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FALCON CAPITAL GROUP, LP

UNITS

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

General Partner:

LAKESIDE CAPITAL ADVISORS, LLC

January 1, 2011

FALCON CAPITAL GROUP, LP

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

January 1, 2011

Falcon Capital Group, LP (the "Partnership"), a New York limited partnership, has been formed to engage in the investment activities described herein. The Partnership's day-to-day operations will be managed by the Partnership's general partner, Lakeside Capital, LLC (the "General Partner"), a New York limited liability company.

This Confidential Private Placement Memorandum (this "Memorandum") relates to an offering (the "Offering") of units of limited partnership interests ("Units") in the Partnership. Prospective investors who seek to be limited partners of the Partnership ("Limited Partners") should carefully read and retain this Memorandum.

In making an investment decision, investors must rely upon their own examination of the Partnership and the terms of the Offering, including the merits and risks involved.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") NOR QUALIFIED, APPROVED OR DISAPPROVED UNDER ANY OTHER FEDERAL OR STATE SECURITIES LAWS. NEITHER THE SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY HAS PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE SECURITIES OFFERED HEREBY MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF BY AN INVESTOR UNLESS SUCH PROPOSED SALE, TRANSFER OR DISPOSITION IS EXEMPT FROM SUCH REGISTRATION AND COMPLIES WITH THE RESTRICTIONS ON TRANSFER SET FORTH IN THE LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP.

Table of Contents

NOTICES

GENERAL

THIS IS A PRIVATE OFFERING MADE PURSUANT TO APPLICABLE FEDERAL AND STATE "PRIVATE PLACEMENT" EXEMPTIONS. THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT SINCE THEY WILL BE OFFERED ONLY TO A LIMITED NUMBER OF QUALIFIED INVESTORS. IT IS ANTICIPATED THAT THE OFFERING AND SALE OF SUCH UNITS WILL BE EXEMPT FROM REGISTRATION PURSUANT TO REGULATION D OF THE SECURITIES ACT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE UNITS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THESE OFFERING MATERIALS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS UNLAWFUL. THIS MEMORANDUM CONSTITUTES AN OFFER ONLY IF DELIVERY OF THIS MEMORANDUM IS PROPERLY AUTHORIZED BY THE GENERAL PARTNER. THIS MEMORANDUM HAS BEEN PREPARED BY THE GENERAL PARTNER SOLELY FOR THE BENEFIT OF PERSONS INTERESTED IN THE PROPOSED SALE OF THE UNITS, AND ANY DISTRIBUTION OR REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER, IS PROHIBITED.

NO PERSON OTHER THAN THE GENERAL PARTNER HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS OR PROVIDE ANY INFORMATION WITH RESPECT TO THE UNITS EXCEPT SUCH INFORMATION AS IS CONTAINED IN THIS MEMORANDUM.

THE CONTENTS OF THIS MEMORANDUM SHOULD NOT BE CONSTRUED AS INVESTMENT, LEGAL OR TAX ADVICE. A NUMBER OF FACTORS MATERIAL TO A DECISION WHETHER TO INVEST IN THE UNITS HAVE BEEN PRESENTED IN THIS MEMORANDUM IN SUMMARY OR OUTLINE FORM ONLY IN RELIANCE ON THE FINANCIAL SOPHISTICATION OF THE OFFEREES. EACH PROSPECTIVE INVESTOR IS URGED TO SEEK INDEPENDENT INVESTMENT, LEGAL AND TAX ADVICE CONCERNING THE CONSEQUENCES OF INVESTING IN THE PARTNERSHIP.

A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR UNITS UNLESS SATISFIED THAT THE PROSPECTIVE INVESTOR ALONE OR TOGETHER WITH HIS OR HER INVESTMENT REPRESENTATIVE HAVE ASKED FOR AND RECEIVED ALL INFORMATION

WHICH WOULD ENABLE THE INVESTOR OR BOTH OF THEM TO EVALUATE THE MERITS AND RISKS OF THE PROPOSED INVESTMENT.

THE PARTNERSHIP WILL MAKE AVAILABLE TO EACH INVESTOR OR HIS OR HER AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY UNITS, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM REPRESENTATIVES OF THE GENERAL PARTNER CONCERNING ANY ASPECT OF THE PARTNERSHIP AND ITS PROPOSED BUSINESS AND TO OBTAIN ANY ADDITIONAL RELATED INFORMATION TO THE EXTENT THE PARTNERSHIP POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THIS MEMORANDUM IS BEING GIVEN TO THE RECIPIENT SOLELY FOR THE PURPOSE OF EVALUATING AN INVESTMENT IN THE UNITS DESCRIBED HEREIN. IT MAY NOT BE REPRODUCED OR DISTRIBUTED TO ANYONE ELSE (OTHER THAN THE IDENTIFIED RECIPIENT'S PROFESSIONAL ADVISORS.) THE RECIPIENT, BY ACCEPTING DELIVERY OF THIS MEMORANDUM AGREES TO RETURN IT AND ALL RELATED DOCUMENTS TO THE PARTNERSHIP IF THE RECIPIENT DETERMINES NOT TO SUBSCRIBE FOR UNITS.

SPECIAL NOTICE TO FLORIDA INVESTORS:

THE FOLLOWING NOTICE IS PROVIDED TO SATISFY THE NOTIFICATION REQUIREMENT SET FORTH IN SUBSECTION 11(A)(5) OF SECTION 517.061 OF THE FLORIDA STATUTES, 1987, AS AMENDED:

UPON THE ACCEPTANCE OF FIVE (5) OR MORE FLORIDA INVESTORS, AND IF THE FLORIDA INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933), THE FLORIDA INVESTOR ACKNOWLEDGES THAT ANY SALE OF AN INTEREST TO THE FLORIDA INVESTOR IS VOIDABLE BY THE FLORIDA INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE FLORIDA INVESTOR TO THE ISSUER, OR AN AGENT OF THE ISSUER, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE FLORIDA INVESTOR, WHICHEVER OCCURS LATER.

DEFINITIONS

The following terms have the meanings specified below in this document:

"Benefit Plan Investor"	As defined in "SUITABILITY"—Purchases by Employee Benefit Plans.
"Business Day"	Any day (except Saturday or Sunday or public holidays) on which banks in New York are open for business and/or such other day or days and/or further places as the General Partner may from time to time determine.
"GAAP"	U.S. generally accepted accounting principles.
"General Partner"	Lakeside Capital Advisors, LLC.
"Managers"	The Board of Managers of the General Partner, including duly authorized committees thereof.
Net Asset Value	The total assets of the Partnership (including, but not limited to, all cash and cash equivalents, accrued interest and amortization of original issue discount, and other assets of the Partnership) less all liabilities of the Partnership (including, but not limited to, servicer fees payable to the Servicer and other fees and expenses, as described in this Memorandum) determined in accordance with GAAP consistently applied under the accrual basis of accounting (except as otherwise described in this Memorandum). Appropriate reserves may be created, accrued, and charged against Net Asset Value by the General Partner for contingent liabilities, if any, as of the date any such contingent liability becomes known to the General Partner.
Net Asset Value per Unit	The Net Asset Value allocated to capital accounts represented by Units divided by the aggregate number of Units.
"Partnership"	FALCON CAPITAL GROUP, LP
"Partnership Agreement"	The partnership agreement of the Partnership dated on or about the date hereof, as the same may from time to time be amended and described in "GENERAL INFORMATION."
"Portfolio"	The portfolio of assets of the Partnership invested

	in accordance with the strategy set out under "INVESTMENT OBJECTIVE AND STRATEGY."
Units	The units of limited partnership interests in the Partnership.
"Valuation Day"	The day on which the Net Asset Value of the Partnership is computed.

SUMMARY OF TERMS

The following is a summary of the terms and conditions of an investment in Falcon Capital Group, LP (the "Partnership"). This summary is qualified in its entirety by the information appearing elsewhere herein and in the Partnership's limited partnership agreement (the "Partnership Agreement"). Investors will acquire units of limited partnership interest ("Units") in the Partnership, become limited partners (the "Limited Partners") of the Partnership and enter into the Partnership Agreement. The Limited Partners and the General Partner (as defined herein) are referred to herein as the "Partners." The Partnership will execute the investment objective and strategy more fully set forth herein.

The Partnership

The Partnership is a New York limited partnership that was formed on October 15, 2010. The Partnership is currently offering units through this private placement.

Investment Objective and Strategy

The Partnership's primary investment objective is to achieve attractive returns while bearing less-than-commensurate risk by taking advantage of "market inefficiencies" in which financial markets and their participants fail to make available to companies the capital that they require.

The Partnership will seek to achieve its objective by investing in new and existing asset backed loans ("ABLs") to borrowers primarily in the healthcare industry although it shall have right to purchase ABLs in the automotive and other industries as well.

Virtually all of the ABLs will be to small, non investment grade borrowers. The Partnership will target borrowers in turnaround situations, that are close to or have filed for bankruptcy, or who simply do not qualify for traditional bank financing. The ABLs maybe performing or non-performing.

The Partnership has identified as an initial purchase, a portfolio of ABLs owned by Northern Healthcare Capital, LLC and Auto-Finance Partners, LLC, two entities affiliated with Timothy Peters. Collectively, these asset backed loans consist of approximately $33.85 million in 20 asset backed, revolving and term loans made to healthcare professionals and organizations and automotive dealerships and their captive finance companies. More than 23% of the ABLs, are either in default or are impaired. While these assets have been identified as a potential acquisition target, the terms and conditions of such purchase has not yet been negotiated, finalized or agreed upon.

While the Partnership will endeavor to limit exposure to any one ABL, there is no restriction on concentration risk. Consequently, one single ABL can make up the entire Portfolio.

See "INVESTMENT OBJECTIVE AND STRATEGY."

There can be no assurance that the General Partner will be successful in pursuing the Partnership's investment objective or that the strategies set forth herein will be successful. Past results of the Partnership, the General Partner, the Servicer or any of their principals are not to be construed as indicative of the future performance of the Partnership. See "CERTAIN RISK FACTORS."

Pending investment in underlying investments and the processing of redemption requests for Units, the Partnership may invest in cash or cash equivalents, interest bearing accounts of a bank or broker, money market instruments, and such other assets as the General Partner shall consider appropriate.

Highly Leveraged

The Partnership's Portfolio will be highly leveraged to enhance returns. Virtually all of the ABLs will be purchased with borrowed funds. The lender to the Partnership will have a senior secured security interest in the ABLs. In the event the Partnership defaults on the loans by senior lender, then the lender shall be entitled to foreclose on all of the Partnership's assets.

General Partner

The Partnership's general partner is Lakeside Capital Advisors, LLC, a New York limited liability company ("General Partner"). The General Partner is responsible for all day-to-day investment management and investment related decision making authority and execution. The General Partner will also administer and service the Portfolio. The General Partner will be the "Tax Matters Partner" of the Partnership for Internal Revenue Service ("IRS") purposes and will be reimbursed for all out-of-pocket expenses incurred on behalf of the Partnership.

Advisory Committee

The General Partner, on behalf of the Partnership, shall maintain an Advisory Committee. The Advisory Committee will be comprised of up to three members. The General Partner shall have the right to appoint one (1) person to the Advisory Committee, and he Limited Partners holding 50.01% of the outstanding Units ("Majority of Limited Partners") shall have the right to appoint two (2) persons to the Advisory Committee. The initial members of the Advisory Committee shall be Timothy Peters, on behalf of the General Partner and Leonard Mezei and Harold Zoref on behalf of the Limited Partners. The following decisions by the General Partner shall require the approval of the Advisory Committee: (a) determination to Extend Credit; (b) transactions in which the General Partner has (or may have) a conflict of interest or any transaction involving an "Affiliate;" (c) decisions regarding termination, withdrawal, and assignment of Limited Partner Units; (d) appointment of a new servicer; (e) any amendment to the Limited Partnership Agreement; (f) any distributions; (g) any determination of Valuation; and (h) all other matters identified in this Memorandum and the Limited Partnership Agreement requiring the approval of the Advisory Committee. For the purposes of this Memorandum, the term "Extend Credit" shall mean (i) the making, purchasing or participation by the Partnership in any

	loan, financing or investment not an asset in the Partnership's Portfolio other than the Initial Target Purchase; or (ii) the extension of any credit, funds, extensions of maturity date, or modification of any material term of any asset in the Partnership's Portfolio. All determinations of the Advisory Committee will require the consent of the majority of disinterested members.
Eligible Investors	The Partnership is offering Units to certain qualified investors as described herein and in the subscription documents. Admission as a Limited Partner in the Partnership is not open to the general public. Each prospective Limited Partner will be required to represent, among other things, that it is an "accredited investor" as such term is defined in Rule 501of Regulation D promulgated under the Securities Act of 1933, as amended. Additionally, all investors will be required to meet other suitability requirements as set forth in the subscription documents. The foregoing suitability standards represent the minimum suitability requirements for prospective investors in the Partnership and satisfaction of these standards does not necessarily mean that an investment in the Partnership is a suitable investment for a prospective investor. See "SUITABILITY."
Subscriptions	Subscriptions for Units must be received by the General Partner on or before 5:00 p.m. (New York time) on October 14, 2011 or such earlier or later date and/or time as the General Partner may determine, generally or in respect of specific applications. Cleared subscription monies should be received by the same time. During the subscription period, which ends at before 5:00 p.m. (New York time) on October 14, 2011, Units will be offered at $.001 per Unit. The General Partner has the right to reject in its sole discretion any subscription for any or no reason.
Minimum Subscription	There is no minimum subscription to the Partnership.
Target Partnership Size	There is no maximum target Partnership size. General Partner, however, reserves the right to close the Partnership to additional Limited Partner investments in its sole and absolute discretion. The Partnership may, at the General Partner's discretion, have an initial closing once a minimum of 2,000,000 Units have been subscribed for.
Valuation	The assets of the Partnership are valued as of the close of the last Business Day of each calendar quarter or at such other times as determined by the General Partner, subject to the approval of the Advisory Committee in its sole discretion (each a "Valuation Day"). See "SUBSCRIPTIONS, CAPITAL ACCOUNTS, ALLOCATIONS, VALUATIONS."

Management Fee	Subject to the Percentage Fee Limitation and the Pro Rata Allocation calculations set forth herein below, the General Partner will receive a monthly management fee (the "Management Fee") equal to 103% of its actual costs associated with providing the services to the Partnership. The General Partner shall provide support for its Management Fee in the quarterly reports delivered to the Limited Partners as set forth herein. Notwithstanding the foregoing, if the General Partner services, administers or acts as a general partner to other portfolios of credit/debt facilities and loans ("Outside Loan Balances"), then the actual costs attributed to the Partnership for the purposes of calculating the Management Fee shall be allocated on a pro rata basis amongst all of the loan balances serviced or managed by the General Partner ("Pro Rata Allocation"). For the avoidance of doubt, if the Partnership has $10,000,000 in loan balances and the General Partner services an additional $90,000,000 in Outside Loan Balances (for a total of $100,000,000) in loan balances, then only 10% of the actual costs of the General Partner shall be allocated to the Partnership. Notwithstanding the foregoing, at no time will the Management Fee paid to the General Partner exceed 3% of the loan balances owned by the Partnership ("Percentage Fee Limitation").
Incentive Allocation Fee	Subject to the Distribution Threshold, the General Partner shall receive an amount equal to 40% of all cash distributions made by the Partnership (the "Incentive Allocation"). The term "Distribution Threshold" means that each Limited Partner has received cash distributions in an amount equal to 1,500 times such Limited Partner's initial subscription amount. If the General Partner withdraws prior to achieving the Distribution Threshold, the General Partner shall forfeit its right to the Incentive Allocation in the event at some point in the future the Distribution Threshold has been met.
Capital Accounts	A capital account ("Capital Account") will be established by the Partnership with respect to each Partner. The opening balance of each Limited Partner's Capital Account will be such Limited Partner's initial contribution to the Partnership. Adjustments to the Capital Accounts will take place from time to time pursuant to U.S. GAAP and otherwise as set forth in the Partnership Agreement. In-kind contributions, if allowed by the General Partner in each case, will be valued by the General Partner at their fair market value at the time of acceptance of such contributions.
Allocation of Gains and Losses	At the end of each accounting period of the Partnership, any Profits or Losses (as each term is defined herein, and which include any and all fees and expenses (including, as to Limited Partners) accrued and/or incurred during such accounting period) will be allocated to all Partners of the Partnership in proportion to their respective Capital Accounts at the beginning of such accounting period. See "SUBSCRIPTIONS, CAPITAL ACCOUNTS, ALLOCATIONS, VALUATIONS."

Distributions

The General Partner may, subject to the approval of the Advisory Committee, distribute to the Partners, in proportion to their capital contributions, the Partnership's cash receipts, net of expenses. Notwithstanding the foregoing, while distributions may be made on an annual basis, no distributions will be made for a year unless the cash receipts of the Partnership during the related period exceed expenses and fees. Subject to the succeeding sentence, the General Partner, subject to the approval of the Advisory Committee, shall make its reasonable best efforts to estimate the taxable income allocable to each partner for the taxable year before each tax year end. Based on this estimate, the General Partner shall distribute an amount equal to 45% of allocable taxable income to each Limited Partner (regardless of each Limited Partner's status as a taxpayer or non-taxpayer) within 90 days of the tax year end. In the event that the Advisory Committee determines that the distribution will adversely affect the Partnership's business operations, the amount distributed under this provision may be reduced in part or in whole. See TAX CONSIDERATIONS."

Withdrawals

By Limited Partners. Limited Partners may not withdraw all or part of their unredeemed capital contribution and undistributed profits, if any, without the consent of the General Partner, which consent shall be subject to the approval of the Advisory Committee.

See "DISTRIBUTIONS AND WITHDRAWALS."

Compulsory Withdrawal. Subject to the approval of the Advisory Committee, the General Partner has the right to require a compulsory redemption of all or any portion of a Limited Partnership's Units in the Partnership.

Withdrawal of the General Partner. Subject to the approval of the Advisory Committee, the General Partner may withdraw all or part of its Capital Account at any time without notice to the Limited Partners. Furthermore, the General Partner may withdraw as the Partnership's general partner upon six (6) months' written notice to the Limited Partners unless such notice is waived by the Limited Partners owning at least sixty percent (60%) of the Units.

Transfers of Units

No transfers of the Units may be made other than with the consent of the General Partner, which consent shall be subject to the approval of the Advisory Committee, which consent may be withheld by the Advisory Committee and the General Partner, at their sole discretion for any reason or for no reason. See "GENERAL INFORMATION."

Expenses

The Partnership will pay certain costs and expenses incurred in its operation, including, without limitation, taxes and tax consultation and compliance services, expenses for legal, auditing, accounting, consulting and other service providers, reasonable promotional

activities, listing fees (if applicable), registration fees and other expenses due to supervisory authorities, insurance, interest, brokerage commissions, communications, printing, mailing and other expenses incurred with respect to furnishing Partners with reports and other financial information and the Capital Accounts of all Limited Partners will be charged accordingly. The General Partner is authorized to incur all expenses on behalf of the Partnership which it deems necessary or desirable (including, without limitation, the direct cost of in-house lawyers of the General Partner providing legal services in respect of the Partnership). The servicing and administration fees arising out of the Portfolio shall be paid or incurred by the General Partner.

The organizational expenses of the Partnership will be paid by the Partnership. In general, the Partnership's financial statements will be prepared in accordance with U.S. generally accepted accounting principles ("GAAP") which would require expensing the entire amount of the organizational expenses in the Partnership's first year of operation. However, the Partnership intends to amortize its organizational expenses over a period of 36 months from the date the Partnership commences operations. As a result, the Partnership's financial statements may contain a qualification indicating that they are prepared in accordance with GAAP, except for the treatment of organizational expenses.

Risk Factors

The General Partner and the Partnership have no operating history. Investment in the Partnership is speculative and involves a high degree of risk. Past performance of the principals of the General Partner or other entities managed by the General Partner may not be construed as indicative of the future performance of the Partnership. There is no assurance that the Partnership will be profitable. The success of the Partnership will depend largely upon the ability of the General Partner. There is no assurance that the strategies employed by the General Partner will achieve attractive returns or be successful. The risks of an investment in the Partnership include, but are not limited to, the speculative nature of the Partnership's strategies and the substantial charges that the Partnership will incur regardless of whether any profits are earned. See "CERTAIN RISK FACTORS."

Conflicts of Interest

Certain inherent conflicts of interest will arise from the fact that the General Partner and the Servicer are owned and controlled by Timothy Peters. In addition, General Partner and its Related Parties may directly or indirectly manage the assets of other funds and may carry on substantial investment activities for themselves or other clients, and may engage in activities that may in some respects compete with the Partnership for certain investments.

In addition, one of the Partnership's investment targets are assets owned or formerly owned by Northern Healthcare Capital, LLC and Auto-Finance Partners, LLC both of whom are affiliated with Timothy Peters.

Furthermore, the General Partner and its principals are not required to, and may not, devote all of their time to the management and operations of the Partnership, and the conduct of the other activities referred to above, in which the Partnership will have no interest, could detract from the time devoted to Partnership affairs. The Partnership is also subject to certain additional conflicts of interest.

All decisions involving a conflict of interest and all transaction involving an Affiliate of the Partnership or the General Partner shall be made only with the approval of a majority of the disinterested members of the Advisory Committee. See "CONFLICTS OF INTEREST."

Listing

No application has been made for the listing of the Units on any stock exchange although the General Partner reserves the right to seek such a listing in the future when it is considered to be in the interests of the Limited Partners.

Regulatory Matters

The Partnership is not a registered investment company and therefore is not required to adhere to certain investment policies under the Investment Company Act of 1940 (the "Company Act"). The Partnership Agreement of the Partnership may be amended by the General Partner without further notice to the Limited Partners so as to comply with appropriate regulations under the Company Act, the Investment Advisers Act of 1940, the Internal Revenue Code of 1986, or to comply with any other rule, regulation or statute.

Privacy Notice

Any and all nonpublic personal information received by the Partnership or the General Partner with respect to the Limited Partners who are natural persons, including the information provided to the Partnership by a Limited Partner in the subscription documents, will not be shared with nonaffiliated third parties that are not service providers to the Partnership or the General Partner Such service providers include but are not limited to the auditors, tax advisors, administrators and legal advisors of the Partnership. However, the Partnership and the General Partner may disclose such nonpublic personal information as required by law. See "EXHIBIT I – Privacy Notice."

Tax Consequences

A prospective investor is responsible for, and should consider carefully, all of the potential tax consequences of an investment in the Partnership and should consult with its tax advisor before subscribing for Units. Tax-exempt entity investors may be exposed to unrelated business taxable income, notwithstanding their otherwise tax-exempt nature, depending upon the use of margin or other leverage by the Partnership. See "TAX CONSIDERATIONS."

Reports

The General Partner will provide following the end of each calendar quarter as to the unaudited performance of the Partnership. In addition, the General Partner intends to provide annual reviewed financial

statements examined and reported upon by independent certified public accountants. Further, the General Partner will distribute additional information appropriate to enable the Limited Partners of the Partnership to prepare their respective income tax returns, although the preparation of such returns will be the sole responsibility of each Limited Partner and the General Partner may distribute such information and reports after April 15th. The General Partner reserves the right not to disclose the Partnership's positions in all or some financial instruments, at its discretion.

THE PARTNERSHIP

Falcon Capital Group, LP (herein the "Partnership"), a New York limited partnership, has been formed to engage in the investment activities described herein. Ultimate authority over the Partnership's activities will be exercised by the Partnership's general partner, Lakeside Capital, LLC (the "General Partner"), a New York limited liability company. The General Partner will provide investment management services to the Partnership and will be primarily responsible for selecting the Partnership's investments and overseeing the Partnership's investment activities. In addition, the General Partner shall be responsible to administer and service the Portfolio. This Confidential Private Placement Memorandum (the "Memorandum") relates to an offering of units of limited partnership interests ("Units") in the Partnership. Although it does not intend to do so, the Partnership is authorized to issue additional classes of interests from time to time pursuant to other offering materials. The information in this Memorandum is qualified in its entirety by the Partnership's Limited Partnership Agreement (the "Partnership Agreement") and Subscription Documents (the "Subscription Documents"), copies of which are annexed hereto as exhibits and deemed part of this Memorandum, which should be carefully reviewed before a prospective investor invests in the Partnership.

INVESTMENT OBJECTIVE AND STRATEGY

General

The Partnership's primary investment objective is to achieve attractive returns while bearing less-than-commensurate risk by taking advantage of "market inefficiencies" in which financial markets and their participants fail to make available to companies the capital that they require. The Partnership will seek to achieve its objective by investing in new and existing asset backed loans ("ABLs") to borrowers primarily in the healthcare industry, although the Partnership may purchase ABLs in the automotive and other industries where conventional finance companies, hedge funds, and banks rarely go.

After a period of aggressive lending and high liquidity, the capital markets became unsettled in mid-2007 due to concerns relating to subprime mortgages. Throughout the past 2.5 years, these concerns have led to an increase in volatility, and a severe lack of liquidity for investment grade and non-investment grade borrowers alike.

The Partnership believes that this lack of liquidity has created an enormous opportunity for the Partnership to build its portfolio as the Partnership will no longer compete with the traditional and cheaper sources of financing—local and regional banks.

Virtually all of the ABLs will be to small, non investment grade borrowers. The Partnership will target borrowers in turnaround situations, that are close to or have filed for bankruptcy, or who simply do not qualify for traditional bank financing. The ABLs maybe performing or non performing.

The Partnership anticipates that most of the ABLs and other assets acquired by the Partnership will be acquired on an arms-length basis. However, certain conflicts of interest exist because certain of the principals of the General Partners may have an interest in the ABLs or were previously affiliated with the entities that owned such Asset-Back Loans. See "Initial Identified Acquisition" below.

Healthcare Financing

The Partnership intends to provide financing to healthcare providers in the form of secured term loans and credit facilities secured by the assets of the healthcare providers, including accounts receivable, real property, personal property and equipment of the healthcare providers. In certain circumstances, the Partnership intends to require the personal guaranty of the principal owner or healthcare provider receiving the loan, including a lien on the personal residence.

The Partnership's marketing strategy is expected to be focused on offering credit to the following:

- Hospitals;
- Skilled nursing and assisted care facilities;
- Physician groups consisting of one to six doctors;
- Home healthcare agencies and facilities;
- Durable medical equipment distributors;
- Medical staffing companies;
- Radiology and diagnostic medical facilities;
- Medical testing facilities; and
- Other healthcare businesses and related businesses which we determine through the underwriting process to have relatively low risk.

Typically, our target client is a small to medium size healthcare providers that generally (a) do not produce a volume of receivables large enough to sustain the minimums required by traditional lenders and (b) are otherwise not considered credit-worthy in accordance with the lending standards of traditional lenders. The typical client bills for healthcare services using a retail billing rate for services rendered, and then are paid by insurance companies, governmental agencies, HMO's, etc., based on medical fee schedules regionally established or referenced by the insurance industry or governmental agencies. In these instances, the billing can be monitored and the performance of the receivables can be reasonably determined.

Initial Identified Acquisition

The Partnership has identified as an initial purchase (the "Initial Identified Acquisition "), a portfolio of asset backed loans owned by Northern Healthcare Capital, LLC ("NHC") and Auto-Finance Partners, LLC ("AFP"). These asset backed loans consist of approximately $33.85 million in 20asset backed, revolving and term loans made to healthcare professionals and organizations More than 23% of the ABLS are either in default or are impaired. As a result, there is a substantially likelihood that full payment on one or more of these loans will not be realized, and therefore the Portfolio may experience a decline in value or a complete loss thereof.

The senior lender to NHC and AFP has initiated foreclosure proceedings against the respective parties arising out of nonpayment. The Partnership intends to purchase these assets either at a public or private foreclosure sale. The purchase price has not yet been identified or discussed.

Leverage

The Partnership's Portfolio will be highly leveraged to enhance returns. Virtually all of the ABLs will be purchased with borrowed funds. The lender to the Partnership will have a senior secured security interest in the ABLs. In the event, the Partnership defaults on the loans by lender, then the lender shall be entitled to foreclose on all of the Partnership's assets.

Cash and Cash Equivalents

Pending investment in underlying investments and the processing of withdrawal requests for Units, the Partnership may invest in cash or cash equivalents, interest bearing accounts of a bank or broker, money market instruments, and such other similar assets as the Managers shall consider appropriate.

Investment Process Overview

The General Partner will seek to enhance the Partnership's capital appreciation and income by selecting ABLs, within the Partnership's Investment Guidelines, that the General Partner expects will offer the best relative value. In selecting ABLs, the General Partner will assess whether the Partnership will be adequately compensated with returns for assuming the risks (such as credit risk) of a particular ABL. The General Partner will continually analyze a variety of economic and market indicators to determine the projected yield of each ABL. These indicators include current and expected U.S. and global growth; and current and expected interest rates and inflation. The projected yield is weighed against the credit risk and risk of prepayment in order to perform the analysis.

The General Partner will manage the Partnership's credit risk by selecting ABLs which provide sufficient yield to compensate for the probability of risk of default. In selecting individual corporate ABLs, the General Partner will analyze a company's business, competitive position, and financial condition to assess whether the risk is commensurate with its potential return. All decisions to Extend Credit shall require the approval of the Advisory Committee.

Identifying Suitable Borrowers

The Partnership intends to utilize several sources for developing new business opportunities and identifying suitable borrowers. These include:

- Referrals from banks and other financial institutions;
- Other factors and asset based lenders;
- Referrals from independent financing brokers and insurance agents; and
- A network of healthcare service businesses.

The principals of Partnership have maintained a network of professional sales representatives who contact potential and existing borrowers on a regular basis. In addition, there are independent brokers who specialize in securing financing for healthcare providers and are another important source of new business. These sales professionals and brokers are helpful in assisting the Partnership to find potential clients who are underserved by traditional financing sources due to their small size or for other reasons, and are responsible for developing new relationships and maintaining existing relationships with the borrowers. If a credit facility is established with a client identified in this manner, the Partnership pays a fee to the sales professional, broker, referrer or referral affiliate.

From time to time, the Partnership may be approached by banks and other financial institutions regarding healthcare providers who inquire regarding financing through these traditional financing sources but who do not meet underwriting standards for some reason. Rather than flatly turning such business away and damaging a relationship with an valued customer, banks and other financial institutions may refer such potential customers to other sources of financing, such as the Partnership and its affiliated financing entities.

Administration of ABLs

The General Partner will manage and act as the administrator for the Portfolio. As the administrator, General Partner will be responsible for facilitating the underwriting of the credit facilities and the ongoing monitoring of the collateral. It will provide the personnel and computer systems that are necessary to ensure the collateral is safeguarded and performs as anticipated. As well, the General Partner will be responsible for maintaining the loan to value ratios established under the credit facility agreement. The General Partner will also responsible for accurate processing and reporting of collections activity. Other services which the General Partner will provide as administrator include:

- Bookkeeping and accounting services;
- Marketing and public relations;
- Maintaining a network of sales persons and account consultants to develop and maintain our relationships with present and potential future sellers;
- Opening, maintaining and directing bank accounts for our benefit.

Any material change to the Partnership's investment objective, policy or restrictions will only be made on prior written notice, in the case of the Partnership, to the Limited Partners and with the approval of the Advisory Committee.

* * * * *

THE PARTNERSHIP'S INVESTMENT PROGRAM IS SPECULATIVE AND ENTAILS SUBSTANTIAL RISKS. THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVES OF THE PARTNERSHIP WILL BE ACHIEVED, AND RESULTS MAY VARY SUBSTANTIALLY OVER TIME. THERE CAN BE NO ASSURANCE THAT THE GENERAL PARTNER WILL BE SUCCESSFUL IN PURSUING THE PARTNERSHIP'S INVESTMENT OBJECTIVE OR THAT THE STRATEGIES SET FORTH HEREIN WILL BE SUCCESSFUL. PAST RESULTS OF THE PARTNERSHIP, THE GENERAL PARTNER, OR ANY OF THEIR PRINCIPALS ARE NOT TO BE CONSTRUED AS INDICATIVE OF THE FUTURE PERFORMANCE OF THE PARTNERSHIP. SEE "CERTAIN RISK FACTORS."

PARTNERSHIP PROFESSIONALS

The General Partner

The general partner of the Partnership, Lakeside Capital Advisors, LLC (the "General Partner"), exercises ultimate authority and supervision over the Partnership's activities. The General Partner has the right to delegate its responsibilities hereunder, including the responsibility of providing certain advisory, management, administrative and auditing services, to suitable parties who may be reasonably compensated by the Partnership. Furthermore, the General Partner may enter into agreements with such parties on behalf of the Partnership, which agreements may include provisions for the indemnification and exculpation of such parties by the Partnership. The Partnership Agreement provides for the indemnification of the General Partner with respect to certain expenses incurred by the General Partner in connection with the performance of its duties on behalf of the Partnership.

The Board of Managers of the General Partner are:

Timothy Peters is the President of the General Partner. Prior to joining the General Partner, Mr. Peters was with Northern Healthcare Capital ("NHC") and CardinalPointe Capital Group ("CPCG") which he co-founded in 2002. During his tenure at NHC and CPCG, Mr. Peters oversaw the underwriting and loan management. He started the expansion of the business that included, vendor finance, auto finance, and film finance. Mr. Peters has been in the asset based lending and factoring industry for twelve years and has held positions as underwriter, portfolio manager, workout manager, and president. Prior to NHC, Mr. Peters was the president of a servicing company that specialized in the monitoring and collection for asset-based loans. Mr. Peters received a bachelor of science degree from Bowling Green State University in 1992.

The Servicer

In addition, the General Partner will manage and act as the administrator for the Portfolio. As the administrator, General Partner will be responsible for facilitating the underwriting of the credit facilities and the ongoing monitoring of the collateral. It will provide the personnel and computer systems that are necessary to ensure the collateral is safeguarded and performs as anticipated. As well, the General Partner will be responsible for maintaining the loan to value ratios established under the credit facility agreement. The General Partner will also responsible for accurate processing and reporting of collections activity. Other services which the General Partner will provide as administrator include:

- Bookkeeping and accounting services;
- Marketing and public relations;
- Maintaining a network of sales persons and account consultants to develop and maintain our relationships with present and potential future sellers;
- Opening, maintaining and directing bank accounts for our benefit.

Advisory Committee

The General Partner, on behalf of the Partnership, shall maintain an Advisory Committee. The Advisory Committee will be comprised of up to three members. The General Partner shall have the right to appoint one (1) person to the Advisory Committee, and he Limited Partners holding 50.01% of the outstanding Units ("Majority of Limited Partners") shall have the right to appoint two (2) persons to the Advisory Committee. The initial members of the Advisory Committee shall be Timothy Peters, on behalf of the General Partner and Leonard Mezei and Harold Zoref on behalf of the Limited Partners. The following decisions by the General Partner shall require the approval of the Advisory Committee: (a) determination to Extend Credit; (b) transactions in which the General Partner has (or may have) a conflict of interest or any transaction involving an "Affiliate;" (c) decisions regarding termination, withdrawal, and assignment of Limited Partner Units; (d) appointment of a new servicer; (e) any amendment to the Limited Partnership Agreement; (f) any distributions; (g) any determination of Valuation; and (h) all other matters identified in this Memorandum and the Limited Partnership Agreement requiring the approval of the Advisory Committee. For the purposes of this Memorandum, the term "Extend Credit" shall mean (i) the making, purchasing or participation by the Partnership in any loan, financing or investment not an asset in the Partnership's Portfolio other than the Initial Target Purchase; or (ii) the extension of any credit, funds, extensions of maturity date, or modification of any material term of any asset in the Partnership's Portfolio. All determinations of the Advisory Committee will require the consent of the majority of disinterested members.

SUBSCRIPTIONS, CAPITAL ACCOUNTS AND VALUATIONS

Subscriptions

Initial subscriptions for Units, must be received by the General Partner on or before 5:00 p.m. (New York time) on October 14, 2011 or such earlier or later date and/or time as the General Partner may determine, generally or in respect of specific applications. Cleared subscription monies should be received by the same time.

Limited Partners may be admitted to the Partnership at such other times as determined by the General Partner in its sole discretion. The General Partner has the right to reject in its sole discretion any subscription for any or no reason. Additionally, the General Partner (in its sole discretion) may allow a Limited Partner to make in-kind contributions to the Partnership.

There is no minimum initial subscription to the Partnership.

There is no maximum target Partnership size. General Partner, however, reserves the right to close the Partnership to additional Limited Partner investments in its sole and absolute discretion. The Partnership may, at the General Partner's discretion, have an initial closing once a minimum of 2,000,000 Units have been purchased.

Capital Account Establishment

A capital account ("Capital Account") is established for each Partner (including the General Partner) and reflects each Partner's interest in the Partnership. Each Capital Account will be reflected by a book entry in the records of the Partnership. The opening balance of a Partner's Capital Account is the Partner's initial contribution to the Partnership. Partners' Capital Accounts are further adjusted as described herein and in accordance with the provisions of the Partnership Agreement.

Allocation of Profits and Losses

The Partnership's fiscal year ends on December 31 in each year, with the first fiscal year ending on December 31, 2011. The Partnership Agreement provides for accounting periods as the General Partner may determine (including without limitation, periods commencing on the date of any capital contribution), for the purpose of calculating profits and losses (as described below).

The Partnership's realized profit or loss shall be allocated among the Partners pursuant to the terms of the Partnership Agreement.

The profit and loss of the Partnership shall be determined on the accrual basis of accounting in accordance with U.S. GAAP provided that (i) assets shall be carried at the values determined in the manner described in "Valuations", (ii) no value shall be assigned to goodwill, and (iii) organizational expenses incurred in connection with the offer and sale of Units shall be capitalized and amortized over a period of three years, subject to the General Partner's discretion to vary this if it considers it prudent to do so and such profit and loss and is deemed to include net unrealized profits or losses on securities positions as of the end of each fiscal allocation period.

Valuations

The General Partner is entitled to exercise their reasonable judgment in determining the values to be attributed to assets and liabilities and provided they are acting *bona fide* in the interest of the Partnership as a whole and approved by the Advisory Committee, such valuation is not open to challenge by current or previous Partners.

DISTRIBUTIONS AND WITHDRAWALS

Distributions

The General Partner may, subject to the approval of the Advisory Committee, distribute to the Partners, in proportion to their capital contributions, the Partnership's cash receipts, net of expenses. Notwithstanding the foregoing, while distributions may be made on an annual basis, no distributions will be made for a year unless the cash receipts of the Partnership during the related period exceed expenses and fees. Subject to the succeeding sentence and the approval of the Advisory Committee, the General Partner shall make its reasonable best efforts to estimate the taxable income allocable to each partner for the taxable year before each tax year end. Based on this estimate, the General Partner shall distribute an amount equal to 45% of allocable taxable income to each Limited Partner (regardless of each Limited Partner's status as a taxpayer or non-taxpayer) within 90 days of the tax year end. In the event that the Advisory Committee determines that the distribution will adversely affect the Partnership's business operations, the amount distributed under this provision may be reduced in part or in whole.
See TAX CONSIDERATIONS."

Withdrawals

1. By Limited Partners. Limited Partners may not withdraw all or part of their unredeemed capital contribution and undistributed profits, if any, without the consent of the General Partner, which consent shall be subject to the approval of the Advisory Committee. Upon withdrawal, a Limited Partner will receive from the Partnership for each Unit redeemed an amount equal to the Net Asset Value per Unit on the relevant Valuation Day (less any amounts deducted as described below). Notwithstanding the foregoing, the General Partner may consent to withdrawals by a Limited Partner in any amount at any time.

Subject to the approval of the Advisory Committee, the General Partner may deduct from the withdrawal proceeds to be paid to the redeeming limited partner such sum as it may consider represents the appropriate *pro rata* allowance for duties, charges and expenses which would be incurred or likely to be incurred in relation to the realization of all or part of the investments attributable to the redemption, or where considered appropriate by the General Partner, in relation to the realization of all investments held on that relevant Valuation Day and distribute such sum *pro rata* among the other Limited Partners. In making any adjustment as indicated above, the General Partner may value investments for such purposes by following a method of valuation which it considers appropriate for these purposes.

Special Provisions relating to Withdrawals

Subject to the approval of the Advisory Committee, the General Partner shall give effect to withdrawals in accordance with the following provisions:

(i) Any assets retained within the Partnership pending their realization or distribution will remain the property of the Partnership and the Partnership will retain all legal and beneficial rights to the relevant assets (and to exercise all rights, including voting rights, in respect thereof) until such time as such assets have been realized and payment made to the relevant investor.

(ii) Withdrawals will normally be settled in cash but may, at the discretion of the General Partner, be settled in securities and/or other property of the Partnership selected by the General Partner or partly in cash and partly in securities and/or other property of the Partnership selected by the

General Partner.

2. Compulsory Withdrawals. Subject to the approval of the Advisory Committee, the General Partner has the right in its sole discretion to require a compulsory redemption of all or any portion of a Limited Partner's Units in the Partnership.

3. Withdrawal of the General Partner. Subject to the approval of the Advisory Committee, the General Partner may withdraw all or part of its Capital Account at any time without notice to the Limited Partners. Furthermore, subject to the approval of the Advisory Committee, the General Partner may withdraw as the Partnership's general partner upon six (6) months' written notice to the Limited Partners unless such notice is waived by the Limited Partners owning at least sixty percent (60%) of the Units. The General Partner will be paid the Net Asset Value per Unit of its General Partnership Units in the Partnership as of the date of such withdrawal.

FEES AND EXPENSES

Fees and Expenses of the General Partner

Management Fee. Subject to the Percentage Fee Limitation and the Pro Rata Allocation calculations set forth herein below, the General Partner will receive a monthly management fee (the "Management Fee") equal to 103% of its actual costs associated with providing the services to the Partnership. The General Partner shall provide support for its Management Fee in the quarterly reports delivered to the Limited Partners as set forth herein. Notwithstanding the foregoing, if the General Partner services, administers or acts as a general partner to other portfolios of credit/debt facilities and loans ("Outside Loan Balances"), then the actual costs attributed to the Partnership for the purposes of calculating the Management Fee shall be allocated on a pro rata basis amongst all of the loan balances serviced or managed by the General Partner ("Pro Rata Allocation"). For the avoidance of doubt, if the Partnership has $10,000,000 in loan balances and the General Partner services an additional $90,000,000 in Outside Loan Balances (for a total of $100,000,000) in loan balances, then only 10% of the actual costs of the General Partner shall be allocated to the Partnership. Notwithstanding the foregoing, at no time will the Management Fee paid to the General Partner exceed 3% of the loan balances owned by the Partnership ("Percentage Fee Limitation").

Incentive Fee. Subject to the Distribution Threshold defined below, the General Partner shall receive an amount equal to 40% of all cash distributions made by the Partnership (the "Incentive Allocation"). The term "Distribution Threshold" means that each Limited Partner has received cash distributions in an amount equal to 1,500 times such Limited Partner's initial capital contribution amount. If the General Partner withdraws prior to achieving the Distribution Threshold, the General Partner shall forfeit its right to the Incentive Allocation in the event at some point in the future the Distribution Threshold has been met.

Other Fees and Expenses

The Partnership will pay certain costs and expenses incurred in its operation, including, without limitation, taxes and tax consultation and compliance services, expenses for legal, auditing, accounting, consulting and other service providers, registration fees and other expenses due to supervisory authorities, insurance, interest, commissions, communications, printing, mailing and other expenses incurred with respect to furnishing Partners with reports and other financial information and the Capital Accounts of all Limited Partners will be charged accordingly. The General Partner is authorized to incur all expenses on behalf of the Partnership which it deems necessary or desirable (including, without limitation, the direct cost of in-house lawyers of the General Partner providing legal services in respect of the Partnership).

The organizational expenses of the Partnership will be paid by the Partnership. In general, the Partnership's financial statements will be prepared in accordance with U.S. generally accepted accounting principles ("GAAP") which would require expensing the entire amount of the organizational expenses in the Partnership's first year of operation. However, the Partnership intends to amortize its organizational expenses over a period of 36 months from the date the Partnership commences operations. As a result, the Partnership's financial statements may contain a qualification indicating that they are prepared in accordance with GAAP, except for the treatment of organizational expenses.

SUITABILITY

General Standard

Each purchaser of a Unit must bear the economic risk of its investment for an indefinite period of time because the Units have not been registered under the Securities Act of 1933 (the "Securities Act"), and, therefore, cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is not contemplated that any such registration will ever be effected, or that certain exemptions provided by rules promulgated under the Securities Act (such as Rule 144) will be available. There is no public market for the Units now, nor is one expected to develop in the future. The Units are being offered in reliance upon the exemption provided in Section 4(2) of the Securities Act and Regulation D thereunder. The Units have not been registered under the securities laws of any state or other jurisdiction and will not be offered in any state of the United States except pursuant to an exemption from registration. In addition, the Partnership is not registered under the Investment Company Act of 1940 (the "Company Act"). The Partnership Agreement provides that a Limited Partner may not assign its Unit (except by operation of law), nor substitute another person as a Limited Partner, without the prior consent of the General Partner, which may be withheld for any reason. The foregoing restrictions on transferability must be regarded as substantial, and will be clearly reflected in the Partnership's records.

Each purchaser of a Unit is required to represent that the Unit is being acquired for its own account, for investment, and not with a view to resale or distribution. The Units are suitable investments only for a limited number of qualified investors for whom an investment in the Partnership does not constitute a complete investment program and who fully understand, are willing to assume, and who have the financial resources necessary to withstand the risks involved in the Partnership's specialized investment program and to bear the potential loss of their entire investment in the Units.

Accredited Investors

In addition to satisfying the standard set forth above under the heading "General Standard," each subscriber must qualify as an "accredited investor" within the meaning of Regulation D under the Securities Act.

An accredited investor is:

1. Any U.S. bank or any banking institution organized under the laws of any State, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or Territorial banking commission or similar official agency, any U.S. savings and loan association or other similar institution, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any U.S. insurance company; any investment company registered under the Company Act or a business development company as defined in the Company Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), if the investment decision is made by a plan fiduciary, as defined in ERISA, which is either a bank, savings and loan association, insurance company,

or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000; or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

2. Any "private business development company" as defined in the Investment Advisers Act of 1940 (the "Advisers Act");

3. Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total capital in excess of $5,000,000;

4. The General Partner and certain affiliates of the General Partner;

5. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase, exceeds $1,000,000 (excluding the value of the person's primary residence);

6. Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

7. Any trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Regulation D; or

8. Any entity all of whose equity owners satisfy one or more of requirements (1) through (7) above.

The foregoing suitability standards represent the minimum suitability requirements for prospective investors in the Partnership and satisfaction of these standards does not necessarily mean that an investment in the Partnership is a suitable investment for a prospective investor. In all cases, the General Partner shall have the right, in its sole discretion, to refuse a subscription for Units for any reason, including, but not limited to, its belief that the prospective investor does not meet the applicable suitability requirements or that such an investment is otherwise unsuitable for that investor.

Each prospective purchaser is urged to consult with its own advisors to determine the suitability of an investment in the Units, and the relationship of such an investment to the purchaser's overall investment program and financial and tax position. Each purchaser of a Unit is required to further represent that, after all necessary advice and analysis, its investment in a Unit is suitable and appropriate, in light of the foregoing considerations.

The method of Subscription is described in the Subscription Documents.

Stricter State Standards

Residents of certain states may be subject to stricter suitability standards than those stated above and the General Partner may reject the Subscription Documents of prospective investors not meeting such standards.

Purchases by Employee Benefit Plans

An ERISA Fiduciary should give appropriate consideration to the facts and circumstances that are relevant to an investment in the Partnership, and the role it plays in the investment portfolio of a benefit plan investor as that term is defined under Section 3(42) of ERISA ("Benefit Plan Investor"), which term is more fully described under "TAX CONSIDERATIONS – ERISA Considerations" herein.

Investment by a Benefit Plan Investor is subject to certain additional considerations because investments by Benefit Plan Investors are subject to ERISA as well as certain restrictions imposed by Section 4975 of the Code. United States Department of Labor ("DOL") Regulation Section 2510.3-101 (the "Regulation") and ERISA Section 3(42) provide certain rules for determining whether an investment in the Partnership by a Benefit Plan Investor will be treated as an investment by such Benefit Plan Investor in the underlying capital of the Partnership. Under the Regulation as modified by Section 3(42) of ERISA, the underlying capital of the Partnership will not be considered assets of any investing Benefit Plan Investor because, as a policy matter, less than twenty-five percent (25%) of the Partnership's capital may consist of investments of Benefit Plan Investors. Accordingly, the General Partner may be compelled to require the redemption of some or all of the Units held by Benefit Plan Investors if necessary to comply with such policy.

Acceptance of subscriptions on behalf of Benefit Plan Investors is in no respect a representation by the Partnership or the General Partner that an investment in the Partnership meets all relevant legal requirements with respect to investments by any particular Benefit Plan Investor or that an investment in the Partnership is appropriate for any particular Benefit Plan Investor. The person with investment discretion should consult with his or her attorney as to the propriety of such an investment in light of the circumstances of the particular Benefit Plan Investor.

By investing, each investor represents and warrants to the Partnership that, among other things, he is able to invest without violating applicable laws especially the rules and regulations aimed at preventing money laundering. The Partnership will not knowingly offer or sell Units to any investors to whom such offer or sale would be unlawful. Investment is confined to a limited number of qualified investors who can provide the representations and warranties contained in the subscription documentation.

The Partnership reserves the right to accept, reject or condition applications from U.S. Persons if the Partnership does not receive evidence satisfactory to it that the sale of the Units to such an investor is exempt from registration under the securities laws of the United States, including, but not limited to, the Securities Act.

The Partnership reserves and intends to exercise the right at their sole discretion, compulsorily to redeem any Units in contravention of these prohibitions or in certain circumstances set out in more detail below including in the event that the continued ownership of any Units by any person could result in adverse tax or regulatory consequences respectively to the Partnership or its or in particular, require the Partnership to register under the Company Act or register the Units under the Securities Act.

Verification of Identity

Measures aimed towards the prevention of money laundering will require a subscriber to verify his identity (or the identity of any beneficial owner on whose behalf the subscriber intends to hold the interests in the Partnership) to the General Partner.

By way of example, an individual may be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public or the police in their country of residence and a photographic identification, together with two forms of evidence of their address by

way of two certified documents such as a utility bill or bank statement. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), authorized signatory list, and the names, date of birth, occupations and addresses of all directors and/or beneficial owners.

The details given above are by way of example only. The General Partner reserves the right to request such documentation as it deems necessary to verify the identity of the applicant and to verify the source of the relevant money. Failure to provide the necessary evidence for anti-money laundering verification purposes may result in applications being rejected or in delays in the dispatch of documents and/or the creation of Units/ or the refusal to accept a redemption request. When an application is rejected, subscription money will be returned to the account from which it was received at the risk of the applicant. Any interest earned on such sums will accrue to the Partnership. The General Partner will be held harmless by a potential subscriber against any loss arising as a result of a failure to process a subscription or redemption request if such information as has been requested by the General Partner has not been provided by the applicant.

Listing

No application has been made for the listing of the Units on any stock exchange although the General Partner reserves the right to seek such a listing on any stock exchange in the future when it is considered to be in the interests of the Limited Partners. In such event, the Partnership may become subject to investment restrictions and other constraints to which it would otherwise not be subject which may include, without limitation, becoming required to restrict the extent of its exposure to any single counterparty and the proportion of its assets invested in securities issued by any one issuer and being prohibited from entering into any transaction which may result in the Partnership taking legal or management control of any underlying investment.

Plan of Distribution and Use of Proceeds

Units will be offered through private placement to a limited number of qualified investors. See "SUITABILITY." Units are being offered by the General Partner and its principals and affiliates. No fees or commissions will be payable to the General Partner or its principals or affiliates in connection with the offer and sale of Units. In addition, the General Partner may in its discretion use brokers, finders, securities dealers or other persons (to the extent lawful) in connection with the offer and sale of Units. Any fees or commissions payable to such persons in connection with the offer and sale of Units will not be payable by or chargeable to the Partnership or any investor, but may be paid out of the resources of the General Partner or their affiliates including by payment or assignment of a portion of the fees.

CERTAIN RISK FACTORS

There are significant risks associated with the purchase of the Units. The purchase of the Units may not be suitable for all prospective Limited Partners. It is intended for a limited number of qualified purchasers who can accept the risks associated with such a purchase, including a substantial or complete loss of their investment.

The risks associated with the purchase of the Units in the Partnership which a Limited Partner should take into account include, without limitation, risks relating to the operation of the Partnership, risks relating to the business objective and philosophy of the Partnership, the investment strategies pursued from time to time by the General Partner and the ABLs to be acquired by the Partnership. Prospective Limited Partners should give careful consideration to the following risk factors in evaluating the merits and suitability of the Offering as they relate specifically to Units or to the Partnership in general, as the context requires. The following does not purport to be a comprehensive summary of all of the risks associated with the Offering, the Units or an investment in the Partnership. Rather, the following are only certain risks to which the Partnership is subject and that the General Partner wishes to encourage prospective Limited Partners to discuss in detail with their professional advisors.

This Memorandum may contain forward-looking statements. Prospective Limited Partners are cautioned that all forward-looking statements involve risks and uncertainty. Although the Partnership believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Memorandum will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Partnership or any other person that the objectives and plans of the Partnership will be achieved.

RISKS RELATED TO THE PARTNERSHIP

Leverage.

The Partnership's Portfolio will be highly leveraged to enhance returns. Virtually all of the ABLs in the Portfolio will be purchased with borrowed funds. The lender to the Partnership will have a senior secured security interest in the ABLs. In the event, the Partnership defaults on the loans by lender, then the lender shall be entitled to foreclose on all of the Partnership's assets (including the ABLSs) which could result in a substantial or complete loss of a Limited Partner's investment.

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We have conflicts of interest that may result in us taking actions that are not in your best interest.

Certain inherent conflicts of interest will arise from the fact that the General Partner and its Related Parties are all controlled by Timothy Peters. In addition, Mr. Peters may also be deemed a control person of NHC and AFP, the entities from whom the Partnership has identified as the Initial Identified Acquisition. Mr. Peters may manage or service the assets of other funds and may carry on substantial activities for himself or other clients, and may engage in activities that may in some respects compete with the Partnership. The General Partner and their principals are not required to, and may not, devote all of their time to the management and operations of the Partnership, and the conduct of the other activities referred to above, in which the Partnership will have no interest, could detract from the time devoted to Partnership affairs.

No Operating History; Potential of Loss.

The Partnership and the General Partner are recently formed entities and have no operating histories. The past performance of the principals of the General Partner or entities with which they have been associated or managed may not be construed as indicative of the future results of the Partnership. There can be no assurance that the strategies described herein will be successful or that the Partnership will achieve its objectives. Given the factors that are described below, a prospective Limited Partner could suffer a substantial loss as a result of the purchase of the Units in the Partnership.

Dependence and Reliance on Tim Peters and the General Partner.

The success of the Partnership is significantly dependent upon the expertise of key members of the General Partner which is owned and controlled by Timothy Peters, who will have primary responsibility for conducting and overseeing the management of the Portfolio. Limited Partners will have no right or power to take part in the management of the Partnership. There could be adverse consequences to the Partnership if they were to cease to be available to render these services. Any future unavailability of any of these individuals could have an adverse impact on the Partnership's performance. The past investment performance of these key individuals should not be, however, construed as an indication of the future results of an investment in the Partnership. In addition, to achieve the Partnership's objective, the General Partner may need to hire, train, supervise and manage new professionals to participate in its operations. The General Partner may not be able to find professionals in a timely manner or at all. Failure to support the Partnership's operations could have a material adverse effect on the Partnership's business, financial condition and results.

We depend on the General Partner to service the Portfolio and the related collateral.

The General Partner will service the Portfolio for the Partnership. In the event that the General Partner is not able to perform its services in the future, there can be no assurance that we will be able to obtain a suitable replacement without incurring substantial expense, and any replacement obtained may not provide an acceptable quality of services to us. If we are unable to find a replacement servicer at a reasonable cost or the replacement servicer is unable to service the credit facilities and related assets as efficiently, our business would suffer.

RISKS RELATED TO THE ASSETS

Risks Associated with ABLs to Small Businesses

The Portfolio will consist of ABLs made to small and medium-sized privately owned businesses in the healthcare and other industries. Compared to larger, publicly owned firms, these borrowers generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. These financial challenges may make it difficult for such borrowers to make scheduled payments of interest or principal on the loans. Accordingly, advances made to such borrowers entail higher risks than advances made to borrowers who are better equipped to access traditional capital sources. Because of their smaller size, such borrowers may experience significant variations in operating expenses, have narrower products lines and market shares than larger competitors and be particularly vulnerable to changes in consumer preferences and market conditions. The Partnership may experience late and missed payments, failures by borrowers to comply with operational and financial covenants in their loan agreements and client performance below that anticipated at origination. If the Partnership experiences substantial losses on its portfolio of asset-backed loans, the

Partnership will be adversely impacted and the Limited Partner could lose a significant amount or all of its investment.

The ABLs in the Portfolio maybe in default or are impaired and the collateral securing a particular loan may not be sufficient to protect the Partnership from partial or complete loss.

The Portfolio may consist of ABLs that are either in default or significantly impaired. In addition, many of the borrowers are in or will be filing for bankruptcy protection. As a result, there is a substantially likelihood that full payment on one or more of these ABLs will not be realized and the Partnership might not receive payments to which it is entitled to. The collateral securing a particular ABL may not be sufficient to protect the Partnership from partial or complete loss if the Partnership is required to foreclose or engage in litigation. The collateral securing any such ABL is subject to inherent risk that may limit the Partnership's ability to recover the principal of a non-performing ABL. In addition, the ability of the Partnership to have access to the collateral may be limited by bankruptcy and other insolvency laws. There is no assurance that the liquidation of the collateral securing a ABL would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, the Partnership might not receive full payment on a ABL investment to which it is entitled and thereby may experience a decline in the value of, or a loss on, the investment.

Illiquidity of ABLs in the Portfolio.

The Portfolio will consist of privately held ABLs to a limited number of borrowers. There is no active trading market for the resale of these ABLs. The primary resale opportunities for these assets are privately negotiated transactions with a limited number of purchasers. This may restrict our ability to dispose of these assets in a timely fashion and at a favorable price or at all and could be less than the value of the underlying loan. Further, borrowers whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Concentration Risk

The Portfolio is not diversified. The Portfolio consists of ABLs and other debt instruments to a limited number of borrowers in a limited number of industries. This lack of diversification exposes the Partnership to losses arising out of the negative consequences of a single corporate, economic, political or regulatory event. This lack of diversification in the portfolio increases our dependence on the performance of any one borrower. This increases the risk that inadequate performance by an individual borrower will materially affect our ability to achieve our business objective and strategy.

Floating Interest Rate Risk

Some of the ABLs bear interest at floating interest rates. To the extent interest rates increase, monthly interest obligation owed by the borrowers will also increase. Some borrowers may not be able to make the increased payments, resulting in defaults on their ABLs.

Fraud

Of paramount concern is the possibility of material misrepresentation or omission on the part of the borrower or guarantor. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loan or may adversely affect the ability of the Partnership to perfect or effectuate a lien on the collateral securing the ABL. Representations made by the borrower may be incomplete or inaccurate. In addition, under certain circumstances, payments to the Partnership and therefore by the

Partnership to its Partners may be reclaimed if such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Equitable Subordination; Bankruptcy Recharacterization of Debt; Lender Liability Claims. Obligation of Good Faith to the Borrower

Even though the assets are structured as senior ABLs, if the borrowers were to go bankrupt, depending on the facts and circumstances, including the extent to which the Partnership actually provided managerial assistance to that issuer, a bankruptcy court might recharacterize the debt and subordinate all or a portion of its claim to that of other creditors.

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors. The Partnership may be subject to potential allegations of lender liability. In addition, the courts have in some cases applied the doctrine of equitable subordination to subordinate the claim of a lending institution against a borrower to claims of other creditors of the borrower when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, be borne by the Partnership, would reduce the Partnership's net assets and could require the Partnership to return distributed capital and earnings. Moreover, these potential liabilities may exceed the value of the assets.

Third Party Litigation

The Partnership may become subject to the risks of becoming involved in litigation by third parties. This risk is somewhat greater for lenders that exercise control of, or significant influence over, a borrower's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Partnership, would reduce the net assets and could require the Partnership to return already distributed capital and earnings.

Nature of Bankruptcy Proceedings

The borrowers related to the ABLs are or maybe near bankruptcy. There are a number of significant risks when dealing with companies involved in bankruptcy proceedings, including the following: first, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a borrower. For instance, the borrower may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, the Partnership may seek representation on creditors' committees

and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents.

Illiquidity and Limited Withdrawal and Transfer Rights.

Due to the restrictions on withdrawals and because Units are not tradable, an investment in the Partnership is an illiquid investment. Units are not transferable without the prior written consent of the General Partner, in its sole discretion. Accordingly, only prospective Limited Partners willing to give up some access and control over their funds should acquire Units in the Partnership.

Distributions in Kind.

Although under normal circumstances, the Partnership may make distributions in cash, it is possible that under certain circumstances (including the liquidation of the Partnership) distributions may be made in kind and could consist of securities or other investments for which there is no readily available public market

If the borrower becomes the subject of a fraud and abuse claim under federal and/or state regulations that affects the client's viability as a going concern, the Partnership may likewise be unable to collect some or all of the loan that we have made to that client if the value of the collateral is insufficient.

If the borrower becomes the subject of a significant fraud and abuse claim, its cash from operations could be limited as such client may be required to refund certain amounts as a result of such claims. Consequently, these claims could impair the client's ability to timely repay its obligations under the loan made by the borrower. If we foreclose on the collateral and the liquidation proceeds are less than we anticipate, the loan may not be fully repaid.

Changes in government healthcare policy, laws, and regulations could adversely affect the value of the collateral underlying the borrower's credit facilities.

The healthcare sector is subject to evolving political and economic regulatory constraints that may affect the operations of healthcare organizations and their profitability. These include proposed legislation periodically advanced by the state legislatures and Congress, and regulations issued by federal and state regulatory agencies, the effect of which could significantly limit reimbursement under government healthcare programs. This could ultimately impair our ability to collect from a borrower who is negatively impacted by these new regulations. As a result, we may not be able to collect full repayment under the loan.

We may have liability under the HIPAA laws on patient privacy.

The Health Insurance Portability and Accountability Act (HIPAA) may require us and the borrower to preserve the privacy of patient information. If necessary, the servicer will execute a business associate agreement with a borrower, covenanting to maintain and protect the privacy and confidentiality of medical records, in compliance with this law. If, however, a governmental or regulatory agency should change its rules or challenge the compliance of this agreement with HIPAA, the Partnership could suffer impaired ability to collect on the assets, resulting in losses. Also, if we, or our borrower, fail to preserve this privacy and confidentiality, we could become involved in a lawsuit, and could have liability to patients or borrowers or be subject to governmental enforcement actions that could impair our ability to continue in business.

A government payor may seek to offset a client's other liabilities, which may restrict or limit our ability to realize the expected value of our collateral.

A government payor may assert, under a unitary creditor theory, that it can offset amounts owed by one agency against claims that another agency might have against a client. As a result, we may be unable to realize the expected value of our collateral.

Absence of Regulatory Oversight

While the Partnership may be considered similar to an investment company, the Partnership does not intend to register as such under the Company Act (in reliance upon an exemption available to privately offered investment companies), and, accordingly, the provisions of the Company Act (which, among other matters require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be applicable. In addition, if the Securities and Exchange Commission were to find that the Partnership had violated the exemption from registration available to privately offered investment companies, Limited Partners in the Partnership could be materially adversely affected.

We may be required to rescind sales of the Units.

We are offering Units without registering them with the Securities and Exchange Commission, in reliance on exemptions from registration that apply to private placements of securities, where the purchaser is an accredited investor. If the exemptions from registration that we have relied upon for this Offering are not available, we may be obligated to return any amount purchased by a Limited Partner who demands rescission. We may not have insufficient funds to do so.

Fees and Expenses.

The Partnership pays certain fees, costs and expenses incurred in its operation, including, without limitation, taxes, expenses for servicing, legal, auditing, administration, custody, and consulting services, promotional activities, registration fees and other expenses due to supervisory authorities, insurance, interest, the fees of the General Partner. In addition, the General Partner is authorized to incur all expenses on behalf of the Partnership which it deems necessary or desirable. The fees, allocations and expenses to which the Partnership will be subject could be substantial and will dilute the returns realized by Limited Partners.

Early Termination.

Subject to the consent of the Advisory Committee, the Partnership may be terminated by the General Partner at any time in its sole discretion. In the event of the early termination of the Partnership, the Partnership would have to distribute to the Limited Partners their *pro rata* interest in the assets of the Partnership. Certain assets held by the Partnership may be highly illiquid and might have little or no marketable value.

Business and Regulatory Risks Associated with Partnerships.

Legal, tax and regulatory changes could occur during the term of the Partnership that may adversely affect the Partnership. The regulatory environment for entities pursuing alternative investment strategies is evolving, subject to modification by governmental and judicial action and changes in the regulation of

such entities may adversely affect the value of investments held by the Partnership and the ability of the Partnership to pursue its strategies. Any future legal or regulatory change could substantially and adversely affect the Partnership.

Reserves.

Under certain circumstances, the Partnership may find it necessary to establish a reserve for contingent liabilities and withhold the amount thereof from amounts otherwise distributable to the Partners. In such a case the reserved portion would remain at the risk of the Partnership's activities.

Possibility of Taxation as a Corporation.

A "publicly traded partnership" (as defined in Section 7704 of the Code) is treated as a corporation unless a certain percentage of its gross income during certain prescribed periods is "qualified income" (generally, interest, dividends, real estate rents, and gain from the sale of capital assets and certain other items). It is anticipated that the Partnership will meet the qualifying income test, although there are no assurances that it would do so. If the Partnership were classified as an association taxable as a corporation, the Partnership would be subject to federal income tax on any taxable income at regular corporate tax rates, reducing the amount of cash available for distribution to the Limited Partners. Overall, treatment of the Partnership as an association taxable as a corporation would substantially reduce the anticipated benefits of an investment in the Partnership.

Possibility of Audit.

The Partnership's tax return could be audited by the U.S. Internal Revenue Service (the "IRS") and adjustments to the Partnership's return could occur as a result. Any such adjustments could subject the Limited Partners to additional tax, interest and penalties, as well as incremental accounting and legal expenses. The General Partner will have the authority to enter into binding settlements on behalf of all Partners with the IRS, subject to certain exceptions. In addition, the audit of Partnership returns could lead to audits of the individual returns of the Limited Partners, resulting in adjustments and additional tax with respect to non-partnership items.

Tax Considerations.

Applicable taxation laws, treaties, rules or regulations or the interpretation thereof may always change, possibly with retrospective effect. Accordingly, it is possible that the Partnership could become subject to taxation (including by way of withholding tax) in respect of its investments and the income, profit and gains derived therefrom in a manner that is not currently anticipated. Any such change may have an adverse effect on the value of the Partnership.

Power of Attorney

The General Partner has been granted an irrevocable power of attorney to sign on behalf of each Limited Partner a Certificate of Limited Partnership and any amendments thereto or termination thereof, as well as any documents required by reason of the dissolution of the Partnership or any documents required to be submitted by the Partnership to any governmental or administrative agency, to any securities exchange, board of trade, clearing corporation or association or to any self-regulatory organization or trade association.

No Separate Counsel

The Partnership does not have counsel separate and independent from counsel to the General Partner. The General Partner's counsel does not represent the Limited Partners in the Partnership, and no independent counsel has been retained to represent the Limited Partners in the Partnership.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership. Prospective Limited Partners should read the entire Memorandum and consult with their own advisors before deciding to subscribe for the Units.

CONFLICTS OF INTEREST

The General Partner, and its respective affiliates, which shall be deemed to include, in each case, their respective members, officers, directors and employees and entities owned by any of the aforementioned parties (the "Related Parties") may face certain conflicts of interest in relation to the Partnership. The following inherent or potential conflicts of interest should be considered by prospective Limited Partners before participating in the Offering. These conflicts include, but are not limited to, the following:

Commonality of Control—The General Partner of the Partnership, Lakeside Capital Advisors, LLC is under the direction and control of Timothy Peters. Timothy Peters, the owner and control person of Lakeside was also a co-founder and employee of NHC and AFP, whose assets (prior to the foreclosure) are part of the Initial Target Purchase. As such, while the General Partner believes that the terms and conditions of this Offering and the Initial Target Purchase, are, and will be, on terms no less favorable to the Partnership than could be obtained from equally unaffiliated third parties and are reasonable and fair to all of the parties involved, they may be subject to conflict of interest and may not be deemed in the future to have been on terms and conditions fair to all of the parties involved. No independent valuation, appraisal or fairness opinion was obtained prior to engaging in this Offering or will be obtained prior to the Initial Target Purchase.

Other Clients -The General Partner may act as general partner, investment manager, investment adviser, servicer, or administrator to other clients (including funds) now or in the future. The objectives, policies and/or strategies of such clients may be identical, similar or different to those of the Partnership. They may additionally serve as consultants to, or partners or shareholders in, other funds, companies and investment firms. In effecting transactions, it may not always be possible, or consistent with the possibly differing objectives of the various clients and of the Partnership.

Other Activities -The General Partner engages in other business activities and services for the accounts of clients other than the Partnership. The General Partner is not required to refrain from any other activity, to account for any profits from any such activity, whether as partners of additional companies or otherwise or to devote all or any particular part of the time and effort of any of its partners, officers, directors or employees to the Partnership and its affairs. The strategy for such other clients may vary from that for the Partnership. The General Partner and their associates may be involved in valuation of the Partnership's assets. To the extent that there are other conflicts of interest on the part of the General Partner between the Partnership and any other account, company, partnership or venture with which it or they are now or later may become affiliated, they will endeavor to treat all of such entities equitably. The Partnership will have no right to participate in or benefit from the other activities of the Related Parties and the Related Parties will not be obliged to account to the Partnership for any profits made or benefits derived therefrom, nor shall they have any obligation to disclose or refer to the Partnership any of the investment or service opportunities obtained through such activities.

The General Partner believes that they will have sufficient staff personnel and resources to perform all of their duties with respect to the Partnership. However, because some of the officers of the General Partner may have duties in connection with other entities and may be engaged in other business matters, such officers may have conflicts of interest in the allocation of responsibilities, services and functions among the Partnership and other entities.

General - The General Partner may enter into side letters in relation to the Partnership with

individual Limited Partners covering, *inter alia*, capacity, provision of additional information, most favored commitments, individual Limited Partner approval requirements, transfer rights and confirmations of how expenses will be borne.

TAX CONSIDERATIONS

General

The Partnership will furnish each Limited Partner with the necessary information for inclusion in the federal, state and local income tax returns for which it may be liable. It will be each Limited Partner's personal responsibility to prepare and file all appropriate tax returns that it may be required to file as a result of its participation in the Partnership. The General Partner assumes no responsibility for the tax consequences of this transaction to a Limited Partner, nor for the disallowance, either partially or entirely, of any proposed deductions.

It is impractical to comment on all aspects of federal, state, local and foreign tax laws that might affect the tax risks and consequences of an investment in the Partnership and no attempt has been made to do so herein. In view of the complexity of the tax aspects of this Memorandum, a prospective investor is strongly urged to consult its tax advisor (at the investor's sole expense) with respect to the tax consequences (including state, local and foreign tax consequences) of an investment in the Partnership, and with specific reference to its own tax situation prior to subscribing for the Units.

The following statements are based upon the provisions of the Code, the applicable existing and proposed regulations promulgated thereunder (the "Regulations"), existing judicial decisions and current administrative rulings and practice. It is emphasized, however, that no assurance can be given that legislative, judicial or administrative changes may not be forthcoming which would modify such statements. Accordingly, certain of the Code provisions discussed hereinafter may be further amended, modified or clarified by the IRS or the courts, which may have an effect on the Partnership and the Limited Partners. Moreover, the availability and amount of deductions, credits and income attributable to the activities of the Partnership will depend not only on the legal principles described herein, but also upon the resolution of various factual issues. There can be no assurance, therefore, that some of the positions taken by the Partnership will not be successfully challenged by the IRS.

Federal Income Tax Aspects

The following is a general summary of some of the federal income tax consequences to Limited Partners of an investment in the Partnership. It is not intended as a complete analysis of all possible tax considerations in acquiring, holding and disposing of a Unit and, therefore, is not a substitute for careful tax planning by each Limited Partner, particularly since the federal, state and local income tax consequences of an investment in partnerships such as the Partnership may not be the same for all taxpayers. Except where otherwise indicated, this discussion has been prepared on the assumption that a Limited Partner is a U.S. resident individual or a U.S. domestic corporation that is not tax exempt. Prospective Limited Partners should consult their own tax advisors with respect to the tax consequences (including state and local and foreign tax consequences) of an investment in the Partnership.

This discussion of the federal income tax consequences of an investment in the Partnership is based upon existing law. The existing law, as currently interpreted, is subject to change by new legislation, or by differing interpretations of existing law, either of which could, by retroactive application or otherwise, adversely affect a Limited Partner's investment in the Partnership.

Classification as a Partnership

Since, under the Regulations and subject to the discussion of "publicly traded partnerships" herein, the Partnership will be classified as a "partnership" for federal income tax purposes, no federal income tax will be payable by it as an entity. Instead, each Limited Partner will be required to take into account such Limited Partner's distributive share of the items of income, gain, loss, deduction and credit of the Partnership.

If the Partnership were classified as an association taxable as a corporation, the Partnership would be subject to federal income tax on any taxable income at regular corporate tax rates, reducing the amount of cash available for distribution to the Limited Partners. In that event, the Limited Partners would not be entitled to take into account their distributive shares of the Partnership's deductions in computing their taxable income, nor would they be subject to tax on the Partnership's income. Distributions to a Limited Partner would be treated first as dividends to the extent of the Partnership's current or accumulated earnings and profits, second as a return of basis to the extent of each Limited Partner's basis in its Units, and last as gain to the extent any remaining distributions exceeded the Limited Partner's basis in its Units. Overall, treatment of the Partnership as an association taxable as a corporation would substantially reduce the anticipated benefits of an investment in the Partnership.

Taxation of Partners on Income or Losses

Since the Partners will be required to include Partnership income in their respective income tax returns without regard to whether there have been distributions from the Partnership attributable to that income, the Partners may be liable for federal and state income taxes on that income even though they have received no cash or other property from the Partnership. While the Partnership Agreement may allow the Partners to redeem their Units in amounts above their initial capital contribution, actual redemptions may not in fact be sufficient to pay all federal, state and local taxes arising out of a Partner's investment in the Partnership.

It is possible that the Partnership might have a net loss for federal income tax purposes during a taxable period. Certain Partners (generally, all Partners subject to tax that are not widely held corporations) may be subject to limitations on the deduction of their shares of Partnership losses and deductions, including the at-risk rules, passive loss rules, rules restricting the deduction of investment interest, potential capital loss limitations and the rules governing the deduction of miscellaneous itemized deductions. See "Limitations on Deductibility of Certain Expenses," below. The deductions allocable to any Partner will not be deductible by such Partner to the extent they exceed that Partner's basis in its Units. See "Basis of Units and Distributions," below.

Allocations of Income and Loss

A partner's distributive share of partnership income, gain, loss, deduction or credit for federal income tax purposes is usually determined in accordance with the allocation provisions of a partnership agreement. However, under Section 704(b) of the Code, an allocation will be respected only if it either has "substantial economic effect" or is in accordance with the partner's "interest in the partnership." If an allocation contained in the Partnership Agreement does not meet either test, the IRS will make the allocation in accordance with its determination of the Partner's interest in the Partnership.

The Treasury Regulations under Section 704(b) of the Code are extremely complex and in many respects subject to varying interpretations. Moreover, because the regulations were promulgated relatively recently, there has been little relevant administrative or judicial interpretation of them. The

allocations contained in the Partnership Agreement may not comply in all respects with the regulations' requirements for having substantial economic effect or for being deemed to be in accordance with the Partners' interests in the Partnership. However, although the matter is not free from doubt and, except as provided below, the General Partner believes that the allocations to the Partners contained in the Partnership Agreement are in accordance with the Partners' Units and will be sustained in all material respects. It should be noted, however, that there can be no assurance that the IRS will not claim that these allocations are not in accordance with the Partners' Units and, therefore, attempt to change the allocations to the Partners. In such an event, some Partners' distributive shares of the Partnership's taxable income may increase, while others' may decrease.

Under the Partnership Agreement, the General Partner has the discretion to allocate specially an amount of the Partnership's ordinary income or loss or capital gain or loss for Federal income tax purposes to a withdrawing Partner to the extent that the Partner's capital account exceeds or is less than its Federal income tax basis in its partnership interest. There can be no assurance that, if the General Partner makes such a special allocation, the IRS will accept such allocation. If such allocation is successfully challenged by the IRS, the income and gains allocable to the remaining Partners could under certain circumstances be increased.

Basis of Units and Distributions

A Partner's tax basis in its Units will include the amount of money, and/or its tax basis in securities or other property that the Partner contributes to the Partnership, increased principally by (i) any additional contributions made by the Partner to the Partnership, (ii) the Partner's distributive share of any Partnership income, and (iii) the amount, if any, of the Partner's share of the Partnership's nonrecourse indebtedness; and decreased, but not below zero, principally by (x) distributions from the Partnership to the Partner, (y) the amount of the Partner's distributive share of the Partnership's losses, and (z) any reduction in the Partner's share of the Partnership's nonrecourse indebtedness. In the case of non-liquidating distributions other than cash (and other than certain ordinary income type assets, like accounts receivable) the basis is reduced (but not below zero) by the basis of the property distributed.

Special rules apply in determining the basis of an interest in a partnership which has been transferred in a taxable transaction or by reason of death. Each prospective Limited Partner should consult with its own tax advisor with regard to such transfers.

It is possible that Limited Partners in the Partnership will contribute property to the Partnership in exchange for Units in the Partnership. Generally, assuming the property contributed constitutes a diversified portfolio of stocks and securities for purposes of the Treasury regulations under Section 351 of the Code as applicable to transfers under Section 721 of the Code, any gain realized on such contribution should not be recognized by an investor making such in-kind contribution. However, in view of the complexity of the rules governing the tax treatment of such transfer, a prospective investor contemplating a contribution other than cash to the Partnership (or such a contribution to the Partnership, if consented to by the General Partner) is urged to consult with its tax advisor with respect to the tax consequences thereof.

Generally, a cash distribution to a Limited Partner will be taxable only to the extent it exceeds the Partner's basis in its Units. The amount of that excess generally would be taxable as capital gain. Distributions of property other than cash (or certain ordinary income type assets) are generally not taxable (except as described below), although any unrealized gains with respect to such property may be taxable upon the subsequent disposition of the property. Under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than property) unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and

the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Partnership will determine at the appropriate time whether it qualifies as an "investment partnership." Assuming it so qualifies, if a Limited Partner is an "eligible partner", which term should include a Limited Partner whose contributions to the Partnership consisted solely of cash, the recharacterization rule described above would not apply.

Sale or Exchange or Abandonment of a Unit; Withdrawals

A Partner generally will recognize capital gain or loss on the sale or exchange of a Unit. The amount of gain or loss recognized will be determined by the difference between the amount realized and the Partner's adjusted tax basis in its Unit. See "Basis of Unit and Distributions," above. For this purpose, the amount realized includes the Partner's share of outstanding Partnership nonrecourse liabilities, if any. Under certain circumstances, a portion of the gain may be taxable as ordinary income, as described below in the case of a Limited Partner who receives a cash distribution in connection with its complete withdrawal from the Partnership.

A Limited Partner receiving a cash distribution from the Partnership in connection with its complete withdrawal from the Partnership generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Limited Partner and such Limited Partner's adjusted tax basis in its partnership interest. Such capital gain or loss will be short-term, long-term, or some combination of both, depending upon the timing of the Limited Partner's contributions to the Partnership. However, a withdrawing Limited Partner will recognize ordinary income to the extent such Limited Partner's allocable share of the Partnership's "unrealized receivables" exceeds the Limited Partner's basis in such unrealized receivables (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable, with respect to which a withdrawing Limited Partner would recognize ordinary income. A Limited Partner receiving a cash distribution other than in connection with its complete withdrawal from the Partnership will recognize income in a similar manner, but only to the extent that the amount of the distribution exceeds such Limited Partner's adjusted tax basis in its partnership interest.

As discussed above, the Partnership Agreement provides that the General Partners may specially allocate items of Partnership ordinary income or loss or capital gain or loss to a withdrawing Partner to the extent its capital account would otherwise exceed or is less than its adjusted tax basis in its partnership interest. Such a special allocation may result in the withdrawing Partner recognizing ordinary income or capital gain, which may include short-term gain, in the Partner's last taxable year in the Partnership, thereby reducing the amount of long-term capital gain recognized during the tax year in which it receives its distribution upon withdrawal from the Partnership.

Elections as to Basis Adjustments

The Partnership Agreement does not require the General Partner to make an election as to basis adjustments under Section 754 of the Code unless required under the tax laws, nor does it prohibit the General Partner from doing so. In general, a Section 754 election, if made, would permit the Partnership to adjust the tax basis of its assets to reflect a transferee Partner's basis in the Unit sold or exchanged, or transferred upon the death of a Partner. Certain adjustments might also arise if assets are distributed in kind. These elections are usually beneficial if Partnership's properties have appreciated in value. However, if there are many transfers or distributions to which the election applies, the calculation of the adjustments and the necessary record keeping become extremely complicated and costly. Consequently, the General Partner, in its discretion, may choose not to make the election unless such election is required under the tax laws.

The foregoing basis adjustment rules are mandatory in the case of the transfer of a partnership interest with respect to which there is a substantial built-in loss or a partnership distribution with respect to which there is a substantial basis reduction. A substantial built-in loss exists with respect to a transfer of an interest in a partnership if the partnership's adjusted basis in its property exceeds the fair market value of the property by more than $250,000. A substantial basis reduction exists if a downward basis adjustment of more than $250,000 would be made to the basis of partnership assets if a Code Section 754 election were in effect.

An electing investment partnership is not treated as having a substantial built-in loss, and thus is not required to make basis adjustments to partnership property in the case of a transfer of a partnership interest. Instead of being subject to the mandatory basis adjustment rule, an electing investment partnership is subject to a partner-level loss limitation rule. Under this rule, the transferee partner's distributive share of losses (determined without regard to gains) from the sale or exchange of partnership property is not allowed, except to the extent it is established that the partner's share of such losses exceeds the loss recognized by the transferor partner. It is not certain whether the Partnership will qualify for such an election, or if it does, whether such an election will be made.

Other elections may be available as well in accordance with applicable rules. The General Partner may exercise its discretion in making such elections.

Treatment of Fees

The Partnership intends to deduct the Fees either as an ordinary and necessary business expense or as an expense incurred to produce income.

The General Partner believes that the Fees to be paid to the Servicer is reasonable and approximates the amount which would be paid to an unrelated third party. However, the IRS may disallow all or part of the deduction for such fee. The determination of whether the fee is reasonable in amount and deductible in full involves factual questions and thus there, can be no assurance that the IRS will not contest the amount of the deduction by asserting that it is excessive and the expenditure is in whole or in part a capital expense or other non-deductible expenditure.

Limitations on Deductibility of Certain Expenses

Under Section 163(d) of the Code, the deduction of investment interest by an individual on indebtedness incurred to purchase or carry investment property is limited to the amount of the taxpayer's net investment income. Investment interest generally includes interest paid by the Partnership on its debt and would usually include interest paid by a Partner on indebtedness incurred to purchase or carry such Partner's interest in the Partnership to the extent the Partner's interest in the Partnership is investment property. Property held for investment includes (1) any interest in an activity involving the conduct of a trade or business which is not passive if the taxpayer does not materially participate in the activity and (2) generally, partnership property that produces "portfolio" income. Thus, it is anticipated that the Partners that are individuals will be subject to the investment interest limitations.

It is anticipated that income earned by the Partnership (other than net capital gains and qualifying dividends, described below) and passed through to the Partners should be included in net investment income. If the income were not included in net investment income, a non-corporate Partner might be denied a deduction for all or part of that portion of its distributive share of the Partnership's ordinary losses that is attributable to interest expense, unless such Partner has sufficient investment income from other sources.

A Partner who could not deduct losses currently as a result of the application of Section 163(d) would be entitled to carry those losses forward to future years, when the same limitation would again apply. Thus, subject to certain limitations, investment interest expense which is not deductible in a taxable year can be carried forward until all disallowed amounts have been deducted.

Subject to certain enumerated exceptions, Section 67(a) of the Code provides that an individual taxpayer's miscellaneous itemized deductions, including investment expenses (but not investment and other interest deductible under Section 163 of the Code), are deductible only to the extent they exceed two percent (2%) of the taxpayer's adjusted gross income. Regulations issued by the Treasury Department prohibit the indirect deduction through partnerships and other pass-through entities of amounts that would not be deductible if paid by the individual. Thus, the limitation would apply to the Partnership's expenses if the Partnership were not considered to be engaged in a trade or business. While the Partnership believes that its activities constitute a trade or business for such purpose, such a determination is dependent upon an analysis of all facts and circumstances and as such, there can be no assurance that the IRS will agree with the Partnership's position. Accordingly, in view of such uncertain application to the Partnership and the Partners of the two percent (2%) floor on miscellaneous itemized deductions, prospective investors should consult their tax advisors regarding the potential impact of the two percent rule on their particular tax situations.

Gains and Losses on Property/Dividend Income

Gains and losses with respect to property will generally be recognized for tax purposes on the date of sale or other disposition of the property. Gains and losses recognized with respect to the property will generally be capital gains and losses and will be long-term capital gains and losses if the property was held for more than the long-term holding period. The minimum long-term holding period is generally twelve (12) months. Net capital gains (the excess of long-term capital gain over short-term capital loss, if any) of individuals with respect to securities are generally subject to a tax of fifteen percent (15%). Certain "qualifying" dividends are subject to a fifteen percent (15%) rate of tax as well.

The Partnership may engage (directly or through other entities) in "conversion transactions" within the meaning of Section 1258 of the Code. A conversion transaction is a transaction that meets one of four statutory criteria and substantially all of the taxpayer's return from which is attributable to the time value of the taxpayer's net investment in the transaction. All or a portion of the capital gain otherwise arising from the disposition or other termination of any position that was part of a conversion transaction will be recharacterized as ordinary income. It is also possible that the IRS could contend that a Partner's investment in the Partnership, when combined with other investments of the Partner outside of the Partnership, constituted a conversion transaction.

Partnership Tax Returns; Audit

The Partnership's tax returns are subject to review by the IRS and other taxing authorities, which may dispute the Partnership's tax positions. There can be no assurance that these authorities will not adjust the tax figures reported in the Partnership's returns. Any recharacterizations or adjustments resulting from an audit may require each Partner to pay additional income taxes and interest and possibly result in an audit of other items on the Partner's own return, and any audit of a Partner's return could result in adjustments of non-partnership, as well as Partnership, income and deductions. Any adjustment would give rise to interest and could give rise to penalties.

Generally, upon an IRS audit, the tax treatment of Partnership items will be determined at the Partnership level pursuant to administrative or judicial proceedings conducted at the Partnership level. Each Partner generally will be required to file his tax returns in a manner consistent with the information

returns filed by the Partnership or be subject to possible penalties, unless the Partner files a statement with its return on IRS Form 8082 describing any inconsistency. Pursuant to the Partnership Agreement, the General Partner will be the "tax matters member" of the Partnership. The General Partner will be able to extend the statute of limitations on behalf of all Partners with respect to Partnership items. A Partner may file with the IRS a statement that the General Partner does not have the authority to enter into a settlement agreement on behalf of that Partner.

ERISA Considerations

A fiduciary of a pension, profit sharing, stock bonus or other employee benefit plan subject to ERISA should consider how its fiduciary responsibility requirements under Title I of ERISA would be affected by an investment of a portion of the plan's assets in the Partnership. Accordingly, among other factors, the fiduciary should consider, taking into account all of the circumstances that the fiduciary knows or should know are relevant to the investment, whether investment in the Partnership would be consistent with the fiduciary's' obligations under sections 404(a)(1)(A)-(D) of ERISA, to discharge its duties with respect to the plan (i) for the exclusive purpose of providing benefits to participants and their beneficiaries; (ii) with the same standard of care that would be exercised by a prudent person acting under similar circumstances; (iii) by diversifying the investments of the plan so as to minimize the risk of large losses; and (iv) in accordance with the documents and instruments governing the plan insofar as such documents are consistent with ERISA.

In analyzing the prudence of an investment in the Partnership, special attention should be given to the Department of Labor's regulations on investment duties which require, among other things (i) a determination that each investment is reasonably designed, as part of a plan's portfolio, to further the purposes of such plan, (ii) an examination of risk and return factors, and (iii) consideration of the portfolio's composition with regard to diversification, the liquidity and current return on the total portfolio relative to the plan's funding objectives. Under ERISA, a fiduciary is liable for any loss resulting from a breach of his fiduciary duty and, under certain circumstances, he may be held liable for breaches by co-fiduciaries. A fiduciary can also be personally liable for a civil penalty which the U.S. Department of Labor may impose of much as 20% of any amount recovered by an employee benefit plan. No party or an affiliate providing certain services to the Partnership will recommend an investment in the Partnership by a plan for which it is treated as a fiduciary under ERISA by virtue of a prior relationship with the plan. Before investing in the Partnership, a fiduciary of a plan should carefully consider whether such an investment is consistent with its fiduciary responsibilities. Neither the Partnership nor the General Partner assume any responsibility with respect to such matters.

Fiduciaries should also consider Section 406 of ERISA and Section 4975 of the Code, which prohibit an employee benefit plan from engaging in certain transactions involving "plan assets" with persons or entities that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan. No fiduciary of an employee benefit plan should invest in the Partnership without satisfying itself that the investment will not constitute a non-exempt prohibited transaction under Section 406 of ERISA and Section 4975 of the Code.

A non-exempt prohibited transaction may still occur under ERISA or the Code if there are circumstances indicating that (i) the investment in the Partnership is made or retained for the purpose of avoiding application of the fiduciary standards of ERISA, (ii) the investment in the Partnership constitutes an arrangement under which it is expected that the Partnership will engage in transactions which would otherwise be prohibited if entered into directly by the employee benefit plan purchasing the interest, (iii) the investing employee benefit plan, by itself, has the authority or influence to cause the Partnership to engage in such transaction or (iv) the person who is prohibited from transacting with the employee benefit

plan may, but only with the aid of certain of its affiliates and the investing employee benefit plan, cause the Partnership to engage in such transactions with such person.

In addition, potential investors should be aware that under U.S. Department of Labor regulations, as modified by Section 3(42) of ERISA, the Partnership's capital may constitute "plan assets" if twenty-five percent (25%) or more of the value of any class of interests in the Partnership is held by Benefit Plan Investors. A "Benefit Plan Investor" includes any investor that is an employee benefit plan described in Section 3(3) of ERISA, a plan described in Code Section 4975(e)(1), or an entity whose underlying assets include "plan assets" by reason of one or more plan's investments in the entity. For purposes of this rule, an entity is considered to hold plan assets only to the extent of the percentage of equity interests held by Benefit Plan Investors. For purposes of this test, a withdrawal by a Partner may be treated as the acquisition of an equity interest by the remaining investors. Any Units held by a person (other than a Benefit Plan Investor) who would be a "fiduciary" if the Partnership's assets constitute plan assets, and certain affiliates, must be excluded from the total outstanding Units in determining whether Benefit Plan Investors own less than twenty-five (25%) of the value of the outstanding Units. If assets of the Partnership were considered to be "plan assets," (a) investment by an employee benefit plan under Section 3(3) of ERISA could constitute an improper delegation of fiduciary responsibility to the General Partner and (b) transactions involving the capital of the Partnership and any "party in interest" or "disqualified person" with respect to such plans might be prohibited under Section 406 of ERISA and Section 4975 of the Code.

This summary is based on provisions of ERISA and the Code as of the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to ERISA and the Code. No assurance can be given that future legislation, administrative regulations, or rulings or court decisions will not significantly modify the requirements summarized herein. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release.

Certain employee benefit plans may be governmental plans or church plans. Governmental plans and church plans are generally not subject to ERISA, nor do the prohibited transaction provisions described above apply. However, these plans are subject to prohibitions against certain related party transactions under Section 503 of the Code, which prohibitions operate similarly to the prohibited transaction rules described above. In addition, any governmental or church plan fiduciary must consider applicable state or local laws, if any, and the restrictions and duties of common law, if any, imposed upon such plan.

The General Partner does not express a view as to whether any investment in the Partnership (and any continued investment in the Partnership) or the operation and administration of the Partnership is permissible for any governmental or church plan under Code Section 503, or under any state, county, local or other law governing the plan.

IRAs

Although IRAs are subject to the prohibited transaction rules of the Code, IRAs are not subject to ERISA's fiduciary rules, but are subject to their own special set of rules. For example, IRAs are subject to special custody rules and are prohibited from investing in certain commingled investments. Potential IRA investors are urged to consult with their own tax advisors concerning the appropriateness of an investment in the Partnership and the manner in which such interest should be purchased. Furthermore, the General Partner makes no representation regarding whether or not an investment in the Partnership is an inappropriate commingled investment for an IRA Investor.

Unrelated Business Taxable Income

Generally, an exempt organization (such as, without limitation, a qualified pension or profit sharing plan exempt under Section 501(a) of the Code) is exempt from federal income tax on its passive investment income, such as dividends, interest and capital gains, whether realized by the organization directly or indirectly through a partnership in which it is a partner.

This general exemption from tax does not apply to the "unrelated business taxable income" ("UBTI") of an exempt organization. UBTI includes "unrelated debt-financed income," which generally consists of (i) income derived by an exempt organization (directly or through a partnership) from income-producing property with respect to which there is "acquisition indebtedness" at any time during the taxable year, and (ii) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition.

The Partnership may incur "acquisition indebtedness" with respect to certain of its transactions, such as the purchase of securities on margin or the use of funds borrowed from others for the purpose of pursuing its investment objectives. To the extent the Partnership recognizes income (i.e., dividends and interest) from securities with respect to which there is "acquisition indebtedness" during a taxable year, the percentage of such income which will be treated as UBTI generally will be based on the percentage which the "average acquisition indebtedness" incurred with respect to such securities is of the "average amount of the adjustment basis" of such securities during the taxable year.

Since the calculation of the Partnership's "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage used by the Partnership from time to time, it is impossible to predict what percentage of the Partnership's income and gains will be treated as UBTI for a Limited Partner that is an exempt organization. An exempt organization's share of the income or gains of the Partnership that is treated as UBTI may not be offset by losses of the exempt organization either from the Partnership or otherwise, unless such losses are treated as attributable to an unrelated trade or business (e.g., losses from securities for which there is acquisition indebtedness).

To the extent that the Partnership generates UBTI, the applicable Federal tax rate for such a Limited Partner generally would be either the corporate or trust tax rate depending upon the nature of the particular exempt organization. An exempt organization may be required to support, to the satisfaction of the IRS, the method used to calculate its UBTI. The Partnership will be required to report to a Partner which is an exempt organization information as to the portion of its income and gains from the Partnership for each year which will be treated as UBTI. The calculation of such amount with respect to transactions entered into by the Partnership is highly complex, and there is no assurance that the Partnership's calculation of UBTI will be accepted by the IRS.

In general, if UBTI is allocated to an exempt organization such as a qualified retirement plan or a private foundation, the portion of the Partnership's income and gains which is not treated as UBTI will continue to be exempt from tax, as will the organization's income and gains from other investments which are not treated as UBTI. Therefore, the possibility of realizing UBTI from its investment in the Partnership generally should not affect the tax-exempt status of such an exempt organization. However, a charitable remainder trust is subject to an excise tax equal to 100% of its UBTI. A prospective investor should consult its tax advisor with respect to the tax consequences of receiving UBTI from the Partnership.

State and Local Taxes

Each Partner may be liable for state and local income taxes payable in the state or locality in which it is a resident or doing business or in a state or locality in which the Partnership conducts or is deemed to conduct business. In addition, the Partnership may operate in states and localities that impose taxes on the Partnership's assets or income. The income tax laws of each state and locality may differ from the above discussion of federal income tax laws so each prospective Partner should consult its own tax counsel with respect to potential state and local income taxes payable as a result of an investment in the Partnership.

THE FOREGOING IS A BRIEF SUMMARY OF CERTAIN MATERIAL INCOME TAX MATTERS WHICH ARE PERTINENT TO PROSPECTIVE LIMITED PARTNERS. THE SUMMARY IS NOT, AND IS NOT INTENDED TO BE, A COMPLETE ANALYSIS OF ALL PROVISIONS OF THE FEDERAL INCOME TAX LAW WHICH MAY HAVE AN EFFECT ON SUCH OFFERING. THIS ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. ACCORDINGLY, PROSPECTIVE LIMITED PARTNERS ARE URGED TO CONSULT THEIR OWN RESPECTIVE TAX ADVISORS WITH RESPECT TO THEIR OWN RESPECTIVE TAX SITUATIONS AND THE EFFECTS OF THIS INVESTMENT THEREON.

MISCELLANEOUS

Summary of the Partnership Agreement

1. **Term of Partnership**. The Partnership will continue until the first to occur of the following: (i) the withdrawal, insolvency, bankruptcy, dissolution or liquidation of the General Partner (unless within 60 days of such event a new general partner is elected by a vote of the Limited Partners owning more than 60% of the Units then outstanding, and such new general partner shall have elected to continue the business of the Partnership, which any new general partner shall have the right to do); (ii) the occurrence of any event which shall make it unlawful for the existence of the Partnership to be continued; or (iii) a determination by the General Partner upon 60 days' notice to the Limited Partners to terminate the Partnership.

2. **Liability of Partners and Indemnification of General Partner and Others.** No limited partner will be personally liable for any debts, liabilities, contracts or obligations of the Partnership beyond his capital contribution except in certain situations, in particular, if such Limited Partner acts for or binds the Partnership or takes part in the conduct or control of the Partnership business or receives a return of its contribution to the Partnership at a time when the Partnership is insolvent (neither of which is contemplated).

The General Partner will be liable to creditors for the debts of the Partnership to the extent that the assets of the Partnership are insufficient to meet such debts. However, the General Partner will have no liability to the Partnership or to any Limited Partner for any loss suffered by the Partnership which arises out of any action or inaction of the General Partner in the absence of fraud, gross negligence or willful misconduct or violation of applicable laws.

The Partnership will, to the fullest extent legally permissible under the laws of the State of New

York, indemnify the General Partner for itself and as trustee for any affiliate and its directors, members, partners, shareholders, officers, employees, agents and affiliates, members of the Advisory Committee and any persons designated to wind up the affairs of the Partnership pursuant to the Limited Partnership Agreement (each an "Indemnitee") against any loss, liability and expense (including, without limitation, judgments, fines, amounts paid or to be paid in settlement and reasonable attorneys fees and expenses) incurred or suffered by the Indemnitee in connection with the good faith performance by the Indemnitee of his, her or its resulting from his, her, or its responsibilities to the Partnership; provided however, that an Indemnitee will not be indemnified for losses resulting from his, her or its gross negligence, willful misconduct or violation of applicable laws. To the extent legally permissible, the Partnership will, in the discretion of the General Partner, advance amounts and/or pay expenses as incurred in connection with the Partnership's indemnification obligation.

Such parties are also indemnified by each partner for any amounts of tax withheld or required to be withheld with respect to that partner, and also for any amounts of interest, additions to tax, penalties and other costs borne by any such persons in connection therewith to the extent that the balance of the partner's capital account is insufficient to fully compensate the General Partner and for such costs.

A Limited Partner who does not take part in the management or control of the business of the Partnership will not be personally liable for any debt or obligation of the Partnership in excess of his Capital Account. Under certain circumstances, a Limited Partner may, under New York law, be required to return, for the benefit of creditors, amounts previously distributed to him.

3. **Amendment of the Partnership Agreement. S**ubject to the approval of the Advisory Committee, the Partnership Agreement may be amended by the General Partner acting alone in any manner that does not materially and adversely affect any Limited Partner or to effect any changes required by applicable laws or regulations. The Partnership Agreement may also be amended by action of both the General Partner and Limited Partners owning more than 50% of the Units then outstanding or by action of the General Partner with the approval of a resolution, proposed at a meeting of Limited Partners convened and held in accordance with the provisions of the Partnership Agreement and passed by Limited Partners owning more than 50% of the Units then outstanding (in each case in any manner that does not discriminate among the limited partners).

4. **Dissolution of the Partnership.** Upon the occurrence of an event causing the termination of the Partnership, the Partnership will terminate and be dissolved. Dissolution, payment of creditors, and distribution of the Partnership's assets will be effected as soon as practicable in accordance with accordance with the Partnership Agreement and applicable law, and the General Partner and each Limited Partner (and any assignee) will share in the assets of the Partnership *pro rata* in accordance with such Partner's respective capital account, less any amount owing by such Partner (or assignee) to the Partnership. The General Partner will, at its option, be entitled to supervise the liquidation of the Partnership.

Neither the admission of partners nor the retirement, bankruptcy, death, dissolution or insanity of a Limited Partner nor any change in the Limited Partners, the assignment of the whole or part of the Units of a limited partner or the grant of a security interest in respect thereof nor the sale, lease, mortgage, pledge or other transfer of any assets of the Partnership will dissolve the Partnership.

5. **Death, Bankruptcy or Legal Incapacity of a Partner**. In the event of the death, bankruptcy or legal incapacity of a Partner, the estate or legal representative of such Partner will succeed to the Partner's right to share in net profits or net losses of the Partnership and to receive distributions from the Partnership. The General Partner, may, in its sole discretion, admit the estate or representative to the Partnership as a Limited Partner. Notwithstanding anything to the contrary, if a Partner dies on a

day other than the last day of a fiscal period, net profits or net losses for such fiscal period allocable to the deceased Partner will be allocated between the deceased Partner and his estate for federal income tax purposes.

6. **Assignability of Units.** Neither the Units nor any beneficial interest therein is assignable, in whole or in part (except by operation of law), without the prior written consent of the General Partner, which consent shall be subject to the approval of the Advisory Committee.

7. **Further Classes of Units.** The General Partner has the power on behalf of the Partnership to create further classes of Units on such terms and in such currency of denomination as it thinks fit.

8. **Power of Attorney.** The General Partner will be granted an irrevocable power of attorney to sign, on behalf of each limited partner, the Partnership Agreement and any amendments thereto, as well as certain other documents that may be required by various governmental or quasi-governmental agencies in connection with the operation, termination or dissolution of the Partnership.

9. **Fiscal Year and Fiscal Periods.** The Partnership has adopted a fiscal year ending on December 31. Since Limited Partners may be admitted or required to redeem Units and additional Units may be subscribed for during the course of a fiscal year, the Limited Partnership Agreement permits the General Partner to allocate profits and losses for periods that are less than a full fiscal year.

10. **Reports to Partners.** The Partners will be advised promptly following the end of each calendar quarter as to the unaudited performance of the Partnership. The books and records of the Partnership will be reviewed at the end of each fiscal year by a firm of certified public accountants selected by the General Partner, and the Limited Partners will be furnished with unaudited year-end financial statements (within 90 days of the end of each fiscal year or as soon as practical thereafter) including a statement of profit or loss for such fiscal year and of an unaudited status of such Limited Partner's capital account at such time. The General Partner reserves the right, in its sole discretion, to change the accountants or auditors without further notice to the Limited Partners

ACCESS TO INFORMATION

Reports

The Partners will be advised promptly following the end of each calendar quarter as to the unaudited performance of the Partnership. In addition, the General Partner intends to provide annual reviewed financial statements examined and reported upon by independent certified public accountants. Further, the General Partner will distribute additional information appropriate to enable the Limited Partners of the Partnership to prepare their respective income tax returns, although the preparation of such returns will be the sole responsibility of each Limited Partner and the General Partner may distribute such information and reports after April 15th. The General Partner reserves the right not to disclose the Partnership's positions in all or some financial instruments, at its discretion.

Additional Information

Prospective limited partners are invited to review any materials available to the General Partner which can be acquired without unreasonable effort or expense that are necessary to verify the accuracy of

any information relating to the Partnership, the operations of the Partnership, the General Partner and its affiliates, and any other matters relating to this Offering.

EXHIBIT II

FALCON CAPITAL GROUP, LP

PRIVACY NOTICE

The General Partner recognizes the importance of protecting the privacy of Limited Partners who are natural persons. Accordingly, the Partnership and the General Partner have a policy in place of maintaining the confidentiality and security of the Limited Partners' information.

Categories of Information We May Collect

In the normal course of business, the General Partner may collect the following types of information:

- Information you provide in the subscription documents and other forms (including name, address, income and other financial-related information)
- Data about your transactions with us (such as the types of investments you have made and your account status)

How We Use Your Information That We Collect

Any and all nonpublic personal information received by the General Partner with respect to Limited Partners who are natural persons, including the information provided to the Partnership by such Limited Partners in their subscription documents, will not be shared with nonaffiliated third parties that are not service providers to the Partnership or the General Partner without prior notice to such Limited Partners. Such service providers include but are not limited to the auditors/accountants and the legal advisors of the Partnership. Additionally, the Partnership and/or the General Partner may disclose such nonpublic personal information as required by law (such as to respond to a subpoena or to prevent fraud). In particular, this provision is subject at all times to the anti-money laundering rules promulgated by the jurisdictions wherein the Partnership is domiciled or operating, and to the Executive Order on Terrorist Financing as issued by the United States of America, and to similar governmental action.

The same privacy policy will also apply to any former Limited Partners.

Confidentiality and Security

We restrict access to nonpublic personal information about our investors to those employees and agents who need to know that information in order to provide products and services to Partners. We maintain physical, electronic and procedural safeguards to protect investors' nonpublic personal information.

For questions about this privacy policy, please contact the General Partner.

EXHIBIT II

FALCON CAPITAL GROUP, LP

LIMITED PARTNERSHIP AGREEMENT

[See attached]

EXHIBIT III

FALCON CAPITAL GROUP, LP

SUBSCRIPTION DOCUMENTS

[See attached]