

# HERITAGE

PARTNERS, INC.

## *Quarterly Report*

*Period Ending June 30, 2009*

All valuations of portfolio companies have been prepared by Heritage based on currently available information. Valuations are estimates only, and no assurance is given that the amounts stated will be realized upon the sale of these portfolio companies.

This report, and the information contained herein, is confidential and proprietary to Heritage, and is being furnished solely to certain Limited Partners of Heritage for their internal use in evaluating their investment in Heritage. This report, and the information contained herein, may not be disclosed in whole or in part to any other person or entity, and may not be reproduced or used for any other purpose.

AUG 17 2009

**HERITAGE**  
PARTNERS, INC.

August 14, 2009

To the Limited Partners of Heritage Partners Funds I, II and III/IIIA:

As previously mentioned, Fund II is now closed. The final distribution of its remaining cash was made on July 1<sup>st</sup>, 2009.

We are still in the process of winding down Funds I and III/IIIA over the timetables outlined in prior quarterlies and at the telephonic Annual Meeting in December, 2008.

For Funds III/IIIA, the discovery period in connection with the [REDACTED] lawsuit continues, with depositions scheduled for late September. A non-binding mediation process is also tentatively scheduled for early October. While the court schedule currently carries into early 2010, we are hopeful that we will be able to resolve this case by the end of 2009. Regarding the sale of real estate assets associated with the [REDACTED] investment, the buyer who was party to the recent LOI dropped out of the process. We are currently working with two interested parties who have made preliminary bids in an effort to enter into a new LOI. As for [REDACTED] we are working to resolve the final impediments to the release of the remaining escrow funds and believe this should occur no later than the first quarter of 2010.

With respect to Fund I, we are still hopeful that the [REDACTED] litigation can be resolved in 2009, but have little control over the timing.

As always, we welcome any comments or questions you may have.

The General Partners

**Heritage Fund I, L.P.**  
**Combined Statement of Assets, Liabilities & Partners' Capital**  
**For the Quarter Ended June 30, 2009**  
**- Unaudited -**

**ASSETS**

Investments in securities, at fair value (cost of \$18,750,000)	\$ -
Cash and cash equivalents	<u>538,176</u>
Total assets	<u>\$ 538,176</u>

**LIABILITIES & PARTNERS' CAPITAL**

Accrued professional fees	\$ -
Management fees payable and other liabilities	<u>4,673,840</u>
Total liabilities	<u>\$ 4,673,840</u>
Partners' Capital:	
General Partner	(12,448,239)
Limited Partners	<u>8,312,575</u>
Total partners' capital	<u>(4,135,664)</u>
Total liabilities & partners' capital	<u>\$ 538,176</u>

Heritage Fund I, L.P.  
 Combined Statement of Operations  
 For the Quarter Ended June 30, 2009  
 - Unaudited -

	<u>For the Quarter Ended 06/30/09</u>	<u>Year to Date</u>
<b>INVESTMENT INCOME</b>		
Interest income	\$ 541	\$ 1,097
Dividend income	<u>-</u>	<u>-</u>
Total investment income	<u>541</u>	<u>1,097</u>
<b>EXPENSES</b>		
Management fee	-	-
Professional fees and expenses	<u>5,139</u>	<u>20,523</u>
Total expenses	<u>5,139</u>	<u>20,523</u>
Net investment income (loss)	<u>\$ (4,598)</u>	<u>\$ (19,426)</u>
<b>NET PORTFOLIO PERFORMANCE</b>		
Change in unrealized depreciation of investments	-	(1,000,000)
Net realized gain (loss) on investments	<u>-</u>	<u>-</u>
Total net portfolio performance	<u>-</u>	<u>(1,000,000)</u>
Increase (decrease) in partners' capital	<u>\$ (4,598)</u>	<u>\$ (1,019,426)</u>

HERITAGE FUND I, LP  
 ALLOCATIONS PER PARTNER  
 FOR THE QUARTER ENDED JUNE 30, 2009

Contributions Account	Contrib Percent	Capital Acct Balance 3/31/09	Temporary Income	Other Expenses	Capital Acct Balance 6/30/09
		(\$4,131,066)	\$541	(\$5,139)	(\$4,135,664)
\$1,000,000	0.66%	\$55,562	4	(27)	\$55,539
\$2,000,000	1.32%	\$111,109	7	(54)	\$111,062
\$3,000,000	1.98%	\$166,668	11	(81)	\$166,597
\$500,000	0.33%	\$27,769	2	(14)	\$27,757
\$5,000,000	3.30%	\$277,797	18	(136)	\$277,679
\$5,000,000	3.30%	\$277,797	18	(136)	\$277,679
\$4,300,000	2.84%	\$238,891	15	(117)	\$238,790
\$5,700,000	3.76%	\$316,669	20	(155)	\$316,535
\$6,000,000	3.96%	\$333,326	21	(163)	\$333,185
\$10,000,000	6.60%	\$555,561	36	(271)	\$555,325
\$10,000,000	6.60%	\$555,563	36	(271)	\$555,327
\$1,500,000	0.99%	\$83,331	5	(41)	\$83,296
\$500,000	0.33%	\$27,768	2	(14)	\$27,756
\$1,515,152	1.00%	\$27,768	2	(14)	\$27,756
\$197,040	0.13%	\$10,890	1	(5)	\$10,886
\$1,000,000	0.66%	\$55,562	4	(27)	\$55,539
\$500,000	0.33%	\$27,770	2	(14)	\$27,758
\$5,000,000	3.30%	\$276,373	18	(136)	\$276,255
\$10,000,000	6.60%	\$555,563	36	(271)	\$555,327
\$4,000,000	2.64%	\$221,093	14	(109)	\$220,999
\$500,000	0.33%	\$27,766	2	(14)	\$27,754
\$5,000,000	3.30%	\$277,796	18	(136)	\$277,678
\$25,000,000	16.50%	\$1,381,802	89	(678)	\$1,381,213
\$10,000,000	6.60%	\$552,711	36	(271)	\$552,475
\$2,000,000	1.32%	\$111,107	7	(54)	\$111,060
\$5,000,000	3.30%	\$276,371	18	(136)	\$276,253
\$10,000,000	6.60%	\$552,711	36	(271)	\$552,475
\$1,802,960	1.19%	\$99,646	6	(49)	\$99,603
\$2,500,000	1.65%	\$138,896	9	(68)	\$138,837
\$5,000,000	3.30%	\$277,796	18	(136)	\$277,678
\$1,500,000	0.99%	\$83,332	5	(41)	\$83,297
\$500,000	0.33%	\$27,767	2	(14)	\$27,755
\$5,000,000	3.30%	\$277,796	18	(136)	\$277,678
\$1,000,000	0.66%	\$55,554	4	(27)	\$55,531
<b>\$ 151,515,152</b>	<b>100%</b>	<b>(\$4,131,066)</b>	<b>\$ 541</b>	<b>(\$5,139)</b>	<b>(\$4,135,664)</b>

Penn Public School Employees' Ret. System

Fund Total

