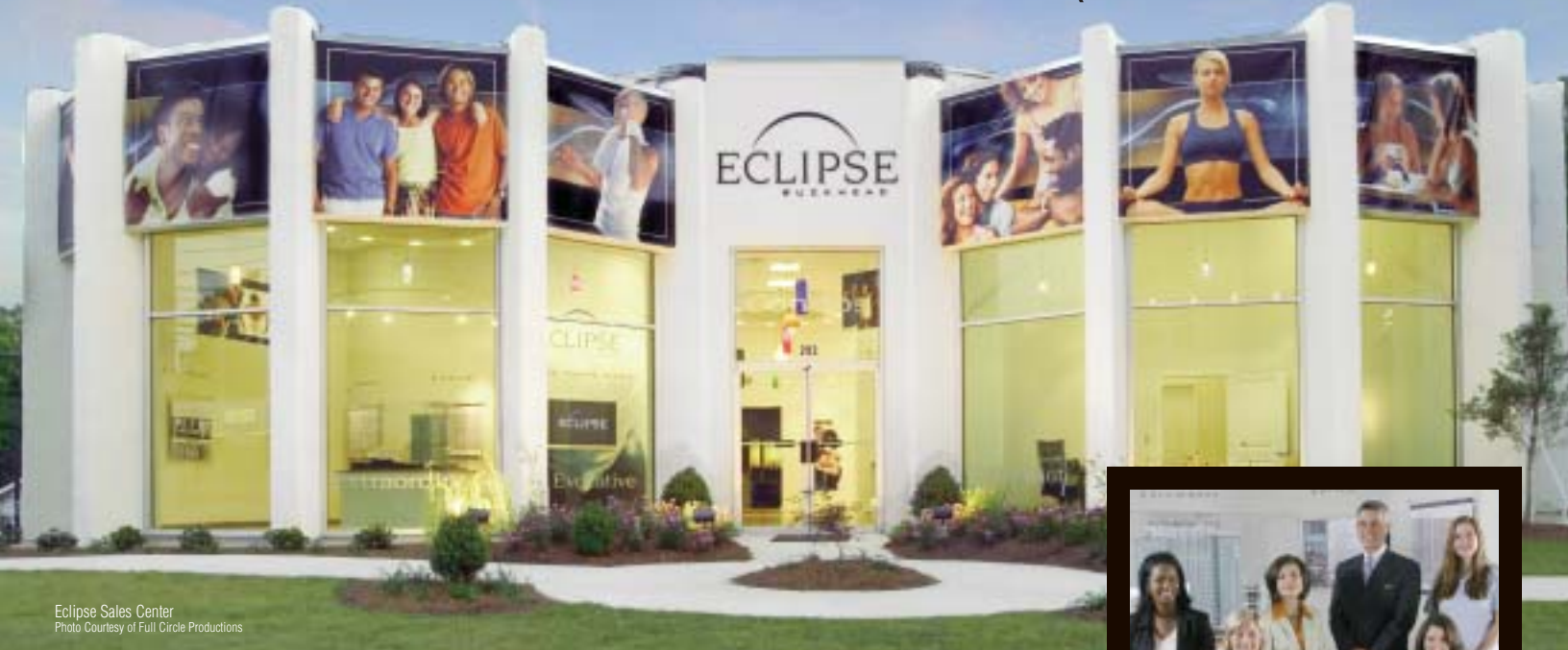


SECOND QUARTER 2004



Eclipse Sales Center
Photo Courtesy of Full Circle Productions

BOUTIQUE SALES CENTER OPENS AT ECLIPSE

The sales center at Eclipse, Novare's development currently under construction in Buckhead Village, is a new approach for condominium sales in Atlanta. John Long, Novare's Chief Investment Officer, says that this concept, called a boutique sales center, is the result of research conducted over the past year. Following a study of condominium sales trends that included a trip to Toronto, where condominium living is extremely popular and widespread, the company concluded that there was a great opportunity to increase sales performance by designing a more retail-oriented sales center, one that would create an exciting experience for potential buyers.

The sales center, located across the street from Eclipse, is an open and inviting space that is designed like an upscale boutique. Visitors enter a gallery area with a high, grand dome and large windows that fill the center with natural light. In the entrance area, they find a scale model of the completed building, as well as three-dimensional scale models of each floorplan. Finishes and lighting reflect what residents will experience in Eclipse itself, and lifestyle photographs around the center help convey what living there will be like.

The sales center includes a full-sized model of a one-bedroom unit. The model is complete with furnishings, and its windows feature high-resolution photography that illustrates the panoramic views from the 15th floor. It can be difficult to picture a home from just a floorplan, as buyers must do in most condominium sales centers prior to build-out. At Eclipse, prospective residents can walk through a unit months before models are possible in the building itself.

The sales center has enough space so that potential residents, who often are first-time buyers, can be relaxed and unintimidated as they walk through. The space is also large enough to stage marketing events such as April's launch party and showcase of the center, which attracted more than 500 participants.

The experience at the Eclipse sales center integrates retail merchandising and residential home sales in an exciting yet comfortable environment. And it's working. Reservations of Eclipse units have exceeded projections, reaching 185 units as of July 1. Look for other boutique sales centers in Novare developments to come.



THE ECLIPSE SALES TEAM Front row, L-R: Anne Schwall and Linda Strike. Back row, L-R: Jennifer Zachery, Sally Hassell, J. Dunn, and Jerri Manning

Friends:

In the second quarter of 2004, in addition to reaching key milestones on several development projects, we focused on three major strategic initiatives: the long-term financing and ownership structure of our business, adding professionals to support our executive team members, and forming a real estate sales subsidiary. We went to market with an exchange offer to allow existing investors to participate in Novare Group Holdings and successfully executed on an entity-level debt offering. We made several key management hires, including development professionals, a debt finance specialist, a land procurement specialist, and an operations manager. Lastly, we successfully started up sales at Eclipse Buckhead with Novare Realty, LLC, our new sales company. On each of these fronts we not only achieved, but far exceeded, the objectives.

Our development projects also continued to move forward very favorably. We topped out the structure at Eclipse in Buckhead, poured the first elevated slab at Spire in Midtown, closed on the land at City Center in Buckhead, and, although it technically did not happen until the third quarter, closed on the land and began construction at TWELVE Atlantic Station. We ended the quarter with 185 reservations at Eclipse, an almost startling performance that would have been impossible to achieve without the exceptional team we have on that effort. And consistent with our 2004 goals, we have been active in other markets, with pre-sales continuing to go well at Viridian in Nashville and properties under contract in both Charlotte and Tampa.

We are continuing to build a culture of high performance and to operate effectively as an executive team for our investors, lenders, residents, employees and development partners—and we are enjoying doing it. We appreciate your continued support.

Sincerely,



Jim Borders

NOVARE ENTERPRISES ADDS TO TEAM AND PROJECTS

The Foundry at Puritan Mill



Novare Enterprises had a productive second quarter. Mike Everly, President of Novare Enterprises, reports that one of the most important accomplishments is the addition of Rich Hagan as Chief Operating Officer. Rich joins the company from Hagemeyer, a Netherlands-based holding company. He also served several years with The Coca-Cola Company, Ernst & Young in their management consulting practice, and the global-services division of Radiant Systems.

Rich is at work building the business infrastructure for Novare Realty, LLC, which was launched in April, and for Novare Management, which will be serving the condominium associations of Novare's developments as they come online. Additionally, he is involved in planning Novare Enterprises' next level of growth and will join Mike in seeking new revenue opportunities for all business lines.

Novare Events was engaged to manage The Foundry at Puritan Mill, a 12,000-square-foot event facility in northwest Atlanta. Several events have already been booked.

Novare Realty began its first project on May 1, with the opening of the sales center at Eclipse in Buckhead. As of July, J. Dunn, on-site sales manager for Eclipse, and his team had already obtained more than 185 pre-sale reservations.

Novare Management has implemented an automated-attendant system in the parking deck of The Biltmore. Using key-card entry for monthly subscribers and credit-card check-out for paid parking, the system will be rolled out to Metropolis later this summer. It will be the company's standard parking system for all new condominium projects. This is one more way to add value to Novare's projects by improving operating margins and long-term returns on the parking component of developments.

DEVELOPMENT TEAM GROWS WITH NOVARE

In the past year, Novare has significantly ramped up its development and increased the number of projects in its pipeline. With this growth has come the need to increase the number of development associates. Supporting Judd Bobilin, Senior Vice President of Development, these are the talented newest members of the Novare development team:

Judd L. Bobilin

Senior Vice President of Development

Judd brings to Novare more than 12 years of experience in real estate development, corporate finance, and project management. Prior to joining the company, he was Vice President of Development for Lincoln Property, where he was responsible for residential developments in the Southeast. Judd also served formerly with TMW Real Estate Group (now Prudential), where he originated development deals and was responsible for more than \$150 million in commercial and residential properties. He received a Bachelor of Arts in Communications from Syracuse University and a Masters of Business Administration from Georgia State University.

John R. Akin, Jr.

Developer

Prior to joining Novare Group, John was a Senior Manager at The Boston Consulting Group (BCG) in Atlanta, where he consulted across a broad range of topics, including strategy, marketing and innovation, and merger integration. His work covered several industries, including real estate, consumer products, retail, and manufacturing. John led recent consulting engagements on the City of Atlanta's plan for the massive overhaul of its sewer and water systems, as well as real estate portfolio evaluation, development plan, and long-term strategy for a nationally known vacation resort. Prior to joining BCG, John was a Senior Consultant for Ernst & Young in its financial advisory services practice. He received a Bachelor of Business Administration from the University of Georgia with high honors and a Masters of Business Administration from Duke University, where he was a Fuqua Scholar.

Frank H. Reese

Developer

Frank joined the Novare development team from Progress Energy, Inc., where he was Senior Business Financial Analyst in the Strategic Planning and Development Department and was responsible for the development of strategic business plans for various divisions of the company. His responsibilities also included project management, financial analysis and process improvement. Prior to Progress Energy, Frank was a corporate banker with SunTrust Bank's Institutional Banking Group. Frank holds a Bachelor of Science in Management from Georgia Institute of Technology and a Masters in Business Administration from the Kenan-Flager Business School at The University of North Carolina-Chapel Hill.

C. Randall Speck

Developer

Before joining Novare, Randy served as an investment associate with TMW Real Estate Group, working primarily with acquisitions and German syndications. He closed more than \$1 billion in transactions throughout the US, including the Chrysler Building and 666 Fifth Avenue, and was responsible for financial analysis, market analysis, engineering analysis, abstracting leases, credit underwriting, and general due diligence on numerous other real estate transactions. Randy's degrees include a Bachelor of Science in Finance from the University of Virginia, a Bachelor of Science in Civil Engineering from Colorado State University, a Master of Engineering in Civil Engineering from Cornell University, and a Master of Science in Real Estate from the Massachusetts Institute of Technology.



Pictured L-R: Frank Reese, John Akin, Randy Speck
Not pictured: Judd Bobilin



Construction at Spire, Atlanta

IMPROVING NOVARE'S DEVELOPMENT PROCESS

The popularity and financial results of Metropolis have created a great deal of positive attention for Novare and its partners. In subsequent developments, the company has used the Metropolis design to create a core development product, a glass-walled, concrete-and-steel high-rise condominium, with units averaging less than 1,000 square feet in size. The company is developing this product in several vibrant urban submarkets, and its primary target is buyers in the 25-to-34-year-old age bracket. Although Novare has identified its core product, the company continues to refine it further, with improvements to architectural design, construction processes and marketing execution. These refinements result in improvements in project economics and, ultimately, to greater value for Novare's investors.

The fine-tuning of the prototype design can be seen in the plans for Spire and City Center. Judd Bobilin, Senior Vice President of Development, says, "Assessing the earlier designs, the development team realized that making slight variations in the windows and balconies and the choice of glass sliding doors would significantly widen the viewing area from within each condominium. This was included in response to feedback from Metropolis residents on how the design could be improved." Other feedback showed that offering upgrades to finishes in the condominiums was not as important as assumed, and the decision was made to standardize more and offer fewer upgrade options, making the units and sales and delivery process more cost-effective and efficient.

During the second quarter, the company also made improvements to its building disposition process. This included the founding of Novare Realty, creating the new sales center design, engineering sales process methodology, and improving the integration of sales and marketing resources. At Eclipse, these changes have resulted in increased sales velocity over earlier developments.

An important piece to Novare's continuous process of improvement is the strategic long-term relationships with its development, architectural, and construction partners. The company has used the same general contractor and architectural team for several projects, and this consistency is yielding significant efficiencies. Time that would be lost bringing a new partner up to speed on what and how Novare builds can instead be used to get a jump start on the project. Those involved have a history together, and each partner is assured of the others' expectations and workmanship. Bill Newell, Vice President of Construction, comments, "The consistency of these relationships has provided Novare an excellent platform for continuing to improve its already successful product. The architects, contractors, and subcontractors on all the projects are sharing lessons learned and improving future projects."

This working partnership and the process and design improvements have had measurable results, as evidenced by Novare's ability to be on time and on budget with its developments. At the time of this newsletter, Spire is two weeks ahead of schedule, and Eclipse is almost one month ahead of schedule.



817 West Peachtree Street, NW
Suite 601
Atlanta, Georgia 30308-1138
404.815.1234
www.novaregroup.com