking of such action as shall be necessary for the winding up of the affairs of the Fund and the distribution of its assets to the General Partner and the Limited Partners. The General Partner will act as liquidating trustee or may appoint one or more liquidating trustees who will have full authority to wind up the affairs of the Fund and to make final distributions.

Power of Attorney

Each Limited Partner will irrevocably appoint the General Partner and its agents, successors and assigns as its attorney-in-fact to perform such functions as described in Article XII of the Limited Partnership Agreement. Such power of attorney will be deemed to be a power coupled with an interest and will survive the death or incapacity of a Limited Partner to the extent it is able to contract.

Amendments

The General Partner may, without the consent of any Limited Partner, amend the Limited Partnership Agreement, if, in the opinion of the General Partner, such amendment does not have a material adverse effect upon the Limited Partners or the Fund, or, if necessary, to cure any ambiguity, to correct or supplement any provisions that may be inconsistent with any other provisions or to add any other provisions with respect to matters arising under the Limited Partnership Agreement that are not inconsistent with the provisions thereof. If the General Partner proposes an amendment to the Limited Partners which the General Partner determines may have a material adverse effect upon the Limited Partners or the Fund, the General Partner will deliver to the Limited Partners a statement of the proposed amendment and a statement of the purpose thereof.

Each such amendment will become effective upon the General Partner's receipt of written approval of such amendment from a Majority in Interest of the Limited Partners.

Notwithstanding the preceding paragraph, the Limited Partnership Agreement may not be amended without the consent of all Limited Partners adversely affected by the amendment if the effect of any such amendment would be to (1) increase their personal liability; (2) change the Capital Contributions required of them; (3) change their rights and interests in gains and losses of the Fund (except for a change in the method of tax allocations to comply with applicable provisions of the Code, Treasury Regulations or rulings of the IRS); or (4) change their rights upon liquidation of the Fund.

X. REGULATORY AND TAX CONSIDERATIONS

Securities Act of 1933

The offering of Interests in the Fund will not be registered under the Securities Act, in reliance upon the exemption from registration thereunder provided by Regulation D. Each purchaser will be required to represent that it is a "qualified client" as such term is defined in Rule 205-3 of the Investment Advisers Act, and that it is acquiring an Interest for investment and not for resale or distribution. Interests in the Fund cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration is available, and the Interests are subject to the restrictions on transfer contained in the Limited Partnership Agreement. The effect of such restrictions is to substantially restrict the marketability of the Interests and to hinder a Limited Partner's

ability to realize any amount from the sale or disposition of its Interests should it desire to do so. An investor should be prepared to retain its Interest for the term of the Fund. See “Suitability of Investors” on page 42.

The Units will be offered and sold within the United States to “accredited investors,” as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act and in offshore transactions for the account or benefit of “non-U.S. persons,” as such term is defined in Rule 902(k) of Regulation S promulgated under the Securities Act. Each potential investor will be required to complete a Suitability Questionnaire and Subscription Agreement whereby such potential investor will represent in writing that such prospective investor is (i) an “accredited investor” or (ii) is not a “U.S. person.”

Certificates representing Units purchased pursuant to this Offering will bear the following legend:

“THE UNITS OF LIMITED PARTNERSHIP INTERESTS EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR COUNTRY AND MAY NOT BE TRANSFERRED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER APPLICABLE STATE LAW WITH RESPECT TO SUCH UNITS OF LIMITED PARTNERSHIP INTERESTS SHALL THEN BE IN EFFECT OR UNLESS THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION WITH RESPECT TO ANY PROPOSED TRANSFER OR DISPOSITION OF SUCH UNITS SHALL BE ESTABLISHED TO THE SATISFACTION OF COUNSEL FOR THE ISSUER.”

Investment Company Act of 1940

It is anticipated that the Fund will be exempt from the registration requirements of the Investment Company Act. The Fund will rely on the exemptions contained in either Section 3(c)(1) or 3(c)(7) of the Investment Company Act, which exempts issuers whose outstanding voting securities are beneficially owned by not more than 100 persons who meet the conditions with respect to beneficial ownership contained in Section 3(c)(1). With respect to the determination of “beneficial ownership,” the Fund will obtain appropriate representations and undertakings from investors in order to ensure that the Fund meets the conditions of the exemption on an ongoing basis.

Investment Advisers Act of 1940

Neither the General Partner nor the Fund intends to register as an investment adviser under the Investment Advisers Act or state securities laws, in reliance on the exemption provided by Section 201(b)(3) thereof and Rule 203(b)(3)-1 promulgated thereunder and similar exemptions under applicable state securities laws.

Certain Tax Considerations

The following discussion deals only with certain U.S. federal income tax considerations relevant to an investment in the Fund by a person required to pay U.S. income tax. Prospective investors, particularly those that are not familiar with the taxation of partnerships generally or are subject to special tax rules, are urged to consult their own tax advisers regarding other federal tax (including alternative minimum tax) consequences of such an investment, as well as any foreign, state and local tax consequences.

General. The Fund anticipates that it will be classified as a partnership for U.S. federal income tax purposes. As a consequence of being so classified, the Fund will not itself be subject to U.S. federal income tax, but each Limited Partner will be required to take into account its distributive share of items of Fund income, gain,

loss, deduction and credit, substantially as though such items had been realized directly by the Limited Partner and without regard to whether any distribution from the Fund has been or will be received.

Timing, Character and Amount of Tax Attributes. Due to potential timing differences between income recognition for tax purposes and actual cash distributions, it is possible that a Limited Partner may incur income tax liabilities in excess of actual cash distributions made prior to the date that the liability arises or that the tax is due. The Fund may also engage in investment practices that defer taxable losses or accelerate taxable income, causing Limited Partners to be taxed on amounts not representing economic income. In addition, Limited Partners should not expect that any portion of the taxable income of the Fund (if any) will consist of long-term capital gains taxable at reduced rates, although some or all of the taxable losses (if any) realized by the Fund in a taxable year may consist of long-term capital losses, the deductibility of which is subject to certain limitations.

Allocations of Tax Attributes. For purposes of allocating the Fund's taxable income, gain, loss, deductions and credits, capital accounts will be maintained for each Limited Partner in accordance with Treasury regulations, as interpreted by the General Partner. These regulations provide very generally that a partner's capital account in a partnership should equal the amount contributed by the partner to the partnership, plus the amount of income and gain allocated to the partner, minus the amount distributed to the partner from the partnership and minus the amount of deduction and loss allocated to the partner. In general, taxable income, gain, loss or deduction will be allocated among the General Partner and the Limited Partners so that to the extent possible each Limited Partner's capital account will equal the amount that would be distributed to the Limited Partner if all of the Fund's assets were sold for an amount equal to their adjusted tax basis and the Fund were liquidated in accordance with the Fund's distribution provisions.

There can be no assurance that the IRS will not challenge the Fund's allocations of taxable income, gain, loss, deductions and credits, or that, if it does, such challenge will not be successful. If the allocations are successfully challenged, the General Partner and the Limited Partners may be allocated different amounts of taxable income, gain, loss, deductions or credits than initially reported to the General Partner and the Limited Partners.

Limitations on the Deductibility of Expenses. Certain expenses of the Fund are expected to be treated as miscellaneous itemized deductions for federal income tax purposes. For federal income tax purposes, individuals and certain trusts or estates that hold Interests in the Fund (directly or through a partnership, S corporation or grantor trust) may deduct such expenses in a taxable year only to the extent that their aggregate miscellaneous itemized deductions for the year exceed two percent (2%) of their adjusted gross income for the year. In addition, in the case of individuals whose adjusted gross income exceeds a certain inflation adjusted threshold, the aggregate itemized deductions allowable for the year will be reduced by the lesser of (1) three percent (3%) of the excess of adjusted gross income over the applicable threshold or (2) eighty percent (80%) of the aggregate itemized deductions otherwise allowable for the taxable year (determined after giving effect to the two percent (2%) limitation described above and any other applicable limitations). The offering expenses of the Fund, including any placement fees and commissions, will not be currently deductible by a Limited Partner bearing those expenses but will instead be included in the Limited Partner's tax basis in the Limited Partner's Interest in the Fund.

Election to Adjust Basis of Fund Assets. Under Section 754 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), a partnership may make an election to adjust the basis of the partnership's assets in the event of a distribution of partnership property to a partner, or a transfer of a partnership interest. Depending upon the particular facts at the time of any such event, such an election could either increase or decrease the value of a partnership interest to the transferee because the election would increase or decrease the basis of the partnership's assets for the purpose of computing the transferee's distributive share of partnership income, gains, deductions and losses. The Limited Partnership Agreement authorizes the General Partner to make such an election. No such election has been made to date, and there can be no assurance that the General Partner

will make such an election in the future because (1) the election, once made, cannot be revoked without obtaining the consent of the Commissioner of the IRS, (2) the election may not necessarily be advantageous to all Limited Partners, and (3) accounting complexities result from having such an election in effect.

Income Unavailable to Offset Passive Losses. The Fund is not expected to be engaged in activities to which the “passive activity loss” provisions of the Internal Revenue Code would apply, except to the extent that income or loss from its portfolio investments is so treated. Accordingly, an investor that is subject to the passive activity loss provisions should not invest in the Fund with the expectation of offsetting its share of income and gain from the Fund against losses derived from passive activities.

Transfers. In general, gain or loss is recognized on the sale or exchange of an Interest in the Fund based on the difference between (1) the amount realized, which includes the Limited Partner’s share of the Fund’s nonrecourse liabilities, if any, and (2) the transferor’s tax basis in the Interest transferred. The gain or loss recognized on a sale or exchange of Interests will generally be taxable as capital gain or loss, except that the gain will be ordinary income to the extent attributable to the transferring a Limited Partner’s allocable share of certain ordinary income assets of the Fund. Transferees of Interests in the Fund may become Limited Partners only upon the satisfaction of certain conditions, including consent to the transfer by the General Partner (which consent may be withheld in its sole discretion). Provided that such consent is obtained for a transfer of an Interest, the General Partner will allocate, in conformity with the Limited Partnership Agreement and relevant tax rules, Fund tax items for the tax year of the transfer between the transferor and transferee. Limited Partners considering transfers are urged to consult their tax advisors regarding the tax consequences of such transfer.

Unrelated Business Taxable Income. A tax-exempt Limited Partner’s share of any Fund income (and possibly the gain on the sale of all or a portion of its Interest in the Fund) may constitute UBTI, which is subject to federal (and possibly state and local) income taxation at rates applicable to taxable investors. The General Partner anticipates that the majority of the Fund’s portfolio investments will not generate substantial amounts of UBTI; however, there are no restrictions on the Fund’s ability to realize income that could be characterized as UBTI. In general, UBTI may be realized by the Fund from its direct or indirect investments in pass-through entities that earn operating income (rather than only certain types of investment income not treated as UBTI) or income from debt-financed assets that would, if not debt-financed, not be treated as UBTI. Since the characterization of income of the Fund derived from portfolio investments as UBTI depends in part on the nature of the investments made by the Portfolio Assets and since the Fund will not necessarily control such entities, the Fund will be limited in its ability to cause them to avoid UBTI. In certain circumstances, the General Partner may elect to establish investment structures designed to mitigate the effect of the incurrence of UBTI, but is under no obligation to do so. Any such structure is likely to reduce overall Fund returns, and as a result the Fund expects to use such structures rarely, if at all.

Change in Tax Year. It is anticipated that the Fund’s fiscal year for federal income tax purposes (a “tax year”) will be the calendar year because it is anticipated that a majority in interest of the Fund’s Limited Partners will have a tax year that is the calendar year. However, depending on the tax years of the Fund’s Partners for any period, the Fund may be required to have a tax year different from the calendar year and may be required to change its tax year. If the Fund is required to change its tax year, the Limited Partners will be required to recognize their distributive share of the Fund’s income, gain, loss, deductions and credits for the short year ending on the date of such change and for the period ending on the close of the new tax year. This change of tax year might therefore accelerate a Limited Partner’s recognition of those tax items, depending on that Limited Partner’s tax year.

Tax Returns. The fund will file an information return on IRS Form 1065 and will provide information on Schedule K-1 to each Limited Partner following the close of the Fund’s tax year.

State and Local Taxes. Limited Partners may be subject to state and local taxes in jurisdictions in which the Fund acquires portfolio investments. Investors should consult their own tax advisors with respect to the specific federal, state and local tax consequences of the purchase and ownership of an Interest in the Fund.

No Tax Benefits Expected. Because it is expected that an investment in the Fund will not reduce the cumulative tax liability of an investor in any year as a result of tax losses, deductions, or credits, investors should not invest with the expectation of receiving any such tax benefits.

Tax Shelter Registration. It is expected that the Fund will not register with the IRS as a “tax shelter” partnership, although one or more of the Fund Investments may so register.

Withholding. The General Partner in its sole discretion may withhold and pay any taxes imposed with respect to any Limited Partner, and any such taxes may be withheld from any distribution otherwise payable to such Limited Partner. Alternatively, the General Partner may require the relevant Limited Partner to reimburse the Fund for the amount of such tax paid by the Fund on the Limited Partner’s behalf. Taxes paid by the Fund, or withheld by any jurisdiction on amounts directly or indirectly payable to the Fund, generally will be deemed for purposes of the Fund’s distribution provisions to have been distributed to the affected Limited Partners and paid by them to the relevant taxing jurisdiction.

ERISA Considerations

It is anticipated that ownership of the Fund by benefit plan investors will be limited so that the assets of the Fund will not be “plan assets” within the meaning of ERISA. The Department of Labor has issued a regulation (the “Plan Asset Regulation”) to determine when the Fund’s assets, and not just an interest in the Fund itself, would be treated as an asset of each investing ERISA plan. Under current law, this “look through” rule will not apply to the Fund if at all times less than twenty-five percent (25%) of each class of equity interest in the Fund is held by “benefit plan investors” (as defined in the Plan Asset Regulation), which includes any employee benefit plan and any entities holding plan assets, whether or not the investing plan is itself subject to ERISA. Equity interests held by the General Partner and its affiliates are disregarded for purposes of applying the twenty-five percent (25%) ownership rule. The Fund intends to manage its ownership in a manner designed to qualify it for the exception to the “look through” rule. However, if the Fund’s assets were deemed to include “plan assets,” the fiduciary standards and prohibited transaction rules referred to below would apply to the Fund’s holdings and the Fund’s ability to invest its assets.

A fiduciary of a U.S. pension, profit-sharing, or other employee benefit plan subject to ERISA should consider fiduciary standards under ERISA in the context of the plan’s particular circumstances before authorizing an investment of a portion of such plan’s assets in the Fund. The fiduciary standards include the prudence, diversification, and governance requirement of Section 404(a)(1) of ERISA.

A fiduciary of a plan subject to ERISA should also consider whether an investment in the Fund might constitute or give rise to a “prohibited transaction” under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

It is particularly important that potential employee benefit plan investors consult with their respective counsel regarding the consequences under ERISA, or other similar statutes, of their acquisition and ownership of Interests.

XI. SUITABILITY OF INVESTORS

Interests will be offered only to investors who are “accredited investors” within the meaning of Rule 501(a) of Regulation D of the Securities Act and non-U.S. persons within the meaning of Rule 902(k) of Regulation S of the Securities Act and who qualify as “qualified clients” as such term is defined in Rule 205-3 of the Investment Advisers Act. Each prospective investor will be required to represent that it is familiar with and understands the terms, risks and merits of an investment in the Fund, that it has such knowledge and experience in financial and business matters generally and that it is capable of evaluating the merits and risks of an investment in the Fund. In addition, each prospective investor will be required to stipulate in its Subscription Agreement that it has not relied upon the Fund or the General Partner for tax or legal advice, and that it has relied only on its own adviser with respect to the tax and other legal aspects of an investment in the Fund.

The Interests have not been and will not be registered under the Securities Act, and are offered pursuant to an exemption from registration contained in the Securities Act and the applicable rules and regulations promulgated thereunder. The Fund undertakes no obligation to register the Interests or to perfect any exemption from such registration (whether pursuant to Rule 144 under the Securities Act or otherwise) at any later date. Accordingly, there will not be a market for the Interests. Transfer of the Interests is also subject to numerous restrictions set forth in the Limited Partnership Agreement and will be permitted only with the consent of the General Partner, which consent may be withheld in its sole discretion.

Accredited Investor Status

Rule 501(a) of Regulation D under the Securities Act defines “accredited investor” to mean any person who comes within any of the following categories, or who the Company reasonably believes comes within any of the following categories, at the time of the sale of the securities to that person:

1. Any natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of his purchase, exceeds US\$1,000,000;
2. Any natural person who had an individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
3. Any trust, with total assets in excess of US\$5,000,000, not formed for the specific purpose of acquiring the securities offered hereby, whose purchase is directed by a “sophisticated person,” that is, a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits of risks of an investment in the securities;
4. Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;
5. Any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.;
6. Any director or executive officer of the Company; or
7. Any entity in which all of the equity owners are “accredited investors.”

Qualified Client Status

A “qualified client” is defined in Rule 205-3 of the Investment Advisers Act as:

1. a natural person who or a company that immediately after entering into the investment has at least \$750,000 under the management of the investment adviser;
2. a natural person who or a company that the investment adviser entering into the investment (and any person acting on his behalf) reasonably believes, immediately prior to entering into the investment, either:
 - (a) has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$1,500,000 at the time the investment is entered into; or
 - (b) is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the investment is entered into; or
3. is otherwise determined to be a qualified client as defined in Rule 205-3 of the Investment Advisers Act on a case by case basis.

XII. GENERAL INFORMATION

This Memorandum contains references to or summaries of certain provisions of the Limited Partnership Agreement and certain other documents. All such summaries are qualified in their entirety by reference to such documents, copies of which will be made available (subject to certain limitations and requirements) by the General Partner upon request, and reference is made to such documents for complete information concerning the rights and obligations of the parties thereto.

During the course of the offering, each prospective investor (and his, her or its purchaser representative, if any) are invited to ask questions of the General Partner concerning the terms and conditions of the investment and to obtain any additional information, to the extent that the General Partner possesses such information or can acquire it without unreasonable effort or expense subject, in each case, to applicable confidentiality obligations. Questions and requests should be directed to:

Sabi Varon, General Partner
Highland Financial Capital Group Real Estate Fund I, L.P.
1155 Hammond Drive
Building D, Suite 4060
Atlanta, Georgia 30328-5320
Phone: 770.730.1707

No offering literature or advertising whatsoever shall be employed in the offering of the Interests except for this Memorandum. No person has been authorized to make representations, or give any information, with respect to the Interests except as detailed herein.

Contact at Highland Financial Capital Group, LLC.

Sabi Varon

Phone: **770-730-1707**

Mobile: **404-886-0555**

Fax: **770-730-1708**

Email: **sabivaron@highlandfinancialgrp.com**

Closing Offices

3500 Lenox Road
Suite 1500
Atlanta, GA 30326

Cashier's Check Payable:

Highland Financial Capital Group, LLC.



Asset Management ♦ Equity Placement ♦ Private Financing