

MARCH 2004



Progress on Eclipse, 250 Pharr Road, March 2004

Friends:

2003 was an outstanding year for Novare. We completed the sale of Metropolis in record time. We started construction on Eclipse in Buckhead and completed pre-development work on Spire, our second Midtown residential high-rise, and TWELVE, an exciting new concept at Atlantic Station®. We made a great land acquisition in downtown Atlanta at Portal and purchased the Metropolis retail component from our partners. Biltmore Communications, our telecommunications affiliate, saw a 50% increase in revenues, and The Biltmore, after several years of backfilling, reached 95% occupancy.

2003 also saw the birth of new corporate strategies at our company. We began to see ourselves as not only in the real estate business but as a manufacturer of consumer products. We expanded our outreach to a larger group of investors. We added a significant number of top notch executives in key functional roles. We began development of our first project outside of Atlanta, in Nashville, Tennessee, with an outstanding local developer. We continued to develop key differentiating characteristics for our residential product. We recommitted ourselves to excellence, not only in what we create, but in how we go about creating it.

In 2004, you will see us continue to implement these key initiatives. We are in the process of forming a new holding company from which we can consistently build investor value, not just from individual projects, but also from an ongoing enterprise. We will continue to invest outside of Atlanta and to acquire key strategic sites in Atlanta for future development. We will start our own real estate agency to sell our communities. We will integrate the talents of Biltmore Communications further into our core business. And we will further develop TWELVE, our new condominium and hotel brand.

We are proud of our accomplishments and grateful for the support of our friends and associates. We will continue to work hard and innovate for our investors, lenders, residents and development partners. We are confident that, with your continued support, we will meet much success in the coming year.

Sincerely,

Handwritten signature of Jim Borders

Jim Borders

NOVARE GROUP GROWTH

Over the past 12 years, Novare has consistently developed some of the most notable real estate in Atlanta. Starting in 2001, Novare began a strategic initiative to focus exclusively on the development of feature-rich, moderately priced high rise developments. Since 1994, the organization has grown to approximately 25 full-time employees.

Recent enhancements to the management team are Judd Bobilin, Senior Vice President of Development and Tucker Alford, Senior Vice President & General Counsel. Judd joins Novare from Lincoln Properties and TMW (Prudential), and Tucker joins Novare from King and Spalding, where he was a partner in the corporate finance practice group. To accommodate the company's strategic growth, Novare will be moving to new office space within The Biltmore in March of 2004.

NOVARE'S NEW ADDRESS:

**817 West Peachtree Street, NW
Suite 600
Atlanta, Georgia 30308-1138**

"Novare's greatest asset is the management team that's been thoughtfully assembled. We have been very focused on retaining execution-oriented individuals across a number of functions. Our vision is very clear, and the rest of our success will simply be about great execution by a group of highly motivated executives."

— Jim Borders



Pictured L-R: Judd Bobilin, Senior Vice President of Development; John Hogan, Senior Vice President of Investments; Bob Fowler, Chief Financial Officer; Jim Borders, President; John Long, Senior Vice President; Tucker Alford, Senior Vice President & General Counsel. Not pictured: Mike Everly, President of Novare Management.

NOVARE ADDS TWO SUBSIDIARIES IN 2004

In 2004, Novare will begin operations of two subsidiaries to facilitate the continued growth of the company. Novare Realty, LLC is a realty company which will serve as listing agent for the sale of homes at Novare condominium communities. Novare Realty will commence operations in April 2004 with the opening of the Eclipse sales center in Buckhead. TWELVE Hotels and Residences is a hospitality management company that will manage the operations of a series of hybrid condominium/hotel developments which will all

bear the name TWELVE. The first of these will be located in the Atlantic Station master-planned development in Atlanta. The addition of these two subsidiaries is part of Novare's comprehensive strategy to proactively deliver customer satisfaction by controlling key points of customer contact throughout the development process. By forming specific subsidiaries specifically focused on these functions, Novare will be better positioned to profitably and consistently manage the customer interaction at each development.





METROPOLIS REVISITED

Beginning in 2001, Novare Group and Wood Partners co-developed Metropolis, a 498-unit residential condominium with 40,000 square feet of retail space in midtown Atlanta. Metropolis was developed with a unique mix of features, amenities, price points, unit sizes and design elements. With thorough market knowledge, Novare sought to produce a superior moderately priced community which would achieve a high level of differentiation in the market.

When completed in late 2003, Metropolis enjoyed exceptional sales success. The 498 units were developed in two phases and after just 4 weeks 50% of the first phase was under contract. Nine weeks later, 80% were under contract. With the carefully executed marketing strategy in motion, the second phase of the building was released and the sales

momentum remained strong until the 41st week, when Novare accepted a contract on the last unit at Metropolis. The exceptional sales results were a reflection of a well-executed development strategy, including pre-development, design, construction and marketing. The project was completed one month ahead of schedule and \$800,000 under budget, achieved a 40% IRR for its investment partner, and was delivered with outstanding attention to quality and customer satisfaction.

While Metropolis is now completely sold, the project continues to serve as a cornerstone of Novare's product strategy because of its validation of the marketing strategy, architectural and interior design, engineering, financial structure and building processes. These successful aspects of the development have been standardized throughout Novare's projects.



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