PREFERRED APARTMENT COMMUNITIES INC
Form S-11
August 16, 2012

**As filed with the Securities and Exchange Commission on August 16, 2012**

**Registration No. 333-**

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
# Washington, D.C. 20549

# FORM S-11

# FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933 OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

# PREFERRED APARTMENT COMMUNITIES, INC.

*(Exact Name of Registrant as Specified in its Governing Instruments)*

**3625 Cumberland Boulevard, Suite 400**
**Atlanta, Georgia 30339**
**(770) 818-4100**

*(Address, Including Zip Code, and Telephone Number,*
*Including Area Code, of Registrant s Principal Executive Offices)*

# John A. Williams
# PREFERRED APARTMENT COMMUNITIES, INC.
# 3625 Cumberland Boulevard, Suite 400
# Atlanta, Georgia 30339
# (770) 818-4100

*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer o | Non-accelerated filer x<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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# CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price[(1)] | Amount of Registration Fee | |
|---|---|---|---|
| Units, each Unit consisting of one share of Series A Redeemable Preferred Stock, par value $0.01 per share, and one Warrant to purchase 20 shares of Common Stock, par value $0.01 per share[(2)] | $850,000,000 | $97,410.00 | |
| Series A Redeemable Preferred Stock included as part of the Units[(3)] | | | |
| Warrants included as part of the Units[(4)] | | | (5) |
| Common Stock issuable upon exercise of the Warrants[(8)] | $153,000,000 | $17,533.80 | (6) |
| Common Stock issuable upon redemption of the Series A Redeemable Preferred Stock[(7)(8)] | | | |
| Total | $1,003,000,000 | $114,943.80 | |

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended, or the Securities Act.

(2) We are registering hereunder 850,000 Units.

(3) We are registering hereunder 850,000 shares of Series A Redeemable Preferred Stock.

(4) We are registering hereunder Warrants to purchase 17,000,000 shares of Common Stock.

(5) No separate registration fee required pursuant to Rule 457(g) of the Securities Act.

(6) Includes the offering price attributable to shares of Common Stock issuable upon exercise of the Warrants, assuming an exercise price of $9.00 per share. The registration fee has been calculated in accordance with Rule 457(i) of the Securities Act.

(7) We also are registering hereunder an indeterminate number of shares of Common Stock that may be issuable upon the redemption of the Series A Redeemable Preferred Stock. The shares of Common Stock issuable upon redemption of the Series A Redeemable Preferred Stock will be issued for no additional consideration, and therefore no registration fee is required pursuant to Rule 457(i) of the Securities Act.

(8) Pursuant to Rule 416 of the Securities Act, such number of shares of Common Stock registered hereby also shall include an indeterminate number of shares of Common Stock that may be issued in connection with stock splits, stock dividends, recapitalizations or similar events or adjustments in the number of shares issuable as provided in the Warrants and in the articles supplementary setting forth the rights, preferences and limitations of the Series A Redeemable Preferred Stock.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS **Subject to Completion, Dated August 16, 2012**

**Maximum of 850,000 Units consisting of 850,000 Shares of Series A Redeemable Preferred Stock and Warrants to Purchase 17,000,000 Shares of Common Stock**

**(Liquidation Preference $1,000 per share of Series A Redeemable Preferred Stock (subject to adjustment))**

Preferred Apartment Communities, Inc. is an externally managed Maryland corporation incorporated on September 18, 2009 and formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States.

We are offering a maximum of 850,000 shares of our Series A Redeemable Preferred Stock, par value $0.01 per share, referred to as our Series A Redeemable Preferred Stock, and warrants, referred to as the Warrants, to purchase a maximum of 17,000,000 shares of our common stock in this offering. This prospectus also covers the shares of common stock that are issuable from time to time upon exercise of the Warrants and that may be issuable upon redemption of the Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock and the Warrants will be sold in units, or Units, with each Unit consisting of (i) one share of Series A Redeemable Preferred Stock with an initial stated value of $1,000 per share, and (ii) one Warrant to purchase 20 shares of common stock, exercisable by the holder at an exercise price of 120% of the current market price per share of our common stock determined using the volume weighted average price of our common stock for the 20 trading days prior to the date of issuance of such Warrant, subject to a minimum exercise price of $9.00 per share (subject to adjustment). Each Unit will be sold at a public offering price of $1,000 per Unit for maximum gross offering proceeds of $850 million. Units will not be issued or certificated. The shares of Series A Redeemable Preferred Stock and the Warrants are immediately separable and will be issued separately. The Warrants are not exercisable until one year from the date of issuance and expire four years from the date of issuance. The Series A Redeemable Preferred Stock will rank senior to our common stock with respect to payment of dividends and distribution of amounts upon liquidation, dissolution or winding up. Holders of our Series A Redeemable Preferred Stock will have no voting rights except as otherwise required by law.

Our common stock is traded on the NYSE MKT (previously known as NYSE AMEX), or NYSE MKT, under the symbol APTS. On August 13, 2012, the last reported sale price of our common stock on the NYSE MKT was $8.20 per share. There is no established trading market for our Series A Redeemable Preferred Stock or any of the Warrants and we do not expect a market to develop. We do not intend to apply for a listing of the Series A Redeemable Preferred Stock or any of the Warrants on any national securities exchange.

We have elected and qualified to be taxed as a real estate investment trust for U.S. federal income tax purposes, or REIT, commencing with our tax year ended December 31, 2011.

Our charter contains various restrictions on the ownership and transfer of our securities. You should read the information under the section entitled Description of Securities Restrictions on Ownership and Transfer of our Securities in this prospectus for descriptions of these restrictions.

**Investing in our securities involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. See the section entitled Risk Factors beginning on page 21 of this prospectus for a discussion of the risks which should be considered in connection with your investment in our securities. You also should read carefully the risk factors described in our Securities and Exchange Commission, or SEC, filings, including our latest Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q before investing in our securities.**

**Neither the Securities and Exchange Commission, the Attorney General of the State of New York, nor any state securities commission has approved or disapproved of these securities, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.**

| | Per Unit | Maximum Offering |
|---|---|---|
| Public offering price | $1,000.00 | $850,000,000 (1) |
| Selling commissions(2)(3) | $70.00 | $59,500,000 |
| Dealer manager fee(2)(3) | $30.00 | $25,500,000 |
| Proceeds, before expenses, to us | $900.00 | $765,000,000 |

(1) Initial gross proceeds. If the Warrants are exercised in full at the minimum exercise price of $9.00 per share of common stock, the company will receive additional gross proceeds equal to $153.0 million.

(2) Selling commissions and the dealer manager fee will equal 7% and 3% of aggregate gross proceeds, respectively. Each is payable to our dealer manager. We or our affiliates also may provide permissible forms of non-cash compensation to registered representatives of our dealer manager and the participating broker-dealers. The value of such items will be considered underwriting compensation in connection with this offering, and the corresponding payments of our dealer manager fee will be reduced by the aggregate value of such items. The combined selling commissions, dealer manager fee and such non-cash compensation will not exceed 10% of gross proceeds of this offering, which is referred to as FINRA s 10% cap. Our dealer manager will repay to the company any excess payments made to our dealer manager over FINRA s 10% cap if this offering is abruptly terminated before reaching the maximum amount of offering proceeds.

(3) We expect our dealer manager to authorize other broker-dealers that are members of FINRA, which we refer to as participating broker-dealers, to sell our Units. Our dealer manager may reallow all or a portion of its selling commissions attributable to a participating broker-dealer. In addition, our dealer manager also may reallow a portion of its dealer manager fee earned on the proceeds raised by a participating broker-dealer, to such participating broker-dealer as a non-accountable marketing or due diligence allowance. The amount of the reallowance to any participating broker-dealer will be determined by the dealer manager in its sole discretion.

The dealer manager of this offering is International Assets Advisory, LLC. The dealer manager is not required to sell any specific number or dollar amount of Units, but will use its reasonable best efforts to sell the Units offered. The minimum permitted purchase is generally $5,000, but purchases of less than $5,000 may be made in the discretion of the dealer manager. We expect to sell up to 850,000 Units in this offering by , 2014, which may be extended through , 2015, in our sole discretion. If we extend the offering period beyond , 2014, we will supplement this prospectus accordingly. We may terminate this offering at any time or may offer Units pursuant to a new registration statement.

We will sell Units through Depository Trust Company, or DTC, settlement, or DTC Settlement; or, under special circumstances, through Direct Registration System settlement, or DRS Settlement. Investors purchasing Units through DTC Settlement will coordinate with their registered representatives to pay the full purchase price for their Units by the settlement date, and such payments will not be held in escrow. Investors who are permitted to utilize the DRS Settlement method will complete and sign subscription agreements, which will be delivered to the escrow agent, UMB Bank N.A. In addition, such investors will pay the full purchase price for their Units to the escrow agent (as set forth in the subscription agreement), to be held in trust for the investors benefit pending release to us as described herein.

# International Assets Advisory, LLC

as Dealer Manager

Prospectus dated , 2012

# PREFERRED APARTMENT COMMUNITIES, INC.

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**You should rely only on the information contained in or incorporated by reference into this prospectus, in any free writing prospectus prepared by us or information to which we have referred you. We have not, and the dealer manager has not, authorized any dealer, salesperson or other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the dealer manager and dealers are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in or incorporated by reference into this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.**

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# Market and Industry Data and Forecasts

*In this prospectus, we present certain economic and industry data and forecasts derived from cited third party sources, which data and forecasts are publicly available for free or upon payment as part of a subscription service. None of such data and forecasts was prepared specifically for us. No third party source that has prepared such information has reviewed or passed upon our use of the information in this prospectus, and no third party source is quoted or summarized in this prospectus as an expert. All statements contained in this prospectus in connection with or related to such data and forecasts are attributed to us, and not to any such third party source or any other person.*

# Basis of Presentation

We use certain defined terms throughout this prospectus that have the following meanings:

our sponsor refers to John A. Williams, a veteran of the multifamily industry with over four decades of experience;
our manager refers to Preferred Apartment Advisors, LLC, a Delaware limited liability company, our external manager and advisor;
WRA refers to Williams Realty Advisors, LLC, a full service investment management firm that is part of our sponsor s organization;
WAM refers to Williams Asset Management, LLC, a full service acquisition, asset management and disposition firm that is part of our sponsor s organization;
RAM refers to RAM Partners, LLC, a full-service property level management firm that provides third party property management services and that is part of our sponsor s organization;
PRM refers to Preferred Residential Management, LLC, formerly known as Williams Residential Management, LLC, a full-service property level management firm that handles all owned assets for us and within the Williams umbrella group and that is part of our sponsor s organization. Collectively, RAM and PRM manage over 27,500 multifamily units;
WOF refers to Williams Opportunity Fund, LLC, an affiliate of our sponsor, our manager and our company; and
WRF refers to Williams Realty Fund I, LLC, an affiliate of our sponsor, our manager and our company.

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# PROSPECTUS SUMMARY

*This summary highlights some of the information in this prospectus. It does not contain all the information that you should consider before investing in our securities. You should read carefully the detailed information set forth in the section entitled Risk Factors and other information included in this prospectus, and the information incorporated by reference into this prospectus, including our audited consolidated financial statements and the accompanying notes in our latest Annual Report on Form 10-K and our consolidated financial statements and the accompanying notes in our subsequent Quarterly Reports on Form 10-Q. Except where the context suggests otherwise, the terms company, we, us, and our refer to Preferred Apartment Communities, Inc., a Maryland corporation, together with its consolidated subsidiaries, including Preferred Apartment Communities Operating Partnership, L.P., a Delaware limited partnership of which we are the sole general partner, which we refer to in this prospectus as our operating partnership.*

## Our Company

We are a Maryland corporation formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States. As part of our property acquisition strategy, we may enter into forward purchase contracts or purchase options for to-be-built multifamily communities and we may make mezzanine loans, provide deposit arrangements or provide performance assurances, as may be necessary or appropriate, in connection with the construction of these properties. As a secondary strategy, we also may acquire senior mortgage loans, subordinate loans or mezzanine debt secured by interests in multifamily properties, membership or partnership interests in multifamily properties and other multifamily related assets and invest not more than 10% of our total assets in other real estate-related investments, as determined by our manager as appropriate for us. We refer to these asset classes as our target assets. We conduct substantially all our operations through our operating partnership.

We are externally managed and advised by our manager, which is controlled by John A. Williams, our sponsor and a veteran of the multifamily industry with over four decades of experience, including the founding of the multifamily REIT, Post Properties, Inc. (NYSE:PPS), or Post Properties, and Leonard A. Silverstein. Pursuant to the terms of a management agreement between our manager and us, our manager is responsible for administering our day-to-day business operations, identifying and acquiring targeted real estate investments, overseeing the management of the investments, handling the disposition of the real estate investments and providing us with our management team and appropriate support personnel.

We also hope to benefit from Mr. Williams current organization and platform that specializes in multifamily real estate investment and management. With operations in over 20 nationwide markets, Mr. Williams organization includes WRA, WAM, RAM and PRM. We believe these organizations will provide the full range of services necessary to fulfill our investment objectives.

On April 5, 2011, we completed our initial public offering, or the IPO, of 4,500,000 shares of our common stock. The public offering price of the shares sold in the IPO was $10.00 per share. We received total gross proceeds of $45.0 million from the IPO. After deducting underwriting discounts and commissions and offering expenses payable by us, the aggregate net proceeds we received from the IPO were approximately $39.8 million. Concurrently with the closing of the IPO, on April 5, 2011, in a separate private placement pursuant to Regulation D under the Securities Act, the company sold 500,000 shares of its common stock to WOF at the public offering price of $10.00 per share, for total gross proceeds of $5 million. Aggregate offering expenses in connection with the private placement were approximately $0.3 million; therefore we received approximately $4.7 million in net proceeds from the private placement.

On May 4, 2011, in connection with the exercise of the over-allotment option granted to our underwriters in the IPO, we closed the sale of 107,361 shares of our common stock at $10.00 per share. The total gross proceeds we received from this sale were approximately $1.1 million. After deducting underwriting discounts and commissions and offering expenses payable, the aggregate net proceeds we received from this sale totaled approximately $1.0 million.

On November 18, 2011, we commenced a public offering on a reasonable best efforts basis of up to 150,000 units, with each unit consisting of one share of Series A Redeemable Preferred Stock and one detachable warrant to purchase 20 shares of our common stock, or the Primary Series A Warrants. We refer in

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this prospectus to this offering and the units offered thereby as the Primary Series A Offering and the Primary Series A Units, respectively. On March 30, 2012, we satisfied the escrow conditions of the Primary Series A Offering, received and accepted aggregate subscriptions in excess of $2.0 million and issued 2,155 shares of Series A Redeemable Preferred Stock and 2,155 Primary Series A Warrants to the holders of our new Series A Redeemable Preferred Stock. As of August 16, 2012, we had received from the Primary Series A Offering total gross proceeds of approximately $10,827,000 from the sale of 10,827 Primary Series A Units. As of August 16, 2012, there were 139,173 Primary Series A Units available for sale.

We also intend to raise additional capital in the future.

We have registered A Preferred Apartment Community as a trademarked logo with the United States Patent and Trademark Office. Our manager has branded, and in the future will continue to brand, all apartment communities owned by the company as A Preferred Apartment Community and intends to make it an ultimate tagline for each of our communities that signifies certain brand and management standards. This strategy will allow each individual community to be part of a centralized marketing and advertising campaign, in addition to property level marketing and advertising campaigns. We expect that these campaigns will further enhance each individual property s presence in the marketplace, and we believe that this will allow our communities to be perceived as premier over other properties within the marketplace. Our manager has entered into a non-exclusive license agreement with the company as licensee with respect to all intellectual property of the manager other than trademarks. The license agreement will terminate automatically upon termination of our management agreement or will terminate upon a material breach of the license agreement that remains uncured for more than 30 days after receipt of notice of such breach. Our manager has entered into a separate non-exclusive license agreement with the company as licensee with respect to the manager s trademarks on substantially similar terms as the initial intellectual property license agreement.

On April 15, 2011, we acquired 100% of the membership interests in Stone Rise Apartments, LLC, a Delaware limited liability company (f/k/a Oxford Rise JV LLC), the fee-simple owner of a 216-unit multifamily community located in suburban Philadelphia, Pennsylvania, or Stone Rise, for a total purchase price of $30.15 million, exclusive of acquisition-related and financing-related transaction costs. The membership interests in Oxford Rise JV LLC were owned by WOF.

On April 21, 2011, we acquired 100% of the membership interests in PAC Summit Crossing, LLC, a Georgia limited liability company (f/k/a Oxford Summit Partners, LLC), the fee-simple owner of a 345-unit multifamily community located in suburban Atlanta, Georgia, or Summit Crossing, for a total purchase price of $33.2 million, exclusive of acquisition-related and financing-related transaction costs. WRF owned a majority of the membership interests in PAC Summit Crossing, LLC.

On April 29, 2011, we acquired Oxford Trail, a 204-unit multifamily community located in Hampton, Virginia, or Trail Creek, for a total purchase price of $23.5 million, exclusive of acquisition-related and financing-related transaction costs. We purchased a fee-simple interest in the property from Oxford Trail JV LLC. WRF owned indirectly an approximately 10% membership interest in Oxford Trail JV LLC.

On June 30, 2011, we made a mezzanine loan investment of $6.0 million to Oxford Hampton Partners LLC, a Georgia limited liability company, to partially finance the construction of a 96-unit multifamily community located adjacent to our existing Trail Creek multifamily community in Hampton, Virginia, or the Oxford Hampton Mezzanine Loan. Oxford Hampton Partners LLC was required to fully draw down the mezzanine loan on the closing date. WRF has contributed 100% of the cash equity in Oxford Hampton Partners LLC to date.

On March 26, 2012, we made a loan in the amount of $650,000 to Oxford Properties, LLC, a Georgia limited liability company, to fund certain expenses in connection with transactions we are pursuing, or the Oxford Properties Loan.

On May 7, 2012, Summit Crossing Mezzanine Lending LLC, a wholly owned subsidiary of our operating partnership, made a mezzanine loan in the amount of $6,103,027 to Oxford Summit Apartments II LLC, a Georgia limited liability company, in connection with the borrower's plans to construct a 140-unit multifamily community in suburban Atlanta, Georgia, or the Oxford Summit II Mezzanine Loan. The full amount of the mezzanine loan was funded by the lender to the borrower on the closing date.

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On May 21, 2012, we made a loan in an amount of up to $575,000 to Madison Retail, LLC, a Georgia limited liability company, to fund certain expenses in connection with transactions we are pursuing, or the Madison Retail Loan.

On June 29, 2012, Iris Crosstown Mezzanine Lending, LLC, a wholly owned subsidiary of our operating partnership, made a real estate acquisition bridge loan in the amount of $2,868,471 to Iris Crosstown Apartments, LLC, or Iris, a Georgia limited liability company, in connection with the borrower s acquisition of a parcel of land located in suburban Tampa, Florida, upon which a multifamily community is to be constructed, or the Iris Bridge Loan.

# Market Opportunities

As a result of the recent United States financial crisis and downturn in the United States economy, multifamily assets have seen a dramatic drop in their value. A combination of higher capitalization rates and downward pressure on renter incomes has adversely affected owners of multifamily assets and limited their options. Many recent transactions were highly leveraged with favorable initial financing terms. In many instances, the initial terms of these financings are about to expire or the debt is about to mature. These owners may have difficulty refinancing given the state of the real estate credit markets and their only options may be a sale at a discount to their original investment or foreclosure. We believe our investments will benefit from the following:

- the lower levels of new supply projected for the next several years;
- the expected rebound in the general economy;
- the continual introduction of the echo boom generation into the market; and
- the decline in homeownership.

We believe this stress in the market will create multiple opportunities for investments.

# Our Competitive Strengths

We believe that we distinguish ourselves from our competitors through the following competitive advantages:

- the experience of Mr. Williams and his management team who have significant expertise in multifamily real estate and real estate-related debt investments and capital markets;
- benefits from Mr. Williams and his management team s relationships in the multifamily industry, which we expect to include access to a pipeline of investment opportunities; and
- asset and property management teams focused on multifamily assets, including third party property management of over 22,500 multifamily units across 15 states, asset management of almost 4,500 multifamily units across four states and in-house property management of over 5,100 multifamily units across six states.

# Our Investment Strategy

Our investment strategy includes, without limitation, the following:

- acquiring real-estate related assets where such assets or the owners of such assets are overleveraged or where such owners may be struggling to meet current debt service obligations on such assets, or, in certain circumstances, where such owners are financial institutions or conduits under either legal or economic compulsion to sell;
- acquiring multifamily properties which we believe will generate sustainable cash flow from operations sufficient to allow us to cover the dividends that we expect to declare and pay and which we believe will have the potential for capital appreciation;

taking advantage of supply constraints in multifamily housing in part as a result of a lack of new construction over the past several years; and

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taking advantage of favorable financing available from the Federal Home Loan Mortgage Corporation, or Freddie Mac, and the Federal National Mortgage Association, or Fannie Mae.

We currently do not anticipate investing in unimproved property, developing new construction properties or acquiring new construction, however, we would consider a forward purchase or option to purchase contract on a to-be-built multifamily asset with appropriate provisions for minimum occupancy and income thresholds in order for us to expect the asset to be priced appropriately. In connection with entering into a forward purchase or option to purchase contract, we may be required to provide a deposit, a mezzanine loan or other assurances of our ability to perform our obligations under the forward purchase or option to purchase contract.

Although some of our initial acquisitions were from affiliates of our manager, we anticipate that our future asset acquisitions generally will be from unaffiliated third parties. However, we would still consider an acquisition from an affiliated third party if such acquisition made financial sense to us and was approved by our conflicts committee, which is comprised entirely of independent directors.

## Our Target Markets

Generally, we expect to target metropolitan statistical areas, or MSAs, of approximately one million people or more with favorable economic conditions. The conditions of a market we may monitor include, but are not limited to, job growth, household income, the pipeline of new supply for multifamily units, the pipeline of new supply for single family units, current and forecasted occupancy for multifamily units, current and forecasted rental rate growth for multifamily units, and other statistics that may be relevant to individual markets. In addition, we will analyze forecast data from our manager s affiliates gathered in their operations to support our assumptions. We also will utilize our management team s network of industry contacts and relationships to generate significant information about current and future market conditions. See the section entitled Business Our Target Markets included elsewhere in this prospectus for a detailed discussion of our target markets.

## Our Financing Strategy

We intend to utilize leverage in making our investments. The number of different investments we will acquire will be affected by numerous factors, including the amount of funds available to us. By operating on a leveraged basis, we will have more funds available for our investments. This will allow us to make more investments than would otherwise be possible, resulting in a larger and more diversified portfolio. See the Risk Factors section of this prospectus for more information about the risks related to operating on a leveraged basis.

We intend to target leverage levels (secured and unsecured) between 50% and 65% of the value of our tangible assets (including our real estate assets, real estate loans and other real estate-related investments, accounts receivable and cash and cash equivalents) on a portfolio basis based on fair market value. As of June 30, 2012, our outstanding debt (both secured and unsecured) was approximately 46.8% of the value of our tangible assets on a portfolio basis based on fair market value. Neither our charter nor our by-laws contain any limitation on the amount of leverage we may use. Our investment guidelines, which can be amended by our Board of Directors without stockholder approval, limit our borrowings (secured and unsecured) to 75% of the cost of our tangible assets at the time of any new borrowing. These targets, however, will not apply to individual real estate assets or investments. Other than in connection with forward purchase contracts or purchase option agreements where we have provided a mezzanine loan for development, at the date of acquisition of each asset, we anticipate that the cost of investment for such asset will be substantially similar to its fair market value. However, subsequent events, including changes in the fair market value of our assets, could result in our exceeding these limits. In addition, we intend to acquire all our properties through separate special purpose entities and we intend to finance each of these properties using financing techniques for that property alone without any cross-collateralization to our other properties or guarantees by us or our operating partnership. Finally, we intend to have no long-term corporate level debt. See the section entitled Business Our Financing Strategy included elsewhere in this prospectus for a detailed discussion of our borrowing policies.

Our secured and unsecured aggregate borrowings are intended by us to be reasonable in relation to our net assets and are reviewed by our Board of Directors at least quarterly. In determining whether our

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borrowings are reasonable in relation to our net assets, our Board of Directors considers many factors, including without limitation, the lending standards of government-sponsored enterprises, such as Fannie Mae, Freddie Mac and other companies for loans in connection with the financing of multifamily properties, the leverage ratios of publicly traded and non-traded REITs with similar investment strategies, cash flow coverage, whether we have positive leverage (in that, our Board of Directors will compare the capitalization rates of our properties to the interest rates on the indebtedness of such properties) and general market and economic conditions. There is no limitation on the amount that we may borrow for any single investment.

# Risk Management

Risk management is a fundamental principle in our manager s construction of our portfolio and in the management of each investment. Diversification of our portfolio by investment size and location is critical to controlling portfolio-level risk. Over the long term, we intend that no single asset will exceed 15% of our total assets and that we will not have more than 25% of our total assets invested in any single MSA. However, until a sufficient number of properties are acquired, we anticipate that we will have single assets in excess of 15% of our total assets and more than 25% of our assets in a single MSA.

# Summary Risk Factors

Investing in our securities involves a high degree of risk. If we are unable to effectively manage the impact of these risks, we may not meet our investment objectives, and therefore, you should purchase these securities only if you can afford a complete loss of your investment. See the section entitled Risk Factors included elsewhere in this prospectus for a discussion of the risks that should be considered in connection with your investment in our securities. Some of the more significant risks relating to this offering and an investment in our securities include:

There is limited liquidity for our Series A Redeemable Preferred Stock and Warrants. There is no public trading market for our Series A Redeemable Preferred Stock or Warrants, and we do not currently intend to list our Series A Redeemable Preferred Stock or Warrants on a securities exchange. If you are able to sell your Series A Redeemable Preferred Stock or Warrants, you may have to sell them at a significant discount. Beginning one year from the date of original issuance and ending four years from the date of such issuance, the Warrants are exercisable for shares of our common stock, which currently are publicly traded on the NYSE MKT. Beginning two years from the date of original issuance, the shares of Series A Redeemable Preferred Stock will be redeemable by the holder, payable, in our sole discretion, in cash or equal value of common stock;

The Series A Redeemable Preferred Stock is a covered security and therefore not subject to registration under the state securities, or Blue Sky, regulations in the various states in which it may be sold due to its seniority to our common stock, which is listed on the NYSE MKT. If our common stock is no longer listed on the NYSE MKT or another appropriate exchange, we would be required to register this offering in any state in which we subsequently offered our Units. This would require termination of this offering and could result in our raising an amount of gross proceeds that is substantially less than the gross proceeds expected to be raised if the maximum offering is sold. This would reduce our ability to purchase additional properties and limit the diversification of our portfolio. Although the Warrants are not covered securities, most states include an exemption from securities registration for warrants that are exercisable into a listed security. Therefore, the Warrants are subject to state securities registration in any state that does not provide such an exemption and this offering must be registered in order to sell the Warrants in these states;

We have a limited operating history and may not be able to operate our business successfully or consistently generate sufficient cash flow to make or sustain distributions to our stockholders;

Our cash flow from operations was insufficient to fully fund our quarterly dividends in the second and third quarters of 2011 and for the year-ended December 31, 2011, and may be insufficient to fund dividends in the future;

You may not have the opportunity to evaluate our investments other than as described in this prospectus or our SEC filings before you make your purchase of our Series A Redeemable Preferred Stock or Warrants, thus making your investment more speculative;

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- Since our Series A Redeemable Preferred Stock or Warrants are not currently listed on a securities exchange and we do not currently intend to list the Series A Redeemable Preferred Stock or Warrants on a securities exchange, no public market currently exists and no active market may ever develop for shares of our Series A Redeemable Preferred Stock or Warrants;
- If we, through our manager, are unable to find suitable investments, then we may not be able to achieve our investment objectives or pay distributions;
- Our properties may be adversely affected by current economic conditions and uncertainty, as well as economic cycles and risks inherent to the geographical markets we intend to target and the apartment community sector;
- Upon the sale of any individual property, holders of Series A Redeemable Preferred Stock do not have a priority over holders of our common stock regarding return of capital. Investors in the Series A Redeemable Preferred Stock should note that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital;
- Except in limited circumstances, there is no clawback for distributions with respect to the special limited partnership interest in our operating partnership, which is held entirely by our manager, and such distributions are payable upon the sale of an asset even if investors have not received a return of their entire investment;
- We may be unable to pay or maintain cash distributions or increase distributions over time;
- We may borrow money, sell assets or use proceeds of this offering to make distributions to our stockholders if we are unable to make distributions with our cash flows from our operations. Such distributions could reduce the cash available to us and could constitute a return of capital to stockholders;
- We are dependent upon our sponsor, our manager and their respective affiliates to conduct our operations, and therefore, any adverse changes in the financial health of our sponsor, our manager or their affiliates could hinder our operating performance and the return on your investment;
- There are numerous conflicts of interest between the interests of investors and our interests or the interests of our manager, our sponsor and their respective affiliates, which we may not experience if we were self-managed;
- The incentive structure of our manager s special limited partnership interest in our operating partnership may result in our manager recommending riskier or more speculative investments;
- Our investment objectives and strategies may be changed without stockholder consent;
- We are obligated to pay substantial fees to our manager and its affiliates, including fees payable without regard to our profitability;
- There are significant risks associated with maintaining as high a level of leverage as we expect to maintain (generally 50% to 65% of our tangible assets value on a portfolio basis based on fair market value and our investment guidelines allow borrowings up to 75% of the cost of our tangible assets at the time of any new borrowing and our charter and our by-laws contain no limitations on the amount of leverage we may use);
- As long as we maintain our status as a REIT, we will be subject to limitations on ownership and transferability of our shares of common stock;
- We are subject to risks associated with the significant dislocations and liquidity disruptions currently existing or occurring in the United States credit markets;
- We may fail to continue to qualify to be treated as a REIT; and
- We may be deemed to be an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act, and thus subject to regulation under the Investment Company Act.

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# Our Structure

We were formed as a Maryland corporation on September 18, 2009. The following chart shows our structure after giving effect to this offering:

(1) NELL Partners is controlled by John A. Williams, our sponsor, and Leonard A. Silverstein, our President and Chief Operating Officer.

(2) Our manager is controlled by NELL Partners. Other than the 1% Manager Revenue Interest (as defined in the section entitled Our Sponsor, our Manager and the Management Agreement 1% Manager Revenue Interest included elsewhere in this prospectus) held by WOF, all interests of our manager are held by NELL Partners.

(3) The common stock investors in our IPO own registered shares of our common stock. The 500,000 shares of common stock acquired by WOF in the private placement offering are not registered shares.

(4) NELL Partners owns 36,666 shares of common stock. John A. Williams and Leonard A. Silverstein share joint voting and investment power of these shares. Additionally, our officers and directors collectively own 139,777 shares of common stock. See Principal Stockholders.

(5) Each property is expected to be held in a single-purpose entity.

(6) As the special limited partner of our operating partnership, our manager is entitled to receive a participation in net sales proceeds of our investments. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Compensation Special Limited Partnership Interest included elsewhere in this prospectus for information relating to the calculation of distributions with respect to the special limited partnership interest and conditions under which it may be paid.

(7) Consists of holders of our existing Series A Redeemable Preferred Stock and investors that purchase Units in this offering. The shares of common stock issuable upon the redemption of the Series A Redeemable Preferred Stock and exercise of the Warrants will be registered shares.

# Management Agreement

We are externally managed and advised by our manager. Our manager is subject to the supervision and oversight of our Board of Directors at all times and has only such functions and authority as we delegate to it. We do not expect to have any employees.

We have entered into a third amended and restated management agreement, or the management agreement, with our manager. Pursuant to the management agreement, our manager provides us with a

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management team and appropriate support personnel to implement our business strategy and perform certain services for us, subject to oversight by our Board of Directors. Our manager is responsible for, among other duties (1) performing and administering all our day-to-day operations, (2) determining investment criteria in conjunction with our Board of Directors, (3) sourcing, analyzing and executing asset acquisitions, sales and financings, (4) performing asset management duties, (5) performing property management duties, and (6) performing financial and accounting management. Our manager has an investment committee that oversees our investment guidelines, our investment portfolio and its compliance with our investment guidelines and policies.

The initial term of the management agreement expires on April 5, 2016 and will be automatically renewed for a one-year term on each anniversary date thereafter unless previously terminated as described below. Our independent directors will review our manager s performance and fees that may be payable to our manager annually, and, following the initial term, the management agreement may be terminated annually upon the affirmative vote of at least 75% of our independent directors, based upon (1) unsatisfactory performance that is materially detrimental to us, or (2) our determination that the fees payable to our manager are not in accordance with market rates, subject to our manager s right to prevent such termination due to above-market fees by accepting a reduction of fees to at or below market rates agreed to by at least 75% of our independent directors. We must provide 180 days prior written notice of any such termination. We also may terminate the management agreement at any time, including during the initial term, without the payment of any termination fee, with at least 30 days prior written notice from our Board of Directors for cause, as defined in the management agreement, in the absence of our manager s cure. We do not have the right to decline to renew the management agreement. Our manager may decline to renew the management agreement by providing us with 180 days prior written notice. Our manager may terminate the management agreement for good reason, with at least 60 days prior written notice, in the absence of our cure. Unless the manager declines to renew the management agreement or the management agreement is terminated for cause, our manager will be paid accrued fees upon termination as described in the table below.

The following table summarizes the fees and expense reimbursements that we will pay to our manager (or persons affiliated with or related to our manager, including our officers):

| Type of Compensation | Determination of Amount |
|---|---|
| | *Offering, Acquisition and Operational Stage* |
| Acquisition Fees | Fees payable to our manager in the amount of 1.0% of the gross contract purchase price of the property, loan or other real estate-related investment purchased or made, as applicable, for services in connection with selecting, evaluating and acquiring or making such investment. For purposes of this prospectus, gross contract purchase price means the amount actually paid or allocated in respect of the acquisition of a property or the amount actually paid or allocated in respect of the purchase or issuance of loans or other real-estate related investments, in each case inclusive of acquisition expenses and any indebtedness assumed or incurred in respect of such investment, but exclusive of acquisition fees. The gross contract purchase price allocable for an investment held through a joint venture shall equal the product of (i) the gross contract purchase price, determined as stated above, and (ii) the direct or indirect ownership percentage in the joint venture held directly or indirectly us. |

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| Type of Compensation | Determination of Amount |
| --- | --- |
| Acquisition Expenses[1] | We will reimburse our manager for expenses actually incurred (including personnel costs) related to selecting, evaluating and making investments on our behalf, regardless of whether we actually make the related investment. Personnel costs associated with providing such services will be determined based on the amount of time incurred by the applicable employee of our manager and the corresponding payroll and payroll related costs incurred by our manager. In addition, we also will pay third parties, or reimburse our manager or its affiliates, for any investment-related expenses due to third parties, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finder s fees, title insurance expenses, survey expenses, property inspection expenses and other closing costs, regardless of whether we acquire the related assets. |
| Asset Management Fee[2] | We will pay our manager a monthly fee equal to one-twelfth of 0.50% of the total value of our assets (including cash or cash equivalents) based on the adjusted cost of our assets and amounts actually paid or allocated in respect of the issuance of loans, before reduction for depreciation, amortization, impairment charges and cumulative acquisition costs charged to expense in accordance with generally accepted accounting principles, or GAAP (adjusted cost will include the purchase price, acquisition expenses, capital expenditures and other customarily capitalized costs). This fee will be payable monthly in arrears, based on assets held by us on the last date of the prior month, adjusted for appropriate closing dates for individual investments. |
| Property Management and Leasing Fee[2] | We will pay our manager a monthly fee equal to 4% of the monthly gross revenues of our properties managed, for services in connection with the rental, leasing, operation and management of our properties and the supervision of any third parties that are engaged by our manager to provide such services. Our manager may subcontract the performance of its property management and leasing services duties to third parties or affiliates and pay all or a portion of its property management fee to such persons with whom it contracts for these services. Our manager will be responsible for all fees payable to third parties or affiliates in connection with subcontracted property management and leasing duties. The property management and leasing fee will be payable monthly in arrears, based on the actual gross revenues for the prior month. |
| General and Administrative Expenses Fee[1][2][3] | We will pay our manager a monthly fee equal to 2% of our monthly gross revenues. |
| Disposition Fee on Sale of Assets | We may pay our manager a commission upon the sale of one or more of our properties or other assets in an amount equal to the lesser of (a) one-half of the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset, and (b) 1% of the sale price of the asset. Payment of such fee may be made only if the |

manager provides a substantial amount of services in connection with the sale of the asset as determined by a majority of our independent directors. In addition, the amount paid when added to all other commissions paid to unaffiliated parties in connection with such sale shall not exceed the lesser of (1) the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset and (2) an amount equal to 6% of the sale price of such asset.

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| Type of Compensation | Determination of Amount |
|---|---|
| Construction Fee, Development Fee and Landscaping Fee | We will pay our manager a construction fee, development fee and landscaping fee at market rates customary and competitive in light of the size, type and location of the asset in connection with the construction, development or landscaping of a property, or for management and oversight of expansion projects and other capital improvements. |
| Reimbursement of Certain Offering Expenses | We will reimburse our manager up to 1.5% of gross offering proceeds for actual expenses incurred in connection with this offering. Such offering expenses include all expenses to be paid by us in connection with this offering, such as our legal, accounting, printing, mailing and filing fees, charges of our escrow agent and transfer agent, and reimbursement of bona fide, itemized and detailed due diligence expenses of our dealer manager. |
| Accrued Fees Upon Termination | If the management agreement is terminated by reason of a change of control of our company, by us without cause (upon the vote of at least 75% of our independent directors) in connection with the expiration of a renewal term, by the manager for good reason or upon our liquidation, the manager will be entitled to receive payment of any earned but unpaid compensation and expense reimbursements accrued as of the date of termination. |
| | *Liquidation Stage* |
| Special Limited Partnership Interest | Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) a 7% priority annual return, or Priority Return, on such capital and expenses; *provided*, *however*, that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received payment in full of all accrued and unpaid dividends on their preferred stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital. The special limited partner shall be entitled to tax distributions, at our sole discretion as the general partner, provided such distributions do not prevent us from satisfying the requirements for qualification as a REIT. Any tax distributions shall offset future distributions to which the special limited partner is entitled. |

(1) Amounts paid in respect of acquisition expenses and the general and administrative expenses fee include our portion of any expenses incurred by our manager on behalf of joint ventures in which we are a participant.

(2) The total amount of the asset management, property management and leasing and general and administrative fees and expenses paid or reimbursed to our manager will be capped at 1.5% of total value of our assets (including cash and cash equivalents) based on the adjusted cost of our assets before reduction for depreciation, amortization, impairment charges and cumulative acquisition costs charged to

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expense in accordance with GAAP (adjusted cost will include the purchase price, acquisition expenses, capital expenditures and other customarily capitalized costs).

(3) In addition to the general and administrative expenses fee, we may reimburse our manager for certain costs and expenses it incurs in connection with the services it provides to us, including, but not limited to, personnel costs. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Agreement included elsewhere in this prospectus for details relating to these additional costs and expenses.

# Conflicts of Interest

NELL Partners, an entity controlled by Messrs. Williams and Silverstein and the sole member of our manager, owns 36,666 shares of our common stock. Conflicts of interest may exist between us and our sponsor, our manager and some of their respective affiliates, including NELL Partners and other affiliates of our manager. Some of these potential conflicts include:

The possibility that our manager s affiliates may own and operate properties that meet our investment profile or in markets in which we own investments and will compete for tenants and sales opportunities;

Competition for the time and services of personnel that work for us and our manager s affiliates;

Substantial compensation payable by us to our manager and its affiliates for their various services, which may not be on market terms and is payable, in many cases, whether or not our stockholders receive distributions;

The possibility that we may acquire or consolidate with our manager to internalize our management on terms that are other than arm s length;

The possibility that we may do business with entities that have pre-existing relationships with our manager s affiliates, which may result in a conflict between our business and the ongoing business relationships our manager s affiliates have with each other and other entities;

The possibility that our manager, its officers and their respective affiliates will face conflicts of interest relating to the purchase, leasing and disposition of properties and the acquisition of real estate-related debt and securities, and that such conflicts may not be resolved in our favor, thus potentially limiting our investment opportunities, impairing our ability to make distributions and reducing the value of our common stock, our Series A Redeemable Preferred Stock and the Warrants;

The possibility that our manager and its affiliates may make recommendations to us that we buy, hold or sell property or other investments that may result in payments to them;

The possibility that, if we acquire properties from, make investments in, or issue loans to, entities owned or sponsored by affiliates of our manager, the price may be higher or the interest rate may be lower, as applicable, than we would pay or earn if the transaction were the result of arm s-length negotiations with a third party, but we would do so only if our Board of Directors, including a majority of our independent directors, approves the investment and only if there is justification for such excess price or lower interest, as applicable;

The possibility that our manager, its officers and their respective affiliates, some of whom also are our officers (and our directors), will face conflicts of interest caused by their ownership or control of our manager and their roles with other programs and other entities, resulting in actions that are not in the long-term best interests of our stockholders;

Conflicts of interest also may arise in connection with the potential sale or refinancing of our properties or the enforcement of agreements with our manager and its affiliates; and

The possibility that, if our manager and its affiliates provide services in connection with the management of a particular property, we may retain assets which are not as profitable and sell assets which provide a greater return.

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See the section entitled Certain Relationships and Related Transactions Conflicts of Interest included elsewhere in this prospectus for details on these and other conflicts of interest.

# Operating and Regulatory Structure

## REIT Qualification

We have elected and qualified to be taxed as a REIT commencing with our tax year ended December 31, 2011. In addition, we may hold certain of our assets through taxable REIT subsidiaries, or TRSs, which may be subject to corporate-level income tax at regular rates. Our qualification as a REIT depends on our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code of 1986, as amended, or the Code, relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the concentration of ownership of our shares of capital stock. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute annually to their stockholders at least 90% of their REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. If we fail to qualify for taxation as a REIT in any taxable year, and the statutory relief provisions of the Code do not apply, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would they be required to be made. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income or property and to U.S. federal income and excise taxes on our undistributed income.

# Restrictions on Ownership and Transfer of our Securities

To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules under the Code, more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of any class or series of shares of our stock. Our Board of Directors may, in its sole discretion, waive the 9.8% ownership limit with respect to a particular stockholder if it is presented with certain representations and undertakings required by our charter and other evidence satisfactory to it that such ownership will not then or in the future jeopardize our qualification as a REIT.

Our charter also prohibits any person from, among other things:

beneficially or constructively owning shares of our capital stock that would result in our being closely held under Section 856(h) of the Code, or otherwise cause us to fail to qualify as a REIT; or
transferring shares of our capital stock if such transfer would result in our capital stock being beneficially owned by fewer than 100 persons.

In addition, our charter provides that any ownership or purported transfer of our capital stock in violation of the foregoing restrictions will result in the shares so owned or transferred being automatically transferred to a charitable trust for the benefit of a charitable beneficiary (or, in the case of a transfer that would result in our capital stock being beneficially owned by fewer than 100 persons, be void), and the purported owner or transferee acquiring no rights in such shares. If a transfer to a charitable trust would be ineffective for any reason to prevent a violation of the restriction, the transfer resulting in such violation will be void from the time of such purported transfer.

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# Distribution Policy

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually to its stockholders at least 90% of its REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend to pay, over time, dividends in an amount equal to 100% of our net taxable income.

The following tables set forth the dividends that have been authorized by our Board of Directors and paid by us to date:

## Common Stock

| Quarter Ended | Amount Paid Per Share | Total Amount Paid | Date Paid | Cash Flow from Operations |
|---|---|---|---|---|
| 06/30/2011 | $ 0.125 | $ 646,487 | 07/15/2011 | $ (697,122 ) |
| 09/30/2011 | $ 0.125 | $ 646,675 | 10/17/2011 | $ 553,596 |
| 12/31/2011 | $ 0.125 | $ 646,916 | 01/17/2012 | $ 794,172 |
| 03/31/2012 | $ 0.13 | $ 673,181 | 04/16/2012 | $ 927,394 |
| 06/30/2012 | $ 0.13 | $ 677,477 | 07/16/2012 | $ 869,992 (8) |
| 09/30/2012 | $ 0.14 | (7) | (7) | |

## Series A Redeemable Preferred Stock

| Month Ended | Amount Paid Per Share | Total Amount Paid | Date Paid |
|---|---|---|---|
| 04/30/2012 | $ 5.33 (1) | $ 11,486 | 05/21/2012 |
| 05/31/2012 | $ 5.00/5.17 (2) | $ 25,406 | 06/20/2012 |
| 06/30/2012 | $ 5.00/5.17 (3) | $ 42,793 | 07/20/2012 |
| 07/31/2012 | $ 5.00/5.50 (4)(6) | $ 50,879 (6) | 08/20/2012 (6) |
| 08/31/2012 | $ 5.00/7.50/5.17 (5)(6) | (6) | (6) |

(1) Comprised of $5.00 per share for the month of April 2012 and $0.33 per share prorated from the initial issuance of shares of Series A Redeemable Preferred Stock on March 30, 2012 purchased in the Primary Series A Offering through the end of March 2012.

(2) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on May 31, 2012 that purchased Primary Series A Units in connection with our initial Primary Series A Unit closing on March 31, 2012 and (ii) a dividend of $5.17 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of May 2012 and $0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on April 30, 2012 through the end of April 2012.

(3) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on June 29, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to May 30, 2012 and (ii) a dividend of $5.17 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of June 2012 and $0.17 per share prorated from the initial issuance of

such shares of Series A Redeemable Preferred Stock on May 31, 2012 through the end of May 2012.

(4) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on July 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to June 28, 2012 and (ii) a dividend of $5.50 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of July 2012 and $0.50 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on June 28, 2012 through the end of June 2012.

(5) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable to all stockholders of record on August 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to July 17, 2012, (ii) a dividend of $7.50 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of August 2012 and $2.50 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on July 17, 2012 through the end of July 2012 and (iii) a dividend of $5.17 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of August 2012 and $0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on July 31, 2012 through the end of July 2012.

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(6) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of the Series A Redeemable Preferred Stock.

(7) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of our common stock.

(8) For the quarter ended June 30, 2012, we also paid dividends with respect to our Series A Redeemable Preferred Stock in an aggregate amount of $79,685, which together with the dividends paid with respect to our common stock during this period totaled $757,162.

For the twelve-month period ended December 31, 2011, our cash flow from operations of approximately $528,000 was a shortfall of approximately $1.4 million, or 72.8%, to our dividends paid of $1,940,078 during such period. The shortfall of cash flow from operations to dividends declared and paid was substantially due to the incurrence of approximately $1.7 million in acquisition costs related to the three multifamily communities that we acquired in the second quarter of 2011. Subject to significant acquisition expenses, we currently anticipate that cash flow from operations will be sufficient to fund the dividend payments to our stockholders for the remainder of 2012. Although not currently anticipated, if our Board of Directors determines to authorize distributions in excess of the income or cash flow generated from our target assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms of debt financing or the sale of our assets.

Holders of Series A Redeemable Preferred Stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the initial stated value of $1,000 per share, or the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on 20th day of the month following the month for which the dividend was declared (or the next business day if the 20th day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Any distributions we make will be at the discretion of our Board of Directors and will depend upon, among other things, our actual results of operations. These results and our ability to pay distributions will be affected by various factors, including the net income from our portfolio of investments, our operating expenses and any other expenditures. For more information, see the section entitled Distribution Policy included elsewhere in this prospectus.

We cannot assure you that we will make any distributions to our stockholders.

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# Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

Our consolidated ratio of earnings to fixed charges and preferred stock dividends for the six months ended June 30, 2012 and the year ended December 31, 2011 are set forth below. We did not have any shares of preferred stock outstanding at December 31, 2011. Since we commenced revenue-generating operations in April 2011, the ratio of earnings to fixed charges is not a meaningful measure for any period prior to 2011.

| | Six months ended June 30, 2012 | Twelve months ended December 31, 2011 |
|---|---|---|
| Earnings: | | |
| Net loss | $ (790,911 ) | $ (8,495,424 ) |
| Add: | | |
| Combined fixed charges and preferred dividends (see below) | 1,153,342 | 1,514,581 |
| Total earnings | $ 362,431 | $ (6,980,843 ) |
| Fixed charges: | | |
| Interest expensed | $ 1,030,670 | $ 1,450,101 |
| Amortization of deferred loan costs related to mortgage indebtedness | 42,986 | 64,480 |
| Total fixed charges | 1,073,657 | 1,514,581 |
| Preferred dividends | 79,685 | |
| Total Combined fixed charges and preferred dividends | $ 1,153,342 | $ 1,514,581 |
| Ratio of Earnings to Combined fixed charges and preferred dividends | (1) | (1) |

(1) Due to the net losses incurred, the ratio of earnings to combined fixed charges and preferred dividends was less than 1:1. We would have needed to generate additional earnings of approximately $791,000 for the six months ended June 30, 2012 and approximately $8.5 million for the twelve months ended December 31, 2011 to achieve coverage of 1:1 for these respective periods.

Our ratio of earnings to combined fixed charges is computed by dividing earnings by the total of fixed charges and preferred stock dividends. For these purposes, earnings consist of net loss plus fixed charges, less the value of unamortized deferred loan costs. Net loss is computed in accordance with GAAP and includes such non-cash items as real estate depreciation, amortization of the value of customer relationships, leases in place and above (below) market rents and amortization of deferred loan costs. Net loss also includes one-time transactional costs relating to our IPO and organizational costs. Fixed charges consist of interest expense on mortgage debt secured by our three multifamily communities, capitalization and amortization of deferred loan costs, and preferred dividend requirements. Interest income is not included in this computation.

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# The Offering

**Series A Redeemable Preferred Stock offered by us**

A maximum of 850,000 shares of Series A Redeemable Preferred Stock will be offered as part of the Units through our dealer manager in this offering on a reasonable best efforts basis.

*Ranking*. The Series A Redeemable Preferred Stock will rank senior to our common stock with respect to payment of dividends and rights upon liquidation, dissolution or winding up. Investors in the Series A Redeemable Preferred Stock should note that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.

*Stated Value*. Each share of Series A Redeemable Preferred Stock will have an initial Stated Value of $1,000, subject to appropriate adjustment in relation to certain events, such as recapitalizations, stock dividends, stock splits, stock combinations, reclassifications or similar events affecting our Series A Redeemable Preferred Stock, as set forth in the articles supplementary setting forth the rights, preferences and limitations of the Series A Redeemable Preferred Stock, or the Articles Supplementary.

*Dividends*. Holders of Series A Redeemable Preferred Stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20$^{th}$ day of the month following the month for which the dividend was declared (or the next business day if the 20$^{th}$ day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

*Redemption at the Option of a Holder*. Beginning two years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 10% redemption fee, plus any accrued but unpaid dividends.

Beginning three years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 5% redemption fee, plus any accrued but unpaid dividends.

Beginning four years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 3% redemption fee, plus any accrued but unpaid dividends.

Beginning five years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to 100% of the Stated Value, plus any accrued but unpaid dividends.

If a holder of Series A Redeemable Preferred Stock causes the company to redeem such shares of Series A Redeemable Preferred Stock, we have the right, in our sole discretion, to pay the redemption price in cash or in equal value of our common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption, in exchange for the Series A Redeemable Preferred Stock.

In addition, subject to restrictions, beginning on the date of original issuance and ending two years thereafter, we will redeem such shares of Series A Redeemable Preferred Stock of a holder who is a natural person upon his or her death at the written request of the holder s estate at a cash redemption price equal to the Stated Value, plus accrued and unpaid dividends thereon through and including the date of redemption.

*Optional Redemption by the Company*. After ten years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, we will

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have the right (but not the obligation) to redeem such shares of Series A Redeemable Preferred Stock at 100% of the Stated Value, plus any accrued but unpaid dividends. If we choose to redeem any shares of Series A Redeemable Preferred Stock, we have the right, in our sole discretion, to pay the redemption price in cash or in equal value of our common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption, in exchange for the Series A Redeemable Preferred Stock.

Our obligation to redeem any of the shares of Series A Redeemable Preferred Stock is limited to the extent that we do not have sufficient funds available to fund any such redemption or we are restricted by applicable law from making such redemption.

*Liquidation*. Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, before any distribution or payment shall be made to holders of our common stock or any other class or series of capital stock ranking junior to our shares of Series A Redeemable Preferred Stock, the holders of shares of Series A Redeemable Preferred Stock will be entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, a liquidation preference equal to the Stated Value per share, plus accrued but unpaid dividends.

*Voting Rights*. The Series A Redeemable Preferred Stock has no voting rights.

**Warrants offered by us**

A maximum offering of Warrants to purchase up to 17,000,000 shares of common stock will be offered as part of the Units through our dealer manager in this offering on a reasonable best efforts basis.

The Warrants will be exercisable beginning one year from the date of original issuance and ending four years from the date of such issuance.

The initial exercise price will equal 120% of the current market price per share of our common stock on the date of issuance of the Warrant, subject to a minimum exercise price of $9.00 per share. The current market price will be determined using the weighted average price of the previous 20 days of trading volume.

**Capital stock to be outstanding after this offering**

1,000,000 shares of Series A Redeemable Preferred Stock, assuming the maximum offering of 850,000 Units in this offering and the maximum offering of 150,000 Units in the Primary Series A Offering, and

5,212,139 shares of common stock[(1)]

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**Estimated use of proceeds**

Assuming the maximum offering, we estimate that we will receive net proceeds from the sale of Units in this offering of approximately $752.25 million after deducting estimated offering expenses, including selling commissions and the dealer manager fee, payable by us of approximately $97.75 million. We intend to invest the net proceeds of this offering in connection with the acquisition of multifamily properties, other real estate-related investments and for general working capital purposes. If all the net proceeds of this offering are used to directly acquire multifamily properties and other real estate-related investments, we estimate that these investments would have an aggregate gross value (inclusive of mortgage indebtedness) of approximately $2.1 billion assuming the maximum offering. We intend to acquire such investments through the incurrence of indebtedness (secured and unsecured) of approximately 65% of the value of our tangible assets on a portfolio basis, with the balance of the acquisition cost thereof funded through the use of the net proceeds of this offering. Until appropriate assets can be identified, our manager may invest the net proceeds of this offering in interest-bearing short-term investments that are consistent with our intention to qualify as a REIT. Any interest-bearing short-term investment we make likely will provide a lower net return than we will seek to achieve from our target assets. See the section entitled Estimated Use of Proceeds included elsewhere in this prospectus.

**NYSE MKT symbol for common stock**

Our common stock is listed on the NYSE MKT under the trading symbol APTS. **There is no established public trading market for the offered shares of Series A Redeemable Preferred Stock or the Warrants and we do not expect a market to develop. We do not intend to apply for a listing of the Series A Redeemable Preferred Stock or the Warrants on any national securities exchange.**

(1) The number of shares of common stock to be outstanding immediately after this offering as shown above reflects the 5,212,139 shares of common stock outstanding as of August 3, 2012. This number includes the 33,046 shares of unvested restricted common stock issued to our independent directors in lieu of paying cash as compensation for annual service on our Board of Directors. This number excludes (a) shares of common stock that may be issued upon redemption of the Series A Redeemable Preferred Stock, offered pursuant to the Primary Series A Offering, (b) up to 3,000,000 shares of common stock issuable upon the exercise of the Primary Series A Warrants, assuming the maximum offering offered pursuant to the Primary Series A Offering, (c) shares of common stock that may be issued upon redemption of the Series A Redeemable Preferred Stock, offered hereby, and (d) up to 17,000,000 shares of common stock issuable upon the exercise of the Warrants, assuming the maximum offering offered hereby. This number also excludes (i) approximately 499,388 shares of common stock reserved for future issuance under our equity incentive plan; and (ii) 150,000 shares of our common stock issuable upon exercise of the outstanding warrant to purchase up to 150,000 shares of our common stock issued to International Assets Advisory, LLC, in its capacity as financial advisor in the IPO, or the IPO Warrant. The IPO Warrant has an exercise price of $12.50 per share.

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# Capital Structure

The Series A Redeemable Preferred Stock ranks senior to our common stock and to the Class A Units and Class B Units issued by our operating partnership and on parity with the Series A Redeemable Preferred Limited Partnership Units issued by our operating partnership with respect to both payment of dividends and distribution of amounts upon liquidation. Our Board of Directors has the authority to issue shares of additional series of preferred stock that could be senior in priority to the Series A Redeemable Preferred Stock.

# Covered Security

The term covered security applies to securities exempt from state registration because of their oversight by federal authorities and national-level regulatory bodies pursuant to Section 18 of the Securities Act. Generally, securities listed on national exchanges are the most common type of covered security exempt from state registration. A non-traded security also can be a covered security if it has a seniority greater than or equal to other securities from the same issuer that are listed on a national exchange such as the NYSE MKT. Our Series A Redeemable Preferred Stock is a covered security because it is senior to our common stock and therefore is exempt from state registration. Typically, securities issued by non-traded REITs do not meet the requirements necessary to be classified as covered securities, and therefore they are subject to state registration. Although the Warrants are not covered securities, most states include an exemption for warrants that are exercisable into a listed security. Therefore, the Warrants are subject to state registration in any state that does not provide such an exemption and this offering must be registered under the securities regulations of such states in order to sell the Warrants in these states.

There are several advantages to both issuers and investors of a security being deemed a covered security. These include:

More Investors Covered securities can be purchased by a broader range of investors than can non-covered securities. The common stock of a non-traded REIT is not a covered security and is subject to suitability requirements that vary from state to state. These so-called Blue Sky regulations often prohibit the sale of securities to certain investors and may prohibit the sale of securities altogether until a specific volume of sales have been achieved in other states.

Issuance Costs Covered securities may have lower issuance costs since they avoid the expense of dealing with the various regulations of each of the 50 states and Washington, D.C. This could save time and money and allows issuers of covered securities the flexibility to enter the real estate markets at a time of their choosing. All investors of the issuer would benefit from any lower issuance costs that may be achieved.

There are several disadvantages to investors of a security being deemed a covered security. These include:

Lack of Suitability Standards Since there are no investor eligibility requirements, there is no prohibition on the sale of the securities to certain investors, including investors that may not be suitable to purchase the securities.

No State Review Investors will not receive an additional level of review and possible protection afforded by the various state regulators.

# Our Corporate Information

Our principal executive offices are located at 3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia 30339. Our telephone number is (770) 818-4100. Our website is *www.pacapts.com*. The contents of our website are not part of this prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.

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# RISK FACTORS

*The purchase of our securities involves a number of risks. You should carefully consider the following risk factors and the risk factors described in our latest Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus, in conjunction with the other information contained in, and incorporated by reference into, this prospectus before making an investment in our securities. The risks discussed in, and incorporated by reference into, this prospectus could adversely affect our business, operating results, prospects and financial condition. See  Where You Can Find Additional Information  and  Incorporation of Certain Documents by Reference.  This could cause the value of our securities to decline and/or you to lose part or all of your investment. The risks and uncertainties described below and incorporated by reference herein are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that, as of the date of this prospectus, we deem immaterial also may harm our business.*

## There is no public market for our Series A Redeemable Preferred Stock or Warrants and we do not expect one to develop.

There is no public market for our Series A Redeemable Preferred Stock or Warrants offered in this offering, and we currently have no plan to list these securities on a securities exchange or to include these shares for quotation on any national securities market. Additionally, our charter contains restrictions on the ownership and transfer of our securities, and these restrictions may inhibit your ability to sell the Series A Redeemable Preferred Stock or Warrants promptly or at all. Furthermore, the Warrants will expire four years from the date of issuance. If you are able to sell the Series A Redeemable Preferred Stock or Warrants, you may only be able to sell them at a substantial discount from the price you paid. Therefore, you should purchase the Units only as a long-term investment. After one year from the date of issuance, the Warrants will be exercisable at your option for shares of our common stock, which currently are publicly traded on the NYSE MKT. Beginning two years from the date of original issuance, the holder of shares of Series A Redeemable Preferred Stock may require us to redeem such shares, with the redemption price payable, in our sole discretion, in cash or in equal value of common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption. If we opt to pay the redemption price in shares of common stock, you may receive publicly traded shares as we currently expect to continue listing our common stock on the NYSE MKT.

## We will be required to terminate this offering if our common stock is no longer listed on the NYSE MKT or another national securities exchange.

The Series A Redeemable Preferred Stock is a  covered security  and therefore is not subject to registration under the state securities, or  Blue Sky,  regulations in the various states in which it may be sold due to its seniority to our common stock, which is listed on the NYSE MKT. If our common stock is no longer listed on the NYSE MKT or another appropriate exchange, we will be required to register this offering in any state in which we subsequently offer the Units. This would require the termination of this offering and could result in our raising an amount of gross proceeds that is substantially less than the amount of the gross proceeds we expect to raise if the maximum offering is sold. This would reduce our ability to purchase additional properties and limit the diversification of our portfolio.

Although the Warrants are not  covered securities,  most states include an exemption from securities registration for warrants that are exercisable into a listed security. Therefore, the Warrants are subject to state securities registration in any state that does not provide such an exemption and this offering must be registered in order to sell the Warrants in these states.

### There may not be a broad market for our common stock, which may cause our common stock to trade at a discount and make it difficult for you to sell the common stock for which your Warrants are exercisable and for which your Series A Redeemable Preferred Stock may be redeemable at our option.

Our common stock for which the Warrants are exercisable trades on the NYSE MKT under the symbol APTS. Listing on the NYSE MKT or another national securities exchange does not ensure an actual market for our common stock. Accordingly, an actual market for our common stock may not be maintained, the market for our common stock may not be liquid, the holders of our common stock may be unable to sell their



We will be required to terminate this offering if our common stock is no longerlisted on the NYSE MKT or another na

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shares of our common stock, and the prices that may be obtained following the sale of our common stock upon the exercise of your Warrants or the redemption of your Series A Redeemable Preferred Stock may not reflect the underlying value of our assets and business.

## Shares of Series A Redeemable Preferred Stock may be redeemed for shares of common stock, which rank junior to the Series A Redeemable Preferred Stock with respect to dividends and upon liquidation.

Beginning two years from the date of original issuance, the holder of shares of Series A Redeemable Preferred Stock may require us to redeem such shares, with the redemption price payable, in our sole discretion, in cash or in equal value of common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption. We may opt to pay the redemption price in shares of our common stock. The rights of the holders of shares of Series A Redeemable Preferred Stock rank senior to the rights of the holders of shares of our common stock as to dividends and payments upon liquidation. Unless full cumulative dividends on our shares of Series A Redeemable Preferred Stock for all past dividend periods have been declared and paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our common stock for any period. Upon liquidation, dissolution or winding up of our company, the holders of shares of our Series A Redeemable Preferred Stock are entitled to receive a liquidation preference of Stated Value, $1,000 per share, plus all accrued but unpaid dividends at the rate of 6% per annum, prior and in preference to any distribution to the holders of shares of our common stock or any other class of our equity securities.

## We will be able to call your shares of Series A Redeemable Preferred Stock for redemption under certain circumstances without your consent.

We will have the ability to call the outstanding shares of Series A Redeemable Preferred Stock after ten years from the date of original issuance of such shares of Series A Redeemable Preferred Stock. At that time, we will have the right to redeem, at our option, the outstanding shares of Series A Redeemable Preferred Stock, in whole or in part, at 100% of the Stated Value per share, plus any accrued and unpaid dividends.

## Our limited operating history makes it difficult for you to evaluate our likely performance and this investment.

We were incorporated on September 18, 2009, and our manager was organized on May 18, 2010. Thus, we and our manager are both recently formed entities with limited operating histories and we both may be unable to successfully operate our businesses or achieve our investment objectives. The past performance of other real estate investment programs sponsored by our sponsor, John A. Williams, or his affiliates may not be indicative of the performance we may achieve. We have limited income, cash flow, funds from operations and cash available for distribution from which we can make distributions to you. We may not be able to conduct our business as planned and/or successfully carry out our business as planned.

You should consider our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies like ours that do not have a substantial operating history, many of which may be beyond our control. Therefore to be successful in this market, we must among other things:

- identify and acquire investments that further our investment strategy;
- attract, integrate, motivate and retain qualified personnel to manage our day-to-day operations;

respond to competition both for investment opportunities and potential investors in our company; and

build and expand our operations structure to support our business.

We cannot guarantee that we will succeed in achieving these goals, and our failure to do so could limit our ability to make or sustain distributions to you and cause you to lose all or a portion of your investment.

## The cash distributions you receive may be less frequent or lower in amount than you expect.

Our Board of Directors will determine the amount and timing of distributions on our Series A Redeemable Preferred Stock. In making this determination, our directors will consider all relevant factors, the amount of cash available for distribution, capital expenditure and reserve requirements and general operational requirements. We cannot assure you that we will consistently be able to generate sufficient available cash flow to fund distributions on our Series A Redeemable Preferred Stock nor can we assure you that sufficient cash will be available to make distributions to you. With limited prior operations, we cannot predict the amount of distributions you may receive and we may be unable to pay, maintain or increase distributions over time. Our inability to acquire properties or real estate-related investments or operate profitably may have a negative effect on our ability to generate sufficient cash flow from operations to pay distributions on our Series A Redeemable Preferred Stock.

## We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the Series A Redeemable Preferred Stock and our common stock.

Our governing documents do not have limitations on the amount of leverage we may use. As of June 30, 2012, we and our subsidiaries had outstanding approximately $55.6 million of secured indebtedness and no unsecured indebtedness. We may incur additional indebtedness and become more highly leveraged, which could harm our financial position and potentially limit our cash available to pay dividends. As a result, we may not have sufficient funds remaining to satisfy our dividend obligations relating to the Series A Redeemable Preferred Stock and our common stock if we incur additional indebtedness.

## Upon the sale of any individual property, holders of Series A Redeemable Preferred Stock do not have a priority over holders of our common stock regarding return of capital.

Holders of our Series A Redeemable Preferred Stock do not have a right to receive a return of capital prior to holders of our common stock upon the individual sale of a property. Depending on the price at which such property is sold, it is possible that holders of our common stock will receive a return of capital prior to the holders of our Series A Redeemable Preferred Stock, provided that any accrued but unpaid dividends have been paid in full to holders of Series A Redeemable Preferred Stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.

## Except in limited circumstances, there is no clawback for distributions with respect to the special limited partnership interest in our operating partnership, which is held entirely by our manager, and such distributions are payable upon the sale of an asset even if investors have not received a return of their entire investment.

Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) the 7% Priority Return on such capital and expenses; *provided, however,* that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received payment in full of all accrued and unpaid dividends on our preferred stock. There is no clawback for distributions with respect to the special limited partnership interest except in limited circumstances. As a result, distributions with respect to the special limited partnership interest may be payable upon the sale of an asset even if the holders of preferred stock and holders of common stock have not received a return of their entire investment, provided that any accrued but unpaid dividends have been paid to holders of Series A Redeemable Preferred Stock.

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## Distributions paid from sources other than our cash flow from operations, particularly from proceeds of this offering, will result in us having fewer funds available for the acquisition of properties and other real estate-related investments and may dilute your interests in us, which may adversely affect our ability to fund future distributions with cash flow from operations and may adversely affect your overall return.

Holders of Series A Redeemable Preferred Stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20$^{th}$ day of the month following the month for which the dividend was declared (or the next business day if the 20$^{th}$ day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

For the 12-month period ended December 31, 2011, our cash flow from operations of approximately $528,000 was a shortfall of approximately $1.4 million, or 72.8%, to our dividends paid of $1,940,078 paid during such period. The shortfall of cash flow from operations to dividends declared and paid was substantially due to the incurrence of approximately $1.7 million in acquisition costs related to the three multifamily communities that we acquired.

As mentioned above, we have paid distributions from sources other than from our cash flow from operations. Until we acquire additional properties or other real estate-related investments, we may not generate sufficient cash flow from operations to pay distributions. Our inability to acquire additional properties or other real estate-related investments may result in a lower return on your investment than you expect. If we have not generated sufficient cash flow from our operations and other sources, such as from borrowings, the sale of additional securities, advances from our manager, our manager s deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the proceeds from this offering. Moreover, our Board of Directors may change our distribution policy, in its sole discretion, at any time. Distributions to holders of Series A Redeemable Preferred Stock that purchase shares in this offering made from proceeds of this offering are a return of capital to such stockholders, from which we will have already paid offering expenses in connection with this offering. We have not established any limit on the amount of proceeds from this offering that may be used to fund distributions, except that, in accordance with our organizational documents and Maryland law, we may not make distributions that would: (1) cause us to be unable to pay our debts as they become due in the usual course of business; (2) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences, if any; or (3) jeopardize our ability to qualify as a REIT.

If we fund distributions from the proceeds of this offering, we will have less funds available for acquiring properties or real estate-related investments. As a result, the return you realize on your investment may be reduced. Funding distributions from borrowings could restrict the amount we can borrow for investments, which may affect our profitability. Funding distributions with the sale of assets or the proceeds of this offering may affect our ability to generate cash flows. Funding distributions from the sale of additional securities could dilute your interest in us if we sell shares of our common stock or securities convertible or exercisable into shares of our common stock to third party investors. Payment of distributions from the mentioned sources could restrict our ability to generate sufficient cash flow from operations, affect our profitability and/or affect the distributions payable to you upon a liquidity event, any or all of which may have an adverse effect on your investment.

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## We established the offering price for the Units pursuant to negotiations among us and our dealer manager; as a result, the actual value of your investment may be substantially less than what you pay.

The selling price of the Units has been determined pursuant to negotiations among us and the dealer manager, based upon the following primary factors: the economic conditions in and future prospects for the industry in which we compete; our prospects for future earnings; an assessment of our management; the present state of our development; the prevailing conditions of the equity securities markets at the time of this offering; the present state of the market for non-traded REIT securities; current market valuations of public companies considered comparable to our company; and the price per Primary Series A Unit in our Primary Series A Offering. Because the offering price is not based upon any independent valuation, the offering price is not indicative of the proceeds that you would receive upon liquidation.

## Your percentage of ownership may become diluted if we issue new shares of stock or other securities, and issuances of additional preferred stock or other securities by us may further subordinate the rights of the holders of our common stock (which you may become upon receipt of redemption payments in shares of common stock, conversion of any of your shares of Series A Redeemable Preferred Stock or exercise of any of your Warrants).

We may make redemption payments under the terms of the Series A Redeemable Preferred Stock in shares of our common stock. Although the dollar amounts of such payments are unknown, the number of shares to be issued in connection with such payments may fluctuate based on the price of our common stock. Any sales or perceived sales in the public market of shares of our common stock issuable upon such redemption payments could adversely affect prevailing market prices of shares of our common stock. The issuance of common stock upon such redemption payments also may have the effect of reducing our net income per share (or increasing our net loss per share). In addition, the existence of Series A Redeemable Preferred Stock may encourage short selling by market participants because the existence of redemption payments could depress the market price of shares of our common stock.

Our Board of Directors is authorized, without stockholder approval, to cause us to issue additional shares of our common stock or to raise capital through the issuance of additional preferred stock (including equity or debt securities convertible into preferred stock), options, warrants and other rights, on such terms and for such consideration as our Board of Directors in its sole discretion may determine. Any such issuance could result in dilution of the equity of our stockholders. Our Board of Directors may, in its sole discretion, authorize us to issue common stock or other equity or debt securities (a) to persons from whom we purchase apartment communities, as part or all of the purchase price of the community, or (b) to our manager in lieu of cash payments required under the management agreement or other contract or obligation. Our Board of Directors, in its sole discretion, may determine the value of any common stock or other equity or debt securities issued in consideration of apartment communities or services provided, or to be provided, to us.

Our charter also authorizes our Board of Directors, without stockholder approval, to designate and issue one or more classes or series of preferred stock in addition to the Series A Redeemable Preferred Stock offered in this offering (including equity or debt securities convertible into preferred stock) and to set or change the voting, conversion or other rights, preferences, restrictions, limitations as to dividends or other distributions and qualifications or terms or conditions of redemption of each class or series of shares so issued. If any additional preferred stock is publicly offered, the terms and conditions of such preferred stock (including any equity or debt securities convertible into preferred stock) will be set forth in a registration statement registering the issuance of such preferred stock or equity or debt securities convertible into preferred stock. Because our Board of Directors has the power to establish the preferences and rights of each class or series of preferred stock, it may afford the holders of any series or class of preferred stock preferences, powers, and rights senior to the rights of holders of common stock or the Series A Redeemable Preferred Stock. If we ever create and issue additional preferred stock or equity or debt securities convertible into preferred stock with a distribution preference over common stock or the Series A Redeemable Preferred Stock, payment of any distribution preferences of such new outstanding preferred stock would reduce the amount of funds available for the payment of distributions on our common stock and our Series A Redeemable Preferred Stock. Further, holders of preferred stock are normally entitled to receive a preference payment if we liquidate, dissolve, or wind up before any payment is made to the common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of additional preferred stock may delay, prevent, render more difficult or tend to discourage a merger, tender offer, or proxy contest, the assumption of control by a holder of a large block of our securities, or the removal of incumbent management.

Stockholders have no rights to buy additional shares of stock or other securities if we issue new shares of stock or other securities. We may issue common stock, convertible debt or preferred stock pursuant to a subsequent public offering or a private placement, or to sellers of properties we directly or indirectly acquire instead of, or in addition to, cash consideration. Investors purchasing Units in this offering who do not participate in any future stock issuances will experience dilution in the percentage of the issued and outstanding stock they own. In addition, depending on the terms and pricing of any additional offerings and the value of our investments, you also may experience dilution in the book value and fair market value of, and the amount of distributions paid on, your shares of Series A Redeemable Preferred Stock and common stock, if any.

## If any of our public communication are held to be in violation of federal securities laws relating to public communications, we could be subject to potential liability. Investors in this offering should rely only on the statements made in this prospectus, as supplemented to date, in determining whether to purchase Units.

From time to time, we or our representatives make public statements relating to our business and its prospects. Such communications are subject to federal securities laws. If any of our public communications are held by a court to be in violation of Section 5 of the Securities Act and a claim for damages is brought against us in connection therewith by one or more of our stockholders that purchased Units on the basis of such communications before receiving a copy of this prospectus, as supplemented to date, and potentially other stockholders, we could be subject to liability in connection with the Units we sold such persons during such period. Such stockholders would have a period of 12 months following the date of any violation determined by a court to have occurred to bring a Section 5 claim. Our liability in a Section 5 claim could include statutory interest from the date of such stockholder s purchase, in addition to possibly other damages determined by a court. In the event that any of our communications are claimed to have been made in violation of Section 5 of the Securities Act, we expect that we would vigorously contest such claim. Nevertheless, we could not give any assurance as to any court s ultimate determination with respect to any such claim. Accordingly, there is a risk that we could be subject to potential liability with respect to any Section 5 claim brought against us, and such liability may adversely affect our operating results or financial position.

## Stockholders have limited control over changes in our policies and operations.

Our Board of Directors determines our major policies, including with regard to investment objectives, financing, growth, debt capitalization, REIT qualification and distributions. Our Board of Directors may amend or revise these and other policies without a vote of the stockholders. Holders of our Series A Redeemable Preferred Stock have no voting rights. Our common stock is the only class of our securities that carries voting rights. Under our charter and the Maryland General Corporation Law, or MGCL, holders of our common stock generally have a right to vote only on the following matters:

- the election or removal of directors;
- the amendment of our charter, except that our Board of Directors may amend our charter without stockholder approval to:

- change our name;
- change the name or other designation or the par value of any class or series of stock and the aggregate par value of our stock;
- increase or decrease the aggregate number of shares of stock that we have the authority to issue;
- increase or decrease the number of shares of any class or series of stock that we have the authority to issue; and
- effect certain reverse stock splits;

our liquidation and dissolution; and
our being a party to a merger, consolidation, sale or other disposition of all or substantially all our assets or statutory share exchange.

All other matters are subject to the discretion of our Board of Directors.

## The Series A Redeemable Preferred Stock will be subordinate in right of payment to any corporate level debt that we incur in the future, and your interests could be diluted by the issuance of additional preferred stock, including additional Series A Redeemable Preferred Stock, and by other transactions.

The Series A Redeemable Preferred Stock will be subordinate in right of payment to any corporate level debt that we incur in the future. Future debt we incur may include restrictions on our ability to pay dividends on our preferred stock, including the Series A Redeemable Preferred Stock. The issuance of additional preferred stock on a parity with or senior to the Series A Redeemable Preferred Stock would dilute the interests of the holders of the Series A Redeemable Preferred Stock, and any issuance of preferred stock senior to the Series A Redeemable Preferred Stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series A Redeemable Preferred Stock. The terms of the Series A Redeemable Preferred Stock do not restrict our ability to authorize or issue shares of a class or series of preferred stock with rights to distributions or upon liquidation that are on parity with or senior to the Series A Redeemable Preferred Stock or to incur additional indebtedness. The Series A Redeemable Preferred Stock does not contain any provision affording the holders of the Series A Redeemable Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our assets or business, that might adversely affect the holders of the Series A Redeemable Preferred Stock.

## Our ability to redeem shares of Series A Redeemable Preferred Stock may be limited by Maryland law.

Under Maryland law, a corporation may redeem stock as long as, after giving effect to the redemption, the corporation is able to pay its debts as they become due in the usual course (the equity solvency test) and its total assets exceed its total liabilities (the balance sheet solvency test). If the company is insolvent at any time when a redemption of shares of Series A Redeemable Preferred Stock is required to be made, the company may not be able to effect such redemption.

## Our success is dependent on the performance of our manager.

Our manager has broad discretion over the use of proceeds from this offering, and you will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments that are not described in or incorporated by reference into this prospectus or other periodic filings with the SEC. We will rely on the management ability of our manager, subject to the oversight and approval of our Board of Directors. Accordingly, you should not purchase our securities unless you are willing to entrust all aspects of our day-to-day management to our manager. If our manager suffers or is distracted by adverse financial or operational problems in connection with its operations or the operations of our sponsor unrelated to us, our manager may be unable to allocate time and/or resources to our operations. If our manager is unable to allocate sufficient resources to oversee and perform our operations for any reason, we may be unable to achieve our investment objectives or to pay distributions to you.

## Our manager, our executive officers and their affiliates may face competing demands relating to their time, and if inadequate time is devoted to our business, your investment may be negatively impacted.

We rely on our executive officers and the executive officers and employees of our manager and its affiliates for the day-to-day operation of our business. These persons also conduct or may conduct in the future day-to-day operations of other programs and entities sponsored by or affiliated with our manager or sponsor. Because these persons have or may have such interests in other real estate programs and engage in other business activities, they may experience conflicts of interest in allocating their time and resources among our business and these other activities. The amount of time that our manager and its affiliates spend on our business will vary from time to time and is expected to be more while we are raising money and acquiring investments. During times of intense activity in other programs and ventures, they may devote less time and

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fewer resources to our business than are necessary or appropriate to manage our business. We expect that as our real estate activities expand, our manager will attempt to hire additional employees who would devote substantially all their time to our business. There is no assurance that our manager will devote adequate time to our business. If our manager, our sponsor or any of their respective affiliates suffers or is distracted by adverse financial or operational problems in connection with its operations unrelated to us, it may allocate less time and resources to our operations. If any of the foregoing events occur, the returns on our investments, our ability to make distributions to stockholders and the value of your investment may suffer.

## Our manager, our executive officers and their affiliates may face conflicts of interest, and these conflicts may not be resolved in our favor, which could negatively impact your investment.

Our executive officers and the employees of our manager, our sponsor and their respective affiliates on which we rely could make substantial profits as a result of investment opportunities allocated to entities other than us. As a result, these individuals could pursue transactions that may not be in our best interest, which could have a material adverse effect on our operations and your investment. Our manager and its affiliates may, in the future, be engaged in other activities that could result in potential conflicts of interest with the services that they will provide to us. In addition, our sponsor or his affiliates may compete with us for the acquisition and/or refinancing of properties.

## Our manager and its affiliates will receive substantial fees from us, which could result in our manager and its affiliates taking actions that are not necessarily in the best interest of our stockholders.

Our manager and its affiliates will receive substantial fees from us, including distributions with respect to our manager s special limited partnership interest in our operating partnership, which entitles our manager to receive a participation in net sales proceeds. Further, our manager will receive an asset management fee based on the total value of our assets, and its affiliates will receive fees based on our revenues, which, in each case, could incent our manager to use higher levels of leverage to finance investments or accumulate assets to increase fees than would otherwise be in our best interests. These fees could influence our manager s advice to us, as well as the judgment of the affiliates of our manager who serve as our officers and directors. Among other matters, the acquisition or disposition fees and other possible fees payable to affiliates of our manager in connection with its services for the seller or buyer, could affect the judgment of our manager or its affiliates with respect to property acquisitions from, or the making of investments in, other programs sponsored by our sponsor. Therefore, considerations relating to their compensation from other programs could result in decisions that are not in the best interests of our stockholders, which could hurt our income and, as a result, our ability to make distributions to you and/or lead to a decline in the value of your investment.

## Our manager and its affiliates receive fees and other compensation based upon our investments, which may impact operating decisions, and as a result, affect your investment.

John A. Williams controls our manager. In addition, Mr. Williams is our President, Chief Executive Officer and Chairman of the Board of Directors and the President and Chief Executive Officer of our manager. As a result, Mr. Williams has a direct interest in all fees paid to our manager and is in a position to make decisions about our investments in ways that could maximize fees payable to our manager and its affiliates. Some compensation is payable to our manager whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our manager and its affiliates benefit from us retaining ownership and leveraging our assets, while our stockholders may be better served by the sale or disposition of, or lack of leverage on, the assets. For example, because asset management fees payable to our manager are based on total assets under management, including assets purchased using debt, our manager may have an incentive to incur a high level of leverage in order to increase the total amount of assets under management. In addition, our manager s ability to receive fees and reimbursements depends on our revenues from continued investment in real properties and real estate-related investments. Therefore, the interest of our manager and its affiliates in receiving fees may conflict with the interest of our stockholders in earning a return on their investment.

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## Our revenue and net income may vary significantly from one period to another due to investments in opportunity-oriented properties and portfolio acquisitions, which could increase the variability of our cash available for distributions.

We may make investments in opportunity-oriented properties in various phases of development, redevelopment or repositioning and portfolio acquisitions, which may cause our revenues and net income to fluctuate significantly from one period to another. Projects do not produce revenue while in development or redevelopment. During any period when our projects in development or redevelopment or those with significant capital requirements increase without a corresponding increase in stable revenue-producing properties, our revenues and net income likely will decrease. Many factors may have a negative impact on the level of revenues or net income produced by our portfolio of investments, including higher than expected construction costs, failure to complete projects on a timely basis, failure of the properties to perform at expected levels upon completion of development or redevelopment, and increased borrowings necessary to fund higher than expected construction or other costs related to the project. Further, our net income and stockholders equity could be negatively affected during periods with large portfolio acquisitions, which generally require large cash outlays and may require the incurrence of additional financing. Any such reduction in our revenues and net income during such periods could cause a resulting decrease in our cash available for distributions during the same periods.

## If we fail to continue to qualify as a REIT, we will be subjected to tax on our income and the amount of distributions we make to our stockholders will be less.

We have elected to be taxed as a REIT commencing with our tax year ended December 31, 2011 and intend to operate in a manner that would allow us to continue to qualify as a REIT. However, we may terminate our REIT qualification if our Board of Directors determines that not qualifying as a REIT is in our best interest, or inadvertently. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We currently intend to structure our activities in a manner designed to satisfy all requirements for qualification as a REIT. However, the REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Furthermore, any opinion of our counsel, including tax counsel, as to our eligibility to qualify or remain qualified as a REIT is not binding on the IRS and is not a guarantee that we will qualify, or continue to qualify, as a REIT. Accordingly, we cannot be certain that we will be successful in operating so we can qualify or remain qualified as a REIT. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income or quarterly asset requirements also depends on our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, if certain of our operations were to be recharacterized by the IRS such recharacterization would jeopardize our ability to satisfy all requirements for qualification as a REIT. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to continue to qualify as a REIT for any taxable year and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT qualification. Losing our REIT qualification would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Although we intend to operate in a manner intended to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to determine to delay or revoke our REIT election. Even if we continue to qualify as a REIT, we expect to incur some taxes, such as state and local taxes, taxes imposed on certain subsidiaries and potential U.S. federal excise taxes.

We have obtained a favorable ruling from the IRS stating that the inclusion of certain assets on our GAAP balance sheet for the calendar quarter ended March 31, 2011 will not cause us to fail the gross asset

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tests, as described under the section of the prospectus entitled Material U.S. Federal Income Tax Considerations REIT Qualification Tests Asset Tests, for such quarter.

## The allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that make up the Units may cause you to recognize phantom income with respect to the Series A Redeemable Preferred Stock for U.S. federal income tax purposes, even though you will not receive any cash payments corresponding to such income.

If the allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that comprise the Units results in an issue price for the Series A Redeemable Preferred Stock that is lower than the price at which the Series A Redeemable Preferred Stock may be redeemed under certain circumstances, this difference in price, or the redemption premium, will be treated as a constructive distribution of additional stock on preferred stock under Code Section 305(c), unless the redemption premium is less than a statutory de minimis amount. Any such constructive distribution may need to be taken into account under principles similar to the principles governing the inclusion of accrued original issue discount under Code Section 1272(a).

We intend to take a position, through an appropriate valuation methodology, on an allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that make up the Units. If the allocation results in a value for the Warrant in excess of the statutory de minimis amount, we will report the premium in gross income of U.S. holders as it accrues under a constant yield method and include the amount on the annual dividend reporting form, Form 1099-DIV. However, our position on the allocation of the purchase price to the Warrants is not binding on the IRS. If the IRS were to take a different position regarding such allocation, U.S. holders would be required to include a different amount of redemption premium in gross income as it accrues under a constant yield method and may be required to treat any gain recognized on the disposition of the Series A Redeemable Preferred Stock as ordinary income rather than as capital gain. In addition, a non-U.S.-holder s receipt of such constructive dividend may be subject to U.S. federal withholding tax to the same extent as an actual distribution.

## We may choose to make distributions in our own stock, in which case you may be required to pay U.S. federal income taxes in excess of the cash dividends you receive.

In connection with our qualification as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions that are payable in cash and/or shares of our common stock (which could account for up to 80% of the aggregate amount of such distributions) at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay U.S. federal income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. stockholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our common stock.

Various tax aspects of such a taxable cash/stock distribution are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

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# RESTRICTIONS IMPOSED BY THE USA PATRIOT ACT AND RELATED ACTS

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, or the USA PATRIOT Act, the shares of Series A Redeemable Preferred Stock and Warrants offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any unacceptable investor, which means anyone who is:

a designated national, specially designated national, specially designated terrorist, specially designated global terrorist, foreign terrorist organization, or blocked person within the definitions set forth in the Foreign Assets Control Regulations of the U.S. Treasury Department;
acting on behalf of, or an entity owned or controlled by, any government against whom the U.S. maintains economic sanctions or embargoes under the Regulations of the U.S. Treasury Department;
within the scope of Executive Order 13224 Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001;
subject to additional restrictions imposed by the following statutes or regulations, and executive orders issued thereunder: the Trading with the Enemy Act, the Iraq Sanctions Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operations, Export Financing and Related Programs Appropriation Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified or reviewed from time to time; or
designated or blocked, associated or involved in terrorism, or subject to restrictions under laws, regulations, or executive orders as may apply in the future similar to those set forth above.

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# FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words believe, expect, anticipate, estimate, plan, continue, intend, should, could, may or similar expressions, we intend to identify forwar statements. Statements regarding the following subjects, among others, may be forward-looking:

- use of proceeds of this (or any) offering;
- our business and investment strategy;
- our projected operating results;
- actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;
- the state of the U.S. economy generally or in specific geographic areas;
- economic trends and economic recoveries;
- our ability to obtain and maintain financing arrangements, including through Fannie Mae and Freddie Mac;
- financing and advance rates for our target assets;
- our expected leverage;
- general volatility of the securities markets in which we invest;
- changes in the values of our assets;
- our expected portfolio of assets;
- our expected investments;
- interest rate mismatches between our target assets and our borrowings used to fund such investments;
- changes in interest rates and the market value of our target assets;
- changes in prepayment rates on our target assets;
- effects of hedging instruments on our target assets;
- rates of default or decreased recovery rates on our target assets;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a REIT;
- our ability to maintain our exemption from registration under the Investment Company Act;
- availability of investment opportunities in mortgage-related and real estate-related investments and securities;
- availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition; and
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described in this prospectus under the sections entitled Prospectus Summary, Risk Factors and Business, as well as Management s Discussion and Analy of Financial Condition and Results of Operations as included in our latest Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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# ESTIMATED USE OF PROCEEDS

The table below sets forth our estimated use of proceeds from this offering, assuming we sell the maximum of 850,000 Units in this offering at the public offering price of $1,000 per Unit for maximum gross offering proceeds of $850 million.

The Series A Redeemable Preferred Stock and Warrants will be sold in Units, with each Unit consisting of (i) one share of Series A Redeemable Preferred Stock with an initial Stated Value of $1,000 per share, and (ii) one Warrant to purchase 20 shares of common stock, exercisable by the holder at an exercise price of 120% of the current market price per share of our common stock determined using the volume weighted average price of our common stock for the 20 trading days prior to the date of issuance of such Warrant, subject to a minimum exercise price of $9.00 per share (subject to adjustment). Each Unit will be sold at a public offering price of $1,000 per Unit. Units will not be issued or certificated. The shares of Series A Redeemable Preferred Stock and Warrants are immediately separable and will be issued separately.

# Estimated Application of Proceeds of this Offering

| | Maximum Offering | | |
|---|---|---|---|
| | Amount | Percent | |
| Gross offering proceeds | $ 850,000,000 | 100.00 | % |
| Offering expenses: | | | |
| Selling commissions[1] | 59,500,000 | 7.00 | % |
| Dealer manager fee[1] | 25,500,000 | 3.00 | % |
| Other offering expenses[2] | 12,750,000 | 1.50 | % |
| Amount available for investment[3] | $ 752,250,000 | 88.50 | % |
| Cash down payment (equity) | $ 710,114,286 | 83.54 | % |
| Acquisition fees (real estate commissions)[4] | 20,885,714 | 2.46 | % |
| Working capital reserve | 21,250,000 | 2.50 | % |
| Proceeds invested | 752,250,000 | 88.50 | % |
| Offering expenses | 97,750,000 | 11.50 | % |
| Total application of proceeds | $ 850,000,000 | 100.00 | % |

(1) Assumes selling commissions equal to 7.0% of gross offering proceeds and a dealer manager fee of 3.0% of gross offering proceeds. See the Plan of Distribution section of this prospectus for a description of these provisions. We or our affiliates also may provide permissible forms of non-cash compensation to registered representatives of our dealer manager and the participating broker-dealers, including gifts. In no event shall such gifts exceed an aggregate value of $100 per annum per participating salesperson, or be pre-conditioned on achievement of a sales target. The value of such items will be considered underwriting compensation in connection with this offering, and the corresponding payments of our dealer manager fee will be reduced by the aggregate value of such items. The combined selling commissions, dealer manager fee and such non-cash compensation will not exceed FINRA s 10% cap. Our dealer manager will repay to the company any excess payments made to our dealer manager over FINRA s 10% cap if this offering is abruptly terminated before reaching the maximum amount of offering proceeds.

(2) Includes all expenses (other than selling commissions and the dealer manager fee) to be paid by us or on our behalf in connection with the qualification and registration of this offering and the marketing and distribution of the Units, including, without limitation, expenses for printing and amending registration statements or supplementing

prospectuses, mailing and distributing costs, all advertising and marketing expenses, charges of transfer agents, registrars and experts and fees, expenses and taxes related to the filing, registration and qualification, as necessary, of the sale of the Units under federal and state laws, including taxes and fees and accountants and attorneys fees. We will reimburse our manager and its affiliates for such offering expenses in an amount up to 1.5% of gross offering proceeds to the extent such offering expenses have not been paid directly by us. Our manager and its affiliates will be responsible for any such offering expenses that exceed 1.5% of gross offering proceeds, without recourse against or reimbursement by us. All organization and offering expenses, including selling commissions and the dealer manager fee, will be capped at 11.5% of the gross proceeds of this offering.

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(3) Although the net proceeds are expected to be used in connection with the acquisition of multifamily properties and other real estate-related investments and the payment of fees and expenses related thereto, the proceeds are available for our other capital needs, whether related to the repayment of debt or otherwise. For purposes of this table, however, we have assumed that we will use all the net proceeds for acquisitions of real property and other real estate-related investments and the payment of related fees and expenses. Until required in connection with the acquisition of real property, other real estate-related investments or other capital needs, we intend to invest the net proceeds of this offering in a manner which will not adversely affect our ability to qualify, or maintain our qualification, as a REIT for federal tax purposes. Net proceeds do not include any amounts received by us in connection with any exercise of the Warrants.

(4) Real estate commissions are defined as the total of all fees and commissions paid by any person to any person, including our manager or affiliates, in connection with the selection, purchase, construction or development of any property by us, whether designated as real estate commission, acquisition fees, finders fees, selection fees, development fees, construction fees, non-recurring management fees, consulting fees or any other similar fees or commissions howsoever designated and howsoever treated for tax or accounting purposes. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Compensation included elsewhere in this prospectus for a detailed discussion of the acquisition fees that may be paid by us.

Assuming the maximum offering, we estimate that we will receive net proceeds from the sale of our Units in this offering of approximately $752.25 million, after deducting estimated offering expenses, including selling commissions and the dealer manager fee, payable by us of approximately $97.75 million. Net proceeds do not include any amounts received by us in connection with any exercise of the Warrants.

We intend to invest substantially all the net proceeds of this offering in connection with the acquisition of multifamily properties, other real estate-related investments and general working capital purposes. If all the net proceeds of this offering are used to directly acquire multifamily properties and other real estate-related investments, we estimate that these investments would have an aggregate gross value (inclusive of mortgage indebtedness) of approximately $2.1 billion assuming the maximum offering. We intend to acquire such investments through the incurrence of indebtedness (secured and unsecured) of approximately 65% of the value of our tangible assets on a portfolio basis, with the balance of the acquisition cost thereof funded through the use of the net proceeds of this offering.

Neither our charter nor our by-laws contain any limitation on the amount of leverage we may use. Our investment guidelines, which can be amended by our Board of Directors without stockholder approval, limit our borrowings (secured and unsecured) to 75% of the cost of our tangible assets at the time of any new borrowing. In addition, we intend to have no long-term corporate level debt.

Our manager may invest net proceeds of this offering in interest-bearing short-term investments that are consistent with our intention to qualify as a REIT, pending investment in our target assets. These initial investments are expected to provide a lower net return than we will seek to achieve from our target assets.

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# RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our consolidated ratio of earnings to combined fixed charges and preferred stock dividends for the six months ended June 30, 2012 and the year ended December 31, 2011 are set forth below. We did not have any shares of preferred stock outstanding at December 31, 2011. Since we commenced revenue-generating operations in April 2011, the ratio of earnings to fixed charges is not a meaningful measure for any period prior to 2011.

| | Six months ended June 30, 2012 | Twelve months ended December 31, 2011 |
|---|---|---|
| Earnings: | | |
| Net loss | $ (790,911 ) | $ (8,495,424 ) |
| Add: | | |
| Combined fixed charges and preferred dividends (see below) | 1,153,342 | 1,514,581 |
| Total earnings | $ 362,431 | $ (6,980,843 ) |
| Fixed charges: | | |
| Interest expensed | $ 1,030,670 | $ 1,450,101 |
| Amortization of deferred loan costs related to mortgage indebtedness | 42,986 | 64,480 |
| Total fixed charges | 1,073,657 | 1,514,581 |
| Preferred dividends | 79,685 | |
| Total Combined fixed charges and preferred dividends | $ 1,153,342 | $ 1,514,581 |
| Ratio of Earnings to Combined fixed charges and preferred dividends | (1) | (1) |

(1) Due to the net losses incurred, the ratio of earnings to combined fixed charges and preferred dividends was less than 1:1. We would have needed to generate additional earnings of approximately $791,000 for the six months ended June 30, 2012 and approximately $8.5 million for the twelve months ended December 31, 2011 to achieve coverage of 1:1 for these respective periods.

Our ratio of earnings to combined fixed charges is computed by dividing earnings by the total of fixed charges and preferred stock dividends. For these purposes, earnings consist of net loss plus fixed charges, less the value of unamortized deferred loan costs. Net loss is computed in accordance with GAAP and includes such non-cash items as real estate depreciation, amortization of the value of customer relationships, leases in place and above (below) market rents and amortization of deferred loan costs. Net loss also includes one-time transactional costs relating to our IPO and organizational costs. Fixed charges consist of interest expense on mortgage debt secured by our three multifamily communities, capitalization and amortization of deferred loan costs, and preferred dividend requirements. Interest income is not included in this computation.

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# DISTRIBUTION POLICY

Holders of Series A Redeemable Preferred Stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20th day of the month following the month for which the dividend was declared (or the next business day if the 20th day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Holders of our common stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cash dividends on each share of our common stock.

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually to its stockholders at least 90% of its REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend to pay, over time, dividends in an amount equal to 100% of our net taxable income.

The following tables set forth all dividends that have been authorized by our Board of Directors and paid by us to date.

## Common Stock

| Quarter Ended | Amount Paid Per Share | Total Amount Paid | Date Paid | Cash Flow from Operations |
|---|---|---|---|---|
| 06/30/2011 | $ 0.125 | $ 646,487 | 07/15/2011 | $ (697,122 ) |
| 09/30/2011 | $ 0.125 | $ 646,675 | 10/17/2011 | $ 553,596 |
| 12/31/2011 | $ 0.125 | $ 646,916 | 01/17/2012 | $ 794,172 |
| 03/31/2012 | $ 0.13 | $ 673,181 | 04/16/2012 | $ 927,394 |
| 06/30/2012 | $ 0.13 | $ 677,477 | 07/16/2012 | $ 869,992 (8) |
| 09/30/2012 | $ 0.14 | (7) | (7) | |

## Series A Redeemable Preferred Stock

| Month Ended | Amount Paid Per Share | Date Paid |
|---|---|---|

| | | | Total Amount Paid | | | |
|---|---|---|---|---|---|---|
| 04/30/2012 | $ 5.33 | (1) | $ 11,486 | | 05/21/2012 | |
| 05/31/2012 | $ 5.00/5.17 | (2) | $ 25,406 | | 06/20/2012 | |
| 06/30/2012 | $ 5.00/5.17 | (3) | $ 42,793 | | 07/20/2012 | |
| 07/31/2012 | $ 5.00/5.50 | (4)(6) | $ 50,879 | (6) | 08/20/2012 | (6) |
| 08/31/2012 | $ 5.00/7.50/5.17 | (5)(6) | (6) | | (6) | |

(1) Comprised of $5.00 per share for the month of April 2012 and $0.33 per share prorated from the initial issuance of shares of Series A Redeemable Preferred Stock on March 30, 2012 purchased in the Primary Series A Offering through the end of March 2012.

(2) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on May 31, 2012 that purchased Primary Series A Units in connection with our initial Primary Series A Unit closing on March 31, 2012 and (ii) a dividend of $5.17 per share of Series

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A Redeemable Preferred Stock, comprised of $5.00 per share for the month of May 2012 and $0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on April 30, 2012 through the end of April 2012.

(3) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on June 29, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to May 30, 2012 and (ii) a dividend of $5.17 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of June 2012 and $0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on May 31, 2012 through the end of May 2012.

(4) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on July 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to June 28, 2012 and (ii) a dividend of $5.50 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of July 2012 and $0.50 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on June 28, 2012 through the end of June 2012.

(5) Comprised of (i) a dividend of $5.00 per share of Series A Redeemable to all stockholders of record on August 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to July 17, 2012, (ii) a dividend of $7.50 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of August 2012 and $2.50 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on July 17, 2012 through the end of July 2012 and (iii) a dividend of $5.17 per share of Series A Redeemable Preferred Stock, comprised of $5.00 per share for the month of August 2012 and $0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on July 31, 2012 through the end of July 2012.

(6) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of the Series A Redeemable Preferred Stock.

(7) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of our common stock.

(8) For the quarter ended June 30, 2012, we also paid dividends with respect to our Series A Redeemable Preferred Stock in an aggregate amount of $79,685, which together with the dividends paid with respect to our common stock during this period totaled $757,162.

For the 12-month period ended December 31, 2011, our cash flow from operations of approximately $528,000 was a shortfall of approximately $1.4 million, or 72.8%, to our dividends paid of $1,940,078 during such period. The shortfall of cash flow from operations to dividends declared and paid was substantially due to the incurrence of approximately $1.7 million in acquisition costs related to the three multifamily communities that we acquired in the second quarter of 2011. Subject to significant acquisition expenses, we currently anticipate that cash flow from operations will be sufficient to fund the dividend payments to our stockholders for the remainder of 2012. Although not currently anticipated, if our Board of Directors determines to authorize distributions in excess of the income or cash flow generated from our target assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms of debt financing or the sale of our assets. See Risk Factors Distributions paid from sources other than our cash flow from operations, particularly from proceeds of this offering, will result in us having fewer funds available for the acquisition of properties and other real estate-related investments and may dilute your interests in us, which may adversely affect our ability to fund future distributions with cash flow from operations and may adversely affect your overall return and Risk Factors We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the Series A Redeemable Preferred Stock and our common stock.

To the extent that, in respect of any calendar year, cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We generally will not be required to make distributions with respect to activities conducted through any TRS that we form following the completion of this offering. For more information, see the section entitled Material U.S. Federal Income Tax Considerations General included elsewhere in this prospectus.

To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular distributions of all or substantially all the remainder of our REIT taxable income to our stockholders out of assets legally available therefor. The amount of cash available for distribution will be decreased by any fees or expenses payable by us to our manager under the management

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agreement. Any distributions we make to our stockholders will be at the discretion of our Board of Directors and will depend upon our earnings, financial condition, liquidity, debt covenants, funding or margin requirements under credit facilities, repurchase agreements or other secured and unsecured borrowing agreements, maintenance of our REIT qualification, applicable provisions of the MGCL, and such other factors as our Board of Directors deems relevant. Our earnings, financial condition and liquidity will be affected by various factors, including the net income from our portfolio, our operating expenses and any other expenditures. See the section entitled Risk Factors included elsewhere in this prospectus.

We anticipate that our distributions generally will be taxable as ordinary income to our stockholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital. In addition, a portion of such distributions may be taxable stock dividends payable in our shares. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain. For more information, see the section entitled Material U.S. Federal Income Tax Considerations Taxation of U.S. Holders included elsewhere in this prospectus.

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# MARKET PRICE RANGE OF OUR COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the NYSE MKT under the symbol APTS. There currently is no market for our shares of Series A Redeemable Preferred Stock and we do not currently intend to list our shares of Series A Redeemable Preferred Stock on any securities exchange in the future. Please see Risk Factors There is no public market for our Series A Redeemable Preferred Stock or Warrants and we do not expect one to develop.

Our common stock began trading on the NYSE MKT on April 1, 2011 with the closing of our IPO. The last reported sales price of our common stock on August 13, 2012 was $8.20.

As of August 3, 2012, our common stock was held by approximately 100 stockholders of record. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we were unable to estimate the total number of beneficial owners represented by these stockholders of record.

The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock reported on the NYSE MKT, and the distributions we declared with respect to such shares:

| Quarter Ended | High | Low | Distributions |
|---|---|---|---|
| June 30, 2011 | $ 10.39 | $ 8.17 | $ 0.125 |
| September 30, 2011 | $ 9.01 | $ 5.68 | $ 0.125 |
| December 31, 2011 | $ 6.96 | $ 5.61 | $ 0.125 |
| March 31, 2012 | $ 8.97 | $ 5.62 | $ 0.13 |
| June 30, 2012 | $ 8.45 | $ 6.72 | $ 0.13 |

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# CAPITALIZATION

The following table sets forth (a) our actual capitalization at June 30, 2012, and (b) our capitalization as adjusted to reflect the effect of the issuance of 850,000 shares of Series A Redeemable Preferred Stock in this offering, assuming the sale of the maximum offering, and the issuance of an additional 139,982 shares of Series A Redeemable Preferred Stock in the Primary Series A Offering, each after deducting estimated offering expenses, including selling commissions and the dealer manager fee, payable by us. You should read this table together with the sections entitled Estimated Use of Proceeds and Selected Financial Information included elsewhere in this prospectus, as well as our consolidated financial statements and notes thereto and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus.

| | June 30, 2012 | |
|---|---|---|
| | Actual (unaudited) | Maximum Offering |
| Stockholders' equity: | | |
| Series A Redeemable Preferred Stock, par value $0.01 per share; 1,000,000 shares authorized 10,018 or 1,000,000 issued and outstanding | $ 100 | $ 10,000 |
| Common Stock, par value $0.01 per share; 400,066,666 shares authorized and 5,178,313 issued and outstanding | 51,783 | 51,783 |
| Additional paid-in capital(1) | 51,953,388 | 938,095,458 |
| Accumulated deficit | (9,972,849 ) | (9,972,849 ) |
| Non-controlling interest | 1 | 1 |
| Total equity | $ 42,032,423 | $ 928,174,393 |

(1) Included in the actual and as adjusted additional paid in capital for the as adjusted maximum offering column is the fair value of the Warrants that are included in the Units sold in this offering, which Warrants are immediately separable from our Series A Redeemable Preferred Stock and which Warrants have an aggregate estimated fair value of $4,177,130 and $27,847,535, respectively. Each Warrant is potentially exercisable into 20 shares of our common stock, beginning one year after the date of issuance and expires four years after the date of issuance. The weighted average fair value of each Warrant included in each Unit is $27.85 (or $1.39 on a per underlying share of common stock basis) and was calculated utilizing the Black-Scholes-Merton model with valuation assumptions as of June 30, 2012.

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# SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial and operating data for the company on a historical basis. Financial and operating data as of and for the three months ended June 30, 2012 and 2011 are presented to illustrate our realization of a full quarter of operating financial results from our three acquired communities, as well as the trend in interest income from our real estate loans and notes receivable and the related effects on our financial condition.

The following selected financial and operating data should be read in conjunction with our consolidated financial statements and notes thereto and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus.

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# MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q is incorporated by reference into this prospectus.

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# QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposure is interest rate risk. Our floating-rate debt is tied to the 30-day London Interbank Offered Rate, or LIBOR. $19.5 million of our floating-rate debt has LIBOR effectively capped at 4.48% (all-in rate of 7.25%) and approximately $15.3 million of our floating-rate debt has LIBOR effectively capped at 4.05% (all-in rate of 6.85%), both through caps on the maximum interest rate on our debt under Freddie Mac's capped adjustable-rate mortgage program. We have limited market risk associated with debt maturity as all of our debt was incurred in April 2011 and does not mature until May 2018. We have no business operations which subject us to trading risk.

We have and will continue to manage interest rate risk as follows:

maintain a reasonable ratio of fixed-rate, long-term debt to total debt so that floating-rate exposure is kept at an acceptable level;

place interest rate caps on floating-rate debt; and

take advantage of favorable market conditions for long-term debt and/or equity.

We use various financial models and advisors to achieve our objectives.

If interest rates under our floating-rate LIBOR-based indebtedness fluctuated by 100 basis points, our interest costs, based on outstanding borrowings at June 30, 2012, would increase by approximately $348,000 on an annualized basis, or decrease by approximately $84,000 on an annualized basis. The difference between the interest expense amounts related to an increase or decrease in our floating-rate interest cost is because LIBOR was 0.245% at June 30, 2012, therefore we have limited the estimate of how much our interest costs may decrease because we use a floor of 0% for LIBOR.

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# BUSINESS

## Our Company

We are a Maryland corporation formed primarily to acquire multifamily properties in select targeted markets throughout the United States. As part of our property acquisition strategy, we may enter into forward purchase contracts or purchase options for to-be-built multifamily communities and we may make mezzanine loans, provide deposit arrangements, or provide performance assurances, as may be necessary or appropriate, in connection with the construction of these properties. As a secondary strategy, we also may acquire senior mortgage loans, subordinate loans or mezzanine debt secured by interests in multifamily properties, membership or partnership interests in multifamily properties and other multifamily related assets and invest not more than 10% of our total assets in other real estate-related investments, as determined by our manager as appropriate for us. We refer to these asset classes as our target assets.

Our promoters were John A. Williams and Leonard A. Silverstein. Since our formation, John A. Williams has served as the Chief Executive Officer of our company and as the Chairman of our Board of Directors. Mr. Williams also served as the President of our company from our formation until August, 2012. Leonard A. Silverstein has served as President and Chief Operating Officer of our company since August, 2012. Mr. Silverstein also served as Executive Vice President, General Counsel and Secretary of our company and as the Vice Chairman of our Board of Directors from formation until August, 2012. We are externally managed and advised by our manager, which is controlled by John A. Williams, our sponsor and a veteran of the multifamily industry with over four decades of experience, including the founding of the multifamily REIT, Post Properties, and Leonard A. Silverstein. Pursuant to the terms of a management agreement between our manager and us, our manager is responsible for administering our day-to-day business operations, identifying and acquiring targeted real estate investments, overseeing the management of the investments, handling the disposition of the real estate investments and providing us with our management team and appropriate support personnel.

We also hope to benefit from Mr. Williams current organization and platform that specializes in multifamily real estate investment and management. With operations in over 20 nationwide markets, Mr. Williams organization includes WRA, WAM, RAM and PRM. We believe these organizations provide the full range of services necessary to fulfill our investment objectives and we hope to benefit from their depth and breadth of experience in a number of ways, including, but not limited to: (i) our manager s intent to contract directly with each of these firms to provide a substantial portion of the services our manager is required to provide in connection with running our day-to-day operations under the management agreement with us, and (ii) key employees of these firms serving as our officers and as officers of our manager.

We have registered A Preferred Apartment Community as a trademarked logo with the United States Patent and Trademark Office. Our manager has branded, and in the future will continue to brand, all apartment communities owned by the company as A Preferred Apartment Community and intends to make it an ultimate tagline for each of our communities that signifies certain brand and management standards. This strategy will allow each individual community to be part of a centralized marketing and advertising campaign, in addition to property level marketing and advertising campaigns. We expect that these campaigns will further enhance each individual property s presence in the marketplace, and we believe that this will allow our communities to be perceived as premier over other properties within the marketplace. Our manager has entered into a non-exclusive license agreement with the company as licensee with respect to all intellectual property of the manager other than trademarks. The license agreement will terminate automatically upon termination of our management agreement or will terminate upon a material breach of the license agreement that remains uncured for more than 30 days after receipt of notice of such breach. Our manager has entered into a separate non-exclusive license agreement with the company as licensee with respect to the manager s trademarks on substantially similar terms as the initial intellectual property license agreement.

Upon the acquisition of each of our communities, we plan to implement what we believe to be an innovative and unique marketing and branding strategy by rolling out the PAC Concierge, PAC Rewards and PAC Partners programs (as described below). We completed what we believe to be a successful roll-out and implementation of our PAC Concierge, PAC Rewards and PAC Partners programs at all of our communities

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by January 2012. We anticipate implementing these programs at any newly acquired community approximately thirty days following acquisition.

The PAC Concierge program is a complimentary service for our residents designed to offer them the type of personal concierge services that you would expect at a high end resort. The concierge services are provided by a professionally trained team ready to coordinate services such as running errands and making dinner reservations, golf tee times and travel arrangements, as well as many other services. Our concierge service is available to our residents 24/7 by telephone, email or web access through our unique resident web portal.

The PAC Rewards program allows residents to accumulate and redeem rewards points for services and upgrades to their home, such as painting an accent wall, carpet cleaning or installing a ceiling fan or kitchen backsplash. Residents may accumulate Preferred Rewards, for example, when they sign their lease, pay their rent online, enroll in our direct debit/automatic payment program, renew their leases, or when a resident s referral signs a new lease.

The PAC Partners program establishes reciprocal relationships between a Preferred Apartment Community and neighborhood businesses to provide our residents with benefits such as discounts, perks and other incentives as an enticement to frequent those businesses and to support the local community.

# Our Properties

On April 15, 2011, we completed the acquisition of 100% of the membership interests in Stone Rise Apartments, LLC, a Delaware limited liability company (f/k/a Oxford Rise JV LLC), the fee-simple owner of a 216-unit multifamily apartment community located in suburban Philadelphia, Pennsylvania for a total purchase price of $30.15 million, exclusive of acquisition-related and financing-related transaction costs.

On April 21, 2011, we completed the acquisition of 100% of the membership interests in PAC Summit Crossing, LLC, a Georgia limited liability company (f/k/a Oxford Summit Partners LLC), the fee-simple owner of a 345-unit multifamily apartment community located in suburban Atlanta, Georgia for a total purchase price of $33.2 million, exclusive of acquisition-related and financing-related transaction costs.

On April 29, 2011, we, through our indirectly wholly owned subsidiary Trail Creek Apartments, LLC, completed the acquisition of Oxford Trail, a 204-unit multifamily townhome community located in Hampton, Virginia for a total purchase price of $23.5 million, exclusive of acquisition-related and financing-related transaction costs.

# Real Estate Loan Investments

### Oxford Hampton Mezzanine Loan

On June 30, 2011, we, through our indirectly wholly owned subsidiary, Trail Creek Mezzanine Lending, LLC, made the $6.0 million Oxford Hampton Mezzanine Loan to Oxford Hampton Partners LLC, a Georgia limited liability company, in connection with the borrower s plans to construct a 96-unit multifamily community in Hampton, Virginia located adjacent to our existing Trail Creek community. The borrower was required to fully draw down the Oxford Hampton Mezzanine Loan on June 30, 2011. WRF has contributed 100% of the cash equity in Oxford Hampton Partners LLC to date.

The Oxford Hampton Mezzanine Loan matures on June 29, 2016, with no option to extend and pays interest at a fixed rate of 8.0% per annum. Interest will be paid monthly with principal and any accrued but unpaid interest (including the exit fee) due at maturity. Under the terms of a purchase option agreement entered into concurrently with and in connection with the closing of the Oxford Hampton Mezzanine Loan, the lender has an option (but not an obligation) to purchase the property between and including April 1, 2014 and June 30, 2014 for $17,825,600, which is the amount of the aggregate project costs as set forth in the approved construction budget on the closing date. If the property is sold to, or refinanced by, a third party before July 1, 2014, the lender will be entitled to receive an exit fee equal to the amount required to provide it with a 14% cumulative internal rate of return on the loan. If the property is sold to, or refinanced by, a third party on or after July 1, 2014, then the lender will be entitled to receive an exit fee equal to the amount required to provide it with a 12% cumulative internal rate of return on the loan. The calculation of the cumulative internal rate of return will include the fees received by the lender at the closing of the Oxford Hampton Mezzanine Loan. Since the minimum exit fee, assuming the purchase option is not exercised is the

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amount needed to provide a 12% cumulative internal rate of return, the lender will accrue each period the additional exit fee earned based on the 12% rate assuming the loan was paid off at period end. The accrued exit fee will be recorded as interest income in the consolidated statements of operations the company. As of June 30, 2012, the lender earned approximately $64,250 of additional exit fee income.

If the lender exercises the purchase option and acquires the property, any accrued and unpaid exit fee will be treated as additional basis in the acquired project.

The Oxford Hampton Mezzanine Loan is secured by a pledge of 100% of the membership interests of the borrower. Partial prepayment of the Oxford Hampton Mezzanine Loan is not permitted without the lender s consent. The Oxford Hampton Mezzanine Loan is subordinate to a senior loan of up to an aggregate amount of $10 million that is held by an unrelated third party. W. Daniel Faulk, Jr. and Richard A. Denny, both unaffiliated third parties, have guaranteed to us the completion of the project in accordance with the plans and specifications. This guaranty is subject to the rights held by the senior lender pursuant to a customary intercreditor agreement between the lender and the senior lender.

In connection with the closing of the Oxford Hampton Mezzanine Loan, the lender received a loan fee of 2% of the loan amount, or $120,000, and a loan commitment fee of $14,333. From the loan fee paid in connection with the closing of the Oxford Hampton Mezzanine Loan, we paid a fee of $60,000, or 1.0% of the maximum loan amount, to our manager, as an acquisition fee pursuant to the management agreement of which WOF received $600 through its special limited liability company interest in our manager. In addition, the borrower used proceeds of the Oxford Hampton Mezzanine Loan to pay approximately $302,300 to WRF to retire an outstanding short-term loan from WRF that matured on the closing date of the Oxford Hampton Mezzanine Loan. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

## Oxford Summit II Mezzanine Loan

On May 7, 2012, Summit Crossing Mezzanine Lending LLC, a wholly owned subsidiary of our operating partnership, made the $6,103,027 Oxford Summit II Mezzanine Loan to Oxford Summit Apartments II LLC, a Georgia limited liability company, in connection with the borrower s plans to construct a 140-unit multifamily community in suburban Atlanta, Georgia. The full amount of the Oxford Summit II Mezzanine Loan was funded by the lender to the borrower on the closing date.

A portion of the proceeds of the Oxford Summit II Mezzanine Loan were used by the borrower to purchase from Oxford Forsyth Development LLC the land on which the borrower will construct the property. The seller used a portion of the purchase price to pay down a portion of a loan guaranteed by John A. Williams, which originally was obtained by the seller to acquire, in part, the land on which the property is to be constructed. The terms of the Oxford Summit II Mezzanine Loan and the overall transaction structure were approved by our conflicts committee, which consists entirely of independent directors not otherwise interested in the transaction.

In connection with the closing of the Oxford Summit II Mezzanine Loan, the lender received a loan fee of 2% of the maximum loan amount, or $122,061. In addition, we paid a fee of $61,030, or 1.0% of the maximum loan amount, to our manager as an acquisition fee in accordance with the terms of the management agreement of which WOF received $610 through its special limited liability interest in our manager. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

The Oxford Summit II Mezzanine Loan matures on May 8, 2017, with no option to extend, and bears interest at a fixed rate of 8.0% per annum. Interest will be paid monthly with principal and any accrued but unpaid interest due at maturity. The Oxford Summit II Mezzanine Loan is secured by a pledge of 100% of the membership interests in the borrower. Prepayment of the Oxford Summit II Mezzanine Loan is permitted in whole, but not in part, without lender consent. The Oxford Summit II Mezzanine Loan is subordinate to a senior loan of up to an aggregate amount of approximately $12.4 million that is held by an unrelated third party. W. Daniel Faulk, Jr. and Richard A. Denny, both unaffiliated third parties, have guaranteed to us the completion of the project in accordance with the plans and specifications and have provided a full payment

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guaranty. These guaranties are subject to the rights held by the senior lender pursuant to a customary intercreditor agreement between the lender and the senior lender.

Under the terms of a purchase option agreement entered into concurrently and in connection with the closing of the Oxford Summit II Mezzanine Loan, the lender has an option (but not an obligation) to purchase the property between and including October 1, 2014 and February 28, 2015 for a pre-negotiated purchase price of $19,254,155. If the property is sold to, or refinanced by, a third party at any time, or is paid off at any time, the lender will be entitled to an exit fee to increase the aggregate interest paid on the Oxford Summit II Mezzanine Loan to 14.0% per annum, provided, however, that such exit fee shall not be required to be paid if the lender or a wholly owned direct or indirect subsidiary of the lender acquires the property. Since the exit fee, assuming the purchase option is not exercised, is the amount needed to increase the aggregate interest paid on the Oxford Summit II Mezzanine Loan to 14.0% per annum, the lender will accrue each period the additional exit fee earned based on the 14.0% rate assuming the loan was paid off at period end. The accrued exit fee will be recorded as interest income in the consolidated statements of operations of the company. If the lender exercises the purchase option and acquires the property, any accrued and unpaid exit fee will be treated as additional basis in the acquired project. As of June 30, 2012, the lender earned approximately $55,596 of additional exit fee income.

### Iris Bridge Loan

On June 29, 2012, Iris Crosstown Mezzanine Lending, LLC, a wholly-owned subsidiary of our operating partnership, made the $2,868,471 Iris Bridge Loan to Iris in connection with the borrower s acquisition of a parcel of land located in suburban Tampa, Florida, upon which a multifamily community is to be constructed.

The Iris Bridge Loan matures on December 31, 2012, with no option to extend and pays interest at a rate of 8.0% per annum. Interest will be paid monthly with the principal and any accrued but unpaid interest (including the exit fee) due at maturity. If the property is sold to, or refinanced by, a third party, the lender will be entitled to an exit fee to increase the aggregate interest paid on the Iris Bridge Loan to 14.0% per annum.

The Iris Bridge Loan is secured by a mortgage, an assignment of project documents and unconditional guaranties of payment and performance by W. Daniel Faulk, Jr., Richard A. Denny and J. Michael Morris, unaffiliated parties and principals of the borrower.

In connection with the closing of the Iris Bridge Loan, we received a loan fee of 2% of the loan amount, or $57,369, and we paid a fee of $28,685, or 1.0% of the loan amount, to our manager as an acquisition fee pursuant to the management agreement of which WOF received $286 through its special limited liability company interest in our manager. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

## Other Loan Investments

### Oxford Properties Loan

On March 26, 2012, we made the $650,000 Oxford Properties Loan to Oxford Properties, LLC, a Georgia limited liability company, in the form of a promissory note. The loan bears interest at 15% per annum and interest only payments were due beginning May 1, 2012, and continue on a monthly basis until the maturity date of September 30, 2012. Oxford Properties, LLC may prepay the loan at any time, in whole or in part, without penalty. The amounts payable under the terms of the loan are backed by a personal guaranty of repayment issued by the principals of Oxford

Properties, LLC.

### Madison Retail Loan

On May 21, 2012, we made the up to $575,000 Madison Retail Loan to Madison Retail, LLC, a Georgia limited liability company, in the form of a promissory note. The amount drawn by Madison Retail, LLC as of June 30, 2012 was $255,290. The loan bears interest at 15% per annum and interest only payments were due beginning June 1, 2012, and continue on a monthly basis until the maturity date of September 30, 2012. Madison Retail, LLC may prepay the loan at any time, in whole or in part, without penalty. The amounts payable under the terms of the loan are backed by a personal guaranty of repayment issued by the principal of Madison Retail, LLC.

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# Market Opportunities

In the wake of the financial system troubles and downturn in the United States economy after 2007 2008, multifamily assets saw a dramatic drop in their value as the combination of higher capitalization rates and dwindling incomes created formidable headwinds for operators across the country. Many transactions consummated in 2005 2008 were highly leveraged with favorable financing terms. In many instances, these deals are financially troubled or the debt associated with these deals is about to mature. These transactions present problems for undercapitalized owners as the ability to refinance has diminished significantly and the only options that may be available are a sale at a dramatic discount to their basis or foreclosure. However, based on the lack of new supply projected for the next several years, the introduction of the echo boom generation into the market and the dwindling rate of homeownership, we believe multiple opportunities will be created for acquisitions.

*Supply Constraints*: With the economic conditions curtailing financing and construction, we believe the new supply pipeline will remain below historical averages for the next few years. As can be seen from the charts below, for the last three years, permits for multifamily construction have averaged approximately 175,000 units annually. In addition, we believe that annually the U.S. apartment stock loses an average of 118,000 units per year to obsolescence or conversion to other uses. We believe that this combination should result in a few years of net completions of new units being well below historical averages. As the economy rebounds and demand for apartment inventory increases, we believe that there will be a shortage of new supply to keep up with the expected increased demand. We believe this window of opportunity will allow owners with desirable product to experience rent growth and enhanced occupancy levels as the market expands and supply struggles to keep pace.

# Historical US MultiFamily Permits*

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# Historical Permitting Comparison*

* Based on U.S. Census Bureau data as presented by Axiometrics, Inc.

*Economic Improvement*: While the overall economy struggles to show consistent signs of improvement, we believe that the multifamily sector seems to be the most resilient sector in the real estate market. We believe that the historical correlation between job growth and absorption has not applied. As demonstrated in the chart below, since the third quarter of 2008, apartment absorption on a year-over-year basis has outperformed the corresponding drop in employment, with absorption posting only modest declines in the face of dramatic job losses.

# Apartment Absorption Rate vs. Job Growth Rate*

* Based on Witten Advisors Second Quarter 2012 U.S. Apartments Markets Forecast Presentation and U.S. Bureau of Labor Statistics.

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*Rate of Homeownership*: We believe that one of the most significant contributors to the projection for new demand for rental units is the level of homeownership in the United States. As of June 30, 2012, the home ownership rate was approximately 65.5%, down from a high of approximately 69.2% in 2004 (figures based on U.S. Census Bureau data and the Witten Advisors Second Quarter 2012 U.S. Apartments Markets Forecast Presentation). Based on industry sources, we believe that, while the current economic weakness should ease, an increase in homeownership rates is unlikely for a much longer period of time and the current downward trend shown in the chart below will continue.

# U.S. Historical & Projected Homeownership Rate

* Source: Figures based on U.S. Census Bureau data and related Arthur C. Nelson forecast (Metropolitan Research Center, University of Utah).

Given the more stringent underwriting standards from lenders and scrutiny from regulators that has been occurring since the beginning of the last recession, the erosion of wealth in the housing sector over the last four years, the decline in overall household income and the dramatic increase in unemployment, we expect the propensity to rent likely will continue to increase in the near term. Based on current U.S. Census Bureau data, from a demographic standpoint, there is a large population bubble of Americans under the age of 30 who we expect to be candidates for home ownership now or in the near future; however, we believe it is likely that the current climate will compel them to delay the decision to purchase a home until they are on firmer economic footing. In addition, we believe the requirements for a mortgage may continue to be stringent and that this group may find it more attractive to rent for a longer period of time until they can qualify for a desirable home. All these factors lead us to believe that an improvement in demand for the apartment market will occur as the rental pool grows in a climate where little supply is being created.

*Echo Boom Generation*: As shown in the chart of U.S. Census Bureau data below, there are approximately 84.7 million echo boomers in the population currently, more than their Baby Boomers parents who number approximately 71.2 million. The echo boomers were born between 1977 and 1996 and the bulk of them are currently working their way into the market (age range in 2008 was 12 31). According to the U.S. Department of Education, for school year 2010 2011 more people were expected to attend universities in the United States than at any other time in history. We do not expect this trend to abate

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anytime in the near future. As these people graduate and work their way into the market, we believe the pool of educated, employed and qualified renters will increase dramatically.

# Population by Age

* Based on U.S. Census Bureau, Population Division 2010 Census Data. *http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_SF1_QTP1&prodType=table*

## Our Competitive Strengths

We believe that we distinguish ourselves from our competitors through the following competitive advantages:

- experienced management team with significant expertise in real estate and real estate-related debt investments and capital markets;
- access to a pipeline of investment opportunities;
- benefits from our relationship with our manager and its affiliates; and
- dedicated asset management team.

## Our Investment Strategy

We will seek to maximize returns for our stockholders by taking advantage of the current environment in the domestic real estate market. While occupancy and capitalization rates in the multifamily sector have rebounded from recessionary lows, apartment values remain below previous market highs due to significant declines in rental rates, collections and net operating incomes that have yet to fully recover. As the real estate market and economy stabilize, we intend to employ efficient management techniques to grow income and create asset value. Our investment strategy includes, without limitation, the following:

- acquiring real estate-related assets where such assets or the owners of such assets are overleveraged or where such owners may be struggling to meet current debt service obligations on such assets, or, in certain circumstances, where such owners are financial institutions or conduits under either legal or economic compulsion to sell;
- acquiring assets in opportunistic, performing and stable markets throughout the United States;

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acquiring multifamily properties which we believe will generate sustainable cash flow from operations sufficient to allow us to cover the dividends that we expect to declare and pay and which we believe will have the potential for capital appreciation;

taking advantage of the lack of significant new multifamily development in the last few years; and

taking advantage of the anticipated availability of financing from Freddie Mac and Fannie Mae that fits within our financing strategy. See the section entitled Business Our Financing Strategy included elsewhere in this prospectus for a detailed discussion of our financing strategy.

We believe that financing will be available from Fannie Mae and Freddie Mac because they currently maintain that they will provide liquidity to the market in the form of debt capital at rates that meet our existing financing strategy. While market conditions may change and affect this availability, we believe Fannie Mae and Freddie Mac will continue to operate and provide debt for the multifamily sector. Fannie Mae and Freddie Mac are providing financing in a period where their current interest rate quotes are at or near historical lows, providing favorable economics for acquisitions where we anticipate that property operations will improve.

In implementing our investment strategy, we will use our manager s and its affiliates expertise in identifying attractive investment opportunities with the target classes described below, as well as their transaction sourcing, underwriting, execution and asset management and disposition capabilities. We expect that our manager will make decisions based on a variety of other factors, including expected risk-adjusted returns, credit fundamentals, liquidity, availability of adequate financing, borrowing costs and macroeconomic conditions. In addition, all investment decisions will be made with a view to obtaining and maintaining qualification as a REIT.

We believe there are numerous opportunities within the multi-family sector to acquire assets that fit our investment strategy. While cap rates have come down recently, interest rates generally remain below cap rates, providing an opportunity for buyers to achieve positive leverage (borrow at a cost of capital below the cap rate on the asset). In addition, we believe that net operating income, or NOI, growth for multifamily assets in general will be between 5% and 8% annually through 2014.

* Based on Witten Advisors Second Quarter 2012 U.S. Apartments Markets Forecast Presentation and U.S. Bureau of Labor Statistics.

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We believe that opportunity to purchase assets today at a price below replacement cost and generally below the recent highs in multifamily pricing that occurred in 2006 to 2008, combined with the general forecast of improving NOI growth, supports our investment strategy. However, our investment strategy is dynamic and flexible, which we anticipate will enable us to adapt to shifts in economic, real estate and capital market conditions and to exploit inefficiencies. Consistent with this strategy, our investment decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different economic and capital market conditions. We believe this approach allows us to identify undervalued opportunities in all market cycles, often before other investors identify such opportunities.

In particular, we will look to acquire:

- assets of varying age depending on the return profile and the specific strategy for each asset;
- assets in the top submarkets of each metropolitan statistical area (MSA) defined by highest rent per square foot, highest resident income level, highest property values for single family housing, etc.;
- properties that should be modern in architecture and appearance with no functional obsolescence or design flaws;
- assets comprised of 200 600 units per property to allow increased operating efficiency, with target properties outside this profile evaluated and priced appropriately;
- multifamily properties which we believe will generate sustainable cash available for distribution sufficient to allow us to cover the dividends that we expect to declare and pay and which we believe will have the potential for capital appreciation;
- assets with target capitalization rates varying by market and asset type in light of today s interest rate environment, we believe core assets in the more stable markets could range between 5.0% and 7.0% and more opportunistic assets could have significantly higher acquisition capitalization rates;
- assets with exit capitalization rates forecasted based on market performance, interest rate assumptions, and asset strategy but that generally mirror entry capitalization rates (except on more opportunistic targets); and
- assets in urban infill areas and suburban markets.

It is our policy to acquire our target assets primarily for income, and only secondarily for possible capital gain. We currently do not anticipate investing in unimproved property, developing new construction properties or acquiring new construction, however, we would consider a forward purchase or option to purchase contract on a to-be-built multifamily asset with the appropriate provisions for minimum occupancy and income thresholds in order for us to expect the asset to be priced appropriately. In connection with entering into a forward purchase or option to purchase contract, we may be required to provide a deposit, a mezzanine loan or other assurances of our ability to perform our obligations under the forward purchase or option to purchase contract. See the section entitled Business Real Estate Loan Investments elsewhere in this prospectus for a detailed description of the terms of the Oxford Hampton Mezzanine Loan and the Oxford Summit II Mezzanine Loan.

Our target asset acquisitions would fit into three categories consisting of:

*Core Assets*: Core assets can best be described as being relatively new properties (less than ten years old) in major markets and top submarkets. These properties typically are in infill and close-in suburban locations with significant barriers to entry and little-to-no deferred maintenance issues or significant capital expenditures necessary to maintain market presence. The properties are typically well managed and maintained by the seller. Based on the current interest rate environment, we would expect capitalization rates to range from 5.0% to 7.0%;
*Value Add Assets*: Value add assets can best be described as slightly older assets (up to 25 years old) in major markets, but submarkets can be infill or suburban. Value add assets typically have some deferred maintenance issues, capital expenditure needs and/or modest operational or occupancy deficiencies that may require more management intensive efforts than core assets. These operational

deficiencies could include, but are not limited to, below market occupancy rates, unqualified or inexperienced management teams on site or at the corporate level, deferred maintenance and capital expenditure needs. Capital expenditure needs in value add assets should be no more than $10,000 to $20,000 per unit, depending on market conditions and material costs. The capitalization rates for value add assets are expected to be higher (6.0% to 8.0% currently) than core assets with higher expected returns; and

*Opportunistic Assets*: Opportunistic assets can be older assets, but we would seek to avoid functional obsolescence in an asset due to defective construction and inherent flaws. Examples of functional obsolescence could include, but are not limited to, flat roofs in garden style apartments, floor plans that are significantly smaller than the market average and a high percentage of two bedroom/one bath units relative to the market. Defective construction or inherent flaws could include, but is not limited to, aluminum wiring in apartments for electricity, blu-poly piping and poor installation of mechanical systems or appliances. It is possible that we would acquire an asset with some of these flaws with the intention of correcting the issues or updating the asset. We would expect this type of asset to have serious physical or operational deficiencies that will require intensive efforts to correct either through management changes, renovation or a combination of both. Capital expenditure needs in opportunistic assets will probably exceed $20,000 per unit, depending on market conditions and material costs. Serious physical and operational deficiencies could include, but are not limited to, reroofing a property, repainting the interior and exterior of a property, replacing all the appliances in a property and completely renovating the common areas. Capitalization rates for these assets could be 7.0% or higher due to the potentially serious operational deficiencies with an opportunistic asset. Current cap rates for opportunistic assets may be difficult to determine and may vary widely.

We also may invest in real estate-related debt, including, but not limited to, previously originated first mortgage loans and loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration or otherwise guaranteed or insured on multifamily properties that meet our investment criteria, which are performing or non-performing, previously originated mezzanine loans on multifamily properties that meet our investment criteria (second or subsequent mortgages), which are performing or non-performing, and tranches of securitized loans (pools of collateralized mortgaged-backed securities) on multifamily properties that meet our investment criteria, which are performing or non-performing. We do not have a formal policy with respect to the proportion of assets which may be invested in each type of mortgage or any single mortgage. We will seek to invest in debt when there is a reasonable expectation that either the satisfaction of the debt under its current terms or the foreclosure of the asset securing the debt would result in a favorable return to us. We will analyze the current operations of any asset securing the debt that we seek to purchase in order to determine the likelihood of a default or foreclosure (in the case where there is not one currently) and price our bid for such debt based on the expectations of either a successful payoff by the current borrower or a need to foreclose on the asset. We do not have a formal portfolio turnover policy, and currently do not intend to adopt one.

We anticipate that future acquisitions of assets by us generally will be from unaffiliated third parties, but we would still consider an acquisition from an affiliated third party if such acquisition made financial sense to us and was approved by our conflicts committee, which is comprised entirely of independent directors.

The investment committee will periodically review our investment portfolio and its compliance with our investment guidelines (or our investment policies), and provide our Board of Directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. Our investment guidelines, the assets in our portfolio, the decision to utilize leverage, and the appropriate levels of leverage are periodically reviewed by our Board of Directors as part of their oversight of our manager. Our Board of Directors may amend or revise our investment guidelines without a vote of the stockholders. If our Board of Directors amends or revises our investment guidelines, the board will describe such amendments or revisions in our next Quarterly Report on Form 10-Q, a Form 8-K or a press release.

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# Our Target Markets

We will use a variety of metrics and measures to assist us in determining the appropriateness of the markets we will target for acquisitions, the sub-markets within those markets and the individual assets we will acquire. Generally, we intend to target MSAs of one million people or more with favorable economic conditions. The conditions we may monitor in determining the economic conditions of a market include, but are not limited to, job growth, household income, the pipeline of new supply for multifamily units, the pipeline of new supply for single family units, current and forecasted occupancy for multifamily units, current and forecasted rental rate growth for multifamily units, and other statistics that may be relevant to individual markets. In addition, we will analyze data from our affiliate operations to corroborate any assumptions. Our affiliate operations include third party property management of 22,500 multifamily units across 15 states, asset management of almost 4,500 multifamily units across six states and in-house property management of over 5,100 multifamily units across six states. In addition to the analysis of current economic conditions and forecasts and the data provided by our affiliates operations, we will utilize a network of industry contacts and relationships to generate significant information about current and future market conditions. The map below provides our most current analysis of the markets where we believe opportunities exist for us to acquire properties. These markets have different favorable and unfavorable traits which might cause us to make different acquisition decisions in each market, depending on the type of asset available in the market, the submarket it is located in within that market, the pricing we anticipate for that asset and our view on how the asset, the submarket and the broader market will perform. The areas in blue on the map below indicate additional markets we are currently targeting for properties to acquire, however, no assurance can be given that suitable properties will be acquired in such areas. These markets have been selected because our affiliated operations currently have a significant presence in these markets or we have determined that the market presents a good opportunity for property acquisitions. We anticipate this presence will provide us more accurate and timely market data when evaluating potential acquisitions and speed and efficiency in putting in place a property management team post-acquisition. The map below is a guide and will change as additional information becomes available to us regarding national, market or local trends. As of the date of this prospectus, we currently own properties in Atlanta, Georgia MSA, Hampton, Virginia MSA, and Philadelphia, Pennsylvania MSA and we may purchase properties in markets other than those shown on the map below. See the section entitled Description of Real Estate Investments Properties Owned included elsewhere in this prospectus for a detailed discussion of the properties we have acquired.

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**Target MSA Map**

* Target MSAs in the above map are as of June 30, 2012

# Our Financing Strategy

We intend to utilize leverage in making our investments. The number of different investments we will acquire will be affected by numerous factors, including the amount of funds available to us. By operating on a leveraged basis, we will have more funds available for our investments. This will allow us to make more investments than would otherwise be possible, resulting in a larger and more diversified portfolio. See the Risk Factors section of this prospectus for more information about the risks related to operating on a leveraged basis.

We intend to target leverage levels (secured and unsecured) between 50% and 65% of the value of our tangible assets (including our real estate assets, real estate loans and other real estate-related investments, accounts receivable and cash and cash equivalents) on a portfolio basis based on fair market value. As of June 30, 2012 our outstanding debt (both secured and unsecured) was approximately 46.8% of the value of our tangible assets on a portfolio basis based on fair market value. Neither our charter nor our by-laws contain any limitation on the amount of leverage we may use. Our investment guidelines, which can be amended by our Board of Directors without stockholder approval, limit our borrowings (secured and unsecured) to 75% of the cost of our tangible assets at the time of any new borrowing. These targets, however, will not apply to individual real estate assets or investments. The amount of leverage we will seek for particular investments in our target assets will depend on our manager s assessment of a variety of factors which may include the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in the portfolio, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and the health of the commercial real estate market in general. In addition, factors such as our outlook on interest rates, changes in the yield curve slope, the level and volatility of interest rates and their associated credit spreads, the underlying collateral of our assets and our outlook on credit spreads relative to our outlook on interest rate and economic performance could all impact our decision and strategy for financing the target assets. At the date of acquisition of each asset, we anticipate that the cost of investment for such asset will be substantially similar to its fair market value. However, subsequent events, including changes in the fair market value of our assets, could result in our exceeding these limits. Finally, we intend to acquire all our properties through separate special purpose entities and we intend to finance each of these properties using financing techniques for that property alone without any cross-collateralization to our other properties. In addition, neither we nor our operating partnership intend to provide any guaranties of property level indebtedness. Finally, we intend to have no long-term corporate level debt.

The leverage may be obtained from a variety of sources including (but not limited to) Freddie Mac, Fannie Mae, commercial banks, credit companies, insurance companies, pension funds, endowments, financial services companies and other institutions who wish to provide debt financing for our assets.

Our secured and unsecured aggregate borrowings are intended by us to be reasonable in relation to our net assets and are reviewed by our Board of Directors at least quarterly. In determining whether our borrowings are reasonable in relation to our net assets, our Board of Directors considers many factors, including without limitation, the lending standards of government-sponsored enterprises, such as Fannie Mae, Freddie Mac and other companies for loans in connection with the financing of multifamily properties, the leverage ratios of publicly traded and non-traded REITs with similar investment strategies, cash flow coverage, whether we have positive leverage (in that, our Board of Directors will compare the capitalization rates of our properties to the interest rates on the indebtedness of such properties) and general market and economic conditions. There is no limitation on (i) the amount that we may borrow for any single investment, or (ii) the number of mortgages that may be placed on any one piece of property.

# Risk Management

Risk management is a fundamental principle in our manager s construction of our portfolio and in the management of each investment. Diversification of our portfolio by investment size and location is critical to controlling portfolio-level risk. Over the long term, it is our policy that no single asset will exceed 15% of our total assets and that we will not have more than 25% of our total assets invested in any single MSA. However, until a sufficient number of properties are acquired, we anticipate that we will have single assets in excess of 15% of our total assets and more than 25% of our assets in a single MSA. There is no limitation on (i) the percentage of assets of any one type of investment which we may invest in, and (ii) in the case of securities, the percentage of securities of any one issuer which we may acquire.

# Investment Committee

Our manager has an investment committee which will meet periodically, at least every quarter, to discuss investment opportunities. The investment committee will periodically review our investment portfolio and its compliance with our investment guidelines described above, and provide our Board of Directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. From time to time, as it deems appropriate or necessary, our Board of Directors also will review our investment portfolio and its compliance with our investment guidelines and the appropriateness of our investment guidelines and strategies.

# Policies With Respect to Certain Other Activities

If our Board of Directors determines that additional funding is required, we may raise such funds through additional offerings of equity or debt securities or the retention of cash flow (subject to provisions in the Code concerning distribution requirements and the taxability of undistributed REIT taxable income) or a combination of these methods. If our Board of Directors determines to raise additional equity capital, it has the authority, without stockholder approval, to issue additional common stock or preferred stock in any manner and on such terms and for such consideration as it deems appropriate, at any time. We will seek to maintain a balance between the number of outstanding shares of common stock and other types of equity securities of the company issued and outstanding as we seek to fund our capital needs. However, we can make no assurances that we will be able to achieve or maintain this balance. For example, uncertainties in the marketplace could affect the timing, amount and value of any equity securities to be issued, and the success or lack of success of any capital raising program, including, without limitation, this offering. Moreover, general economic conditions affecting our business, financial condition and operations could affect the balance between the number of outstanding shares of common stock and other types of equity securities of the company issued and outstanding.

In addition, we may finance the acquisition of investments using the various sources of financing discussed above. Our investment guidelines, the assets in our portfolio, the decision to utilize leverage, and the appropriate levels of leverage are periodically reviewed by our Board of Directors as part of their oversight of our manager and may be changed without stockholder approval.

We may offer equity or debt securities in exchange for property or may redeem or otherwise reacquire shares of our common stock for cash. We also may redeem shares of our Series A Redeemable Preferred Stock for cash or in equal value of our common stock. In addition to the Series A Redeemable Preferred Stock issuable in this offering and issued and issuable pursuant to the Primary Series A Offering, we may establish one or more other classes or series of preferred stock, including convertible preferred stock. Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we may in the future invest in securities (including partnership interests, limited liability company interests, common stock and preferred stock) of other REITs or other entities (including for the purpose of exercising control over such entities) that invest in multifamily properties or otherwise have similar investment objectives. We have no current plans to invest in entities that are not engaged in real estate activities. There are no limitations on the amount or percentage of our total assets that may be invested in any one issuer, other than imposed by the gross income and asset test we must meet in order to remain qualified as a REIT under the Code. We do not intend that our investments in securities will require us to register as an investment company under the Investment Company Act, and we would intend to divest such securities before any such registration would be required. We do not intend to underwrite securities of other issuers.

We intend to make available to our stockholders our annual reports, including our audited financial statements. After our IPO, we became subject to the information reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act. Pursuant to those requirements, we are now required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

Our Board of Directors may change any of these policies without prior notice to you or a vote of our stockholders.

# Operating and Regulatory Structure

### REIT Qualification

We have elected and qualified to be taxed as a REIT commencing with our tax year ended December 31, 2011. In addition, we may hold certain of our assets through TRSs, which may be subject to corporate-level income tax at regular rates. Our qualification as a REIT depends on our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our method of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our stockholders. If we fail to qualify for taxation as a REIT in any taxable year, and the statutory relief provisions of the Code do not apply, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would they be required to be made. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income or property and to U.S. federal income and excise taxes on our undistributed income.

### Investment Company Act Considerations

We intend to conduct our operations so that we and each of our subsidiaries are exempt from registration as an investment company under the Investment Company Act. Under Section 3(a)(1)(A) of the Investment Company Act, a company is an investment company if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if

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it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of government securities and cash items) on an unconsolidated basis, or the 40% test. Investment securities exclude U.S. Government securities and securities of majority owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We intend to acquire real estate and real-estate related assets directly, for example, by acquiring fee interests in real property, or by purchasing interests, including controlling interests, in REITs or other real estate operating companies, such as real estate management companies and real estate development companies, that own real property. We also may acquire real estate assets through investments in joint venture entities, including joint venture entities in which we may not own a controlling interest. We anticipate that our assets generally will be held in our wholly owned and majority owned subsidiaries, each formed to hold a particular asset.

We intend to conduct our operations so that our company and most, if not all, of its wholly owned and majority owned subsidiaries will comply with the 40% test. We will continuously monitor our holdings on an ongoing basis to determine the compliance of our company and each wholly owned and majority owned subsidiary with this test. Because we expect that most of our assets will be real estate investments, we expect that most, if not all, of the company s wholly owned and majority owned subsidiaries will not be relying on exemptions under either Section 3(c)(1) or 3(c)(7) of the Investment Company Act. Consequently, interests in these subsidiaries (which are expected to constitute most, if not all, of our assets) generally will not constitute investment securities. Accordingly, we believe that our company and most, if not all, of its wholly owned and majority owned subsidiaries will not be considered investment companies under Section 3(a)(1)(C) of the Investment Company Act.

In addition, we believe that neither we nor any of our wholly owned or majority owned subsidiaries will be considered investment companies under Section 3(a)(1)(A) of the Investment Company Act because they will not engage primarily, or propose to engage primarily, or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we and our subsidiaries will be primarily engaged in non-investment company businesses related to real estate. Consequently, we and our subsidiaries expect to be able to conduct their respective operations such that none of them will be required to register as an investment company under the Investment Company Act.

The determination of whether an entity is our majority owned subsidiary is made by us. The Investment Company Act defines a majority owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority owned subsidiary of such person. The Investment Company Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat companies in which we own at least a majority of the outstanding voting securities as majority owned subsidiaries for purposes of the 40% test. We have not requested that the SEC staff approve our treatment of any entity as a majority owned subsidiary and the SEC staff has not done so. If the SEC staff were to disagree with our treatment of one or more companies as majority owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to comply with the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

We intend to conduct our operations so that neither we nor any of our wholly owned or majority owned subsidiaries fall within the definition of investment company under the Investment Company Act. If we or any of our wholly owned or majority owned subsidiaries inadvertently falls within one of the definitions of investment company, we intend to rely on the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, which is available for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. In addition to prohibiting the issuance of certain types of securities, this exclusion generally requires that at least 55% of an entity s assets must be comprised of mortgages and other liens on and interests in real estate, also known as qualifying assets, and at least 80% of the entity s assets must be comprised of qualifying assets and a broader category of assets that

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we refer to as real estate-related assets under the Investment Company Act. Additionally, no more than 20% of the entity s assets may be comprised of miscellaneous assets.

We will classify our assets for purposes of the Investment Company Act, including the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, in large measure based upon no-action positions taken by the SEC staff in the past. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than twenty years ago. No assurance can be given that the SEC staff will concur with our classification of our assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify our assets for purposes of the Investment Company Act. If we are required to re-classify our assets, we may no longer be in compliance with the exclusion from the definition of an investment company provided by Section 3(c)(5)(C) of the Investment Company Act.

For purposes of determining whether we satisfy the 55%/80% tests, we will classify the assets in which we invest as follows:

*Real Property*. Based on the no-action letters issued by the SEC staff, we will classify our fee interests in real properties as qualifying assets. In addition, based on no-action letters issued by the SEC staff, we will treat our investments in joint ventures, which in turn invest in qualifying assets such as real property, as qualifying assets only if we have the right to approve major decisions affecting the joint venture; otherwise, such investments will be classified as real estate-related assets. We expect that no less than 55% of our assets will consist of investments in real property, including any joint ventures that we control.

*Securities*. We intend to treat as real estate-related assets debt and equity securities of both non-majority owned publicly traded and private companies primarily engaged in real estate businesses, including REITs and other real estate operating companies, and securities issued by pass-through entities of which substantially all the assets consist of qualifying assets or real estate-related assets.

*Loans*. Based on the no-action letters issued by the SEC staff, we will classify our investments in various types of whole loans as qualifying assets, as long as the loans are fully secured by an interest in real estate at the time we originate or acquire the loan. However, we will consider loans with loan-to-value ratios in excess of 100% to be real estate-related assets. We will treat our mezzanine loan investments as qualifying assets so long as they are structured as Tier 1 mezzanine loans in accordance with the guidance published by the SEC staff in a no-action letter that discusses the classifications of Tier 1 mezzanine loans under Section 3(c)(5)(C) of the Investment Company Act.

Consistent with no-action positions taken by the SEC staff, we will consider any participation in a whole mortgage loan, including B-Notes, to be a qualifying real estate asset only if (1) we have a participation interest in a mortgage loan that is fully secured by real property; (2) we have the right to receive our proportionate share of the interest and the principal payments made on the loan by the borrower, and our returns on the loan are based on such payments; (3) we invest only after performing the same type of due diligence and credit underwriting procedures that we would perform if we were underwriting the underlying mortgage loan; (4) we have approval rights in connection with any material decisions pertaining to the administration and servicing of the loan and with respect to any material modification to the loan agreements; and (5) if the loan becomes non-performing, we have effective control over the remedies relating to the enforcement of the mortgage loan, including ultimate control of the foreclosure process, by having the right to: (a) appoint the special servicer to manage the resolution of the loan; (b) advise, direct or approve the actions of the special servicer; (c) terminate the special servicer at any time with or without cause; (d) cure the default so that the mortgage loan is no longer non-performing; and (e) purchase the senior loan at par plus accrued interest, thereby acquiring the entire mortgage loan.

We will base our treatment of any other investments as qualifying assets and real estate-related assets on the characteristics of the underlying collateral and the particular type of loan (including whether we have foreclosure rights with respect to those securities or loans that have underlying real estate collateral) and we will make these determinations in a manner consistent with guidance issued by the SEC staff.

Qualification for exemption from the definition of investment company under the Investment Company Act will limit our ability to make certain investments. For example, these restrictions may limit the ability of

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our company and our subsidiaries to invest directly in mortgage-related securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset-backed securities, distressed debt, subordinated debt and real estate companies or in assets not related to real estate. Although we intend to monitor our portfolio, there can be no assurance that we will be able to maintain this exemption from registration for our company or each of our subsidiaries.

A change in the value of any of our assets could negatively affect our ability to maintain our exemption from regulation under the Investment Company Act. To maintain compliance with the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or may have to forego opportunities to acquire assets that we would otherwise want to acquire and would be important to our investment strategy.

To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the definition of investment company and the exceptions to that definition, we may be required to adjust our investment strategy accordingly. Additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the investment strategy we have chosen.

If we are required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), and portfolio composition, including restrictions with respect to diversification and industry concentration and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan.

# Competition

Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. We are subject to significant competition in acquiring our target assets. In particular, we will compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds, commercial and investment banks, hedge funds, mortgage bankers, commercial finance and insurance companies, governmental bodies and other financial institutions. We also may compete with John A. Williams and his affiliates for investment opportunities. See the section entitled Risk Factors included elsewhere in this prospectus. In addition, there are several REITs with similar investment objectives, including a number that have been recently formed, and others may be organized in the future. These other REITs will increase competition for the available supply of real estate-related assets suitable for purchase or origination. Some of our anticipated competitors have greater financial resources, access to lower costs of capital and access to funding sources that may not be available to us. In addition, some of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the Investment Company Act. Furthermore, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, or pay higher prices, than we can. Current market conditions may attract more competitors, which may increase the competition for our target assets. An increase in the competition for such assets may increase the price of such assets, which may limit our ability to generate attractive risk-adjusted returns for our stockholders, thereby adversely affecting the market price of our outstanding stock.

In the face of this competition, we expect to have access to our manager s and its affiliates professionals and their industry expertise, which we believe will provide us with a competitive advantage and help us assess investment risks and determine appropriate pricing for potential investments. We expect that these relationships will enable us to compete more efficiently and effectively for attractive investment opportunities. In addition, we believe that current market conditions may have adversely affected the financial condition of certain competitors. Thus, not having a legacy portfolio also may enable us to compete more effectively for attractive investment opportunities. Although we believe we are well positioned to compete effectively in each facet of our business, there can be no assurance that we will be able to achieve our business goals or expectations due to the extensive competition in our market sector. For additional information concerning these competitive risks, see Risk Factors.

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# Employees

We are externally managed by our manager pursuant to the management agreement between our manager and us. All our officers are employees of our manager or its affiliates. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Agreement included elsewhere in this prospectus.

# Legal Proceedings

Neither we nor our subsidiaries nor, to our knowledge, our manager is currently subject to any legal proceedings that we or our manager consider to be material. To our knowledge, none of our properties is currently subject to any legal proceeding that we consider material.

# Other Information

Our principal executive offices are located at 3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia 30339. Our telephone number is (770) 818-4100. Our website is *www.pacapts.com*. The contents of our website are not part of this prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.

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# DESCRIPTION OF REAL ESTATE INVESTMENTS

## Properties Owned

The following table provides information as of June 30, 2012 regarding our three multifamily communities.

(1) Exclusive of additional amounts recoverable from tenants for utilities and rent concessions that may be offered to tenants.

(2) The purchase price of acquired properties is based on the aggregate value of the tangible and identifiable intangible assets and liabilities acquired.

(3) Each of the multifamily communities is operated under a management agreement between our manager and PRM, or the property manager, an affiliate of our manager.

(4) Mortgage debt amount and interest rate at June 30, 2012. Interest rate varies monthly and is calculated by adding 2.77% to the British Banker s Association s one month LIBOR Rate for United States Dollar deposits, or LIBOR, for Stone Rise and 2.80% to LIBOR for Trail Creek. LIBOR was 0.245% on June 30, 2012.

(5) Variable monthly interest rates are capped at 7.25% and 6.85% for Stone Rise and Trail Creek, respectively.

See the section entitled Certain Relationships and Related Transactions Agreements With Institutional and Other Investors Real Estate Property Investments contained elsewhere in this prospectus.

## Summit Crossing

On April 21, 2011, we completed the acquisition of 100% of the membership interests in PAC Summit Crossing, LLC, a Georgia limited liability company (f/k/a Oxford Summit Partners LLC), the fee-simple owner of Summit Crossing, a 345-unit multifamily community located in suburban Atlanta, Georgia, for a total purchase price of $33.2 million, exclusive of acquisition-related and financing-related transaction costs.

We funded the purchase price from proceeds of the IPO and concurrent private placement transaction and a non-recourse first mortgage loan in the original principal amount of approximately $20.9 million. The loan bears interest at a fixed rate of interest equal to 4.71% per annum. The loan requires monthly payments of accrued interest only from the period of June 1, 2011 to May 1, 2014. Beginning on June 1, 2014, the loan will require monthly payments of accrued interest and principal based on a 30-year amortization period. The loan matures on May 1, 2018. The loan may not be partially prepaid, but may be prepaid in full at any time. However, any prepayment before February 1, 2018 will require us to pay a prepayment premium. The prepayment premium is the greater of (1) 1% of the loan balance and (2) the present value of the difference in payments implied between the stated interest rate on the loan and the equivalent rate on a U.S. Treasury security whose maturity coincides with the maturity of the loan at the time the prepayment is being calculated. In the case where a U.S. Treasury security does not have a maturity date equal to the maturity date of the loan, the interpolation of the yield between the securities immediately shorter and immediately longer than the maturity of the loan shall be used. At maturity a balance of approximately $14.3 million will be due on the loan, assuming no prior principal prepayment on the loan.

Summit Crossing is a multifamily community consisting of 345 units located in suburban Atlanta, Georgia. The community consists of 26 garden and townhome buildings on a 19-acre landscaped setting. A

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gated and controlled access community, Summit Crossing is comprised of a unit mix of 83 one-bedroom garden apartment homes, 40 one-bedroom townhomes, 53 two-bedroom garden apartment homes, 166 two-bedroom townhomes and 3 three-bedroom garden apartment homes. The property was constructed in 2007 and its apartment homes have an average size of 1,034 square feet. We believe that the Summit Crossing property is suitable and adequate for use as a multifamily apartment complex. No major renovations, improvements or developments are planned for the Summit Crossing property.

There are currently nine other apartment communities in the area that we believe are competitive with Summit Crossing, with seven of those properties located two to three miles south in Alpharetta/North Fulton County. Including Summit Crossing, these ten properties total 3,842 units, have an average unit size of 1,094 square feet and an average year of construction of 2000. In addition to existing competitive properties, the market in which Summit Crossing is located currently has three properties in its competitive submarket that are entitled for multifamily development. These projects would represent an aggregate of 1,000 units and all three could potentially start in the next 6-12 months. In addition, an affiliate of the seller of Summit Crossing owns one adjacent parcel entitled for multi-family development that would allow for the future development of a 172 unit community. The company has made a mezzanine loan on an additional 140 unit property adjacent to Summit Crossing. The property broke ground in the second quarter of 2012 and is expecting to deliver units around mid-year 2013.

All the leased space is residential with leases ranging from an initial term of three months to one year. The average historical occupancy rate (determined by the total number of units actually occupied at the specified point in time indicated) for the last five years is as follows:

| | | |
|---|---|---|
| At December 31, 2011 | 95.3 | % |
| At December 31, 2010 | 94.8 | % |
| At December 31, 2009 | 93.8 | % |
| At December 31, 2008 | 85.4 | % |
| At December 31, 2007 | 76.5 | % |

No single tenant occupies 10% or more of Summit Crossing.

The average historical effective net annual rental rate per unit (including any tenant concessions and abatements) at Summit Crossing is as follows:

| | |
|---|---|
| Year ending December 31, 2011 | $ 10,800 |
| Year ending December 31, 2010 | $ 10,476 |
| Year ending December 31, 2009 | $ 10,212 |
| Year ending December 31, 2008 | $ 10,536 |
| Year ending December 31, 2007 | $ 10,728 |

Property taxes paid on Summit Crossing for the fiscal year ended December 31, 2011 were $153,449.44. Summit Crossing was subject to a tax rate of 2.6624% of its assessed value.

Under a contract with our manager, PRM, an affiliate of our manager, will act as property manager of Summit Crossing. In the opinion of the management of the company, Summit Crossing is adequately covered by insurance.

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# Stone Rise

On April 15, 2011, we completed the acquisition of 100% of the membership interests in Stone Rise Apartments, LLC, a Delaware limited liability company (f/k/a Oxford Rise JV LLC), the fee-simple owner of Stone Rise, a 216-unit multifamily apartment community located in suburban Philadelphia, Pennsylvania, for a total purchase price of $30.15 million, exclusive of acquisition-related and financing-related transaction costs.

We funded the purchase price from proceeds of the IPO and concurrent private placement transaction and a non-recourse first mortgage in the original principal amount of $19.5 million. The loan bears interest at an adjustable interest rate that is calculated each month. The adjustable interest rate is set at 277 basis points above the British Banker s Association s one month LIBOR and is capped at 7.25% per annum. The loan requires monthly payments of accrued interest only from the period of June 1, 2011 to May 1, 2014. Beginning on June 1, 2014, the loan will require monthly payments of accrued interest and principal based on a 30-year amortization period. The loan matures on May 1, 2018. The loan may not be partially prepaid, but may be prepaid in full at any time. However, any prepayment before February 1, 2018 will require us to pay a prepayment premium. Prepayment premiums are as follows: Year 1 5% of principal being prepaid; Year 2 4% of principal being prepaid; Year 3 3% of principal being prepaid; Year 4 2% of principal being prepaid; and Year 5 to maturity 1% of principal being prepaid. At maturity a balance of approximately $17.0 million will be due on the loan, assuming no prior principal prepayment on the loan.

Stone Rise is an existing multifamily apartment complex consisting of 216 units located in suburban Philadelphia, Pennsylvania. The community consists of 8 garden buildings on a 20-acre landscaped setting. Stone Rise is comprised of a unit mix of 72 one-bedroom garden apartment homes and 144 two-bedroom garden apartment homes. The property was constructed in 2008 and its apartment homes have an average size of 1,078 square feet. We believe the Stone Rise property is suitable and adequate for use as a multifamily apartment complex. No major renovations, improvements or developments are planned for the Stone Rise property.

There are currently six other apartment communities in the area that we believe are competitive with Stone Rise. All these properties are located south of Stone Rise nearer to Interstate 76 and Highway 202. Including Stone Rise, the seven properties total 1,602 units, have an average unit size of 1,027 square feet and an average year of construction of 2002. Further, in Chester County, Pennsylvania, the county in which Stone Rise is located, no new construction of multifamily properties is currently on-going or planned. In addition, new construction is constrained due to a current lack of sewer availability that requires any new construction to bear the burden of constructing and maintaining a waste water treatment plant and drip irrigation system. In addition to the specific competitive conditions described above, general competitive conditions affecting Stone Rise include those identified in the section entitled Competition included elsewhere in this prospectus.

All the leased space is residential with leases ranging from an initial term of three months to one year. The average historical occupancy rate (determined by the total number of units actually occupied at the specific point in time indicated) for the last five years is as follows:

| | | |
|---|---|---|
| At December 31, 2011 | 92.4 | % |
| At December 31, 2010 | 94.0 | % |
| At December 31, 2009 | 79.2 | % |
| At December 31, 2008 | 21.8 | % |
| At December 31, 2007 | N/A | |

No single tenant occupies 10% or more of Stone Rise.

The average historical effective net annual rental rate per unit (including any tenant concessions and abatements) at Stone Rise is as follows:

| | |
|---|---|
| Year ending December 31, 2011 | $ 15,047 |
| Year ending December 31, 2010 | $ 14,640 |
| Year ending December 31, 2009 | $ 14,556 |
| Year ending December 31, 2008 | $ 16,284 |
| Year ending December 31, 2007 | N/A |

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Property taxes paid on Stone Rise for the fiscal year ended December 31, 2011 were $358,580.78. Stone Rise was subject to a base property tax rate of 1.6109% of its assessed value.

Under a contract with our manager, PRM, an affiliate of our manager, will act as property manager of Stone Rise. In the opinion of the management of the company, Stone Rise is adequately covered by insurance.

# Trail Creek

On April 29, 2011, we, through our indirectly wholly owned subsidiary Trail Creek Apartments, LLC, completed the acquisition of Trail Creek, a 204-unit multifamily townhome community located in Hampton, Virginia, for a total purchase price of $23.5 million, exclusive of acquisition-related and financing-related transaction costs.

We purchased a fee-simple interest in the property from Oxford Trail JV LLC and funded the purchase price from proceeds of the IPO and concurrent private placement transaction and a non-recourse first mortgage in the original principal amount of approximately $15.3 million. The loan bears interest at an adjustable interest rate that is calculated each month. The adjustable interest rate is set at 2.80% above LIBOR, and is capped at 6.85% per annum. The loan requires monthly payments of accrued interest only from the period of June 1, 2011 to May 1, 2014. Beginning on June 1, 2014, the loan will require monthly payments of accrued interest and principal based on a 30-year amortization period. The loan matures on May 1, 2018. The loan may not be partially prepaid but may be prepaid in full at any time. However, any prepayment before February 1, 2018 will require us to pay a prepayment premium. Prepayment premiums are as follows: Year 1 5% of the loan balance; Year 2 4% of the loan balance; Year 3 3% of the loan balance; Year 4 2% of the loan balance; and Year 5 to maturity 1% of the loan balance. At maturity a balance of approximately $18.1 million will be due on the loan, assuming no prior principal prepayment on the loan.

Trail Creek is a multifamily community consisting of 204 units located in Hampton, Virginia. The community consists of 20 two-story townhome buildings on approximately 16.92 acres. Trail Creek is comprised of a unit mix of 84 one-bedroom townhomes and 120 two-bedroom townhomes. The property was constructed in 2006 and its townhomes have an average size of 988 square feet. We believe the Trail Creek property is suitable and adequate for use as a multifamily apartment complex. No major renovations, improvements or developments are planned for the Trail Creek property.

There are currently seven other apartment communities in the area that we believe are competitive with Trail Creek, with five of those properties located within approximately two to three miles of Trail Creek. Including Trail Creek, these eight properties total 1,981 units, have an average unit size of 1,009 square feet and an average year of construction of 2004. In addition to existing competitive properties, the market in which Trail Creek is located currently has three properties either planned or under construction that total 412 units. One of these properties is the 96 unit community the company funded a mezzanine loan on in June of 2012, which has almost completed construction and in which units are being delivered. Completion is scheduled for the third quarter of 2012.

All the leased space is residential with leases ranging from an initial term of three months to one year. The average historical occupancy rate (determined by the total number of units actually occupied at the specified point in time indicated) for the last five years is as follows:

| | | |
|---|---|---|
| At December 31, 2011 | 97.6 | % |
| At December 31, 2010 | 97.3 | % |
| At December 31, 2009 | 94.8 | % |

| | | |
|---|---|---|
| At December 31, 2008 | 92.1 | % |
| At December 31, 2007 | 69.3 | % |

No single tenant occupies 10% or more of Trail Creek.

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The average historical effective net annual rental rate per unit (including any tenant concessions and abatements) at Trail Creek is as follows:

| | |
|---|---|
| Year ending December 31, 2011 | $ 13,063 |
| Year ending December 31, 2010 | $ 12,528 |
| Year ending December 31, 2009 | $ 12,336 |
| Year ending December 31, 2008 | $ 12,360 |
| Year ending December 31, 2007 | $ 12,180 |

Property taxes paid on Trail Creek for the fiscal year ended December 31, 2011 were $223,496.80. Trail Creek was subject to a tax rate of 1.04% of its assessed value.

Under a contract with our manager, PRM, an affiliate of our manager, will act as property manager of Trail Creek. In the opinion of the management of the company, Trail Creek is adequately covered by insurance.

## Depreciation

The following table sets forth for each asset class within our three owned multifamily communities, the (i) tax basis for U.S. federal income tax purposes, (ii) the method of tax depreciation and (iii) the depreciable life applicable to each asset class for income tax purposes. Each property was individually material to the company as of March 31, 2012.

| Property | Address | City | State | Asset Description | Federal Tax Basis | Method[(1)] | Life Claimed (years) |
|---|---|---|---|---|---|---|---|
| Stone Rise | 900 Selwyn Place | Glenmoore | PA | Building | $20,954,898 | ADS | 40 |
| Stone Rise | 900 Selwyn Place | Glenmoore | PA | Furniture | 1,007,273 | ADS | 6 |
| Stone Rise | 900 Selwyn Place | Glenmoore | PA | Furniture | 1,836,000 | ADS | 10 |
| Stone Rise | 900 Selwyn Place | Glenmoore | PA | Land Improvements | 305,380 | ADS | 20 |
| Stone Rise | 900 Selwyn Place | Glenmoore | PA | Land | 2,652,000 | Not Applicable | |
| Trail Creek | 2 Abbott Drive | Hampton | VA | Building | $19,342,279 | ADS | 40 |
| Trail Creek | 2 Abbott Drive | Hampton | VA | Furniture | 387,204 | ADS | 6 |
| Trail Creek | 2 Abbott Drive | Hampton | VA | Furniture | 1,482,600 | ADS | 10 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trail Creek | 2 Abbott Drive | Hampton | VA | Land Improvements | 253,856 | ADS | 20 |
| Trail Creek | 2 Abbott Drive | Hampton | VA | Land | 3,450,000 | Not Applicable | |
| Summit Crossing | 3920 Ivy Summit Court | Cumming | GA | Building | $26,456,939 | ADS | 40 |
| Summit Crossing | 3920 Ivy Summit Court | Cumming | GA | Furniture | 941,609 | ADS | 6 |
| Summit Crossing | 3920 Ivy Summit Court | Cumming | GA | Furniture | 2,687,750 | ADS | 10 |
| Summit Crossing | 3920 Ivy Summit Court | Cumming | GA | Land Improvements | 437,898 | ADS | 20 |
| Summit Crossing | 3920 Ivy Summit Court | Cumming | GA | Land | 6,950,000 | Not Applicable | |

(1) Depreciation methods and life claimed for each asset class is determined by reference to the IRS-mandated method for depreciating assets placed into service after 1986, known as the Modified Accelerated Cost Recovery System (MACRS). The Alternative Depreciation System, or ADS method, elected by the company applies depreciation rates on a straight-line basis over the depreciable life of the asset.

# Real Estate Loan Investments

### Oxford Hampton Mezzanine Loan

On June 30, 2011, we, through our indirectly wholly owned subsidiary, Trail Creek Mezzanine Lending, LLC, made the $6.0 million Oxford Hampton Mezzanine Loan to Oxford Hampton Partners LLC, a Georgia limited liability company, in connection with the borrower s plans to construct a 96-unit multifamily community in Hampton, Virginia located adjacent to our existing Trail Creek community. The borrower was required to fully draw down the Oxford Hampton Mezzanine Loan on June 30, 2011. WRF has contributed 100% of the cash equity in Oxford Hampton Partners LLC to date.

The Oxford Hampton Mezzanine Loan matures on June 29, 2016, with no option to extend and pays interest at a fixed rate of 8.0% per annum. Interest will be paid monthly with principal and any accrued but unpaid interest (including the exit fee) due at maturity. Under the terms of a purchase option agreement entered into concurrently with and in connection with the closing of the Oxford Hampton Mezzanine Loan, the lender has an option (but not an obligation) to purchase the property between and including April 1, 2014 and June 30, 2014 for $17,825,600, which is the amount of the aggregate project costs as set forth in the approved construction budget on the closing date. If the property is sold to, or refinanced by, a third party before July 1, 2014, the lender will be entitled to receive an exit fee equal to the amount required to provide it with a 14% cumulative internal rate of return on the loan. If the property is sold to, or refinanced by, a third party on or after July 1, 2014, then the lender will be entitled to receive an exit fee equal to the amount required to provide it with a 12% cumulative internal rate of return on the loan. The calculation of the cumulative internal rate of return will include the fees received by the lender at the closing of the Oxford Hampton Mezzanine Loan. Since the minimum exit fee, assuming the purchase option is not exercised is the amount needed to provide a 12% cumulative internal rate of return, the lender will accrue each period the additional exit fee earned based on the 12% rate assuming the loan was paid off at period end. The accrued exit fee will be recorded as interest income in the consolidated statements of operations the company. As of June 30, 2012, the lender earned approximately $64,250 of additional exit fee income.

If the lender exercises the purchase option and acquires the property, any accrued and unpaid exit fee will be treated as additional basis in the acquired project.

The Oxford Hampton Mezzanine Loan is secured by a pledge of 100% of the membership interests of the borrower. Partial prepayment of the Oxford Hampton Mezzanine Loan is not permitted without the lender s consent. The Oxford Hampton Mezzanine Loan is subordinate to a senior loan of up to an aggregate amount of $10 million that is held by an unrelated third party. W. Daniel Faulk, Jr. and Richard A. Denny, both unaffiliated third parties, have guaranteed to us the completion of the project in accordance with the plans and specifications. This guaranty is subject to the rights held by the senior lender pursuant to a customary intercreditor agreement between the lender and the senior lender.

In connection with the closing of the Oxford Hampton Mezzanine Loan, the lender received a loan fee of 2% of the loan amount, or $120,000, and a loan commitment fee of $14,333. From the loan fee paid in connection with the closing of the Oxford Hampton Mezzanine Loan, we paid a fee of $60,000, or 1.0% of the maximum loan amount, to our manager, as an acquisition fee pursuant to the management agreement of which WOF received $600 through its special limited liability company interest in our manager. In addition, the borrower used proceeds of the Oxford Hampton Mezzanine Loan to pay approximately $302,300 to WRF to retire an outstanding short-term loan from WRF that matured on the closing date of the Oxford Hampton Mezzanine Loan. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

### Oxford Summit II Mezzanine Loan

On May 7, 2012, Summit Crossing Mezzanine Lending LLC, a wholly owned subsidiary of our operating partnership, made the $6,103,027 Oxford Summit II Mezzanine Loan to Oxford Summit Apartments II LLC, a Georgia limited liability company, in connection with the borrower s plans to construct a 140-unit multifamily community in suburban Atlanta, Georgia. The full amount of the Oxford Summit II Mezzanine Loan was funded by the lender to the borrower on the closing date.

A portion of the proceeds of the Oxford Summit II Mezzanine Loan were used by the borrower to purchase from Oxford Forsyth Development LLC the land on which the borrower will construct the property. The seller used a portion of the purchase price to pay down a portion of a loan guaranteed by John A. Williams, which originally was obtained by the seller to acquire, in part, the land on which the property is to be constructed. The terms of the Oxford Summit II Mezzanine Loan and the overall transaction structure were approved by our conflicts committee, which consists entirely of independent directors not otherwise interested in the transaction.

In connection with the closing of the Oxford Summit II Mezzanine Loan, the lender received a loan fee of 2% of the maximum loan amount, or $122,061. In addition, we paid a fee of $61,030, or 1.0% of the maximum loan amount, to our manager as an acquisition fee in accordance with the terms of the management agreement of which WOF received $610 through its special limited liability interest in our manager. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

The Oxford Summit II Mezzanine Loan matures on May 8, 2017, with no option to extend, and bears interest at a fixed rate of 8.0% per annum. Interest will be paid monthly with principal and any accrued but unpaid interest due at maturity. The Oxford Summit II Mezzanine Loan is secured by a pledge of 100% of the membership interests in the borrower. Prepayment of the Oxford Summit II Mezzanine Loan is permitted in whole, but not in part, without lender consent. The Oxford Summit II Mezzanine Loan is subordinate to a senior loan of up to an aggregate amount of approximately $12.4 million that is held by an unrelated third party. W. Daniel Faulk, Jr. and Richard A. Denny, both unaffiliated third parties, have guaranteed to us the completion of the project in accordance with the plans and specifications and have provided a full payment guaranty. These guaranties are subject to the rights held by the senior lender pursuant to a customary intercreditor agreement between the lender and the senior lender.

Under the terms of a purchase option agreement entered into concurrently and in connection with the closing of the Oxford Summit II Mezzanine Loan, the lender has an option (but not an obligation) to purchase the property between and including October 1, 2014 and February 28, 2015 for a pre-negotiated purchase price of $19,254,155. If the property is sold to, or refinanced by, a third party at any time, or is paid off at any time, the lender will be entitled to an exit fee to increase the aggregate interest paid on the Oxford Summit II Mezzanine Loan to 14.0% per annum, provided, however, that such exit fee shall not be required to be paid if the lender or a wholly owned direct or indirect subsidiary of the lender acquires the property. Since the exit fee, assuming the purchase option is not exercised, is the amount needed to increase the aggregate interest paid on the Oxford Summit II Mezzanine Loan to 14.0% per annum, the lender will accrue each period the additional exit fee earned based on the 14.0% rate assuming the loan was paid off at period end. The accrued exit fee will be recorded as interest income in the consolidated statements of operations of the company. If the lender exercises the purchase option and acquires the property, any accrued and unpaid exit fee will be treated as additional basis in the acquired project. As of June 30, 2012, the lender earned approximately $55,596 of additional exit fee income.

## Iris Bridge Loan

On June 29, 2012, Iris Crosstown Mezzanine Lending, LLC, a wholly-owned subsidiary of our operating partnership, made the $2,868,471 Iris Bridge Loan to Iris in connection with the borrower s acquisition of a parcel of land located in suburban Tampa, Florida, upon which a multifamily community is to be constructed.

The Iris Bridge Loan matures on December 31, 2012, with no option to extend and pays interest at a rate of 8.0% per annum. Interest will be paid monthly with the principal and any accrued but unpaid interest (including the exit fee) due at maturity. If the property is sold to, or refinanced by, a third party the lender will be entitled to an exit fee to increase the aggregate interest paid on the Iris Bridge Loan to 14.0% per annum.

The Iris Bridge Loan is secured by a mortgage, an assignment of project documents and unconditional guaranties of payment and performance by W. Daniel Faulk, Jr., Richard A. Denny and J. Michael Morris, unaffiliated parties and principals of the borrower.

In connection with the closing of the Iris Bridge Loan, we received a loan fee of 2% of the loan amount, or $57,369, and we paid a fee of $28,685, or 1.0% of the loan amount, to our manager as an acquisition fee pursuant to the management agreement of which WOF received $286 through its special limited liability company interest in our manager. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

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# Other Loan Investments

### Oxford Properties Loan

On March 26, 2012, we made the $650,000 Oxford Properties Loan to Oxford Properties, LLC, a Georgia limited liability company, in the form of a promissory note. The loan bears interest at 15% per annum and interest only payments were due beginning May 1, 2012, and continue on a monthly basis until the maturity date of September 30, 2012. Oxford Properties, LLC may prepay the loan at any time, in whole or in part, without penalty. The amounts payable under the terms of the loan are backed by a personal guaranty of repayment issued by the principals of Oxford Properties, LLC.

### Madison Retail Loan

On May 21, 2012, we made the up to $575,000 Madison Retail Loan to Madison Retail, LLC, a Georgia limited liability company, in the form of a promissory note. The loan bears interest at 15% per annum and interest only payments were due beginning June 1, 2012, and continue on a monthly basis until the maturity date of September 30, 2012. Madison Retail, LLC may prepay the loan at any time, in whole or in part, without penalty. The amounts payable under the terms of the loan are backed by a personal guaranty of repayment issued by the principal of Madison Retail, LLC. The amount drawn by Madison Retail, LLC as of June 30, 2012 was $255,290.

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# OUR MANAGEMENT

Set forth below is certain information regarding our management. This information should be considered in conjunction with the information in our Definitive Proxy Statement on Schedule 14A in connection with our most recent annual meeting of stockholders, which is incorporated by reference into this prospectus.

## Our Directors and Executive Officers

We operate under the direction of our Board of Directors. Our Board of Directors is responsible for the overall management and control of our affairs. Our manager was formed to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the supervision of our Board of Directors. Each of our executive officers, including John A. Williams and Leonard A. Silverstein, who also serve as directors, also are officers of our manager. As a result, these individuals owe fiduciary duties to our manager, which fiduciary duties may conflict with the duties that they owe to us and our stockholders. As described in greater detail under the section entitled Our Sponsor, Our Manager and the Management Agreement Management Agreement, our manager is responsible for making investment decisions subject to the approval of its investment committee and the oversight of our Board of Directors.

Our charter and by-laws provide that the number of our directors may be established by a majority of the entire Board of Directors but may not be fewer than two nor more than ten. We currently have seven directors, including five independent directors. Directors are elected by a plurality of all the votes cast. There are no family relationships among any of our directors or officers, or officers of our manager.

During the discussion of a proposed transaction, independent directors may offer ideas for ways in which transactions may be structured to offer the greatest value to us, and our manager will take these suggestions into consideration when structuring transactions. Each director will serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualified. Although the number of directors may be increased or decreased, a decrease will not have the effect of shortening the term of any incumbent director.

Any director may resign at any time. A director may be removed, with or without cause, by the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all our outstanding common stock. Notice of a special meeting to remove a director will indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

Any vacancy created by an increase in the number of directors or the death, resignation or removal of a director may be filled by a vote of a majority of the remaining directors. If at any time there are no directors in office, successor directors shall be elected in accordance with the MGCL. Each director will be bound by the company s charter and by-laws.

The directors are not required to devote all their time to our business and are only required to devote the time to our affairs as their duties require. It is expected that the directors will meet quarterly or more frequently if necessary. Our directors are not required to devote a substantial portion of their time to discharge their duties as our directors. Consequently, in the exercise of their responsibilities, the directors heavily rely on our manager. Our directors have a duty to our company to supervise the relationship between us and our manager. The board is empowered to fix the compensation of all officers that it selects and approve the payment of compensation to directors for services rendered to us in any other capacity.

Our Board of Directors has established policies on investments and borrowing, the general terms of which are set forth in this prospectus. The directors may establish further policies on investments and borrowings and monitor our administrative procedures, investment operations and performance to ensure that the policies are fulfilled and are in the best interest of our stockholders.

We have provided below certain information about our executive officers and our directors.

| Name | Age | Position(s) |
|---|---|---|
| John A. Williams | 69 | Chief Executive Officer and Chairman of the Board |
| Leonard A. Silverstein | 54 | President and Chief Operating Officer |
| Michael J. Cronin | 57 | Executive Vice President, Chief Accounting Officer and Treasurer |
| William F. Leseman | 52 | Executive Vice President Property Management |
| Daniel M. DuPree | 65 | Independent Director and Vice Chairman of the Board |
| Timothy A. Peterson | 47 | Independent Director |
| Steve Bartkowski | 59 | Independent Director |
| Gary B. Coursey | 72 | Independent Director |
| Howard A. McLure | 55 | Independent Director |

**John A. Williams** has served as the Chief Executive Officer and Chairman of our company since our formation in 2009 and is our sponsor. Mr. Williams served as the President of our company from our formation in 2009 until August, 2012. Mr. Williams was born and educated in Atlanta. Following graduation from the city s public school system, he entered the Georgia Institute of Technology where he earned a BS in Industrial Management. Mr. Williams has directed and coordinated the development, construction, and management of real estate developments since 1966. Over the course of his career, he has directed and coordinated the development, construction, and management of more than $5 billion in real estate developments. Approximately $3.5 billion of this activity has focused on multifamily housing (over 100,000 apartments), with the balance in other property types including hotels, condominiums and offices. Mr. Williams founded Post Properties in 1970. He took Post Properties public as a REIT in 1993. When he resigned as Chairman of Post Properties in 2003, the company had approximately 30,000 apartment units and had averaged funds from operation, or FFO, growth of 7% per year commencing with the Post IPO (as defined below). Mr. Williams is currently Chief Executive Officer of WRA and has held this position since February 2005. He also holds interests in various other entities involving the acquisition, development, building, holding, leasing, managing, operating and exchanging of real properties and enterprises that collectively have over 800 employees and have been involved in over $3 billion in development.

Mr. Williams has been a national leader in the urban development concept. He is widely credited with coining the phrases Smart Growth and Live, Work, Play. His urban mixed-use projects have won numerous local and national awards. He was also an early pioneer in green development having advocated for recycling in apartment communities, superior insulation, energy efficient appliances, and environmentally conscious building materials. His early efforts and vision led to many of the LEED standards that are used today.

Among the 40 awards, honors and medals Mr. Williams has received over his 43 years in the industry include being named Entrepreneur of The Year, by both Stanford Business School and Ernst & Young in 1990 and 1988, respectively. He has been given The Wall Street Transcript CEO Award for Commercial Real Estate, in 1995 along with being named CEO of The Year, by Financial World, in 1996. Mr. Williams was listed on National Real Estate Investor s list of The 20th Century s Most Influential Developers, along with Atlanta Business Chronicle s award for Atlanta Residential Developer of The Decade, for the 1990 s; followed by Harvard Business School extending its Community Leadership Award to Mr. Williams in 2000. He has received numerous honors and awards from Cobb County, Georgia, including The Mack Henderson Public Service Award in 2005. Mr. Williams was inducted into the Multi-Housing News Hall of Fame: First Class in 2004, and given the Four Pillar Award in 2007 by The Council for Quality Growth. John A. Williams is and has for many years been very active in varied philanthropic activities, outreaches, and organizations in Georgia and around the world. In the spring of 2008, Mr. Williams was inducted into the Georgia State University J. Mack Robinson College of Business Hall of Fame as well as the Georgia Institute of Technology College of Management Hall of Fame.

Mr. Williams is currently serving on the board of directors of the Atlanta Falcons, of which he also is a minority owner. He has previously served on the boards of Riverside Bancshares, Inc., where he was the largest stockholder, the Georgia Regional Transportation Authority, the Atlanta Regional Commission, Atlanta Convention & Visitors Bureau, Post Secondary/Vocational Education, the Executive Committee of the

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National Apartment Association, the Board of Directors of NationsBank and Barnett Banks, Inc, the Board of Directors of Crawford & Company, and the Board of Directors of Post Properties. He is the founder and past Chairman of the Cumberland Community Improvement District. He served as president of the Homebuilders Association of Metropolitan Atlanta, Chairman of the Metro Atlanta Chamber of Commerce, Chairman of the Metro Business Forum, Chairman of the Regional Business Coalition, Chairman of the Cobb-Marietta Coliseum and Exhibit Hall Authority, and Chairman of the Cobb County Chamber of Commerce, serving two terms.

While serving as the initial Chairman of the Cobb-Marietta Coliseum and Exhibit Hall Authority, Mr. Williams was responsible for leading the effort to build the $200 million Exhibition Meeting Venue and Ballroom complex. These facilities were completed in 1995. The large ballroom, one of the largest in the south, was named The John A. Williams Ballroom. He also led the effort to build the state-of-the-art Cobb Energy Performing Arts Centre which cost $150 million. The 2,800 seat main theatre is named The John A. Williams Theatre.

In April 2010, RBC Bank (USA) filed a lawsuit against, among others, Mr. Williams alleging that he is liable to RBC Bank (USA) for breach of certain guaranties executed by Mr. Williams in favor of RBC Bank (USA) in connection with certain real estate loans. The claims against Mr. Williams in these legal proceedings, if adversely determined against Mr. Williams, would have a material adverse effect on Mr. Williams net worth. Mr. Williams has informed us of his belief that he has meritorious defenses against these claims and plans to pursue such defenses vigorously. On October 13, 2011, Mr. Williams entered into a term sheet for a Settlement Agreement with RBC Bank (USA), pursuant to which his alleged guaranties in favor of the bank would be released, resulting in no material adverse effect to Mr. Williams. The Settlement Agreement is expected to be entered into soon, but there can be no assurance, however, that the Settlement Agreement will be executed.

On July 8, 2011, Caterpillar Financial Services Corporation, or Caterpillar, commenced an action against Mr. Williams in the Superior Court of Fulton County, Georgia. In this action, Caterpillar seeks to recover $1,238,208.51, plus accrued interest, legal fees and costs, under a personal guaranty given by Mr. Williams in connection with a loan by Caterpillar to VMV, Ltd. Mr. Williams is the 100% indirect owner of VMV, Ltd. Mr. Williams has informed us of his belief that he has meritorious defenses to Caterpillar s claims and that he intends to vigorously contest them.

We believe that Mr. Williams previous experience as the founder of Post Properties and his current role as the Chief Executive Officer of WRA make him well qualified to serve as a member of our Board of Directors.

**Leonard A. Silverstein** has served as President and Chief Operating Officer since August, 2012. Prior to such time, Mr. Silverstein served as Executive Vice President, General Counsel, Secretary and Vice Chairman of our company since our formation in 2009. Mr. Silverstein has also served as General Counsel (since February 2005) and President (since December 1, 2011) of WRA and Chief Operating Officer of Corporate Holdings, LLC, a company that is involved in real estate development, real estate acquisition and management of real estate, since October 2004. From August 1994 to 2004, Mr. Silverstein was a partner at the law firm of McKenna, Long & Aldridge LLP. From January 1991 to August 1994, Mr. Silverstein was a partner at the law firm of Powell, Goldstein, Frazer & Murphy LLP, where he began his legal practice in 1983. Mr. Silverstein s practice focused on securities and corporate finance law, corporate governance and mergers and acquisitions, advising both publicly-held and privately-held clients in a variety of industries, including real estate.

Mr. Silverstein currently serves on the Advisory Board of Mayer Electric Supply Co., Inc., a regional electrical equipment and supply wholesale-distributor, headquartered in Birmingham, Alabama. He has served on the Board of Trustees and Executive Committee of the American Jewish Committee, Atlanta Chapter, where he currently serves as President, and on the Board of Trustees of the Jewish Federation of Greater Atlanta. He also has served on the Board of Directors of numerous other business and civic organizations, including the American-Israel Chamber of

Commerce Southeast Region, Atlanta Symphony Associates, Business Practice Section of the Atlanta Bar Association, Vanderbilt University National Alumni Association, and Zoo Atlanta, and formerly served as Vice Chairman of the Securities Law Subcommittee of the State Bar

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of Georgia. Mr. Silverstein received his law degree from Vanderbilt University School of Law where he served on the editorial staff of the Vanderbilt Law Review, and his BA from Vanderbilt University, where he graduated magna cum laude.

We believe that Mr. Silverstein s previous experience as a partner in each of McKenna, Long & Aldridge LLP and Powell, Goldstein, Frazer & Murphy LLP, his current roles as General Counsel of WRA and Chief Operating Officer of Corporate Holdings, LLC and his legal education make him well qualified to serve as a member of our Board of Directors.

**Michael J. Cronin** has served as Executive Vice President of our company since August, 2012. In addition, Mr. Cronin has served as Chief Accounting Officer and Treasurer of the company since our formation in 2009. Mr. Cronin has served in various capacities since joining WRA in December 2005, most recently as Chief Financial Officer since October 2008. Prior to joining WRA, Mr. Cronin served as Vice President of Morgan Stanley Real Estate Advisors from February 2004 to December 2005. Mr. Cronin was the Chief Financial Officer of Hatfield Philips, a commercial real estate company, for three years prior to joining Morgan Stanley Real Estate Advisors. In total, Mr. Cronin has over 25 years of accounting, reporting and finance experience in the real estate field. He is a Certified Public Accountant and holds a BBA and Masters degree in Accounting from the University of Georgia.

**William F. Leseman** has served as Executive Vice President Property Management of our company since formation. Mr. Leseman has over 26 years of experience in property management and since 1995 has served as President of RAM, a full-service property management firm that leases and manages over 120 multi-family properties totaling approximately 31,000 units. From 1989 to 1995, Mr. Leseman served as Senior Vice President of property management for Post Properties, and was responsible for the management of more than 16,000 apartment units. He was previously a senior manager for a large regional property management company responsible for the firm s owned and third-party portfolios. Mr. Leseman received a B.S. in Business Management from Stephen F. Austin State University in 1982. Mr. Leseman is a member of the Institute of Real Estate Management where he holds the Certified Property Management designation.

**Daniel M. DuPree** has served as Vice Chairman of our company since August, 2012. Mr. DuPree was elected to our Board as a director effective as of March 31, 2011. In addition, Mr. DuPree has been designated as our lead director by the independent directors to preside over executive sessions of non-management directors. Mr. DuPree has over 30 years of real estate experience in shopping center management, leasing and development. Since March 2009, he has served as Chief Executive Officer for The Reynolds Companies, a real estate development company in Atlanta, Georgia. From 1992 to March 2001 and then again from March 2003 to March 2009, Mr. DuPree served as President and Chief Operating Officer for Cousins Properties Incorporated (NYSE: CUZ), a real estate development, acquisition, financing, management and leasing company. From September 2002 to March 2003, Mr. DuPree served as Chief Executive Officer of Barry Real Estate Companies, a real estate development and management company. From 1982 to 1992, he served as Chief Executive Officer of New Market Development Company, a shopping center management and development company which he founded in 1982. From 1976 to 1982, Mr. DuPree served as an Executive Vice President for Post Properties, where he was responsible for shopping center management, leasing and development. From 1974 to 1976, Mr. DuPree was a commercial real estate broker for Coldwell Banker and Company.

Mr. DuPree has served as Capital Campaign Chair of the Atlanta Community Food Bank, as Board Chair of the Midtown Alliance, and as Transportation Committee Chair for the Metropolitan Atlanta Chamber of Commerce. He is a board member of both the University of Florida College of Business Administration and the Wake Forest University Calloway School of Business. Mr. DuPree received his Bachelor of Science in Business Administration degree from the University of Florida. We believe that Mr. DuPree s previous experience as Chief Operating Officer of Cousins

Properties and his current role as Chief Executive Officer of The Reynolds Companies make him well qualified to serve as a member of our Board of Directors.

**Timothy A. Peterson** was elected to our Board as a director, effective as of March 31, 2011. Since 2003, Mr. Peterson has been a partner, Chief Financial Officer and member of the Investment Committee of Altman Development Corporation, a real estate development company that builds multifamily homes, where his primary responsibilities have been overseeing capital markets activities, financial reporting, strategic planning

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and budgeting. Mr. Peterson was Chief Financial Officer for Keystone Property Trust (NYSE: KTR) from 1998 to 2002, becoming Executive Vice President from 2002 to 2003. From 1989 to 1998, Mr. Peterson served in a series of positions for Post Properties, including as Executive Vice President. Working very closely with the president of Post Properties, Mr. Peterson was responsible for the day-to-day coordination with the accountants, attorneys and investment bankers involved in completing the Post IPO in July 1993. Throughout his career, Mr. Peterson has overseen in excess of $3 billion of real estate financings using public stock sales, secured and unsecured debt, tax-exempt and taxable bond issuances, private placements and joint ventures. Mr. Peterson received his undergraduate degree in Accounting from the University of Florida in 1985 and his MBA in Finance from the University of Florida in 1987.

Mr. Peterson has been a frequent speaker on REITs and real estate development. He is a past member of the National Association of Real Estate Investment Trusts where he served as a Co-Chairman of its Accounting Committee, and a member of the Best Financial Practices Task Force. He is a member of the Advisory Board for the University of Florida Center for Real Estate Studies and has served as Treasurer and member of the Executive Committee, and a Director and Treasurer of The Please Touch Museum (the Philadelphia children s museum). Mr. Peterson formerly was licensed as a Certified Public Accountant.

We believe that Mr. Peterson s previous experience as Chief Financial Officer of Keystone Property Trust and Executive Vice President of Post Properties, combined with his financial reporting, accounting and initial public offering experience, makes him well qualified to serve as a member of our Board of Directors.

**Steve Bartkowski** was elected to our Board as a director, effective as of March 31, 2011. Mr. Bartkowski was an All American in both baseball and football at the University of California at Berkeley. In 1975, he was the first pick in the NFL draft, selected by the Atlanta Falcons, serving as their starting quarterback for the following 11 seasons. Mr. Bartkowski was the NFL s rookie of the year in 1975, the NFL s highest rated quarterback for three years, and earned All-Pro honors for his efforts in 1980 and 1981. He was the most valuable player in the NFC in 1980. Mr. Bartkowski led the Falcons to their first play-off game in 1978 and again in 1980 and 1982. Mr. Bartkowski played his last season in the NFL for the Los Angeles Rams and retired from professional football in 1987. Following retirement from professional football, Mr. Bartkowski produced and hosted the popular TNN outdoor television series, Backroad Adventures with Steve Bartkowski from 1994 to 1996. He was also the host of a top rated outdoor television series, Suzuki s Great Outdoors with Steve Bartkowski, on ESPN from 1990 1993. Since 1997, Mr. Bartkowski has worked in business development for DPR Construction, Inc., a global commercial contractor and construction management company. He is a well-known motivational speaker on personal success and excellence, giving speeches throughout the U.S.

Mr. Bartkowski serves on the Boards of Directors of several charitable organizations, including The World Children s Center, an orphanage being constructed in Georgia. He participates in numerous charitable fundraisers throughout the year. He also is a member of the Board of Advisors for the Atlanta Falcons. Mr. Bartkowski was inducted into the Atlanta Falcons Ring of Honor. He is a member of the Georgia Sports Hall of Fame and the Atlanta Sports Hall of Fame.

We believe that Mr. Bartkowski s experience in business development for DPR Construction, Inc. and his previous leadership and management experience, both in professional football and television, make him well qualified to serve as a member of our Board of Directors.

**Gary B. Coursey** was elected to our Board as a director on December 3, 2010. Mr. Coursey has over 47 years of experience in the architectural profession and has managed the completion of thousands of projects representing over $3 billion in construction costs. He founded Gary B. Coursey & Associates Architects, Inc., a LEED certified firm, in

1971 and has built an innovative architectural practice focused on a high level of creativity and design. Mr. Coursey has overseen the design of over 300,000 units of multi-family housing, personal care facilities, athletic facilities, office buildings, industrial buildings, financial institutions, medical facilities, military facilities, restaurants, shopping centers and churches. Mr. Coursey has experience throughout the U.S., as well as internationally. Mr. Coursey received his Bachelor of Science in Architecture from the Georgia Institute of Technology and his Associate of Science in Building Construction from Southern Polytechnic State University.

Mr. Coursey is a registered professional architect in the states of Georgia, Alabama, California, Connecticut, Florida, North Carolina, Ohio, South Carolina, Tennessee, Texas and Virginia. He is currently a member of the American Institute of Architects and is Past Vice President, Secretary and Treasurer of the American Institute of Architects, Georgia Association. Mr. Coursey is a member of the Atlanta Apartment Association, the Chamber of Commerce for each of Atlanta, Cobb County and North Fulton County, and the Advisory Board for the Southern Polytechnic State University School of Architecture. Mr. Coursey also serves on the boards of the Ronald McDonald Houses of Atlanta and the Boys & Girls Clubs of Metro Atlanta.

We believe that Mr. Coursey s experience as the founder of Gary P. Coursey & Associates Architects, Inc. and his related architectural design experience make him well qualified to serve as a member of our Board of Directors.

**Howard A. McLure** was elected to our Board as a director, effective as of March 31, 2011. Since May 2011, Mr. McLure has served as Chairman and Chief Executive Officer of Change Healthcare Corporation, a provider of healthcare cost transparency services to self-insured employers who sponsor high deductible health care benefit plans. From March 2007 until November 2009, he served as Executive Vice President of CVS Caremark Corporation (NYSE: CVS) and President of Caremark Pharmacy Services, a division of CVS Caremark Corporation, where he was responsible for all sales and operations of the division. From June 2005 until March 2007, Mr. McLure served as Senior Executive Vice President and Chief Operating Officer of Caremark RX, Inc., listed on the New York Stock Exchange prior to the closing of the CVS Corp. Caremark RX Inc. merger in March 2007. From May 2000 to June 2005, Mr. McLure served as Executive Vice President and Chief Financial Officer of Caremark RX, Inc. From June 1998 to May 2000, Mr. McLure served as Senior Vice President and Chief Accounting Officer of Caremark RX, Inc. From 1995 to 1998, Mr. McLure was Senior Vice President and Controller of Magellan Health Services, Inc. (NASDAQ: MGLN), a specialty managed healthcare company. Mr. McLure received his Bachelors of Business Administration in Accounting from the University of Georgia in 1979.

A shareholder derivative lawsuit was filed in December 2009 in the federal court in Rhode Island against CVS Caremark Corporation and its directors and certain officers, including Mr. McLure, which includes allegations of, among other things, securities fraud, insider trading and breach of fiduciary duties and further alleges that CVS Caremark Corporation was damaged by the purchase of stock at allegedly inflated prices under its share repurchase program. Mr. McLure has informed us of his belief that any allegations made against him in this lawsuit are without merit and that he plans to defend against them vigorously.

We believe that Mr. McLure s previous experience as Executive Vice President of CVS Caremark Corporation and Senior Executive Vice President, Chief Operating Officer and Chief Financial Officer of Caremark RX, Inc. makes him well qualified to serve as a member of our Board of Directors.

# Corporate Governance Board of Directors and Committees

Our business is managed by our manager, subject to the supervision and oversight of our Board of Directors, which has established investment guidelines described under the section entitled Business Our Investment Strategy included elsewhere in this prospectus for our manager to follow in its day-to-day management of our business. Our Board of Directors may amend or revise our investment guidelines without a vote of the stockholders. A majority of our Board of Directors is independent, as determined by the requirements of the NYSE MKT and the regulations of the SEC. Our directors keep informed about our business by attending meetings of our Board of Directors and its committees and through supplemental reports and communications. Our independent directors meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

*Audit Committee*. Our audit committee consists of three of our independent directors: Messrs. Timothy A. Peterson, Howard A. McLure, and Gary B. Coursey. Mr. Peterson serves as chairman of the audit committee and as the audit committee financial expert, as defined in applicable SEC rules. The audit committee, by approval of at least a majority of the members, selects the independent registered public accounting firm to audit our annual financial statements; reviews with the independent registered public accounting firm the plans and results of the audit engagement; approves the audit and non-audit services provided by the independent registered public accounting firm; reviews the independence of the independent registered public accounting firm; considers the range of audit and non-audit fees; and reviews the adequacy

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of our internal accounting controls. Our Board of Directors has adopted a charter for the audit committee that sets forth its specific functions, powers, duties and responsibilities. The audit committee has such additional powers, duties and responsibilities as are delegated to it by the Board of Directors.

*Compensation Committee*. Our compensation committee consists of three of our independent directors: Messrs. Howard A. McLure, who serves as chairman, Daniel DuPree and Steve Bartkowski. Among other things, the committee charter calls upon the compensation committee to:

- review and approve on an annual basis the corporate goals and objectives relevant to chief executive officer compensation, if any, evaluate our chief executive officer s performance in light of such goals and objectives and, either as a committee or together with our independent directors (as directed by the Board of Directors), determine and approve the remuneration of our chief executive officer based on such evaluation;
- review and oversee management s annual process, if any, for evaluating the performance of our officers and review and approve on an annual basis the remuneration of our officers;
- oversee our stock incentive plan;
- assist the Board of Directors and the chairman in overseeing the development of executive succession plans; and
- determine from time to time the remuneration for our independent directors.

*Nominating and Corporate Governance Committee*. Our nominating and corporate governance committee is comprised of three of the independent directors: Messrs. Daniel M. DuPree, who serves as chairman, Gary B. Coursey and Steve Bartkowski. The nominating and corporate governance committee was formed to establish and implement our corporate governance practices and to nominate individuals for election to the Board of Directors. Our nominating and corporate governance committee operates pursuant to a written charter adopted by our Board of Directors. Among other things, the committee charter calls upon the nominating and corporate governance committee to: develop criteria for selecting new directors and identify individuals qualified to become Board members and members of the various committees of the Board; select, or recommend that the Board select, the director nominees for each annual meeting of stockholders and the committee nominees; and develop and recommend to the Board a set of corporate governance principles applicable to the company.

The nominating and corporate governance committee will consider nominees recommended by stockholders.

*Independent Directors*. Our Board of Directors has determined that each of our independent directors is independent within the meaning of the applicable (i) requirements set forth in the Exchange Act and the applicable SEC rules, and (ii) rules of the NYSE MKT.

To be considered independent under the NYSE MKT rules, the Board of Directors must determine that a director does not have a material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us, our sponsor, our manager or any of our or its respective affiliates). Under the NYSE MKT rules, a director will not be independent if:

- the director is, or during the past three years was, employed by our company, other than prior employment as an interim executive officer (provided the interim employment did not last longer than one year);
- the director accepted or has an immediate family member who accepted any compensation from our company in excess of $120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
  - compensation for board or board committee service,
  - compensation paid to an immediate family member who is an employee (other than an executive officer) of our company,

compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year), or

benefits under a tax-qualified retirement plan, or non-discretionary compensation;

the director is an immediate family member of an individual who is, or at any time during the past three years was, employed by our company as an executive officer;

the director is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which our company made, or from which our company received, payments (other than those arising solely from investments in our company s securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization s consolidated gross revenues for that year, or $200,000, whichever is more, in any of the most recent three fiscal years;

the director is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years of any of our company s executive officers serve on the compensation committee of such other entity; or

the director is, or has an immediate family member who is, a current partner of the company s outside auditor, or was a partner or employee of the company s outside auditor who worked on the company s audit at any time during any of the past three years.

*Conflicts Committee*. Our conflicts committee is comprised of three of our independent directors: Messrs. Timothy A. Peterson, who serves as chairman, Howard A. McLure, and Gary B. Coursey. Our conflicts committee operates pursuant to a written charter adopted by our Board of Directors. The conflicts committee was formed to review, among other things, (1) transactions we enter into with John A. Williams, WOF, our manager or any of their respective affiliates, which are subject to an inherent conflict of interest, and (2) the allocation of investment opportunities among affiliated entities. For a description of certain of our conflict resolution procedures, see Certain Relationships and Related Transactions Conflicts of Interest Certain Conflict Resolution Procedures included elsewhere in this prospectus.

# Executive and Director Compensation

### Compensation of Directors

Our compensation committee designs our director compensation with the goals of attracting and retaining highly qualified individuals to serve as independent directors and fairly compensating them for their time and efforts. Because of our intent to qualify as a REIT and the unique attributes of a REIT, service as an independent director on our Board of Directors requires broad expertise in the fields of real estate and real estate investing.

We compensate each of our independent directors with an annual fee of $50,000. Additionally, if an independent director also serves as our Vice Chairman of the Board, we compensate such independent director with an annual fee of an additional $50,000. We also pay an additional $10,000 annual retainer to the chair of our audit committee. In addition, we pay independent directors a fee of $2,000 per meeting for attending committee meetings. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors and committees thereof. If a director is also one of our officers, we will not pay that director any compensation for services rendered as a director. We may issue shares of our common stock pursuant to our stock incentive plan in lieu of paying an independent director his or her annual fees and/or meeting fees in cash.

All fees paid to our independent directors have been paid in shares of restricted common stock. However, we have paid the additional fee to our Vice Chairman of the Board in Class B limited partnership interests in our operating partnership. See the section entitled Summary of Our Operating Partnership Agreement Class B Units. Any fees owed to our independent directors through April 2013 also will be paid in shares of restricted common stock, other than the additional fee paid to our Vice Chairman of the Board, which we intend to pay in Class B limited partnership interests in our operating partnership. In determining the number of shares granted for committee meeting attendance in 2011, our compensation committee used the volume weighted average price per share of our common stock for the five trading day period ended on the date prior to the meeting. Currently, our compensation committee intends to use the same method for calculating the number of shares to grant for all fees owed through April 2013. Our audit committee waived any fees for three of the audit committee s six meetings held during 2011. After April 2013, any such fees may be paid in cash or stock. In determining the number of shares granted for the annual fees paid to our independent directors for 2011 2012, our compensation committee used the IPO price of $10.00 per share to determine the number of shares granted. If we elect to pay our independent directors in cash, subject to the consent of the compensation committee, each independent director may elect to receive his or her annual fees and/or meeting fees in the form of shares of our common stock or a combination of shares of our common stock and cash. The vesting schedule for fees paid to our independent directors in shares of our common stock will be determined by the compensation committee in connection with such award. None of the members of our Board of Directors will be entitled to any fees for serving on the Board of Directors except as set forth above or unless the Board of Directors unanimously determines otherwise.

## Compensation of Officers

Our officers currently do not receive any cash compensation from us for their services as our officers and we have no plans for our officers to receive cash compensation in 2012. We intend to compensate our officers in accordance with our stock incentive plan and we plan to continue this form of compensation for 2012 and 2013. Our compensation committee will determine if and when any of our officers will receive any compensation under our stock incentive plan. Our officers are officers of one or more of our affiliates and also may be compensated by those entities (including our manager), in part, for their services rendered to us. In addition, the operating partnership agreement of our operating partnership authorizes grants of Class B Units, representing Class B limited partnership interests in our operating partnership, to our directors, officers and employees (if we ever have employees), employees of our manager and its affiliates, employees of entities that provide services to us, our manager and its affiliates, or to entities that provide services to us. See the section entitled Summary of Our Operating Partnership Agreement Class B Units. To the extent that our officers have been or are granted Class B Units in respect of their services to us, our officers will not receive duplicate compensation under our stock incentive plan. See the section entitled Our Management Our Directors and Executive Officers included elsewhere in this prospectus for information about our officers. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Agreement Compensation to Manager included elsewhere in this prospectus for information relating to reimbursement by us to the manager for compensation of its officers.

## Stock Incentive Plan

We have adopted a stock incentive plan to align the long-term financial interests of our officers with those of our stockholders. The compensation committee designs long-term incentive awards to ensure that our executive officers have a continuing stake in our long-term success, that the total compensation realized by our executive officers reflects our multi-year performance as measured by the efficient use of capital and changes in stockholder value, and that a large portion of their total compensation opportunity is earned over a multi-year period and is forfeitable in the event of termination of employment.

The compensation committee, as appointed by our Board of Directors, has the full authority: (a) to administer and interpret the plan; (b) to grant to eligible employees, consultants and independent directors (i) stock options, (ii) stock appreciation rights, (iii) restricted shares, (iv) performance shares, and (v) other stock-based awards; (c) to determine the eligibility of employees, consultants and independent directors of our company, any of our affiliates and our manager to receive an award; (d) to determine whether and to what extent awards are to be granted; (e) to determine the number of shares of common stock to be covered by each award granted; (f) to determine the terms and conditions of any award granted (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any award and the shares of common stock relating thereto, based on such factors, if any, as the compensation committee shall determine, in its sole discretion); (g) to determine whether, to what extent and under what circumstances grants of options and other awards are to operate on a tandem basis and/or in conjunction with or apart from other awards made by us outside of the stock incentive plan; (h) to determine whether and under what circumstances a stock option may be settled in cash, common stock and/or restricted shares; (i) to determine whether, to what extent and under what circumstances common stock and other amounts payable with respect to an award shall be deferred either automatically or at the election of the participant in any case, in a manner intended to comply with Section 409A of the Code; (j) to determine whether a stock option is an incentive stock option or non qualified stock option; (k) to determine whether to require a participant, as a condition of the granting of any award, to not sell or otherwise dispose of shares acquired pursuant to an award for a period of time as determined by the compensation committee, in its sole discretion, following the date of such award; and (l) to exercise such powers and to perform such acts as the compensation committee deems necessary or expedient to promote our best interests; however, neither the compensation committee nor the Board of Directors may take any action under our stock incentive plan that would result in a repricing of any stock option without having first obtained the affirmative vote of our stockholders. In connection with this authority, the compensation committee may, among other things, establish performance goals that must be met in order for awards to be granted or to vest, or for the restrictions on any such awards to lapse. The compensation committee consists solely of independent directors, each of whom is intended to be, to the extent required by Rule 16b-3 under the Exchange Act, a non-employee director and will, at such times as we are subject to Section 162(m) of the Code, qualify as an outside director for purposes of Section 162(m) of the Code. The total number of shares that may be made subject to awards under our stock incentive plan will not exceed 567,500 shares of our common stock.

The compensation committee continually evaluates the use of equity-based awards and uses such awards as part of designing and administering our compensation program. We expect to make grants at regular intervals.

The compensation committee may grant equity incentives in the form of stock options (non-qualified and incentive stock options), stock appreciation rights, restricted shares, performance shares and other stock-based awards (including restricted stock units (RSUs) and deferred stock units).

We intend to follow a practice of granting equity incentives on an annual basis to our directors, officers and employees (if we ever have employees), employees of our manager and its affiliates, employees of entities that provide services to us, directors of the manager or of entities that provide services to us, certain of our consultants and certain consultants to our manager and its affiliates and/or to entities that provide services to us. We also may make grants (a) on the commencement of employment to new directors, officers and employees (if we ever have employees), new consultants to us and new consultants to our manager and its affiliates or to entities of such consultants that provide services to us, (b) to key employees of our company or our manager or its affiliates following a significant change in job responsibilities, or (c) to meet specific retention objectives. Grants will be issued on the date they are approved by the compensation committee, except in certain circumstances, such as for new hires, who may be granted awards on the second day after we release our financial results for that quarter. The exercise price for stock options will be determined on the grant date and will be no less than the fair market value of our common stock at the time of the grant (or, in the case of an incentive stock option granted to a ten percent stockholder, 110% of the fair market value of the common stock). The compensation committee will set the vesting schedule, which may be subject to the attainment of specified performance targets and rights of acceleration.

The stock incentive plan and the awards granted under the plan will not affect the power of the Board of Directors or the stockholders to authorize: (a) any adjustment, recapitalization, reorganization or other change in our capital structure; (b) any merger or consolidation of our company; (c) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting our common stock; (d) the dissolution or liquidation of our company or an affiliate of our company; (e) any sale or transfer of all or part of the assets or business of our company or any affiliate of our company; (f) any stock split, reverse stock split, stock dividend, subdivision, combination or reclassification of shares; or (g) any other corporate act or proceeding. In addition, in the event of any change in our capital structure pursuant to any stock split, reverse stock split, stock dividend, subdivision, combination or reclassification of shares that may be issued under the stock incentive plan, any recapitalization, any merger, any consolidation, any spin off, any reorganization or any partial or complete liquidation, or similar corporate transaction or event, then the compensation committee may adjust any award or make any adjustment in the stock incentive plan in order to prevent dilution or enlargement of the rights of participants under the stock incentive plan, including: (i) the number and kind of shares of stock that may thereafter be issued in connection with awards; (ii) the number and kind of shares of stock or other property (including cash) issued or issuable in respect of outstanding awards; (iii) the purchase

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price relating to any award; and (iv) the maximum number of shares of common stock subject to any award which may be granted under the plan to any individual participant. Awards under the stock incentive plan are intended to either be exempt from, or comply with, Section 409A of the Code and payment in connection with any award subject to Section 409A of the Code must be in accordance with Section 409A.

Upon a change in control (as defined under the stock incentive plan) of our company, any award that was not previously vested will become fully vested and/or payable, but restrictions to which restricted shares or other awards are subject will not lapse.

## Compliance with the American Jobs Creation Act

As part of our strategy for compensating our independent directors, we have granted and intend to continue to grant equity incentives under our stock incentive plan described above. This method of compensating individuals may possibly be considered to be a nonqualified deferred compensation plan under Section 409A of the Code.

Under Section 409A of the Code, nonqualified deferred compensation plans must meet certain requirements regarding the timing of distributions or payments and the timing of agreements or elections to defer payments, and must also prohibit any possibility of acceleration of distributions or payments, as well as certain other requirements. The guidance under Section 409A of the Code provides that there is no deferral of compensation merely because the value of property (received in connection with the performance of services) is not includible in income by reason of the property being substantially nonvested (as defined in Section 83 of the Code). Accordingly, it is intended that the restricted share awards will not be considered nonqualified deferred compensation.

If Section 409A of the Code applies to any of the awards issued under the plan described above, or if Section 409A of the Code applies to any other arrangement or agreement that we may make, and if such award, arrangement or agreement does not meet the timing and other requirements of Section 409A of the Code, then (i) all amounts deferred for all taxable years under the award, arrangement or agreement would be currently includible in the gross income of the recipient of such award or of such deferred amount to the extent not subject to a substantial risk of forfeiture and not previously included in the gross income of the recipient, (ii) interest at the underpayment rate plus 1% would be imposed on the underpayments that would have occurred had the compensation been includible in income when first deferred (or, if later, when not subject to a substantial risk of forfeiture), and (iii) a 20% additional tax would be imposed on the recipient with respect to the amounts required to be included in the recipient s income. Furthermore, if the affected individual is our employee, we would be required to withhold U.S. federal income taxes on the amount deferred but includible in income due to Section 409A of the Code, although there may be no funds currently being paid to the individual from which we could withhold such taxes. We would also be required to report on an appropriate form (W-2 or 1099) amounts which are deferred, whether or not they meet the requirements of Section 409A of the Code, and if we fail to do so, penalties could apply.

We do not intend to issue any award, or enter into any agreement or arrangement that would be considered a nonqualified deferred compensation plan under Section 409A of the Code, unless such award, agreement or arrangement complies with the timing and other requirements of Section 409A of the Code. It is our current belief, based upon the statute, the regulations issued under Section 409A of the Code and legislative history, that the stock options we currently intend to grant and the restricted share awards we currently intend to grant will not be subject to taxation under Section 409A of the Code because neither such stock options nor such restricted share awards will be considered a nonqualified deferred compensation plan. Nonetheless, there can be no assurances that any stock options or restricted share awards which we have granted or which hereafter may be granted will not be affected by Section 409A of the Code, or that any such stock options or restricted share awards will not be subject to income taxation under Section 409A of the Code.

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# Code of Business Conduct and Ethics

Our Board of Directors has established a code of business conduct and ethics. Among other matters, the code of business conduct and ethics is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
compliance with applicable governmental laws, rules and regulations;
prompt internal reporting of violations of the code of business conduct and ethics to appropriate persons identified in such code; and
accountability for adherence to the code of business conduct and ethics.

Waivers to the code of business conduct and ethics may only be granted by unanimous written consent of the independent directors of our Board of Directors. If the independent directors grant any waivers of the elements listed above to any of our officers, we expect to announce the waiver within five business days on the corporate governance section on our corporate website. The information on our website will not be a part of this prospectus.

# Limitation of Liability and Indemnification

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to our stockholders and us for money damages, except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services, or (ii) active and deliberate dishonesty established by a final judgment and that is material to the cause of action. Our charter contains such a provision which eliminates directors and officers liability to the maximum extent permitted by Maryland law.

The MGCL, requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith, or (2) was the result of active and deliberate dishonesty;
the director or officer actually received an improper personal benefit in money, property or services; or
in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by the corporation or in its right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. The MGCL permits a corporation to advance reasonable expenses to a director or officer upon receipt of a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

Our charter requires us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any individual who is a present or former director or officer and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or any individual who, while a director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. With the approval of our Board of Directors, we may provide such indemnification and advance for expenses to any individual who served a predecessor of the company in any of the capacities described above and any employee or agent of the company or a predecessor of the company, including our manager or any of its affiliates. This provision does not reduce the exposure of directors and officers to liability under federal or state securities laws, nor does it limit the stockholders ability to obtain injunctive relief or other equitable remedies for a violation of a director s or an officer s duties to us, although the equitable remedies may not be an effective remedy in some circumstances.

We also have agreed to indemnify and hold harmless our manager and its affiliates performing services for us from specific claims and liabilities arising out of the performance of their obligations under the management agreement. As a result, our stockholders and we may be entitled to a more limited right of action than they and we would otherwise have if these indemnification rights were not included in the management agreement.

The general effect to investors of any arrangement under which we agree to insure or indemnify any persons against liability is a potential reduction in distributions resulting from our payment of premiums associated with insurance or indemnification payments in excess of amounts covered by insurance. In addition, indemnification could reduce the legal remedies available to our stockholders and us against the officers and directors.

We have entered into an indemnification agreement with each of our officers and directors. Each indemnification agreement provides, among other things, that we will indemnify, to the maximum extent permitted by law, the covered officer or director against any and all judgments, penalties, fines and amounts paid in settlement, and all reasonable and out-of-pocket expenses (including attorneys fees), actually and reasonably incurred in connection with any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or other proceeding that arises out of the officer s or director s status as a present or former officer, director, employee or agent of the company. Each indemnification agreement also requires us, upon request of the covered officer or director, to advance the expenses related to such an action provided that the officer or director undertakes to repay any amounts to which he is subsequently determined not to be entitled.

The indemnification agreement is not exclusive of any other rights to indemnification or advancement of expenses to which the covered officer or director may be entitled, including any rights arising under our charter or by-laws or applicable law.

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# OUR SPONSOR, OUR MANAGER AND THE MANAGEMENT AGREEMENT

## General

We are externally managed and advised by our manager which is controlled by John A. Williams and Leonard A. Silverstein. The executive offices of our manager are located at 3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia 30339, and the telephone number of our manager s executive offices is (770) 818-4100. Since formation, and currently, our manager s sole business is to manage our day-to-day operations.

Set forth below is certain information regarding our management. This information should be considered in conjunction with the information in our Definitive Proxy Statement on Schedule 14A in connection with our most recent annual meeting of stockholders, which is incorporated by reference into this prospectus.

## Officers of Our Manager

The following sets forth certain information with respect to each of the executive officers of our manager:

| Name | Age | Position(s) |
|---|---|---|
| John A. Williams | 69 | Chief Executive Officer |
| Leonard A. Silverstein | 54 | President and Chief Operating Officer |
| Michael J. Cronin | 57 | Executive Vice President, Chief Accounting Officer and Treasurer |
| William F. Leseman | 52 | Executive Vice President Property Management |

## Management Agreement

We have entered into the management agreement with our manager. Pursuant to the management agreement, our manager will implement our business strategy and perform certain services for us, subject to oversight by our Board of Directors.

*Duties of Our Manager.* Under the terms of our management agreement, our manager generally has responsibility for our day-to-day operations. Many of the services to be performed by the manager in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions that the manager will perform for us as our manager, and it is not intended to include all the services that may be provided to us by the manager or by third parties. Under the terms of the management agreement, the manager undertakes to use commercially reasonable efforts to identify and acquire for us investment opportunities consistent with our investment policies and objectives as adopted by our Board of Directors. In its performance of this undertaking, the manager, either directly or indirectly by engaging an affiliate or third party, has and will continue to, subject to the authority of the Board of Directors:

identify real estate investment opportunities consistent with our investment policies, acquisition strategy and objectives;

structure the terms and conditions of transactions pursuant to which acquisitions of properties will be made;

acquire properties on our behalf in compliance with our investment objectives and strategies;

arrange for the financing and refinancing of properties;

administer our bookkeeping and accounting functions;

serve as our consultant in connection with policy decisions to be made by our Board of Directors, manage our properties or cause our properties to be managed by another party; and

render other services as our Board of Directors reasonably requests or our manager deems appropriate.

Our manager will handle the matters relating to (1) management of our real estate, including arranging for purchases, sales, leases, maintenance and insurance, (2) the purchase, sale and servicing of our mortgages, and (3) investment advisory services.

*Term of the Management Agreement.* The initial term of the management agreement expires on April 5, 2016, the fifth anniversary of the closing of the IPO and will be automatically renewed for a one-year term on

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each anniversary date thereafter unless previously terminated as described below. Our independent directors will review our manager s performance and fees that may be payable to our manager annually, and, following the initial term, the management agreement may be terminated annually upon the affirmative vote of at least 75% of our independent directors, based upon (1) unsatisfactory performance that is materially detrimental to us, or (2) our determination that the fees payable to our manager are not in accordance with market rates, subject to our manager s right to prevent such termination due to above-market fees by accepting a reduction of fees to at or below market rates agreed to by at least 75% of our independent directors. We must provide 180 days prior written notice of any such termination. We also may terminate the management agreement at any time, including during the initial term, without the payment of any termination fee, with generally at least 30 days prior written notice from our Board of Directors for cause, as defined in the management agreement, in the absence of our manager s cure. We do not have the right to decline to renew the management agreement. Our manager may decline to renew the management agreement by providing us with 180 days prior written notice. Our manager may terminate the management agreement for good reason, with at least 60 days prior written notice, in the absence of our cure. Unless the manager declines to renew the management agreement or the management agreement is terminated for cause, our manager will be paid accrued fees upon termination as described in the table below.

We may terminate the management agreement for cause effective upon 30 days prior written notice, without payment of any fees accrued, under certain conditions, including upon the occurrence of a breach of any material provision of the management agreement if such breach remains uncured for a period of 60 days, a bankruptcy event, a change of control which our independent directors determine to be materially detrimental to us, the dissolution of our manager, or a final judicial determination that our manager has committed fraud against us, embezzled our funds or otherwise acted in bad faith in a manner resulting in a materially adverse effect on us together with an affirmative vote of our independent directors. However, if the act or failure to act leading to such final determination was committed by a person other than an executive officer of our manager, our manager may cure the breach by terminating the employment of such person.

*Compensation to Manager.* The management agreement provides for the manager to be paid fees in connection with services provided to us. These fees include acquisition, disposition, property management, leasing, asset management and construction, development and landscaping fees. In addition, the manager has a special limited partnership interest in our operating partnership.

We will not reimburse the manager or its affiliates for services for which the manager or its affiliates are entitled to compensation in the form of a separate fee. If the manager or its affiliates perform services that are outside of the scope of the management agreement, we will compensate them at rates and in amounts agreed upon by the manager and our independent directors.

Other than as set forth in the following paragraph, our manager bears the expenses it incurs in connection with performing its duties under the management agreement. These include salaries and fringe benefits of its directors and officers, travel costs and other administrative expenses of its directors and officers.

We may reimburse our manager for certain costs and expenses it incurs in connection with the services it provides to us including, but not limited to:

acquisition expenses incurred in connection with the selection and acquisition of investments, whether or not acquired;

general and administrative expenses;

expenses incurred in connection with the issuance of our securities and any financing transactions and other costs incident to the acquisition, disposition and financing of our investments;

costs of legal, tax, accounting, consulting, auditing and other similar services rendered to us by providers retained by our manager, or, if such services are provided by our manager s personnel, costs only in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm s-length basis;

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the compensation and expenses of our directors and the cost of liability insurance to indemnify us, our officers and our directors;

expenses related to communications to our security holders or the holders of securities of any of our subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including all costs of preparing and filing required reports with the SEC, the costs payable by us to any transfer agent and registrar in connection with the listing and/or trading of our securities on any exchange, the fees payable by us to any such exchange in connection with the listing of our shares, costs of preparing, printing and mailing our annual report to our stockholders or our operating partnership s partners, as applicable, and proxy materials with respect to any meeting of our stockholders or our operating partnership s partners, as applicable;

costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for us or our subsidiaries;

expenses incurred by managers, officers, personnel and agents of our manager for travel on our behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of our manager in connection with the purchase, financing, refinancing, sale or other disposition of an investment on our behalf or in connection with any financing transaction undertaken on our behalf;

costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees and expenses;

the costs of maintaining compliance with all federal, state and local rules and regulations and the rules and regulations of any regulatory agency;

all taxes and license fees;

all insurance costs incurred in connection with the operation of our business except for the costs attributable to the insurance that our manager elects to carry for itself and its personnel;

costs and expenses incurred in contracting with third parties;

all other costs and expenses relating to our business and investment operations, including acquisition expenses and the costs and expenses of owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;

expenses relating to any office(s) or office facilities, including disaster backup recovery sites and facilities, maintained for us or our subsidiaries or our investments separate from the office or offices of our manager;

expenses related to the payment of interest, dividends or distributions in cash or any other form authorized or caused to be made by our Board of Directors, our operating partnership or other governing body to or on account of holders of our securities or the securities of any subsidiary, including in connection with any dividend reinvestment plan;

any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against us or any subsidiary, or against any trustee, director, partner, member or officer of our company or our subsidiaries in his or her capacity as such for which we are or such subsidiary is required to indemnify such trustee, director, partner, member or officer pursuant to the applicable governing instruments or any agreement or other instrument or by any court or governmental agency;

personnel costs (as described below); and

all other expenses actually incurred by our manager which are reasonably necessary or advisable for the performance by our manager of its duties and functions under the management agreement.

The officers and key personnel of our manager may spend a portion of their time on activities unrelated to us. It is currently anticipated that John A. Williams and Leonard A. Silverstein will continue to spend substantially all their business time on our behalf. Each of the other two executive officers, Messrs. Cronin and Leseman, currently spends and is expected to continue to spend a significant portion of his business time on our behalf but may not always spend a majority of his time on our behalf. In addition to the four executive officers listed above, our manager employs personnel who have extensive experience in selecting and managing commercial properties similar to the properties sought to be acquired by us, none of which personnel is expected to spend a majority of time on our behalf.

Our manager will be responsible for the expenses related to any and all personnel of our manager and its affiliates who provide services to us under the management agreement (including each of our officers and directors who are also directors, officers, employees or agents of our manager or any of its affiliates), including salaries, bonus and other wages, payroll taxes, the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel. The anticipated amount of reimbursement to our manager for personnel costs will be evaluated on an ongoing basis. Such reimbursement will be based on a number of factors, including profitability, funds available and our ability to pay distributions from cash flow generated from operations. For 2011 and the period ended June 30, 2012, we reimbursed $203,852 and $76,871, respectively, to our manager for compensation expense incurred by our manager in connection with assisting us with the Primary Series A Offering. For the remainder of 2012 and 2013, we currently anticipate reimbursing our manager for similar compensation expenses incurred in connection with the Primary Series A Offering and this offering. None of these compensation reimbursements were for services rendered by any of our executive officers and we currently do not intend to reimburse our manager for any compensation expenses of our executive officers for the remainder of 2012 or 2013.

*Fees Payable Upon Termination of the Management Agreement.* If the management agreement is terminated by reason of a change of control of our company, by us without cause (upon the vote of at least 75% of our independent directors) in connection with the expiration of a renewal term, by the manager for good reason or upon our liquidation, the manager will be entitled to receive payment of any earned but unpaid compensation and expense reimbursements accrued as of the date of termination.

The manager will be entitled to receive all accrued but unpaid compensation in cash on the effective date of the termination.

*Liability and Indemnification of Manager.* Under the management agreement, we also will be required to indemnify the manager and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding with respect to the manager s acts or omissions. For details regarding these limitations and circumstances under which we are required or authorized to indemnify and to advance expenses to the manager, see Our Management Limitation of Liability and Indemnification.

*Other Activities of Manager and its Affiliates.* The manager and its affiliates expect to engage in other business ventures, and as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the management agreement, the manager must devote sufficient resources to our administration to discharge its obligations. The manager may assign the management agreement to an affiliate upon approval of a majority of the independent directors. We may assign or transfer the management agreement to a successor entity.

*Amendment of the Management Agreement.* The management agreement can be amended by a written instrument that is signed by all the parties to that agreement (or their successors or assigns, where applicable).

*Potential Acquisition of Manager.* Many REITs which are listed on a national stock exchange are considered self-administered, since the employees of such a REIT perform all significant management functions. In contrast, REITs that are not self-administered, like us, typically engage a third party, such as our manager, to perform management functions on its behalf. If for any reason our independent directors determine that we should become self-administered, we are not prohibited from acquiring the business conducted by the manager (including all its assets). See the section entitled Certain Relationships and Related Transactions Conflicts of Interest included elsewhere in this prospectus. Any such transaction will occur, if at all, only if our Board of Directors obtains a fairness opinion from a recognized financial advisor or institution providing valuation services to the effect that the consideration to be paid therefor is fair, from a financial point of view, to our stockholders.

# Management Compensation

The following table summarizes the fees and expense reimbursements that we will pay to our manager (or persons affiliated with or related to our manager, including our officers):

| Type of Compensation | Determination of Amount |
| --- | --- |
| | *Offering, Acquisition and Operational Stage* |
| Acquisition Fees | Fees payable to our manager in the amount of 1.0% of the gross contract purchase price of the property, loan or other real estate-related investment purchased or made, as applicable, for services in connection with selecting, evaluating and acquiring or making such investment. For purposes of this prospectus, gross contract purchase price means the amount actually paid or allocated in respect of the acquisition of a property or the amount actually paid or allocated in respect of the purchase or issuance of loans or other real-estate related investments, in each case inclusive of acquisition expenses and any indebtedness assumed or incurred in respect of such investment, but exclusive of acquisition fees. The gross contract purchase price allocable for an investment held through a joint venture shall equal the product of (i) the gross contract purchase price, determined as stated above, and (ii) the direct or indirect ownership percentage in the joint venture held directly or indirectly us. |
| Acquisition Expenses[1] | We will reimburse our manager for expenses actually incurred (including personnel costs) related to selecting, evaluating and making investments on our behalf, regardless of whether we actually make the related investment. Personnel costs associated with providing such services will be determined based on the amount of time incurred by the applicable employee of our manager and the corresponding payroll and payroll related costs incurred by our manager. In addition, we also will pay third parties, or reimburse our manager or its affiliates, for any investment-related expenses due to third parties, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finder s fees, title insurance expenses, survey expenses, property inspection expenses and other closing costs, regardless of whether we acquire the related assets. |
| Asset Management Fee[2] | We will pay our manager a monthly fee equal to one-twelfth of 0.50% of the total value of our assets (including cash or cash equivalents) based on the adjusted cost of our assets and amounts actually paid or allocated in respect of the issuance of loans, before reduction for depreciation, amortization, impairment charges and cumulative acquisition costs charged to expense in accordance with GAAP (adjusted cost will include the purchase price, acquisition expenses, capital expenditures and other customarily capitalized |

costs). This fee will be payable monthly in arrears, based on assets held by us on the last date of the prior month, adjusted for appropriate closing dates for individual investments.

| Type of Compensation | Determination of Amount |
|---|---|
| Property Management and Leasing Fee(2) | We will pay our manager a monthly fee equal to 4% of the monthly gross revenues of our properties managed, for services in connection with the rental, leasing, operation and management of our properties and the supervision of any third parties that are engaged by our manager to provide such services. Our manager may subcontract the performance of its property management and leasing services duties to third parties or affiliates and pay all or a portion of its property management fee to such persons with whom it contracts for these services. Our manager will be responsible for all fees payable to third parties or affiliates in connection with subcontracted property management and leasing duties. The property management and leasing fee will be payable monthly in arrears, based on the actual gross revenues for the prior month. |
| General and Administrative Expenses Fee(1)(2)(3) | We will pay our manager a monthly fee equal to 2% of our monthly gross revenues. |
| Disposition Fee on Sale of Assets | We may pay our manager a commission upon the sale of one or more of our properties or other assets in an amount equal to the lesser of (a) one-half of the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset, and (b) 1% of the sale price of the asset. Payment of such fee may be made only if the manager provides a substantial amount of services in connection with the sale of the asset as determined by a majority of our independent directors. In addition, the amount paid when added to all other commissions paid to unaffiliated parties in connection with such sale shall not exceed the lesser of (1) the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset and (2) an amount equal to 6% of the sale price of such asset. |
| Construction Fee, Development Fee and Landscaping Fee | We will pay our manager a construction fee, development fee and landscaping fee at market rates customary and competitive in light of the size, type and location of the asset in connection with the construction, development or landscaping of a property, or for management and oversight of expansion projects and other capital improvements. |
| Reimbursement of Certain Offering Expenses | We will reimburse our manager up to 1.5% of gross offering proceeds for actual expenses incurred in connection with this offering. Such offering expenses include all expenses to be paid by us in connection with this offering, such as our legal, accounting, printing, mailing and filing fees, charges of our escrow agent and transfer agent, and reimbursement of bona fide, itemized and detailed due diligence expenses of our dealer manager. |
| Accrued Fees Upon Termination | If the management agreement is terminated by reason of a change of control of our company, by us without cause (upon the vote of |

at least 75% of our independent directors) in connection with the expiration of a renewal term, by the manager for good reason or upon our liquidation, the manager will be entitled to receive payment of any earned but unpaid compensation and expense reimbursements accrued as of the date of termination.

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| Type of Compensation | Determination of Amount |
| --- | --- |
| | *Liquidation Stage* |
| Special Limited Partnership Interest | Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) the 7% Priority Return on such capital and expenses; *provided, however,* that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received payment in full of all accrued and unpaid dividends on our preferred stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of our preferred stock receive a return of their capital.<br>The special limited partner shall be entitled to tax distributions, at our sole discretion as the general partner, provided such distributions do not prevent us from satisfying the requirements for qualification as a REIT. Any tax distributions shall offset future distributions to which the special limited partner is entitled. |

(1) Amounts paid in respect of acquisition expenses and the general and administrative expenses fee include our portion of any expenses incurred by our manager on behalf of joint ventures in which we are a participant.

(2) The total amount of the asset management, property management and leasing and general and administrative fees and expenses paid or reimbursed to our manager will be capped at 1.5% of total value of our assets (including cash and cash equivalents) based on the adjusted cost of our assets before reduction for depreciation, amortization, impairment charges and cumulative acquisition costs charged to expense in accordance with GAAP (adjusted cost will include the purchase price, acquisition expenses, capital expenditures and other customarily capitalized costs).

(3) In addition to the general and administrative expenses fee, we may reimburse our manager for certain costs and expenses it incurs in connection with the services it provides to us, including, but not limited to, personnel costs. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Agreement included elsewhere in this prospectus for details relating to these additional costs and expenses.

Through July 31, 2012, we have incurred approximately $9.8 million for organization and offering expenses related to the IPO and the Primary Series A Offering. From September 18, 2009 (date of inception) through July 31, 2012, we have paid our manager approximately $1.0 million for acquisition fees, $511,000 for property management fees, $674,000 for asset management fees and $272,000 for general and administrative expenses fees. WOF, through its special limited partnership interest in our manager, which entitles WOF to receive 1% of the manager s gross revenues, received an aggregate of approximately $24,000 from such fees.

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# Investment Committee

Our manager has an investment committee which meets periodically, at least every quarter, to discuss investment opportunities. The investment committee will periodically review our investment portfolio and its compliance with our investment guidelines described above, and provide our Board of Directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. From time to time, as it deems appropriate or necessary, our Board of Directors also will review our investment portfolio and its compliance with our investment guidelines and the appropriateness of our investment guidelines and strategies.

# 1% Manager Revenue Interest

WOF holds a special limited liability company interest in our manager, which interest entitles WOF to receive an aggregate of 1% of the gross revenues (excluding amounts to reimburse our initial costs, other reimbursed expenses, and any gross revenues related to property management and leasing fees) of our manager received, directly or indirectly, from us and our operating partnership or our controlled affiliates (including any subsidiaries and/or joint ventures), or the 1% Manager Revenue Interest. Initial costs include (a) legal and accounting fees and expenses related to organization of the company, our operating partnership and our manager as well as the private placement to WOF, (b) brokerage and advisory services, (c) capital raising costs for sales of common stock in the IPO, and (d) legal, financial and regulatory fees and expenses and other expenses described in Part II Information Not Required in Prospectus of this registration statement.

WOF has the right to transfer all or part of the 1% Manager Revenue Interest to any of its affiliates without the consent of the manager. WOF will grant our manager a right of first offer prior to any transfer to a non-affiliate. Our manager and WOF have agreed that, any time after April 5, 2012, either party may trigger a sale of the 1% Manager Revenue Interest to the manager. The sale price for the 1% Manager Revenue Interest will be determined using the average of the valuation appraisals received from two independent appraisers that have reasonably suitable experience in business valuations.

For so long as WOF and any permitted transferees thereof hold the 1% Manager Revenue Interest, they will be entitled to receive an aggregate of 1% of the gross proceeds actually received by our manager, from any sale of all or substantially all of, or the internalization of, our manager.

# Our Sponsor John A. Williams

John A. Williams has directed and coordinated the development, construction, and management of more than $5 billion in real estate developments for more than four decades. Approximately $3.5 billion of this activity has focused on multifamily housing, with the balance in other property types, including hotels, condominiums and offices.

Our sponsor founded Post Properties in 1970, and directed its activities as a private company until 1993, by which time Post Properties had become a vertically integrated real estate company with over 14,000 apartment units and over 900 employees. Post Properties completed an initial public offering, or the Post IPO, of its shares in 1993. From the Post IPO through 2002, Post Properties developed or acquired an additional 52 properties totaling 17,702 apartment units. Mr. Williams continued as Chief Executive Officer of Post Properties until July 2002 and as Chairman of the Post Properties board of directors until March 2003, at which time Post Properties had a total of 79 properties containing 29,199 units, a total market capitalization of approximately $2.9 billion and had averaged FFO growth of 7% per year commencing with the Post IPO. Since its founding, Post Properties focused on the development, acquisition, management, and ownership of upscale multifamily apartment communities in Georgia, Arizona, California, Colorado, Florida, Mississippi, New York, North Carolina, Tennessee, Texas and the greater Washington D.C. metropolitan area.

Mr. Williams has been a national leader in the urban development concept. He is widely credited with coining the phrases Smart Growth and Live, Work, Play. His urban mixed-use projects have won numerous local and national awards. He also was an early pioneer in green development having advocated for recycling in apartment communities, superior insulation, energy efficient appliances, and environmentally conscious building materials. His early efforts and vision led to many of the LEED standards that are used today.

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Among the 40 awards, honors and medals Mr. Williams has received over his 43 years in the industry include being named Entrepreneur of The Year, by both Stanford Business School and Ernst & Young in 1990 and 1988 respectively. He has been given The Wall Street Transcript CEO Award for Commercial Real Estate, in 1995 along with being named CEO of The Year, by Financial World, in 1996. Mr. Williams was listed on National Real Estate Investor s list of The 20th Century s Most Influential Developers, along with Atlanta Business Chronicle s award for Atlanta Residential Developer of The Decade, for the 1990s, followed by Harvard Business School extending its Community Leadership Award to Mr. Williams in 2000. He has received numerous honors and awards from Cobb County, Georgia, including The Mack Henderson Public Service Award in 2005. Mr. Williams was inducted into the Multi-Housing News Hall of Fame: First Class in 2004, and given the Four Pillar Award in 2007 by The Council for Quality Growth. In the spring of 2008, Mr. Williams was inducted into the Georgia State University J. Mack Robinson College of Business Hall of Fame as well as the Georgia Institute of Technology College of Management Hall of Fame.

While serving as the initial Chairman of the Cobb-Marietta Coliseum and Exhibit Hall Authority, Mr. Williams was responsible for leading the effort to build the $200 million Exhibition Meeting Venue and Ballroom complex. These facilities were completed in 1995. The large ballroom, one of the largest in the south, was named The John A. Williams Ballroom. He also led the effort to build the state-of-the-art Cobb Energy Performing Arts Centre which cost $150 million. The 2,800 seat main theatre is named The John A. Williams Theatre.

See the section Management Our Directors and Executive Officers included elsewhere in this prospectus.

# Development Funds

### Williams Realty Fund I

In February of 2005, WRA, an affiliate of our sponsor, commenced the operations of WRF. Mr. Williams is Chief Executive Officer of WRA, the sole manager of WRF. WRF closed with $100 million of capital commitments from 91 investors in November of 2005. As of June 30, 2012, WRF has committed approximately $102 million in capital to 34 separate real estate development projects. WRF s primary strategy was to invest in real estate development projects across a variety of property types. WRF s investments are spread across several property types including rental apartments, for-sale condominiums, retail, senior housing, industrial warehouse, hotels, residential lots and office.

The aggregate budgeted costs for development of WRF s projects total over $1 billion. In addition to WRF s investments, these projects are financed with first mortgages from banks and other financial institutions, mezzanine debt, and equity co-investment from various sources. All the development properties in WRF are new construction. As of June 30, 2012, seventeen properties have been sold, yielding an internal rate of return based on actual cash distributions to WRF for assets sold of approximately 2.5% to WRF (before fees and expenses) and approximately -1.6% to WRF (after fees and expenses have been allocated to the sold assets) and generating approximately $32.4 million in cash distributions by WRF to its investors which is a return of approximately 69% of the invested capital with respect to all sold assets, where all such distributions to WRF s investors have been paid from the sale and/or refinancing of WRF s properties and none of such distributions have been paid from cash generated by operations. However, when all WRF s asset dispositions as of June 30, 2012 are included (including any assets lost to a foreclosure, a deed in lieu of foreclosure or any other disposition or loss that is not an arm s-length sale), the internal rate of return based on actual cash distributions to WRF from all disposed assets is approximately -21.3% to WRF (before fees and expenses) and approximately -25.9% to WRF (after fees and expenses have been allocated to all the disposed assets) and the approximately $32.4 million in cash distributions by WRF to its investors is a return of approximately 36% of the invested capital with respect to all disposed assets.

The combination of the downturn in the economy and the lingering effects of the U.S. financial crisis has severely impacted the residential and commercial real estate markets. Real estate values have decreased significantly, and the lack of credit has made refinancing or selling commercial real estate hard in today s market. Consequently, WRF s transaction activity has been severely curtailed. As a result of these difficult conditions, the remaining assets in WRF face formidable challenges. Any project with a residential for-sale component, such as condos or lots, faces significantly longer sell-out periods and lower sales prices than

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originally anticipated. WRF s retail, hotel, and senior rental projects face more protracted lease-up periods and lower rents than originally anticipated. Even WRF s remaining apartment properties, which are generally stabilized at 95%+ occupancy, continue to suffer from some diminution in value due to lower rental rates and increased cap rates.

Another challenge exists with respect to existing loans. A majority of WRF s projects were commenced in 2005 and 2006 and were financed with three year construction loans, typically with extension options. Many of these loans have matured or will mature in the near future. Others projects have exhausted the interest carry allowances in their construction loan budgets. Since WRF investments, like other borrowers, have few, if any, refinancing or recapitalization options available in today s market, existing lenders must either extend these loans or take back the underlying properties. WRF s strategy is to attempt to work out acceptable loan extensions with its existing lenders that will enable it to hold these properties until they can be stabilized and sold in a more favorable transaction market. As of December 31, 2011, WRF had two loans related to two of its properties that were in default and that represented approximately 21.0% of WRF s projects outstanding indebtedness. As of June 30, 2012, WRF had lost through short sales, foreclosures and deeds in lieu of foreclosure the following ten projects that, in the aggregate, constituted approximately 42.5% of WRF s invested capital: (1) a project with 70 residential lots located in Atlanta, Georgia in which WRF s investment of approximately $3.2 million was lost in a short sale in December 2009; (2) a project with 45 condominiums and a 127-room hotel located in Atlanta, Georgia in which WRF s investment of approximately $12.5 million was lost in a foreclosure sale in February 2010; (3) a project with 94 condominiums located in Atlanta, Georgia in which WRF s investment of approximately $1.6 million was lost in a foreclosure sale in May 2010; (4) a project with 232 apartments located in Atlanta, Georgia in which WRF s investment of approximately $0.4 million was lost through a deed in lieu of foreclosure in June 2010; (5) a project with 65 condominiums located in Nashville, Tennessee in which WRF s investment of approximately $4.5 million was lost in a short sale in September 2010; (6) a project with approximately 133,000 square feet of retail space located in Covington, Georgia, in which WRF s investment of approximately $3.4 million was lost in a foreclosure sale in October 2010; (7) a project with approximately 120 residential lots located in Atlanta, Georgia in which WRF s investment of $0.5 million was lost in a short sale transaction in July 2011; (8) a 193-unit luxury senior independent living facility in Atlanta, Georgia in which WRF's investment of approximately $2.9 million was lost in transaction in June of 2011 where WRF transferred its ownership interest to its partner in exchange for a full release; (9) a pre-development project located in Coral Gables, Florida in which WRF s investment of approximately $10.3 million was lost in a short sale in January 2011, however, WRF has an option to purchase the Coral Gables property from the buyer in the short sale for the buyer s costs plus a stated return; and (10) a mixed use project with 42,500 square feet of retail space, 18 townhome shells, 77 residential lots and four retail outparcels in Woodstock, Georgia in which WRF's investment of approximately $3.9 million was lost in a short sale transaction in April 2012.

It is likely that WRF s investment in a number of the remaining projects will suffer either partial or, in some cases, complete losses. Finally, in connection with the economic downturn, WRF disclosed fair values below its book values for certain assets in its December 31, 2008, December 31, 2009, December 31, 2010 and December 31, 2011 financial statements and recognized impairments related to a number of its assets.

## Williams Opportunity Fund

In February of 2007, WRA commenced the operations of WOF, a private, closed-end real estate fund. Mr. Williams is Chief Executive Officer of WRA, the sole manager of WOF. WOF closed with over $103 million of capital commitments from 82 investors in March of 2008. As of June 30, 2012, WOF has committed approximately $80.0 million in capital to 20 separate real estate projects. WOF s primary strategy is to invest in real estate projects and related real estate assets across a variety of property types and markets, including rental apartments, retail/mixed-use, hotels, self-storage and office.

As of June 30, 2012, the aggregate budgeted costs for development of WOF s projects totaled approximately $622 million. In addition to WOF s investments, these projects are financed with first mortgages from banks and other financial institutions, mezzanine debt, and equity co-investment from various sources. All the development properties in WOF are new construction. As of June 30, 2012, seven investments have been sold, yielding an internal rate of return based on actual cash distributions to WOF for the asset sold of approximately -11.8% to WOF (before fees and expenses) and approximately -19.5% to WOF (after fees

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and expenses have been allocated to the sold asset) and generating approximately $20.6 million in cash distributions by WOF to its investors that is approximately a -10.1% internal rate of return to WOF s investors with respect to the asset sold, where all such distributions have been paid from the sale or refinancing of WOF s properties and none of such distributions have been paid from cash generated by operations. However, when all WOF s asset dispositions as of June 30, 2012 are included (including any assets lost to a foreclosure, a deed in lieu of foreclosure or any other disposition or loss that is not an arm s-length sale), the internal rate of return based on actual cash distributions to WOF from all disposed assets is approximately -22.7% to WOF (before fees and expenses) and approximately -29.7% to WOF (after fees and expenses have been allocated to all the disposed assets) and the approximately $20.6 million in cash distributions by WOF to its investors is approximately a -20.9% internal rate of return with respect to all disposed assets.

The combination of the downturn in the economy and the lingering effects of the U.S. financial crisis has severely impacted the residential and commercial real estate markets. Liquidity and credit for the real estate industry remain scarce. Consequently, WOF s transaction and development activity has been severely curtailed. As a result of these difficult conditions, WOF faces issues in securing the debt and co-equity required to move forward with existing projects in the pre-development stage. In addition, because of limited options for leverage levels consistent with WOF s targets, the program may have a difficult time deploying all of its called capital in a timely fashion in investments that meet WOF s targeted investment profile, which could adversely impact WOF s overall results. Another challenge exists with respect to existing loans related to properties in the pre-development phase. Two of WOF s projects in pre-development have exhausted their carrying cost reserves and have reached maturity on their pre-development loans. Since these WOF investments, like other borrowers holding properties for future development, have few, if any, refinancing/recapitalization options available in today s market, existing lenders must either extend these loans or take back the underlying properties. WOF s strategy is to attempt to work out acceptable loan extensions with its projects existing lenders that will enable it to hold these properties until they can be recapitalized in connection with starting construction of the applicable projects. As of July 27, 2012, WOF had no loans in default.

Finally, in connection with the economic downturn, WOF disclosed fair values below its book values for certain assets in its December 31, 2009, December 31, 2010 and December 31, 2011 financial statements and recognized impairments related to a number of its assets.

## Williams Multifamily Acquisition Fund

In April of 2007, WRA commenced operations of Williams Multifamily Acquisition Fund, or the Acquisition Fund. Mr. Williams is the Chief Executive Officer of WRA, the sole manager of the Acquisition Fund s sole general partner. The three original investors in the Acquisition Fund committed $300 million in equity for the purpose of acquiring select multifamily rental properties in accordance with a prescribed value-add strategy. As of June 30, 2009, the date the investment period during which the Acquisition Fund could acquire new assets expired, the Acquisition Fund had acquired nine apartment communities with an aggregate of almost 3,200 units and totaling approximately $339.5 million in costs. On a same store basis, the Acquisition Fund s portfolio experienced net operating income (NOI) growth of approximately -1.9% from 2008 to 2009. The Acquisition Fund s same store results for 2008 to 2009 represent seven assets comprising 2,296 units that were owned for all of 2008 and 2009. NOI is defined as total revenues less operating expenses and excludes capital expenditures and debt service. The Acquisition Fund s same store growth was approximately 8.1% from 2009 to 2010 and 8.1% from 2010 to 2011. The same store results for 2009 to 2010 and 2010 to 2011 represent nine assets and 3,199 units that were owned for all of 2009, 2010 and 2011. All properties of the Acquisition Fund were acquired in the past six years and no program assets have been sold. As of June 30, 2012, approximately $124.2 million of capital has been called and contributed. The Acquisition Fund s objective was to employ leverage up to 65% of the value of the program s assets as part of its strategy to generate competitive internal rates of return, net of management fees, over an eight to ten-year period. The Acquisition Fund s portfolio consists entirely of existing multifamily properties.

The combination of the downturn in the economy and the lingering effects of the U.S. financial crisis has severely impacted the multifamily residential real estate markets. Real estate values decreased significantly, and the lack of credit made refinancing or selling commercial real estate hard in many markets. Consequently, the Acquisition Fund s disposition activity had previously been severely curtailed. All the Acquisition Fund s assets saw a diminution in value due to upward movement in cap rates and/or lower rent activity. However, the Acquisition Fund s assets have seen improvement in both occupancy and income growth over the last 33 months as its portfolio has benefitted from improved market fundamentals and a well located portfolio. Although the current turnaround in the multifamily residential real estate market has helped the Acquisition Fund s assets to increase in value, property values on a portfolio basis are still below the original acquisition costs. Finally, as of June 30, 2012, the Acquisition Fund had not yet paid any distributions to its investors.

The adverse market conditions noted above also may cause total returns to the investors in the Acquisition Fund to be lower than originally projected. Due to the improved fundamentals and increased demand for multifamily properties, the Acquisition Fund has recently listed the portfolio for sale. However, since the portfolio was just listed for sale, total returns to investors in this program are unknown at this time.

## Adverse Business Developments and Conditions

As noted above, neither WRF nor WOF has paid distributions from cash generated by operations. Furthermore, the Acquisition Fund has not yet paid any distributions to its investors as of June 30, 2012. The adverse market conditions have severely impacted various real estate markets. As more fully described above, WRF s transaction activity and the Acquisition Fund s disposition activity have been severely curtailed, and WOF faces issues in securing the debt and co-equity required to move forward with existing projects in the pre-development stage. In addition, as discussed above, WRF has lost ten properties through short sales, foreclosures and deeds in lieu of foreclosure.

Other than as disclosed above, there have been no major adverse business developments or conditions experienced by any program or non-program property that would be material to investors, including as a result of recent general economic conditions.

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# PRINCIPAL STOCKHOLDERS

The following table provides information, as of August 13, 2012, regarding the number and percentage of shares of our common stock beneficially owned by each director, each executive officer, each person known to us to be the beneficial owner of more than 5% of our outstanding shares of common stock and all directors and executive officers as a group. In accordance with SEC rules, each listed person s beneficial ownership includes all shares of common stock the person actually owns beneficially or of record, all shares of common stock over which the person has or shares voting or dispositive control (such as in the capacity as a general partner of an investment fund), and all shares the person has the right to acquire within 60 days (such as shares of restricted common stock which are scheduled to vest within 60 days or upon the exercise of warrants or options). Except as otherwise provided, all shares are owned directly, and the indicated person has sole voting and investing power. Unless otherwise indicated, the business address of the stockholders listed below is the address of our principal executive office, 3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia 30339.

| | Percentage of Common Stock Outstanding | | | |
|---|---|---|---|---|
| | Immediately prior to this offering | | Immediately after this offering | |
| Beneficial Owner | Shares Owned | Percentage | Shares Owned | Percentage |
| Caisse de dépôt et placement du Québec[1] | 290,909 | 5.62 % | 290,909 | 5.62 % |
| NELL Partners, Inc. | 36,666 [2][3] | * | 36,666 [2][3] | * |
| John A. Williams | 72,661 [2][3][4] | 1.40 % | 72,661 [2][3][4] | 1.40 % |
| Leonard A. Silverstein | 39,166 [2][3] | * | 39,166 [2][3] | * |
| William F. Leseman | 1,000 | * | 1,000 | * |
| Michael J. Cronin | 2,500 | * | 2,500 | * |
| Daniel M. DuPree | 6,651 | * | 6,651 | * |
| Timothy A. Peterson | 9,871 | * | 9,871 | * |
| Steve Bartkowski | 10,201 | * | 10,201 | * |
| Gary B. Coursey | 6,911 | * | 6,911 | * |
| Howard A. McLure | 27,482 | * | 27,482 | * |
| All directors and executive officers as a group (9 persons) | 139,777 | 2.70 % | 139,777 | 2.70 % |

* Less than 1%

(1) As of August 13, 2012. Based solely upon information provided in a Schedule 13G filed with the SEC on May 11, 2012. Caisse de dépôt et placement du Québec, or CDPQ, is the ultimate beneficial owner of such shares and has shared voting and shared dispositive power over such shares with Cadim Holdings U.S. Inc. and Cadim Inc. The business address of CDPQ is 1000, Place Jean-Paul Riopelle, Montréal, Québec, H2Z 2B3, Canada.

(2) NELL Partners owns 36,666 shares of common stock. John A. Williams and Leonard A. Silverstein share joint voting and investment power of these shares. Additionally, our officers and directors collectively own 139,777 shares of common stock.

(3) Although John A. Williams and Leonard A. Silverstein share joint voting and investment power of the shares held by NELL Partners, each disclaims any economic interest in such shares. Seventy percent of such shares are owned indirectly by the Nancy Ann Richardson Williams Children s Trust, formed on January 30, 1995, a trust created by Mr. Williams spouse for the benefit of their children. Thirty percent of such shares are owned indirectly by the Northside Partners Trust, formed on November 2, 2009, a trust created by Leonard A. Silverstein s spouse for the benefit of their children.

(4) 30,495 of these shares are owned by Mr. Williams spouse. Mr. Williams disclaims any beneficial ownership of such shares.

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# CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

## Agreements With Institutional and Other Investors

### Williams Opportunity Fund    Private Placement Offering

*Private Placement*. On April 5, 2011, pursuant the terms of the subscription agreement relating to the private placement offering with WOF, we completed a private placement of 500,000 shares of common stock to WOF pursuant to Regulation D of the Securities Act. The shares of common stock were sold at a purchase price of $10.00 per share. The private placement resulted in gross proceeds of $5.0 million. The sale was not subject to any underwriting discount or commission. Aggregate offering expenses in connection with the private placement were approximately $0.3 million. WOF is an affiliate of our sponsor, John A. Williams.

*Registration Rights*. Concurrently with the closing of the private placement offering referred to above, we entered into a registration rights agreement for the benefit of WOF in connection with its holdings of common stock. WOF has piggyback registration rights. If we propose to register under the Securities Act any common stock, whether for the sale for our own account or for the account of another person, WOF may include in such registration statement the number of shares of common stock as WOF may request, subject to the terms and upon the conditions set forth in the registration rights agreement. WOF has waived such rights in respect of this offering and the Primary Series A Offering.

### Common Stock Issuance

In connection with our formation and initial capitalization, in January 2010, we issued 33,333 shares of our Class B Common Stock for total gross proceeds to us of $99,999 to NELL Partners, an entity controlled by John A. Williams and Leonard A. Silverstein. In addition, we issued 3,333 shares of our Class A Common Stock for total gross proceeds to us of $9,999 to NELL Partners. Pursuant to a change in the designation of our shares of Class A Common Stock to common stock and a change of each of our issued and outstanding shares of Class B Common Stock to one issued and outstanding share of common stock, all pursuant to an amendment to our charter filed on February 22, 2011, NELL Partners now holds 36,666 shares of common stock.

### Williams Opportunity Fund    Promissory Notes

On April 5, 2011, we paid in full the amounts owing under all our outstanding promissory notes issued to WOF consisting of: $465,050 that was outstanding on the $465,050 original principal promissory note, together with $11,642 in accrued and unpaid interest, $1.24 million that was outstanding on the $1.25 million line of credit, together with $17,453 in accrued and unpaid interest, and the $52,259 that was outstanding on the $0.75 million line of credit, together with $167 in accrued and unpaid interest. All the promissory notes issued to WOF were retired in connection with their repayment in full on April 5, 2011.

### Real Estate Property Investments

The Stone Rise membership interests were acquired from Oxford Rise Partners LLC, a Georgia limited liability company, and WOF. WOF owned approximately 19.43% of the outstanding common stock of the company at the time of acquisition. WOF currently owns approximately 2.73% of the outstanding common stock of the company. In addition, John A. Williams, the President, Chief Executive Officer and Chairman of the Board, indirectly owns an approximate 1.0% membership interest in WOF. In connection with the acquisition, we paid an acquisition fee of $301,500, or 1.0% of the contract purchase price, to our manager, of which WOF received $3,015 through its special limited liability company interest in the manager which entitles WOF to receive 1% of the manager s gross revenues.

The Summit Crossing membership interests were acquired from Oxford Summit Development LLC, a Georgia limited liability company, and WRF. WRF owned approximately 13.40% of our outstanding common stock at the time of acquisition. WRF currently owns 0.15% of the outstanding common stock of the company. In addition, Mr. Williams indirectly owns an approximate 7.0% membership interest in WRF. In connection with the acquisition, we paid an acquisition fee of $332,000, or 1.0% of the contract purchase price, to our manager, of which WOF received $3,220 through its special limited liability company interest in our manager.

WRF owned indirectly an approximately 10% membership interest in Oxford Trail JV, LLC. Separate from Mr. Williams membership interest in WRF, Mr. Williams received approximately $62,600 from Oxford

Trail JV, LLC as a promoted interest in connection with the sale of Trail Creek. Leonard A. Silverstein, our President and Chief Operating Officer, received approximately $20,375 from Oxford Trail JV, LLC as a promoted interest in connection with the sale of Trail Creek. In connection with the acquisition, we paid an acquisition fee of $235,000, or 1.0% of the contract purchase price, to our manager of which WOF received $2,350 through its special limited liability company interest in the manager which entitles WOF to receive 1% of the manager s gross revenues.

The acquisition price for each property we acquired from an affiliate was determined by us and approved by our conflicts committee based on appraisals of two independent real estate appraisers. For a description of the properties and the terms of the purchase agreements, see the section entitled Description of Real Estate Investments included elsewhere in this prospectus.

In connection with the closing of the Oxford Hampton Mezzanine Loan, Oxford Hampton Partners LLC used proceeds of the Oxford Hampton Mezzanine Loan to pay approximately $302,300 to WRF to retire an outstanding short term loan from WRF that matured on the closing date of the Oxford Hampton Mezzanine Loan.

In addition, in connection with the closing of the Oxford Hampton Mezzanine Loan, we received a loan fee of 2% of the maximum loan amount, or $120,000, and a loan commitment fee of $14,333. From the $120,000 loan fee, we paid a fee of $60,000, or 1.0% of the maximum loan amount, to our manager as an acquisition fee in accordance with the terms of the management agreement of which WOF received $600 through its special limited liability company interest in the manager which entitles WOF to receive 1% of the manager s gross revenues. Further, in connection with the closing of the Oxford Summit II Mezzanine Loan, we received a loan fee of 2% of the maximum loan amount, or $122,061. In addition, we paid a fee of $61,030, or 1.0% of the maximum loan amount, to our manager as an acquisition fee in accordance with the terms of the management agreement of which WOF received $610 through its special limited liability company interest in the manager which entitles WOF to receive 1% of the manager s gross revenues. Further, in connection with the closing of the Iris Bridge Loan, we received a loan fee of 2% of the loan amount, or $57,369. In addition, we paid a fee of $28,685, or 1.0% of the loan amount, to our manager as an acquisition fee pursuant to the management agreement of which WOF received $286 through its special limited liability company interest in the manager which entitles WOF to receive 1% of the manager s gross revenues.

The terms of the Oxford Hampton Mezzanine Loan and Oxford Summit II Mezzanine Loan were approved by our conflicts committee, which consists entirely of independent directors not otherwise interested in the transactions. For a description of the terms of the Oxford Hampton Mezzanine Loan, Oxford Summit II Mezzanine Loan and the Iris Bridge Loan, see the section entitled Description of Real Estate Investments included elsewhere in this prospectus.

Through July 31, 2012, we have incurred approximately $9.8 million for organization and offering expenses related to the IPO and the Primary Series A Offering. From September 18, 2009 (date of inception) through July 31, 2012, we have paid our manager approximately $1.0 million for acquisition fees, $511,000 for property management fees, $674,000 for asset management fees and $272,000 for general and administrative expenses fees. WOF, through its special limited partnership interest in our manager, which entitles WOF to receive 1% of the manager s gross revenues, received an aggregate of approximately $24,000 from such fees.

## Directed Share Program

In connection with our IPO, WOF, an affiliate of our sponsor, purchased 500,000 shares of our common stock through our directed share program, and WRF, an affiliate of our sponsor, purchased 690,000 shares of our common stock, through our directed share program.

On April 9, 2012, each of WOF and WRF made non-liquidating pro rata distributions of most of its shares of common stock in the company to its members. As of July 16, 2012, WOF continues to hold 142,262 shares of common stock and WRF continues to hold 7,935 shares of common stock.

# Conflicts of Interest

We are subject to various conflicts of interest arising out of our relationship with our manager and its affiliates, including conflicts related to the arrangements pursuant to which our manager and its affiliates will be compensated by us. Our agreements and compensation arrangements with our manager and its affiliates were not determined by arm s-length negotiations. We anticipate that future acquisitions by us of assets likely will be mostly from unaffiliated third parties, but we would still consider an acquisition from an affiliated third party if such acquisition made financial sense to us and was approved by our conflicts committee, which is comprised entirely of independent directors. See the section entitled Our Sponsor, our Manager and the Management Agreement included elsewhere in this prospectus. Some of the conflicts of interest in our transactions with our manager and its affiliates, and the limitations on our manager adopted to address these conflicts, are described below.

Our manager and its affiliates will try to balance our interests with their duties to other John A. Williams-sponsored programs. However, to the extent that our manager or its affiliates take actions that are more favorable to other entities than to us, these actions could have a negative impact on our financial performance and, consequently, on distributions to you and the value of our stock. In addition, our directors, officers and certain of our stockholders may engage for their own account in business activities of the types conducted or to be conducted by our subsidiaries and us. For a description of some of the risks related to these conflicts of interest, see the section entitled Risk Factors included elsewhere in this prospectus.

Our independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise, and all our directors have a duty to act in a manner reasonably believed to be in our best interests.

## Interests in Other Real Estate Programs

Affiliates of our officers and directors and entities owned or managed by such affiliates may acquire or develop real estate for their own accounts, and have done so in the past. Furthermore, except in certain circumstances, affiliates of our officers and directors and entities owned or managed by such affiliates may form additional real estate investment entities in the future, whether public or private, which can be expected to have the same investment objectives and policies as we do and which may be involved in the same geographic area, and such persons may be engaged in sponsoring one or more of such entities at approximately the same time as our securities are being offered. Our manager, its affiliates and affiliates of our officers and directors are not obligated to present to us any particular investment opportunity that comes to their attention, unless such opportunity is of a character that might be suitable for investment by us. Our manager and its affiliates likely will experience conflicts of interest as they simultaneously perform services for us and other affiliated real estate programs.

Since 2005, certain of our officers and directors and their affiliates have sponsored three private real estate programs, including one program focused on acquiring residential real estate assets and two programs focused primarily on developing real estate assets across multiple property types. All three of these programs are still operating, but only one of them, the Acquisition Fund, has an investment objective that is similar to ours. In addition, an affiliate of one of our officers, William F. Leseman, has performed as the property manager for a number of third party clients, assisting these clients in the operation of their multifamily real estate assets and advising these clients in connection with sales of their multifamily real estate assets. PRM also performs as a property manager for all owned assets within the Williams umbrella group. Conflicts of interest may arise between us and our sponsor s prior investment programs, between us and future investment programs, between us and the institutional investors for which RAM serves as the third party property manager, and between us and affiliates of our sponsor for which PRM serves as the property manager.

Any affiliated entity, whether or not currently existing, could compete with us in the sale or operation of the properties. We will seek to achieve any operating efficiency or similar savings that may result from affiliated management of competitive properties. However, to the extent that affiliates own or acquire property that is adjacent, or in close proximity, to a property we own, our property may compete with the affiliate s property for tenants or purchasers.

Every transaction that we enter into with our manager or its affiliates is subject to an inherent conflict of interest. Our Board of Directors may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and our manager or any of its affiliates.

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### Other Activities of Our Manager and Its Affiliates

We rely on our manager for the day-to-day operation of our business. As a result of the interests of members of its management in other John A. Williams-sponsored programs and the fact that they also are engaged, and will continue to engage, in other business activities, our manager and its affiliates have conflicts of interest in allocating their time between us and other John A. Williams-sponsored programs and other activities in which they are involved. Our executive officers and the key professionals associated with our manager who provide services to us are not obligated to devote a fixed amount of their time to us, but our manager believes that our executive officers and the other key professionals have sufficient time to discharge fully their responsibilities to us and to the other business in which they are involved. In addition, our manager believes that it and its affiliates have sufficient time and personnel to discharge fully their responsibilities to us and all the John A. Williams-sponsored programs and other ventures in which they are involved.

In addition, each of our executive officers also serves as an officer of our manager and/or other affiliated entities. As a result, these individuals owe fiduciary duties to these other entities, in addition to the duties that they owe to us.

We may purchase properties or interests in properties from affiliates of our manager. The prices we pay to affiliates of our manager for these properties will not be the subject of arm s-length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated with unaffiliated parties.

### Competition in Acquiring, Leasing and Operating Properties

Conflicts of interest will exist to the extent that we may acquire, or seek to acquire, properties in the same geographic areas where properties owned by other John A. Williams-sponsored investment programs are located. In such a case, a conflict could arise in the acquisition or leasing of properties if we and another John A. Williams-sponsored investment program were to compete for the same properties or tenants in negotiating leases, or a conflict could arise in connection with the resale of properties if we and another John A. Williams-sponsored investment program were to attempt to sell similar properties at the same time. Conflicts of interest also may exist at such time as we or our affiliates managing property on our behalf seek to employ developers, contractors or building managers, as well as under other circumstances. Our manager will seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective employees aware of all such properties seeking to employ such persons. In addition, our manager will seek to reduce conflicts that may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. However, these conflicts cannot be fully avoided in that there may be established differing compensation arrangements for employees at different properties or differing terms for resales or leasing of the various properties.

Moreover, our charter provides that none of John A. Williams and his affiliates has a duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us, and none of our officers or directors who is a director, officer or employee of one or more of John A. Williams affiliates will be liable to us or our stockholders for breach of any duty by reason of any such activities. Our charter further provides that if John A. Williams or any of the officers and directors of one of his affiliates acquires knowledge of a potential transaction or matter that may be a business opportunity for us, John A. Williams or such officer or director will have no duty to communicate or offer such business opportunity to us and will not be liable to us or any of our stockholders for breach of any duty by reason of the fact that such business opportunity is not communicated or offered to us unless such business opportunity is offered to such person in his or her capacity as one of our directors or officers. Any person purchasing or otherwise acquiring any interest in any shares of our stock will be deemed to have notice of and to have consented to these provisions.

**Special Limited Partnership Interest**

At the sale of each individual asset, our manager may be entitled to distributions from our operating partnership on the special limited partnership interest held by our manager, also known as the promote. Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with

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the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) the 7% Priority Return on such capital and expenses; *provided*, *however*, that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received payment in full of all accrued and unpaid dividends on our preferred stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital. Moreover, to the extent a distribution with respect to the special limited partnership interest has been paid to our manager for any assets sold within 60 days prior to the sale of an asset in which the Priority Return for that asset was not met, our manager shall return to us an amount up to the distribution so received for the assets sold within such 60-day period, which shall be applied to any Priority Return shortfall actually arising from the sale of the subsequent asset.

### Lack of Separate Representation

Proskauer Rose LLP acts, and may in the future act, as counsel to us, our manager and its affiliates in connection with this offering or otherwise. There is a possibility that in the future the interests of the various parties may become adverse, and under the Code of Professional Responsibility of the legal profession, Proskauer Rose LLP may be precluded from representing any one of such parties. If a dispute were to arise between us, our manager or any of its affiliates, separate counsel for such matters will be retained as and when appropriate.

### Joint Ventures with Affiliates of our Manager

We may enter into joint ventures with other John A. Williams-sponsored investment programs (as well as other parties) for the acquisition, development or improvement of properties. See the section entitled Business Our Investment Strategy included elsewhere in this prospectus. Our manager and its affiliates may have conflicts of interest in determining that a John A. Williams-sponsored investment program should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals which are or which may become inconsistent with our business interests or goals. In addition, should any such joint venture be consummated, our manager may face a conflict in structuring the terms of the relationship between our interests and the interest of the co-venturer and in managing the joint venture. Since our manager and its affiliates will control both us and any affiliated co-venturer, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm s-length negotiation of the type normally conducted between unrelated co-venturers.

### Receipt of Fees and Other Compensation by our Manager and its Affiliates

Our manager and its affiliates will receive substantial fees from us, which fees have not been negotiated at arm s length. Subject to oversight by our Board of Directors, our manager will have considerable discretion with respect to all decisions relating to the terms and timing of all transactions. The fees received by our manager and its affiliates could influence our manager s advice to us as well as the judgment of affiliates of our manager, some of whom also serve as our executive officers and directors and as key professionals of our manager and its affiliates. Therefore, our manager may have conflicts of interest concerning certain actions taken on our behalf, particularly because such fees generally will be payable to our manager and its affiliates regardless of the quality of the properties acquired or the services provided to us. See the section entitled Our Sponsor, our Manager and the Management Agreement included elsewhere in this prospectus. Among other matters, these compensation arrangements could affect their judgment with respect to:

the continuation, renewal or enforcement of our agreements with our manager and its affiliates, including the management agreement;

sales of properties and other investments (including, subject to the approval of our conflicts committee, sales to affiliates), which entitles our manager to disposition fees and possible distributions with respect to the special limited partnership interest in our operating partnership held by our manager; *provided*, *however*, that distributions with respect to the special limited partnership interest in our operating partnership will only be payable after the return to the stockholders of their capital contributions related to each asset sold plus an amount that would be equal to the Priority

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Return, *i.e.*, a 7% cumulative, non-compounded annual return on such capital; *provided*, *further*, *however*, that, to the extent a distribution with respect to the special limited partnership interest in our operating partnership has been paid to our manager for any assets sold within 60 days prior to the sale of an asset in which the Priority Return for that asset was not met, our manager shall return to us an amount up to the distribution so received for the assets sold within such 60-day period, which shall be applied to any Priority Return shortfall actually arising from the sale of the subsequent asset;

acquisitions of properties and other investments, which entitles our manager to acquisition fees and asset management fees;

borrowings to acquire properties and other investments, which borrowings will increase the acquisition and asset-management fees payable to our manager; and

whether we seek stockholder approval to internalize our management, which may entail acquiring assets (such as office space, furnishings, intellectual property and technology costs) and negotiating compensation for real estate professionals at our manager and its affiliates that may result in these individuals receiving more compensation from us than they currently receive from our manager and its affiliates.

## Certain Conflict Resolution Procedures

Every transaction that we enter into with John A. Williams, WOF, our manager or any of their respective affiliates will be subject to an inherent conflict of interest. Our Board of Directors may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and John A. Williams, WOF, our manager or any of their respective affiliates.

In order to reduce or eliminate certain potential conflicts of interest, our conflicts committee will review (1) transactions we enter into with John A. Williams, WOF, our manager or any of their respective affiliates, and (2) the allocation of investment opportunities among affiliated entities. Pursuant to its charter, our conflicts committee may restrict us from the following transactions:

Purchasing or leasing properties in which John A. Williams, WOF, our manager, any of our directors or any of their respective affiliates has an interest without a determination by a majority of the members of the conflicts committee not otherwise interested in such transaction that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the seller or lessor unless there is reasonable justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. We may be restricted from acquiring any such property at an amount in excess of its appraised value. We may be restricted from selling or leasing properties to John A. Williams, WOF, our manager, any of our directors or any of their respective affiliates unless a majority of the members of the conflicts committee not otherwise interested in the transaction determines that the transaction is fair and reasonable to us.

Making any loans to John A. Williams, WOF, our manager, any of our directors or any of their respective affiliates, except for making or investing in mortgage, bridge or mezzanine loans involving John A. Williams, WOF, our manager, our directors or any of their respective affiliates. We may be required to obtain an appraisal of the underlying property from an independent appraiser and show that the transaction is approved as fair and reasonable to us and on terms no less favorable to us than those available from third parties. In addition, our conflicts committee may restrict John A. Williams, WOF, our manager, any of our directors or any of their respective affiliates from receiving loans from us or making loans to us or to joint ventures in which we are a joint venture partner unless approved by a majority of the members of the conflicts committee not otherwise interested in the transaction as fair, competitive and commercially reasonable, and no less favorable to us than comparable loans between unaffiliated parties.

Reimbursing John A. Williams, WOF, our manager or any of their respective affiliates, at cost, for actual expenses incurred by them on behalf of us or joint ventures in which we are a joint venture partner.

Investing in an investment opportunity that becomes available that is suitable, under all the factors considered by our manager, for both us and one or more other entities affiliated with our manager and for which more than one of such entities has sufficient uninvested funds, if another such entity has had the longest period of time elapse since it was offered an investment opportunity. Such entity will first be offered such investment opportunity. It will be the duty of our conflicts committee to insure that this method is applied fairly to us. In determining whether or not an investment opportunity is suitable for more than one investment program sponsored by our sponsor, our manager, subject to approval by our conflicts committee, shall examine, among others, the following factors:

- the anticipated cash flow of the property to be acquired and the cash requirements of each investment program;
- the effect of the acquisition both on diversification of each investment program s investments by type of property, geographic area and tenant concentration;
- the policy of each investment program relating to leverage of properties;
- the income tax effects of the purchase to each investment program;
- the size of the investment; and
- the amount of funds available to each investment program and the length of time such funds have been available for investment.

If a subsequent development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of our manager, to be more appropriate for an investment program other than the investment program that committed to make the investment, our manager may determine that another investment program affiliated with our manager or its affiliates will make the investment. Our conflicts committee has a duty to ensure that the method used by our manager for the allocation of the acquisition of properties by two or more affiliated investment programs seeking to acquire similar types of properties is applied fairly to us.

Accepting goods or services from John A. Williams, WOF, our manager or any of their respective affiliates or entering into any other transaction with John A. Williams, WOF, our manager or any of their respective affiliates unless a majority of the members of our conflicts committee not otherwise interested in the transaction approve such transaction as fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

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The following chart shows the ownership structure of the various entities that are affiliated with the company and our manager.

(1) NELL Partners is controlled by John A. Williams, our sponsor, and Leonard A. Silverstein, our President and Chief Operating Officer.

(2) Our manager is controlled by NELL Partners. Other than the 1% Manager Revenue Interest (as defined in the section entitled Our Sponsor, our Manager and the Management Agreement 1% Manager Revenue Interest included elsewhere in this prospectus) held by WOF, all interests of our manager are held by NELL Partners.

(3) The common stock investors in our IPO own registered shares of our common stock. The 500,000 shares of common stock acquired by WOF in the private placement offering are not registered shares.

(4) NELL Partners owns 36,666 shares of common stock. John A. Williams and Leonard A. Silverstein share joint voting and investment power of these shares. Additionally, our officers and directors collectively own 139,777 shares of common stock.

(5) Each property is expected to be held in a single purpose entity.

(6) As the special limited partner of our operating partnership, our manager is entitled to receive a participation in net sales proceeds of our investments. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Compensation Special Limited Partnership Interest included elsewhere in this prospectus for information relating to the calculation of distributions with respect to the special limited partnership interest and conditions under which it may be paid.

(7) Consists of holders of our existing Series A Redeemable Preferred Stock and investors that purchase Units in this offering. The shares of common stock issuable upon the redemption of the Series A Redeemable Preferred Stock and exercise of the Warrants will be registered shares.

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# DESCRIPTION OF SECURITIES

## General

We were formed under the laws of the state of Maryland. The rights of our stockholders are governed by Maryland law as well as our charter and by-laws. The following summary of the terms of our capital stock is only a summary, and you should refer to the MGCL and our charter and by-laws for a full description. The following summary is qualified in its entirety by the detailed information contained in our charter and by-laws. Copies of our charter and by-laws are incorporated by reference as exhibits to the registration statement, of which this prospectus is a part. See the section entitled Where You Can Find Additional Information included elsewhere in this prospectus.

Our charter authorizes us to issue up to 400,066,666 shares of common stock, $0.01 par value per share, and 15,000,000 shares of preferred stock, $0.01 par value per share, 1,000,000 shares of which have been classified and designated as Series A Redeemable Preferred Stock. Our charter authorizes our Board of Directors to amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of shares of stock of any class or series without stockholder approval. Prior to this offering, 5,212,139 shares of common stock were issued and outstanding on a fully diluted basis, including 33,046 shares of unvested restricted common stock, and 10,682 shares of Series A Redeemable Preferred Stock were issued and outstanding. Immediately following this offering and the Primary Series A offering, 5,212,139 shares of common stock and a maximum of 1,000,000 shares of Series A Redeemable Preferred Stock will be issued and outstanding. Under Maryland law, stockholders are not generally liable for our debts or obligations.

As of August 16, 2012, there were outstanding (i) 10,827 Primary Series A Warrants exercisable for 216,540 shares of common stock and (ii) the IPO Warrant, exercisable for 150,000 shares of common stock. Other than those described in the previous sentence, there are no outstanding warrants or rights of any other kind. See the sections entitled Common Stock Warrants and Plan of Distribution IPO Warrant included elsewhere in this prospectus.

Our charter also contains a provision permitting our Board of Directors, by resolution, to classify or reclassify any unissued common stock or preferred stock into one or more classes or series by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, or terms or conditions of redemption of any new class or series of stock, subject to certain restrictions, including the express terms of any class or series of stock outstanding at the time. We believe that the power to classify or reclassify unissued shares of stock and thereafter issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise.

Our charter and by-laws contain certain provisions that could make it more difficult to acquire control of our company by means of a tender offer, a proxy contest or otherwise. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of our company to negotiate first with our Board of Directors. We believe that these provisions increase the likelihood that proposals initially will be on more attractive terms than would be the case in their absence and facilitate negotiations that may result in improvement of the terms of an initial offer that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. See the section entitled Risk Factors included elsewhere in this prospectus.

## Common Stock

Subject to the preferential rights of our Series A Redeemable Preferred Stock and any preferential rights of any other class or series of stock and to the provisions of our charter regarding the restrictions on the ownership and transfer of stock, the holders of common stock are entitled to such distributions as may be authorized from time to time by our Board of Directors out of legally available funds and declared by us and, upon our liquidation, are entitled to receive all assets available for distribution to our stockholders. Holders of common stock will not have preemptive rights, which means that they will not have an automatic option to purchase any new shares that we issue, or preference, conversion, exchange, sinking fund or redemption rights. Holders of common stock generally will have no appraisal rights.

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The holders of common stock shall vote together as a single class on all matters. Holders of shares of common stock shall be entitled to vote for the election of directors. Directors may be removed from office, with or without cause, by the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all outstanding common stock of the company. Vacancies on the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors may be filled by a majority of the directors then in office (although less than a quorum). Any such director elected to fill a vacancy will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

# Preferred Stock

Our charter authorizes our Board of Directors, without stockholder approval, to designate and issue one or more classes or series of preferred stock and to set or change the voting, conversion or other rights, preferences, restrictions, limitations as to dividends or other distributions and qualifications or terms or conditions of redemption of each class of shares so issued. If any preferred stock is publicly offered, the terms and conditions of such preferred stock, including any convertible preferred stock, will be set forth in articles supplementary and described in a registration statement registering the issuance of such preferred stock, if such preferred stock is registered. Because our Board of Directors has the power to establish the preferences and rights of each class or series of preferred stock, it may afford the holders of any series or class of preferred stock preferences, powers, and rights senior to the rights of holders of common stock or other preferred stock. If we ever create and issue additional preferred stock with a distribution preference over common stock or preferred stock, payment of any distribution preferences of new outstanding preferred stock would reduce the amount of funds available for the payment of distributions on the common stock and junior preferred stock. Further, holders of preferred stock are normally entitled to receive a preference payment if we liquidate, dissolve, or wind up before any payment is made to the common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of additional preferred stock may delay, prevent, render more difficult or tend to discourage the following:

- a merger, tender offer, or proxy contest;
- the assumption of control by a holder of a large block of our securities; or
- the removal of incumbent management.

Also, our Board of Directors, without stockholder approval, may issue additional preferred stock with voting and conversion rights that could adversely affect the holders of common stock or preferred stock.

# Series A Redeemable Preferred Stock

Our Board of Directors, including our independent directors, has created out of the authorized and unissued shares of our preferred stock, a series of redeemable preferred stock, designated as the Series A Redeemable Preferred Stock.

The following is a brief description of the terms of our Series A Redeemable Preferred Stock being offered in this offering. The description of our Series A Redeemable Preferred Stock contained herein does not purport to be complete and is qualified in its entirety by reference to the Articles Supplementary for our Series A Redeemable Preferred Stock, which have been filed with the SEC and are incorporated by reference as an exhibit to the registration statement, of which this prospectus is a part.

*Rank*. Our Series A Redeemable Preferred Stock ranks with respect to dividend rights and rights upon our liquidation, winding-up or dissolution:

senior to our common stock and any other class or series of our capital stock, the terms of which expressly provide that our Series A Redeemable Preferred Stock ranks senior to such class or series as to dividend rights or rights on our liquidation, winding-up and dissolution;

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junior to each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series A Redeemable Preferred Stock as to dividend rights or rights on our liquidation, winding up and dissolution; and

junior to all our existing and future debt obligations.

Investors in the Series A Redeemable Preferred Stock should note that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.

*Stated Value*. Each share of Series A Redeemable Preferred Stock has an initial Stated Value of $1,000, subject to appropriate adjustment in relation to certain events, such as recapitalizations, stock dividends, stock splits, stock combinations, reclassifications or similar events affecting our Series A Redeemable Preferred Stock, as set forth in the Articles Supplementary.

*Dividends*. Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to our Series A Redeemable Preferred Stock, if any such class or series is authorized in the future, the holders of Series A Redeemable Preferred Stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock begin accruing on, and are cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20th day of the month following the month for which the dividend was declared (or the next business day if the 20th day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Holders of our shares of Series A Redeemable Preferred Stock are not entitled to any dividend in excess of full cumulative dividends on our shares of Series A Redeemable Preferred Stock. Unless full cumulative dividends on our shares of Series A Redeemable Preferred Stock for all past dividend periods have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment, we will not:

declare and pay or declare and set aside for payment dividends and we will not declare and make any other distribution of cash or other property (other than dividends or distributions paid in shares of stock ranking junior to the Series A Redeemable Preferred Stock as to the dividend rights or rights on our liquidation, winding-up or dissolution, and options, warrants or rights to purchase such shares), directly or indirectly, on or with respect to any shares of our common stock or any class or series of our stock ranking junior to or on parity with the Series A Redeemable Preferred Stock as to dividend rights or rights on our liquidation, winding-up or dissolution for any period; or

except by conversion into or exchange for shares of stock ranking junior to the Series A Redeemable Preferred Stock as to dividend rights or rights on our liquidation, winding-up or dissolution, or options, warrants or rights to purchase such shares, redeem, purchase or otherwise acquire (other than a redemption, purchase or other acquisition of common stock made for purposes of an employee incentive or benefit plan) for any consideration, or pay or make available any monies for a sinking fund for the redemption of, any common stock or any class or series of our stock ranking junior to or on parity with the Series A Redeemable Preferred Stock as to dividend rights or rights on our liquidation, winding-up or dissolution.

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To the extent necessary to preserve our status as a REIT, the foregoing sentence, however, will not prohibit declaring or paying or setting apart for payment any dividend or other distribution on the common stock.

*Redemption at the Option of a Holder*. Beginning two years from the date of original issuance of the shares of our Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 10% redemption fee, plus any accrued but unpaid dividends.

Beginning three years from the date of original issuance of the shares of our Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 5% redemption fee, plus any accrued but unpaid dividends.

Beginning four years from the date of original issuance of the shares of our Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 3% redemption fee, plus any accrued but unpaid dividends.

Beginning five years from the date of original issuance of the shares of our Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to 100% of the Stated Value, plus any accrued but unpaid dividends.

For example, if after two years from the date of issuance, but prior to three years from the date of issuance, a holder of Series A Redeemable Preferred Stock requires the company to redeem his or her shares, then, based on an assumed annual dividend rate of six percent (6%) and the 10% redemption fee and assuming that all dividends have been timely and fully paid in cash and assuming no other distributions have been made in respect of such shares, the holder would be entitled to receive an aggregate amount that, together with all such paid dividends, would equal to 102% of the aggregate Stated Value of the shares of Series A Redeemable Preferred Stock redeemed.

If a holder of Series A Redeemable Preferred Stock causes the company to redeem such shares of Series A Redeemable Preferred Stock, we have the right, in our sole discretion, to pay the redemption price in cash or in equal value of our common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption.

Our obligation to redeem any shares of our Series A Redeemable Preferred Stock is limited to the extent that we do not have sufficient funds available to fund any such redemption or we are restricted by applicable law from making such redemption.

*Optional Redemption Following Death of a Holder*. Subject to restrictions, beginning on the date of original issuance and ending two years thereafter, we will redeem shares of Series A Redeemable Preferred Stock held by a natural person upon his or her death at the written request of the holder s estate at a redemption price equal to the Stated Value, plus accrued and unpaid dividends thereon through and including the date of redemption; *provided,* however, that our obligation to redeem any of the shares of Series A Redeemable Preferred Stock is limited to the extent that we do not have sufficient funds available to fund any such redemption or we are restricted by applicable law from making such redemption.

*Optional Redemption by the Company*. We will have the right to redeem any or all shares of our Series A Redeemable Preferred Stock beginning on the tenth anniversary of the date of original issuance of the shares of Series

A Redeemable Preferred Stock to be redeemed. We will redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to 100% of the Stated Value per share of Series A Redeemable Preferred Stock, plus any accrued but unpaid dividends. We have the right, in our sole discretion, to pay the redemption price in cash or in equal value of our common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption, in exchange for the Series A Redeemable Preferred Stock.

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We may exercise our redemption right by delivering a written notice thereof to all, but not less than all, of the holders of Series A Redeemable Preferred Stock. A notice of redemption shall be irrevocable. Each such notice will state the date on which the redemption by us shall occur, which date will be 30 days following the notice date.

*Liquidation Preference*. Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, before any distribution or payment shall be made to holders of our common stock or any other class or series of capital stock ranking junior to our shares of Series A Redeemable Preferred Stock, the holders of shares of Series A Redeemable Preferred Stock will be entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, a liquidation preference equal to the Stated Value per share, plus an amount equal to any accrued and unpaid dividends (whether or not declared) to and including the date of payment.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of our shares of Series A Redeemable Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, the consolidation or merger of any other corporation, trust or entity with or into us, the sale or transfer of any or all our assets or business, or a statutory share exchange will not be deemed to constitute a liquidation, dissolution or winding-up of our affairs.

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our stock or otherwise, is permitted under the MGCL, amounts that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of holders of the Series A Redeemable Preferred Stock will not be added to our total liabilities.

*Voting Rights*. Our Series A Redeemable Preferred Stock has no voting rights.

*Exchange Listing*. We do not plan on making an application to list the shares of our Series A Redeemable Preferred Stock on NYSE MKT, any other national securities exchange or any other nationally recognized trading system. Our common stock is listed on NYSE MKT.

# Common Stock Warrants

The following is a brief summary of the Warrants and is subject to, and qualified in its entirety by, the terms set forth in the warrant agreement and global warrant certificate filed with the SEC and incorporated by reference as exhibits to the registration statement, of which this prospectus is a part.

*Warrant Agreement*. The Warrants to be issued in this offering will be governed by a warrant agreement, or the Warrant Agreement, between us and Computershare Trust Company, N.A., as agent for our company in respect of the Warrants. The Warrants shall be issued by book-entry only form to the DTC and evidenced by one or more global warrants. Those investors who own beneficial interests in a global warrant do so through participants in DTC s system, and the rights of these indirect owners will be governed solely by the applicable procedures of DTC and its participants. The Warrants may be exercised by notifying a broker who is a DTC participant prior to the expiration of such Warrants and providing payment of the exercise price for the shares of our common stock for which such warrants are being exercised. The foregoing description of the terms of the Warrant Agreement is subject to the detailed provisions of the Warrant Agreement.

*Exercisability*. Holders may exercise the Warrants at any time beginning one year from the date of issuance up to 5:00 p.m., New York time, on the date that is four years after the date of issuance. The Warrants are exercisable, at the option of each holder, in whole, but not in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of shares of our common stock purchased upon such exercise (except in the case of a cashless exercise in the circumstances discussed below). Each Warrant is exercisable for 20 shares of our common stock (subject to adjustment, as discussed below). A holder of Warrants does not have the right to exercise any portion of a Warrant if, after giving effect to the issuance of shares of our common stock upon such exercise, the holder would beneficially own in excess of 9.8% in value of the shares of our capital stock outstanding or in excess of 9.8% (in value or number of shares, whichever is more restrictive) of the shares of our common stock outstanding immediately after giving effect to the issuance of shares of our common stock upon exercise of the Warrant.

*Cashless Exercise*. If, at the time of exercise of any Warrant, a registration statement covering the issuance of the shares of common stock issuable upon exercise of the Warrant is not effective or the prospectus contained in the registration statement is not available for the issuance of the shares of common stock issuable upon exercise of the Warrant, the holder may only exercise its Warrant on a cashless basis. When exercised on a cashless basis, a portion of the Warrant is cancelled in payment of the purchase price payable in respect of the number of shares of our common stock purchasable upon such exercise. Any Warrant that is outstanding on the termination date of the Warrant shall be automatically terminated.

*Exercise Price*. The exercise price of the common stock purchasable upon exercise of the Warrants equals 120% of the current market price per share of our common stock on the date of issuance of such Warrant, subject to a minimum exercise price of $9.00 per share. The current market price will be determined using the weighted average price of the previous 20 days of trading volume. The exercise price and the number of shares of common stock issuable upon exercise of the Warrants is subject to appropriate adjustment in relation to certain events, such as recapitalizations, stock dividends, stock splits, stock combinations, reclassifications or similar events affecting our common stock, and also upon any distribution of assets, including cash, stock or other property to our stockholders.

*Transferability*. Subject to applicable law, the Warrants may be transferred at the option of the holder upon surrender of the Warrants with the appropriate instruments of transfer.

*Exchange Listing*. We do not plan on making an application to list the Warrants on NYSE MKT, any other national securities exchange or other nationally recognized trading system. Our common stock is listed on NYSE MKT.

*Rights as Stockholder*. Except as otherwise provided in the Warrants or by virtue of such holder s ownership of shares of our common stock, the holders of the Warrants will not have the rights or privileges of holders of our common stock, including any voting rights, until they exercise their Warrants.

*Fractional Shares*. No fractional shares of common stock will be issued upon the exercise of the Warrants. Rather, the company shall, at its election, either pay a cash adjustment in respect of such fraction in an amount equal to such fraction multiplied by the exercise price or round up the number of shares of common stock to be issued to the nearest whole number.

## Meetings and Special Voting Requirements

Subject to our charter restrictions on ownership and transfer of our stock and the terms of each class or series of stock, including with respect to the vote by the common stock for the election of directors, each holder of common stock is entitled at each meeting of stockholders to one vote per share owned by such stockholder on all matters submitted to a vote of stockholders. There is no cumulative voting in the election of our Board of Directors, which means that the holders of a majority of shares of our outstanding common stock can elect all the directors then standing for election and the holders of the remaining shares of common stock will not be able to elect any directors.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless declared advisable by the Board of Directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all the votes entitled to be cast on the matter. Our charter does not provide for a lesser percentage in these situations.

An annual meeting of our stockholders will be held each year. Special meetings of stockholders may be called upon the request of a majority of our directors, the chairman of the Board, the president or the chief executive officer and must be called by our secretary to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast at least a majority of the votes entitled to be cast on such matter at the meeting (subject to the stockholders compliance with certain procedures set forth in our by-laws). The presence of stockholders entitled to cast at least a majority of all the votes entitled to be cast at such meeting on any matter, either in person or by proxy, will constitute a quorum.

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One or more persons who together are and for at least six months have been stockholders of record of at least five percent of the outstanding shares of any class of our stock are entitled to receive a copy of our stockholder list upon request in accordance with Maryland law. The list provided by us will include each stockholder s name and address and the number of shares owned by each stockholder and will be made available within 20 days of the receipt by us of the request. Stockholders and their representatives shall also be given access to our by-laws, the minutes of stockholder proceedings, our annual statements of affairs and any voting trust agreements on file at our principal office during usual business hours. We have the right to request that a requesting stockholder represent to us that the list and records will not be used to pursue commercial interests.

## Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, we must meet the following criteria regarding our stockholders ownership of our shares:

we cannot be closely held under Section 856(h) of the Code; that is, five or fewer individuals (as specially defined in the Code to include specified private foundations, employee benefit plans and trusts and charitable trusts and subject to certain constructive ownership rules) may not own, directly or indirectly, more than 50% in value of our outstanding shares during the last half of a taxable year, other than our first REIT taxable year; and
100 or more persons must beneficially own our shares during at least 335 days of a taxable year of twelve months or during a proportionate part of a shorter taxable year, other than our first REIT taxable year.

See the section entitled Material U.S. Federal Income Tax Considerations included elsewhere in this prospectus for further discussion of this topic. We may prohibit certain acquisitions and transfers of shares so as to ensure our initial and continued qualification as a REIT under the Code. However, there can be no assurance that this prohibition will be effective. Because we believe it is essential for us to qualify as a REIT, and, once qualified, to continue to qualify, among other purposes, our charter provides (subject to certain exceptions) that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of any class or series of shares of our stock.

Our Board of Directors, in its sole discretion, may waive this ownership limit (prospectively or retroactively) if evidence satisfactory to our directors, including certain representations and undertakings required by our charter, is presented that such ownership will not then or in the future jeopardize our status as a REIT. Also, these restrictions on transferability and ownership will not apply if our directors determine that it is no longer in our best interests to continue to qualify as a REIT or that compliance with such restrictions is no longer required in order for us to qualify as a REIT.

In addition to prohibiting the transfer or ownership of our stock that would result in any person owning, directly or indirectly, shares of our stock in excess of the foregoing ownership limitations, our charter prohibits the transfer or ownership of our stock if such transfer or ownership would:

with respect to transfers only, result in our stock being beneficially owned by fewer than 100 persons, determined without reference to any rules of attribution;
result in our being closely held within the meaning of Section 856(h) of the Code (regardless of whether the ownership interest is held during the last half of a taxable year);
result in our owning, directly or indirectly, more than 9.8% of the ownership interests in any tenant or subtenant; or
otherwise result in our disqualification as a REIT.

If any attempted transfer of our stock, if effective, would result in a violation of these limitations, then the number of shares causing the violation (rounded up to the nearest whole share) will be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries (or, in the case of a transfer that would result in our stock being beneficially owned by fewer than 100 persons, be void), and the

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proposed transferee will not acquire any rights in the shares. To avoid confusion, these shares so transferred to a beneficial trust will be referred to in this prospectus as Excess Securities. Excess Securities will remain issued and outstanding shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The trustee of the beneficial trust, as holder of the Excess Securities, will be entitled to receive all distributions authorized by the Board of Directors on such securities for the benefit of the charitable beneficiary. Our charter further entitles the trustee of the beneficial trust to vote all Excess Securities. If a transfer to the trust would be ineffective for any reason to prevent a violation of any of the foregoing restrictions, the transfer resulting in such violation will be void from the time of such purported transfer.

The trustee of the beneficial trust will select a transferee to whom the Excess Securities may be sold as long as such sale does not violate the 9.8% ownership limit or the other restrictions on ownership and transfer. Upon sale of the Excess Securities, the intended transferee (the transferee of the Excess Securities whose ownership would have violated the 9.8% ownership limit or the other restrictions on ownership and transfer) will receive from the trustee of the beneficial trust the lesser of such sale proceeds, or the price per share the intended transferee paid for the Excess Securities (or, in the case of a gift or devise to the intended transferee, the price per share equal to the market value per share on the date of the transfer to the intended transferee). The trustee may reduce the amount payable to the intended transferee by the amount of dividends and other distributions which have been paid to the intended transferee and are owed by the intended transferee to the trustee. The trustee of the beneficial trust will distribute to the charitable beneficiary any amount the trustee receives in excess of the amount to be paid to the intended transferee.

In addition, we have the right to purchase any Excess Securities at the lesser of (i) the price per share paid in the transfer that created the Excess Securities (or, in the case of a devise or gift, the market price at the time of such devise or gift), and (ii) the market price on the date we, or our designee, exercise such right. We may reduce the amount payable to the intended transferee by the amount of dividends and other distributions which have been paid to the intended transferee and are owed by the intended transferee to the trustee. We will have the right to purchase the Excess Securities until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the intended transferee.

Any person who (i) acquires or attempts or intends to acquire shares in violation of the foregoing ownership limitations, or (ii) would have owned shares that resulted in a transfer to a charitable trust, is required to give us immediate written notice or, in the case of a proposed or intended transaction, 15 days written notice. In both cases, such persons must provide to us such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT. The foregoing restrictions will continue to apply until our Board of Directors determines it is no longer in our best interest to continue to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to qualify as a REIT.

The 9.8% ownership limit does not apply to the underwriters in a public offering of shares. Any person who owns more than 5% of the outstanding shares during any taxable year will be asked to deliver a statement or affidavit setting forth the name and address of such owner, the number of shares beneficially owned, directly or indirectly, and a description of the manner in which such shares are held. Each such person also must provide us with such additional information as we may request in order to determine the effect of such ownership on our status as a REIT and to ensure compliance with the 9.8% ownership limit.

For a description of the provisions of our charter and by-laws that would have the effect of delaying, deferring or preventing a change in control of the company, see the section entitled Summary of our Organizational Documents elsewhere in this prospectus.

# Distribution Policy and Distributions

Holders of Series A Redeemable Preferred Stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20th day of the month following the month for which the dividend was declared (or the next business day if the 20th day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time. See the section entitled Distribution Policy included elsewhere in this prospectus.

Because all our operations will be performed indirectly through our operating partnership, our ability to pay distributions depends on our operating partnership s ability to pay distributions to its partners, including to us. If we do not have enough cash from operations to fund the distribution, we may borrow, issue additional securities or sell assets in order to fund the distributions or make the distributions out of net proceeds from this offering.

Distributions will be paid to our stockholders when and if authorized by our Board of Directors and declared by us out of legally available funds as of the record dates selected by our Board of Directors. We expect to declare and pay distributions to our common stockholders quarterly unless our results of operations, our general financial condition, general economic conditions or other factors make it imprudent to do so. Distributions will be authorized at the discretion of our Board of Directors, which will be influenced in part by its intention to comply with the REIT requirements of the Code. We intend to make distributions sufficient to meet the annual distribution requirement and to avoid U.S. federal income and excise taxes on our earnings; however, it may not always be possible to do so. The funds we receive from operations that are available for distribution may be affected by a number of factors, including the following:

- the amount of time required for us to invest the funds received in this offering;
- our operating and interest expenses;
- the ability of tenants to meet their obligations under the leases associated with our properties;
- the amount of distributions or dividends received by us from our indirect real estate investments;
- our ability to keep our properties occupied;
- our ability to maintain or increase rental rates when renewing or replacing current leases;
- capital expenditures and reserves for such expenditures;
- the issuance of additional shares; and
- financings and refinancings.

We must distribute to our stockholders at least 90% of our taxable income each year in order to meet the requirements for being treated as a REIT under the Code. This requirement is described in greater detail in the section entitled Material U.S. Federal Income Tax Considerations REIT Qualification Tests Annual Distribution Requirements included elsewhere in this prospectus. Our directors may authorize distributions in excess of this percentage as they deem appropriate. Because we may receive income from interest or rents at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period, but may be made in anticipation of cash flow that we expect to receive during a later period and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. To allow for such differences in timing between the receipt of income and the payment of expenses, and the effect of required debt payments, among other things, could require us to borrow funds from third parties on a short-term basis, issue new securities, or sell assets to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT. These methods of obtaining funding could affect future distributions by increasing operating costs and decreasing available cash. In addition, such distributions may constitute a return of capital. See the section entitled Material U.S. Federal Income

Tax Considerations REIT Qualification Tests included elsewhere in this prospectus.

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## Stockholder Liability

The MGCL provides that our stockholders:

- are not liable personally or individually in any manner whatsoever for any debt, act, omission or obligation incurred by us or our Board of Directors; and
- are under no obligation to us or our creditors with respect to their shares other than the obligation to pay to us the full amount of the consideration for which their shares were issued.

## Business Combinations

Under Maryland law, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation s outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the Board of Directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our Board of Directors has adopted a resolution exempting any business combination with our manager or any affiliate of our manager. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and our manager or any affiliate of our manager. As a result, our manager or any affiliate of our manager may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the super-majority vote requirements and the other provisions of the statute.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

# Control Share Acquisitions

With some exceptions, Maryland law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of stockholders holding two-thirds of the votes entitled to be cast on the matter, excluding control shares :

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- owned by the acquiring person;
- owned by our officers; and
- owned by our employees who are also directors.

Control shares mean voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer in respect of which the acquirer can exercise or direct the exercise of voting power, would entitle the acquiring person to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more, but less than one-third of all voting power;
- one-third or more, but less than a majority of all voting power; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition occurs when, subject to some exceptions, a person directly or indirectly acquires ownership or the power to direct the exercise of voting power (except solely by virtue of a revocable proxy) of issued and outstanding control shares. A person who has made or proposes to make a control share acquisition, upon satisfaction of some specific conditions, including an undertaking to pay expenses, may compel our Board of Directors to call a special meeting of our stockholders to be held within 50 days of a request to consider the voting rights of the control shares. If no request for a meeting is made, we may present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement on or before the 10th day after the control share acquisition as required by the statute, then, subject to some conditions and limitations, we may redeem any or all the control shares (except those for which voting rights have been previously approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition. The control share acquisition statute does not apply to shares acquired in a merger, consolidation, or share exchange if we are a party to the transaction or to acquisitions approved or exempted by our charter or by-laws.

As permitted by the MGCL, our by-laws contain a provision exempting from the control share acquisition statute any and all acquisitions of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

# Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or by-laws or a resolution of its Board of Directors and notwithstanding any contrary provision in the charter or by-laws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by affirmative vote of a majority of the remaining directors in office and for the remainder of the full term of the class of directors in which the vacancy occurred; and

a majority requirement for the calling of a special meeting of stockholders.

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Our charter and by-laws provide that vacancies on our Board of Directors may be filled by the remaining directors. Any such director elected to fill a vacancy will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. Our charter also vests in the Board of Directors the exclusive power to fix the number of directorships.

In addition, our charter provides that any director may be removed from office, with or without cause, by the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all outstanding common stock of the company.

## Transfer Agent and Registrar

The transfer agent and registrar for our shares of Series A Redeemable Preferred Stock and the Warrants is Computershare Trust Company, N.A. Computershare Trust Company, N.A. also acts as the transfer agent and registrar for our common stock and the Primary Series A Warrants.

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# SHARES OF COMMON STOCK ELIGIBLE FOR FUTURE SALE

Prior to our IPO in April 2011, there was no established trading market for our common stock. No assurance can be given as to (1) the likelihood that an active market for our shares of common stock will develop, (2) the liquidity of any such market, (3) the ability of the stockholders to sell the shares, or (4) the prices that stockholders may obtain for any of the shares. No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for future sale will have on the market price prevailing from time to time. Sales of substantial amounts of shares of common stock, or the perception that such sales could occur, may affect adversely prevailing market prices of the shares of common stock. See the section entitled Risk Factors included elsewhere in this prospectus.

Any shares of common stock issuable upon exercise of the Warrants or upon redemption of the Series A Redeemable Preferred Stock will be freely tradable without restriction or further registration under the Securities Act, except for any such shares of common stock held by our affiliates, as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below. The shares of our common stock issued in our IPO are freely tradable without restriction or further registration under the Securities Act, except for any such shares of common stock held by our affiliates, as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below. The remaining outstanding shares of our common stock are restricted securities, as defined in Rule 144. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 of the Securities Act. As of August 13, 2012, 5,179,093 shares of common stock are available in the public market; 139,777 of such shares are subject to Rule 144. If the IPO Warrant is exercised, there would be an additional 150,000 shares of common stock available in the public market.

For a description of certain restrictions on transfers of our shares of common stock held by our stockholders, see the section entitled Description of Securities Restrictions on Ownership and Transfer included elsewhere in this prospectus.

## Rule 144

In general, under Rule 144 as currently in effect, our affiliates who own shares for at least six months or own shares purchased in the open market, are entitled to sell these shares as follows. Within any three-month period, each person may sell a number of shares that does not exceed the greater of 1% of our then-outstanding shares of common stock, which is approximately 51,791 shares on the date of this prospectus, or the average weekly trading volume of our common stock on the NYSE MKT during the four calendar weeks preceding the filing of a notice of the sale on Form 144. Sales under Rule 144 by affiliates also will be subject to manner of sale provisions, notice requirements and the availability of current public information about us.

A person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who owns shares within the definition of restricted securities under Rule 144 that were purchased from us, or any affiliate, at least six months previously, also would be entitled to sell shares under Rule 144. Such sales would be permitted without regard to the volume limitations, manner of sale provisions or notice requirements described above and, after one year, without any limits, including the public information requirement.

We are unable to estimate the number of shares that will be sold under Rule 144 since this will depend on the market price for our common stock, the personal circumstances of stockholders and other factors.

# Registration Rights Agreement

In connection with the closing of our private placement offering on April 5, 2011, we entered into a registration rights agreement with WOF that requires us to register under the Securities Act the shares of common stock held by it and its transferees under certain circumstances and subject to certain restrictions. Such securities registered under any registration statement are available for sale in the open market unless restrictions apply. See the section entitled Certain Relationships and Related Transactions Agreements With Institutional and Other Investors included elsewhere in this prospectus.

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# Grants under 2011 Stock Incentive Plan

On May 4, 2012, we filed with the SEC a Registration Statement on Form S-8 covering the shares of our common stock issuable under our 2011 Stock Incentive Plan. Shares of our common stock covered by such registration statement, including any shares of our common stock issuable upon the exercise of options or shares of restricted common stock, are eligible for transfer or resale without restriction under the Securities Act unless held by our affiliates. The maximum number of shares of stock authorized and reserved for issuance under the 2011 Stock Incentive Plan is 533,214. As of August 3, 2012, we had granted 33,046 shares of our restricted common stock under the 2011 Stock Incentive Plan.

# Warrant Shares

The company may issue shares of common stock upon exercise of Primary Series A Warrants or Warrants. As of August 16, 2012, the number of shares of common stock issuable upon exercise of the outstanding Primary Series A Warrants was 216,540. There are no Warrants outstanding in connection with this offering.

We are offering Warrants to purchase a maximum of up to 17,000,000 shares of our common stock in this offering, and Primary Series A Warrants to purchase a maximum of up to 3,000,000 shares of our common stock in the Primary Series A Offering. If the maximum amount of Warrants are sold in this offering and the maximum amount of Primary Series A Warrants are sold in the Primary Series A Offering, then the company may issue up to a maximum of 20,000,000 shares of common stock in connection with the exercise of such warrants.

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# SUMMARY OF OUR ORGANIZATIONAL DOCUMENTS

Each stockholder is bound by and deemed to have agreed to the terms of our organizational documents by virtue of the election to become a stockholder. Our organizational documents consist of our charter and by-laws. The following is a summary of material provisions of our organizational documents and does not contain all the information about our charter and by-laws that you should consider before investing in our securities. Our organizational documents are incorporated by reference as exhibits to our registration statement, of which this prospectus is part. See the section entitled Where You Can Find Additional Information included elsewhere in this prospectus.

Our charter was filed with and accepted for record by the State Department of Assessments and Taxation of Maryland on September 18, 2009, amended and restated on January 5, 2010, corrected pursuant to a certificate of correction on January 20, 2010, amended and restated on November 12, 2010, amended on February 22, 2011 and amended and restated on February 24, 2011. On October 31, 2011, our Articles Supplementary were filed with and accepted for record by the State Department of Assessments and Taxation of Maryland. On , 2012, our Articles Supplementary classifying additional shares of the Series A Redeemable Preferred Stock were filed with and accepted for record by the State Department of Assessments and Taxation of Maryland. Our third amended and restated by-laws, in their present form, became operative as of February 24, 2011. Neither our charter nor by-laws have an expiration date, and therefore, both documents remain effective in their current form throughout our existence, unless they are amended.

## Charter and By-law Provisions

The rights of stockholders and related matters are governed by our organizational documents and Maryland law. Certain provisions of these documents or of Maryland law, summarized below, may make it difficult to change the composition of our Board of Directors and could have the effect of delaying, deferring, or preventing a change in control of our company, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for holders of our common stock. See generally the section entitled Risk Factors included elsewhere in this prospectus.

## Stockholders Meetings and Voting Rights

We will hold an annual meeting of stockholders each year. The purpose of each annual meeting will be to elect directors and to transact any other business. The chairman, the chief executive officer, the president or a majority of the directors also may call a special meeting of the stockholders. The secretary must call a special meeting to act on any matter that may properly be considered at a meeting of stockholders when stockholders entitled to cast not less than a majority of all votes entitled to be cast on such matter at the meeting make a written request (subject to the stockholders compliance with certain procedures set forth in our by-laws).

We will give notice of any annual or special meeting of stockholders not less than ten nor more than ninety days before the meeting. The notice must state the purpose of the special meeting. At any meeting of the stockholders, each stockholder, other than the holders of our Series A Redeemable Preferred Stock, is entitled to one vote for each share owned of record on the applicable record date. In general, the presence in person or by proxy of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting on any matter will constitute a quorum. Directors are elected by a plurality of the votes cast and a majority of votes cast will be sufficient to approve any other matter that may properly come before the meeting, unless more than a majority of the votes cast is required by law or our charter.

Holders of Series A Redeemable Preferred Stock have no voting rights.

## Board of Directors

Under our organizational documents, we must have at least two but not more than ten directors. A director may resign at any time. A director may be removed from office with or without cause by the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all outstanding common stock of the company. A vacancy on our Board of Directors caused by the death, removal or resignation of a director or by an increase in the number of directors, within the limits described above, may be filled by the vote of a majority of the remaining directors whether or not the voting directors constitute a quorum.

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These provisions preclude stockholders from (1) removing incumbent directors except upon a substantial affirmative vote, and (2) filling the vacancies created by such removal with their own nominees.

Maryland law provides that any action required or permitted to be taken at a meeting of the board also may be taken without a meeting by the unanimous written or electronic consent of all directors.

The approval by our Board of Directors and by holders of at least two-thirds of our outstanding voting shares of stock is generally necessary for us to do any of the following:

- amend our charter;
- transfer all or substantially all our assets other than in the ordinary course of business;
- engage in mergers, consolidations or share exchanges; or
- liquidate and dissolve.

# Inspection of Books and Records; Stockholder Lists

Any stockholder or his or her designated representative will be permitted, during usual business hours, to inspect and obtain copies of our by-laws, the minutes of stockholder proceedings, our annual statements of affairs and any voting trust agreements on file at our principal office. One or more persons who together are and for at least six months have been stockholders of record of at least five percent of the outstanding shares of any class of our stock may also request a copy of our stockholder list, although the request cannot be made to secure a copy of our stockholder list or other information for the purpose of selling the list or using the list or other information for a commercial purpose.

# Amendment of the Organizational Documents

Except for those amendments permitted to be made without stockholder approval, our charter may be amended only if the amendment is declared advisable by our Board of Directors and approved by the stockholders entitled to cast at least two-thirds of all the votes entitled to be cast on the matter. Our by-laws may be amended in any manner not inconsistent with the charter by a majority vote of our directors present at a Board meeting at which a quorum is present.

# Dissolution or Termination of the Company

As a Maryland corporation, we may be dissolved at any time after a determination by a majority of the entire Board of Directors that dissolution is advisable and the approval of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter.

# Advance Notice of Director Nominations and New Business

Proposals to elect directors or conduct other business at an annual or special meeting must be brought in accordance with our by-laws. The by-laws provide that any business may be transacted at the annual meeting without being specifically designated in the notice of meeting. However, with respect to special meetings of stockholders, only the business specified in the notice of the special meeting may be brought at that meeting.

Our by-laws also provide that nominations of individuals for election to the Board of Directors may be made at an annual meeting (1) pursuant to the company s notice of meeting, (2) by or at the direction of our Board of Directors, or (3) by any stockholder who is a stockholder of record both at the time of giving of notice pursuant to the by-laws and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice procedures set forth in our by-laws. Our by-laws further provide that the proposal of other business to be considered by stockholders may be made at an annual meeting (x) pursuant to the notice of meeting, (y) by or at the direction of our Board of Directors, or (z) by any stockholder of record both at the time of giving notice pursuant to the by-laws and at the time of the annual meeting, who is entitled to vote at the meeting on any such other business and who has complied with the advance notice provisions set forth in our by-laws.

A notice of a director nomination or stockholder proposal to be considered at an annual meeting must be delivered to our secretary at our principal executive offices:

not later than 5:00 p.m., Eastern Time, on the $120^{th}$ day nor earlier than 150 days prior to the first anniversary of the date of release of the proxy statement for the previous year s annual meeting; or

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if the date of the meeting is advanced or delayed by more than 30 days from the anniversary date or if an annual meeting has not yet been held, not earlier than 150 days prior to the annual meeting or not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

Nominations of individuals for election to the Board of Directors may be made at a special meeting, (A) by or at the direction of our Board of Directors, (B) by a stockholder that has requested that a special meeting be called for the purpose of electing directors in compliance with the procedures set forth in our by-laws and that has supplied the information required by our by-laws about each individual whom such stockholder proposes to nominate for election as a director, or (C) provided that the special meeting has been called for the purpose of electing directors, by any stockholder who is a stockholder of record both at the time of giving of notice and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who complies with the notice procedures set forth in our by-laws.

A notice of a director nomination to be considered at a special meeting must be delivered to our secretary at our principal executive offices:

- not earlier than 120 days prior to the special meeting; and
- not later than 5:00 p.m., Eastern Time, on the later of either:
  - ninety days prior to the special meeting; or
  - ten days following the day of our first public announcement of the date of the special meeting and the nominees proposed by our Board of Directors to be elected at the meeting.

## Indemnification and Limitation of Directors and Officers Liability

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made or threatened to be made a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith, or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

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In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation s receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director s or officer s behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served another corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner, trustee, member or manager of such corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter also permits us to indemnify and advance expenses to any person who served a predecessor of our company in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

We have entered into an indemnification agreement with each of our officers and directors. Each indemnification agreement provides, among other things, that we will indemnify, to the maximum extent permitted by law, the covered officer or director against any and all judgments, penalties, fines and amounts paid in settlement, and all reasonable and out-of-pocket expenses (including attorneys fees), actually and reasonably incurred in connection with any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or other proceeding that arises out of the officer s or director s status as a present or former officer, director, employee or agent of the company. Each indemnification agreement also requires us, upon request of the covered officer or director, to advance the expenses related to such an action provided that the officer or director undertakes to repay any amounts to which he is subsequently determined not to be entitled.

The indemnification agreement is not exclusive of any other rights to indemnification or advancement of expenses to which the covered officer or director may be entitled, including any rights arising under our charter or by-laws or applicable law.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

# REIT Qualification

Our charter provides that our Board of Directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

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# SUMMARY OF OUR OPERATING PARTNERSHIP AGREEMENT

The following is a summary of the agreement of limited partnership that we have entered into in connection with our operating partnership, Preferred Apartment Communities Operating Partnership, L.P. This summary and the descriptions of the operating partnership agreement provisions elsewhere in this prospectus are qualified by the form of agreement, which is incorporated by reference as an exhibit to our registration statement, of which this prospectus is a part. See the section entitled Where You Can Find Additional Information included elsewhere in this prospectus.

Conducting our operations through our operating partnership allows the sellers of properties to contribute their property interests to our operating partnership in exchange for Class A Units rather than for cash or our common stock. This enables the seller to defer some of or all the potential taxable gain on the transfer. From the seller s perspective, there are also differences between the ownership of common stock and partnership units, some of which may be material because they impact the business organization form, distribution rights, voting rights, transferability of equity interests received and U.S. federal income taxation.

## Description of Partnership Units

Partnership interests in our operating partnership, other than the special limited partnership interest, are divided into units. Our operating partnership has four classes of units: (a) GP Units; (b) Class A Units; (c) Class B Units; and (d) Series A Redeemable Preferred Units.

### GP Units

GP Units represent an interest as a general partner in our operating partnership and we, as general partner, hold all such units. In return for the initial capital contribution of $109,998 we made, our operating partnership issued to us 10,999.80 general partnership units that were subsequently redesignated as 10,999.80 GP Units and 36,666 limited partnership units that were subsequently redesignated as 36,666 Class A Units.

In our capacity as general partner, we manage our operating partnership and are liable for certain unpaid debts and liabilities of our operating partnership.

### Limited Partnership Units Generally

Limited partnership units represent an interest as a limited partner in our operating partnership. Our operating partnership may issue additional partnership units and classes of partnership units with rights different from, and superior to, those of limited partnership units of any class, without the consent of the limited partners. Holders of limited partnership units do not have any preemptive rights with respect to the issuance of additional units.

Limited partners of any class do not have the right to participate in the management of our operating partnership. Limited partners of any class who do not participate in the management of our operating partnership, by virtue of their status as limited partners, generally are not liable for the debts and liabilities of our operating partnership beyond the amount of their capital contributions. We, however, as the general partner of our operating partnership, are liable for certain unpaid debts and liabilities of our operating partnership. The voting rights of the limited partners of any class are generally limited to approval of specific types of amendments to the operating partnership agreement (some of which exclude partnership units owned or controlled by the general partner or any person who owns more than 66 2/3 of the outstanding voting interests in the general partner). With respect to such amendments, each Class A Unit has one vote. See the section entitled Management of our Operating Partnership below for a detailed discussion of this subject.

Distributions on the Series A Redeemable Preferred Units, each Class A Unit and each Class B Unit (and GP Unit) are as set forth in the operating partnership agreement. See the section entitled Distributions below for a detailed discussion on this subject. In addition, a portion of the items of income, gain, loss and deduction of our operating partnership for U.S. federal income tax purposes may be allocated to a limited partnership unit, regardless of whether any distributions are made by our operating partnership. See the section entitled Material U.S. Federal Income Tax Considerations Tax Aspects of Investments in Partnerships included elsewhere in this prospectus for a description of the manner in which income, gain, loss and deductions are allocated under the operating partnership agreement. As general partner, we may amend the

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allocation and distribution sections of the operating partnership agreement to reflect the issuance of additional units and classes of units without the consent of the limited partners.

Under certain circumstances, holders of limited partnership units of any class may be restricted from transferring their interests without the consent of the general partner. See the section entitled Transferability of Interests below for a discussion of certain restrictions imposed by the operating partnership agreement on such transfers.

## Class A Units

For each Class A Unit received, investors generally will be required to contribute money or property, with a net equity value determined by the general partner. Holders of Class A Units will not be obligated to make additional capital contributions to our operating partnership. Further, such holders will not have the right to make additional capital contributions to our operating partnership or to purchase additional Class A Units without our consent as general partner. For further information on capital contributions, see the section entitled Capital Contributions below.

After owning a Class A Unit for one year, Class A Unit holders generally may, subject to certain restrictions, exchange Class A Units for the cash value of a corresponding number of shares of our common stock or, at our option, a corresponding number of shares of our common stock. See the section entitled Limited Partner Exchange Rights below for a description of these rights and the amount and types of consideration a limited partner is entitled to receive upon exercise of such rights. These exchange rights are accelerated in the case of some extraordinary transactions. See the section entitled Extraordinary Transactions below for an explanation of the exchange rights under such circumstances.

In connection with our IPO (including the exercise of an over-allotment option by the underwriters) and concurrent private placement, we made a capital contribution to our operating partnership of $51,073,610 and our operating partnership issued to us 5,107,361 limited partnership units that were subsequently redesignated as 5,107,361 Class A Units. In addition, our operating partnership has issued us an additional 31,298 limited partnership units that were subsequently redesignated as 31,298 Class A Units, in connection with our issuance of 26,000 shares of restricted common stock and 5,298 shares of fully vested common stock to the independent members of our Board of Directors in lieu of cash compensation. The 26,000 shares of restricted common stock were granted as annual compensation for service on our Board of Directors and related committees and the 5,298 vested shares of common stock were granted for services rendered in connection with attending committee meetings of our Board of Directors. Further, our operating partnership has issued us an additional 36,814 Class A Units, in connection with our issuance of 33,046 restricted shares of common stock and 3,768 fully vested shares of common stock to the independent members of our Board of Directors in lieu of cash compensation. The 33,046 restricted shares of common stock were granted as annual compensation for service on our Board of Directors and related committees and the 3,768 vested shares of common stock were granted for services rendered in connection with attending committee meetings of our Board of Directors.

## Series A Redeemable Preferred Units

Our operating partnership has issued and will continue to issue Series A Redeemable Preferred Units to correspond with our issuance of shares of Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Units represent a class of limited partnership units of our operating partnership that are subject to the additional terms contained in the operating partnership agreement and summarized here. Subject to our future issuance of certain senior securities, the Series A Redeemable Preferred Units rank senior to all other limited partnership units with respect to distribution rights and rights upon our liquidation, winding-up or dissolution.

Beginning two years after their initial issuance, a holder of Series A Redeemable Preferred Units will have the right to redeem such units at a discount plus any accrued but unpaid distributions subject to terms similar to the terms of the Series A Redeemable Preferred Stock. In addition, our operating partnership will have the right to redeem any or all Series A Redeemable Preferred Units beginning on the tenth anniversary of the date of their original issuance. Upon redemption of Series A Redeemable Preferred Units, our operating partnership has the right, in its sole discretion, to deliver cash or equal value of Class A Units.

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## Class B Units

Our operating partnership has granted and issued and intends to continue to grant and issue Class B Units, representing Class B limited partnership interests in our operating partnership, as equity incentive awards to our directors, officers and employees (if we ever have employees), directors, officers and employees of our manager and its affiliates, employees of entities that provide services to us, directors of our manager or of entities that provide services to us, certain of our consultants and certain consultants to our manager and its affiliates or to entities of such consultants that provide services to us. The Class B Units may be subject to forfeiture or other restrictions upon terms included with any such grant.

In general, the Class B Units are intended to be treated as profits interests in our operating partnership for U.S. federal income tax purposes. In general, the Class B Units will receive allocations of net income and net loss consistent with their distribution priorities, however, periodically and upon the occurrence of certain specified events, our operating partnership will revalue its market capitalization and any increase in market capitalization will be allocated first to such Class B Units until the capital account attributable to each such Class B Unit is effectively equal to our capital account attributable to each of the Class A Units we hold in our operating partnership.

At the time the capital account attributable to each such Class B Unit is effectively equal to our capital account attributable to each of the Class A Units we hold, such Class B Unit shall automatically convert into a Class A Unit and such holder shall be entitled to all rights and preferences and subject to all obligations of any other holder of Class A Units. If the Class B Units are subject to forfeiture, upon a forfeiture of Class B Units, there is a risk that we will recognize taxable income up to the amount of the capital account of such holder of such Class B Units allocable to such Class B Units.

The Class B Units may be entitled to distributions, even though the Class B Units are subject to forfeiture.

# Management of our Operating Partnership

Our operating partnership is organized as a Delaware limited partnership pursuant to the terms of the operating partnership agreement. We are the general partner of our operating partnership and expect to conduct substantially all our business through it. Pursuant to the operating partnership agreement, we, as the general partner, have full, exclusive and complete responsibility and discretion in the management and control of the partnership, including the ability to enter into major transactions, such as acquisitions, dispositions and refinancings, and to cause changes in our operating partnership s business and distribution policies. Further, we may, without the consent of the limited partners:

file a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of the partnership s debts under Title 11 of the United States Bankruptcy Code, or any other federal or state insolvency law, or corresponding provisions of future laws, or file an answer consenting to or acquiescing in any such petition; or cause our operating partnership to make an assignment for the benefit of its creditors or admit in writing its inability to pay its debts as they mature.

The limited partners, in their capacities as such, will have no authority to transact business for, or participate in the management or decisions of, our operating partnership, except as provided in the operating partnership agreement and as required by applicable law. Further, the limited partners have no right to remove us as the general partner.

As general partner, we also may amend the operating partnership agreement without the consent of the limited partners. However, the following amendments will require the consent of the adversely affected limited partners holding more than 66 2/3% of outstanding partnership, units held by limited partners who are adversely affected:

any amendment that alters or changes the distribution or liquidation rights of limited partners, subject to the exceptions discussed below under the Distributions portion of this section;

any amendment that alters or changes the limited partner s exchange rights;

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any amendment that imposes on limited partners any obligation to make additional capital contributions; or
any amendment that alters the terms of the operating partnership agreement regarding the rights of the limited partners with respect to extraordinary transactions.

# Indemnification

To the extent permitted by law, the operating partnership agreement provides for indemnification of our company when acting in good faith and in the best interests of our operating partnership in our capacity as general partner. It also provides for indemnification of directors, officers and other persons that we may designate under the same conditions, and subject to the same restrictions, applicable to the indemnification of officers, directors, employees and stockholders under our charter. See the section entitled Our Management Limitation of Liability and Indemnification included elsewhere in this prospectus.

# Transferability of Interests

Under the operating partnership agreement, we cannot withdraw from the partnership or transfer or assign all or any of our general partnership interest without the consent of holders of two-thirds of the limited partnership units, except in connection with the sale of all or substantially all our assets meeting the conditions set forth in the operating partnership agreement. Under certain circumstances and satisfaction of certain conditions set forth in the operating partnership agreement, holders of limited partnership units are able to withdraw from the partnership and transfer and/or encumber all or any part of their units. However, although a limited partner may be able to affect a transfer of partnership interests without the consent of the general partner, the transferee remains an economic interest owner only as an assignee until the general partner admits the assignee as a substitute limited partner, in its sole and absolute discretion.

In addition, limited partnership units will not be registered under the federal or state securities laws. As a result, the ability of a holder to transfer its units may be restricted under such laws.

# Extraordinary Transactions

The operating partnership agreement generally permits us and/or our operating partnership to engage in any authorized business combination without the consent of the limited partners. Generally, a business combination for these purposes is any merger, consolidation or other combination with or into another entity, or the sale of all or substantially all the assets of any entity. We are required to send each limited partner notice of a proposed business combination at least 15 days prior to the record date for the stockholder vote on the combination, if any.

Generally, a limited partner is not able to exercise its exchange rights until it has held the units for at least one year. See the section entitled Limited Partner Exchange Rights below for a description of these exchange rights. However, in the case of a proposed combination, each limited partner has the right to exercise its exchange right prior to the stockholder vote on the transaction, even if it has held its units for less than one year. Any limited partners who timely exchange their units prior to the record date for the stockholder vote on a business combination will be entitled to vote their shares in any stockholder vote on the business combination. Limited partners who exchange their units after the record date will not be able to vote their shares in any stockholder vote on the proposed business combination. The right of a limited partner to exercise its right to exchange without regard to whether they have held the units for more than a year terminates upon the earlier of (i) the disapproval of the business combination by our Board of Directors, (ii) the disapproval of the business combination by stockholders, (iii) the abandonment of the business combination by any of the parties to it, or (iv) the business combination s effective date.

We cannot consummate a business combination (other than one in which we are the surviving entity) unless all limited partners receive, or have the right to elect to receive, for each limited partnership unit they own, an amount of cash, securities or other property equal to the amount of cash, securities or other property or value paid in the combination to a holder of a share of common stock. If, in connection with a business combination, a tender or similar offer has been accepted by holders of more than 50% of the outstanding common stock, then each limited partner will have the option to exchange its limited partnership units for the amount of cash, securities or other property which the limited partner would have received had it exercised its

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exchange rights under the operating partnership agreement, and tendered the shares of common stock received upon exercise of the exchange rights immediately prior to the expiration of the offer.

However, we may merge into or consolidate with another entity without adhering to these limitations if, immediately after the merger or consolidation, substantially all the assets of the surviving entity, other than the partnership units held by us, are contributed to our operating partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets contributed as determined by the surviving entity general partner in good faith and the surviving entity general partner expressly agrees to assume all our obligations as general partner under the operating partnership agreement.

## Issuance of Additional Units

As general partner of our operating partnership, we will be able to cause, without the consent of the limited partners, our operating partnership to issue additional units representing general and/or limited partnership interests. A new issuance may include preferred units, which may have rights which are different than, and/or superior to, those of GP Units, Series A Redeemable Preferred Units, Class A Units and Class B Units. Furthermore, the operating partnership agreement requires the issuance of additional units to us corresponding with any issuance of stock by us or as a result of our distributing stock in order to meet our annual distribution requirement to maintain our status as a REIT.

In connection with the exercise of the Warrants and the corresponding issuance of common stock, we will contribute the cash we receive from the issuance of such common stock to our operating partnership in exchange for an equivalent number of Class A Units at a per unit price equal to the per share price paid for each share of common stock, subject to adjustment due to stock splits, reverse stock splits, stock dividends, subdivision, combination or reclassification of shares, or any merger, consolidation or combination of the general partner.

## Capital Contributions

If our operating partnership requires additional funds at any time, or from time to time, in excess of funds available to it from prior borrowings, operating revenue or capital contributions, we, as general partner, have the right to raise additional funds required by our operating partnership by causing it to borrow the necessary funds from third parties on such terms and conditions as we deem appropriate. As an alternative to borrowing funds required by our operating partnership, we may contribute the amount of such required funds as an additional capital contribution. We must contribute cash or other property received in exchange for the issuance of equity stock to our operating partnership in exchange for units unless the issuance was in connection with an acquisition of an asset to be held directly by the general partner and such issuance was approved by a majority of independent directors of the general partner. Upon the contribution of cash or other property received in exchange for the issuance of common stock, we will receive one GP Unit for each share issued by us. Upon the contribution of the cash or other property received in exchange for the issuance of each share of equity stock other than common stock, we will receive one unit with rights and preferences respecting distributions corresponding to the rights and preferences of the equity stock that we issued. If we contribute additional capital to our operating partnership, our partnership interest will be increased on a proportionate basis. Conversely, the partnership interests of the limited partners will be decreased on a proportionate basis if we contribute any additional capital.

## Distributions

The operating partnership agreement sets forth the manner in which distributions from the partnership will be made to partnership unit holders. Distributions from the partnership will be made at the times and in the amounts determined by us, as the general partner.

The operating partnership agreement provides that cash available for distribution, excluding net proceeds from any sale or other disposition of properties of our operating partnership, or net sale proceeds, will be distributed to the partners as follows:

*first*, 100% to us as holder of the Series A Redeemable Preferred Units (which we will distribute to the holders of our Series A Redeemable Preferred Stock), until we have received cumulative cash dividends on each Series A Redeemable Preferred Unit at an annual rate of six percent (6%) of the stated value, or the Series A Preferred Return;

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*thereafter*, 100% of the aggregate amount of any additional distribution will be payable to us as holder of GP Units and Class A Units (which we may distribute to the holders of our common stock) and any other holders of Class A Units entitled to such distributions in proportion to respective percentage interests.

Net sale proceeds will be distributed to partners as follows:

*first*, 100% to us as holder of the Series A Redeemable Preferred Units (which we will distribute to the holders of our Series A Redeemable Preferred Stock), until we have received cumulative cash dividends on each Series A Redeemable Preferred Unit equal to the Series A Preferred Return;
*second*, 100% to us as holder of GP Units and Class A Units (which we may distribute to the holders of our common stock) and any other holders of Class A Units entitled to such distributions, in proportion to respective percentage interests, until the allocable capital contribution with respect to the real estate asset giving rise to such distribution has been received;
*third*, 100% to us as holder of GP Units and Class A Units (which we may distribute to the holders of our common stock) and any other holders of Class A Units entitled to such distributions, in proportion to respective percentage interests, until the aggregate allocable capital contributions with respect to all realized investments has been received;
*fourth*, 100% to us as holder of GP Units and Class A Units (which we may distribute to the holders of our common stock) and any other holders of Class A Units entitled to such distributions, in proportion to respective percentage interests, until an amount equal to the sum of the allocable expenses with respect to all realized investments, including the realized investment giving rise to such distribution has been received;
*fifth*, 100% to us as holder of GP Units and Class A Units (which we may distribute to the holders of our common stock) and any other holders of Class A Units entitled to such distributions, in proportion to respective percentage interests, until we, and other holders of Class A Units, have received a priority return in an amount equal to a cumulative, non-compounded rate of return equal to seven percent (7%) per annum has been met with respect to the allocable capital contributions and allocable expenses distributed; and
*thereafter*, 15% of the aggregate amount of any additional distribution will be payable to the special limited partner, and 85% as follows: *first*, 100% to us as holder of the Series A Redeemable Preferred Units (which we may distribute to the holders of our Series A Redeemable Preferred Stock), until the aggregate capital contributions made with respect to the Series A Redeemable Preferred Units have been returned, and *thereafter*, 100% among us as holder of GP Units and Class A Units (which we may distribute to the holders of our common stock) and any other holders of Class A Units and Class B Units entitled to such distributions in proportion to respective percentage interests.

The return calculation described above applies to all distributions received and not just distributions of net sale proceeds. Achievement of a particular threshold, therefore, is determined with reference to all prior distributions made by our operating partnership to any limited partners, and to us, which we may then distribute to our stockholders.

To the extent a distribution has been paid to the special limited partner for any real estate assets sold within 60 days prior to the sale of an asset in which the seven percent (7%) priority return for that asset was not met, the special limited partner must return to us an amount up to the distribution so received for the assets sold within such 60-day period, which will be applied to any seven percent (7%) priority return shortfall actually arising from the sale of the subsequent asset.

The operating partnership agreement also provides that, as general partner, we have the right to amend the distribution provisions of the operating partnership agreement to reflect the issuance of additional classes of units. The operating partnership agreement further provides that, as general partner, we shall use our best efforts to ensure sufficient distributions are made to meet the REIT annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings.

# Liquidation

Upon the liquidation of our operating partnership, after payment of debts and obligations, any remaining assets of the partnership will be distributed to partners pro rata in accordance with the priorities in which net sales proceeds are distributed to partners.

# Allocations

The operating partnership agreement generally provides that net income, net loss and, to the extent necessary, other individual items of income, gain, loss or deduction of our operating partnership (other than net property gain or net property loss from capital transactions) will be allocated among the partners as follows:

*first*, net income, but not net loss, shall be allocated to us as the holder of Series A Redeemable Preferred Units to the extent of the aggregate amount of any distributions of cash available for distribution to meet the Series A Preferred Return; and

*thereafter*, net income and net loss shall be allocated to us as holder of GP Units and Class A Units and any other holders of Class A Units in proportion to respective percentage interests.

Net property gain and net property loss and, to the extent necessary, any other individual items comprising net property gain and net property loss of our operating partnership will be allocated among the partners as follows:

*first*, net property gain, but not net property loss, shall be allocated to us as the holder of Series A Redeemable Preferred Units to the extent of the aggregate amount of any distributions of net sale proceeds to meet the Series A Preferred Return; and

*thereafter*, in such a manner that the capital accounts of each partner, immediately after making such allocation, is, as nearly as possible, equal proportionately to (i) the distributions that would be made to such partner if our operating partnership were dissolved, its affairs wound up and its assets were sold for cash, all operating partnership liabilities were satisfied, and the net assets of our operating partnership were distributed to the partners immediately after making such allocation, minus (ii) such partner s share of partnership minimum gain, partner nonrecourse debt minimum gain and any amount the partner would be required to contribute to partnership capital, all computed immediately prior to such hypothetical sale of assets.

# Operations

The operating partnership agreement requires that the partnership be operated in a manner that will:

- satisfy the requirements for our classification as a REIT;
- avoid any U.S. federal income or excise tax liability, unless we otherwise cease to qualify as a REIT; and
- ensure that our operating partnership will not be classified as a publicly traded partnership under the Code.

Pursuant to the operating partnership agreement, our operating partnership will assume and pay when due, or reimburse us for, payment of all administrative and operating costs and expenses incurred by our operating partnership and the administrative costs and expenses that we incur on behalf, or for the benefit, of our operating partnership.

# Limited Partner Exchange Rights

Pursuant to the operating partnership agreement, each holder of a Class A Unit (but not the holder of the special limited partner interests) has the right, but not the obligation, to exchange all or a portion of their Class A Units for cash or, at our option, for shares of our common stock on such terms and subject to such conditions and restrictions as will be contained in one or more exchange rights agreement among us, as the general partner, our operating partnership and one or more limited partner. The form of the exchange rights agreement shall be provided by the general partner.

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Exercise of exchange rights will be a taxable transaction in which gain or loss will be recognized by the limited partner exercising its right to exchange its units for the cash value of a corresponding number of shares of our common stock or, at the option of our operating partnership, a corresponding number of shares of our common stock, to the extent that the amount realized exceeds the limited partner s adjusted basis in the units exchanged.

# Special Limited Partner

Our manager is a Delaware limited liability company and is a special limited partner of our operating partnership. Our manager does not hold any GP Units or limited partnership units, as such terms are defined in the partnership agreement. Our manager does not have any voting rights, approval rights, rights to distributions or any other rights under the partnership agreement other than the right to receive certain distributions in connection with the sale of each asset.

Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) the 7% Priority Return on such capital and expenses; *provided, however,* that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received payment in full of all accrued and unpaid dividends on our preferred stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.

The special limited partner shall be entitled to tax distributions, at our sole discretion as the general partner, provided such distributions do not prevent us from satisfying the requirements for qualification as a REIT. Any tax distributions shall offset future distributions to which the special limited partner is entitled.

# Tax Matters

Pursuant to the operating partnership agreement, we are the tax matters partner of our operating partnership, and as such, have authority to make tax decisions under the Code on behalf of our operating partnership. Tax income and loss generally will be allocated in a manner that reflects the entitlement of the general partner, limited partners and the special limited partner to receive distributions from our operating partnership. For a description of other tax consequences stemming from our investment in our operating partnership, see the section entitled Material U.S. Federal Income Tax Considerations Tax Aspects of Investments in Partnerships included elsewhere in this prospectus.

# Duties and Conflicts

Except as otherwise set forth under the sections entitled Certain Relationships and Related Transactions Conflicts of Interest and Our Management included elsewhere in this prospectus, any limited partner may engage in other business activities outside our operating partnership, including business activities that directly compete with our operating partnership.

# Term

Our operating partnership will continue in full force and effect until December 31, 2099 or until sooner dissolved and terminated upon (i) our dissolution, bankruptcy, insolvency or termination, (ii) the sale or other disposition of all or substantially all the assets of our operating partnership unless we, as general partner, elect to continue the business of our operating partnership to collect the indebtedness or other consideration to be received in exchange for the assets of our operating partnership, (iii) our withdrawal as general partner from the partnership, unless a majority in interest vote to continue the business of the partnership within 90 days of our withdrawal, or (iv) by operation of law.

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# MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary discusses the material U.S. federal income tax considerations associated with our qualification and taxation as a REIT and the acquisition, ownership and disposition of our shares of Series A Redeemable Preferred Stock and Warrants (which together form a Unit) and our shares of common stock underlying the Warrants. This summary is based upon the laws, regulations, and reported judicial and administrative rulings and decisions in effect as of the date of this prospectus, all of which are subject to change, retroactively or prospectively, and to possibly differing interpretations. This summary does not purport to deal with the U.S. federal income and other tax consequences applicable to all investors in light of their particular investment or other circumstances, or to all categories of investors, some of whom may be subject to special rules (for example, insurance companies, entities treated as partnerships for U.S. federal income tax purposes and investors therein, trusts, financial institutions and broker-dealers and, except to the extent discussed below, tax-exempt organizations and Non-U.S. Holders, as defined below). No ruling on the U.S. federal, state, or local tax considerations relevant to our operation or to the purchase, ownership or disposition of our shares, has been requested from the IRS, or other tax authority. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

This summary is also based upon the assumption that the operation of the company, and of its subsidiaries and other lower-tier and affiliated entities, will in each case be in accordance with its applicable organizational documents or partnership agreements. This summary does not discuss the impact that U.S., state and local taxes and taxes imposed by non-U.S. jurisdictions could have on the matters discussed in this summary. In addition, this summary assumes that security holders hold our shares of Series A Redeemable Preferred Stock, the Warrants and our shares of common stock underlying the Warrants as capital assets, which generally means as property held for investment.

Prospective investors are urged to consult their tax advisors in order to determine the U.S. federal, state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our shares of Series A Redeemable Preferred Stock, the Warrants and our shares of common stock underlying the Warrants, the tax treatment of a REIT and the effect of potential changes in the applicable tax laws.

We have elected to be taxed as a REIT under the applicable provisions of the Code and the Treasury Regulations promulgated thereunder commencing with our taxable year ended December 31, 2011. We intend to continue operating as a REIT so long as our Board of Directors determines that REIT qualification remains in our best interest. However, we cannot assure you that we will meet the applicable requirements under U.S. federal income tax laws, which are highly technical and complex.

In brief, a corporation that complies with the provisions in Code Sections 856 through 860 and qualifies as a REIT generally is not taxed on its net taxable income to the extent such income is currently distributed to stockholders, thereby completely or substantially eliminating the double taxation that a corporation and its stockholders generally bear together. However, as discussed in greater detail below, a corporation could be subject to U.S. federal income tax in some circumstances even if it qualifies as a REIT and would likely suffer adverse consequences, including reduced cash available for distribution to its stockholders, if it failed to qualify as a REIT.

Proskauer Rose LLP has acted as our tax counsel in connection with this registration statement. Proskauer Rose LLP is of the opinion that (i) commencing with our taxable year ended on December 31, 2011, we have been organized in conformity with the requirements for qualification as a REIT under the Code and our actual method of operation through the date hereof has enabled and, assuming that our election to be treated as a REIT is not either revoked or intentionally terminated, our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code, and (ii) our operating partnership has been and will be taxed as a partnership or a disregarded entity and not an association or publicly traded partnership (within the meaning of Code Section 7704) subject to tax as a corporation, for U.S. federal income tax purposes beginning with its first taxable year. This opinion is filed as an exhibit to the registration statement, of which this prospectus is a part, and is based and conditioned, in part, on various assumptions and representations as to factual matters and covenants made to Proskauer Rose LLP by us and based upon certain terms and conditions set forth in the opinion. Our qualification as a REIT

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depends upon our ability to meet, through operation of the properties we acquire and our investment in other assets, the applicable requirements under U.S. federal income tax laws. Proskauer Rose LLP has not reviewed these operating results for compliance with the applicable requirements under U.S. federal income tax laws. Therefore, we cannot assure you that our actual operating results allow us to satisfy the applicable requirements to qualify as a REIT under U.S. federal income tax laws in any taxable year.

# General

The term REIT taxable income means the taxable income as computed for a corporation which is not a REIT:

without the deductions allowed by Code Sections 241 through 247, and 249 (relating generally to the deduction for dividends received);
excluding amounts equal to: the net income from foreclosure property and the net income derived from prohibited transactions;
deducting amounts equal to: the net loss from foreclosure property, the net loss derived from prohibited transactions, the tax imposed by Code Section 857(b)(5) upon a failure to meet the 95% or the 75% Gross Income Tests, the tax imposed by Code Section 856(c)(7)(C) upon a failure to meet the quarterly asset tests, the tax imposed by Code Section 856(g)(5) for otherwise avoiding REIT disqualification, and the tax imposed by Code Section 857(b)(7) on redetermined rents, redetermined deductions and excess interest;
deducting the amount of dividends paid under Code Section 561, computed without regard to the amount of the net income from foreclosure property (which is excluded from REIT taxable income); and
without regard to any change of annual accounting period pursuant to Code Section 443(b).

In any year in which we qualify as a REIT and have a valid election in place, we will claim deductions for the dividends we pay to the stockholders, and therefore will not be subject to U.S. federal income tax on that portion of our taxable income or capital gain which is distributed to our stockholders.

Although we can eliminate or substantially reduce our U.S. federal income tax liability by maintaining our REIT qualification and paying sufficient dividends, we will be subject to U.S. federal tax in the following circumstances:

We will be taxed at normal corporate rates on any undistributed REIT taxable income or net capital gain.
If we fail to satisfy either the 95% Gross Income Test or the 75% Gross Income Test (each of which is described below), but our failure is due to reasonable cause and not willful neglect, and we therefore maintain our REIT qualification, we will be subject to a tax equal to the product of (a) the amount by which we failed the 75% or 95% Gross Income Test (whichever amount is greater) multiplied by (b) a fraction intended to reflect our profitability.
We will be subject to an excise tax if we fail to currently distribute sufficient income. In order to make the required distribution with respect to a calendar year, we must distribute the sum of (i) 85% of our REIT ordinary income for the calendar year, (ii) 95% of our REIT capital gain net income for the calendar year, and (iii) the excess, if any, of the grossed up required distribution (as defined in the Code) for the preceding calendar year over the distributed amount for that preceding calendar year. Any excise tax liability would be equal to 4% of the difference between the amount required to be distributed under this formula and the amount actually distributed and would not be deductible by us.
We may be subject to the corporate alternative minimum tax on our items of tax preference, including any deductions of net operating losses.
If we have net income from prohibited transactions such income would be subject to a 100% tax. See REIT Qualification Tests Prohibited Transactions.
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We will be subject to U.S. federal income tax at the highest corporate rate on any non-qualifying income from foreclosure property, although we will not own any foreclosure property unless we make loans or accept purchase money notes secured by interests in real property and foreclose on the property following a default on the loan, or foreclose on property pursuant to a default on a lease.
If we fail to satisfy any of the REIT asset tests, as described below, other than a failure of the 5% or 10% REIT assets tests that does not exceed a statutory de minimis amount as described more fully below, but our failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the amount determined by multiplying the highest corporate tax rate (currently 35%) by the net income generated by the non-qualifying assets during the period in which we failed to satisfy the asset tests.
If we fail to satisfy any other provision of the Code that would result in our failure to continue to qualify as a REIT (other than a gross income or asset test requirement) and that violation is due to reasonable cause, we may retain our REIT qualification, but we will be required to pay a penalty of $50,000 for each such failure.
If we derive excess inclusion income from an interest in certain mortgage loan securitization structures (*i.e.*, a taxable mortgage pool or a residual interest in a real estate mortgage investment conduit, or REMIC), we could be subject to corporate-level U.S. federal income tax at a 35% rate to the extent that such income is allocable to specified types of tax-exempt stockholders known as disqualified organizations that are not subject to unrelated business taxable income, or UBTI. See Excess Inclusion Income.
We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet recordkeeping requirements intended to monitor our compliance with rules relating to the composition of our stockholders. Such penalties generally would not be deductible by us.
If we acquire any asset from a corporation that is subject to full corporate-level U.S. federal income tax in a transaction in which our basis in the asset is determined by reference to the transferor corporation s basis in the asset, and we recognize gain on the disposition of such an asset for up to a 10-year period beginning on the date we acquired such asset, then the excess of the fair market value as of the beginning of the applicable recognition period over our adjusted basis in such asset at the beginning of such recognition period will be subject to U.S. federal income tax at the highest regular corporate U.S. federal income tax rate. The results described in this paragraph assume that the non-REIT corporation will not elect, in lieu of this treatment, to be subject to an immediate tax when the asset is acquired by us.
A 100% tax may be imposed on transactions between us and a TRS that do not reflect arm s-length terms.
The earnings of our subsidiaries that are C corporations, including any subsidiary we may elect to treat as a TRS, will generally be subject to U.S. federal corporate income tax.
We may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include his, her or its proportionate share of our undistributed net capital gain (to the extent we make a timely designation of such gain to the stockholder) in his, her or its income as long-term capital gain, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for his, her or its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the stockholder s basis in our common stock. Stockholders that are U.S. corporations will also appropriately adjust their earnings and profits for the retained capital gain in accordance with Treasury Regulations to be promulgated.

In addition, notwithstanding our qualification as a REIT, we and our subsidiaries may be subject to a variety of taxes, including state and local and foreign income, property, payroll and other taxes on our assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

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# REIT Qualification Tests

*Organizational Requirements.* The Code defines a REIT as a corporation, trust or association:

- that is managed by one or more trustees or directors;
- the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- that would be taxable as a domestic corporation but for its qualification as a REIT;
- that is neither a financial institution nor an insurance company;
- that meets the gross income, asset and annual distribution requirements;
- the beneficial ownership of which is held by 100 or more persons on at least 335 days in each full taxable year, proportionately adjusted for a short taxable year;
- generally in which, at any time during the last half of each taxable year, no more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include specified entities);
- that makes an election to be taxable as a REIT for the current taxable year, or has made this election for a previous taxable year, which election has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to maintain qualification as a REIT; and
- that uses a calendar year for U.S. federal income tax purposes.

The first five organizational requirements must be met during each taxable year for which REIT qualification is sought, while the sixth and seventh conditions do not have to be met until after the first taxable year for which a REIT election is made. We have adopted December 31 as our year-end, thereby satisfying the last condition.

*Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries.* A REIT that is a partner in a partnership or a member in a limited liability company treated as a partnership for U.S. federal income tax purposes, will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interest in partnership capital, and will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT. Thus, our pro rata share of the assets and items of income of any partnership or limited liability company treated as a partnership or disregarded entity for U.S. federal income tax purposes in which we own an interest is treated as our assets and items of income for purposes of Asset Tests and Gross Income Tests (each as defined below).

We expect to control our subsidiary partnerships and limited liability companies and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a Gross Income Test or Asset Test (each as defined below), and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own certain assets through subsidiaries that we intend to be treated as qualified REIT subsidiaries. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation s outstanding stock and do not elect with the subsidiary to treat it as a TRS, as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for purposes of the Asset Tests and Gross

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Income Tests (each as defined below). A qualified REIT subsidiary is not subject to U.S. federal income tax, but may be subject to state or local tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under Asset Tests. While we currently hold all of our investments through the operating partnership, we also may hold investments separately, through qualified REIT subsidiaries. Because a qualified REIT subsidiary must be wholly owned by a REIT, any such subsidiary utilized by us would have to be owned by us, or another qualified REIT subsidiary, and could not be owned by the operating partnership unless we own 100% of the equity interest in the operating partnership.

If a disregarded subsidiary ceases to be wholly owned by us (for example, if any equity interest in the subsidiary is acquired by a person other than us or another one of our disregarded subsidiaries), the subsidiary s separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the Asset and Gross Income Tests, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the value or voting power of the outstanding securities of another corporation. See Asset Tests and Income Tests.

*Ownership of Interests in TRSs.* We do not currently own an interest in a TRS; however, we may form one or more TRSs or may acquire securities in TRSs in the future. A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a TRS. If a TRS owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by us without jeopardizing our qualification as a REIT.

A TRS is subject to U.S. federal income tax as a regular C corporation. In addition, if certain tests regarding the TRS s debt-to-equity ratio are not satisfied, a TRS generally may not deduct interest payments made in any year to an affiliated REIT to the extent that such payments exceed 50% of the TRS s adjusted taxable income for that year (although the TRS may carry forward to, and deduct in, a succeeding year the disallowed interest amount if the 50% test is satisfied in that year). A REIT s ownership of securities of a TRS is not subject to the 5% or 10% asset tests described below. However, no more than 25% of the gross value of a REIT s assets may be comprised of securities of one or more TRS. See Asset Tests.

## Share Ownership Requirements

The common stock and any other stock we issue must be held by a minimum of 100 persons (determined without attribution to the owners of any entity owning our stock) for at least 335 days in each full taxable year, proportionately adjusted for partial taxable years. In addition, we cannot be closely held, which means that at all times during the second half of each taxable year, no more than 50% in value of our stock may be owned, directly or indirectly, by five or fewer individuals (determined by applying certain attribution rules under the Code to the owners of any entity owning our stock) as specifically defined for this purpose. However, these two requirements do not apply until after the first taxable year an entity elects REIT status.

Our charter contains certain provisions intended to enable us to meet the sixth and seventh requirement above. First, subject to certain exceptions, our charter provides that no person may beneficially or constructively own (applying certain attribution rules under the Code) more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of any class or series of shares of our stock, as well as in certain other circumstances. See the section entitled Description of Securities Restrictions on

Ownership and Transfer included elsewhere in this prospectus. Additionally, our charter contains provisions requiring each holder of our shares to disclose, upon demand, constructive or beneficial ownership of shares as deemed necessary to comply with the requirements of the Code. Furthermore, stockholders failing or refusing to comply with our disclosure request will be required, under Treasury Regulations promulgated under the Code, to submit a statement of such information to the IRS at the time of filing their annual income tax returns for the year in which the request was made.

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## Asset Tests

At the close of each calendar quarter of the taxable year, we must satisfy four tests based on the composition of our assets, or the Asset Tests. After initially meeting the Asset Tests at the close of any quarter, we will not lose our qualification as a REIT for failure to satisfy the Asset Tests at the end of a later quarter solely due to changes in value of our assets. In addition, if the failure to satisfy the Asset Tests results from an acquisition during a quarter, the failure generally can be cured by disposing of non-qualifying assets within 30 days after the close of that quarter. We will continue to maintain adequate records of the value of our assets to ensure compliance with these tests and will act within 30 days after the close of any quarter as may be required to cure any noncompliance.

***75% Asset Test***. At least 75% of the value of our assets must be represented by real estate assets, cash, cash items (including receivables) and government securities, which we refer to as the 75% Asset Test. Real estate assets include (i) real property (including interests in real property and interests in mortgages on real property), (ii) shares in other qualifying REITs, and (iii) any property (not otherwise a real estate asset) attributable to the temporary investment of new capital in stock or a debt instrument, but only for the one-year period beginning on the date we received the new capital. Property will qualify as being attributable to the temporary investment of new capital if the money used to purchase the stock or debt instrument is received by us in exchange for our stock or in a public offering of debt obligations that have a maturity of at least five years. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below under 25% Asset Test below.

Additionally, regular and residual interests in a REMIC are considered real estate assets. However, if less than 95% of the assets of a REMIC are real estate assets, we will be treated as holding and earning a proportionate share of the assets and income of the REMIC directly. If we hold a residual interest in a REMIC from which we derive excess inclusion income, we will be required to either distribute the excess inclusion income or pay tax on it (or a combination of the two), even though we may not receive the income in cash. To the extent that distributed excess inclusion income is allocable to a particular stockholder, the income (1) would not be allowed to be offset by any net operating losses otherwise available to the stockholder, (2) would be subject to tax as unrelated business taxable income in the hands of most types of stockholders that are otherwise generally exempt from U.S. federal income tax, and (3) would result in the application of U.S. federal income tax withholding at the maximum rate (30%), without reduction pursuant to any otherwise applicable income tax treaty or other exemption, to the extent allocable to most types of foreign stockholders. Moreover, any excess inclusion income that we receive that is allocable to specified categories of tax-exempt investors which are not subject to unrelated business income tax, such as government entities or charitable remainder trusts, may be subject to corporate-level income tax in our hands, whether or not it is distributed. See the Excess Inclusion Income portion of this section below.

We are currently invested in the real properties described in the Description of Real Estate Investments section of this prospectus. In addition, we have invested and intend to invest funds not used to acquire properties in cash sources, new capital investments or other liquid investments which allow us to continue to qualify under the 75% Asset Test. Therefore, our investment in real properties should constitute real estate assets and should allow us to meet the 75% Asset Test.

***25% Asset Test***. Except as described below, the remaining 25% of our assets generally may be invested without restriction, which we refer to as the 25% Asset Test. However, if we invest in any securities that do not qualify under the 75% Asset Test, such securities may not exceed either: (i) 5% of the value of our assets as to any one issuer; or (ii) 10% of the outstanding securities by vote or value of any one issuer. The 10% value test does not apply to certain straight debt and other excluded securities, as described in the Code, including but not limited to any loan to an individual or estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, a partnership interest held by a REIT is not considered a security for purposes of the 10% value test; instead, the REIT is treated as owning directly its proportionate share of the partnership s assets, which is based on the REIT s proportionate interest in any securities issued by the partnership (disregarding for this purpose the general rule that a partnership interest is not a security), but excluding certain securities described in the Code.

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For purposes of the 10% value test, straight debt means a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, (ii) the interest rate and interest payment dates are not contingent on profits, the borrower s discretion, or similar factors other than certain contingencies relating to the timing and amount of principal and interest payments, as described in the Code and (iii) in the case of an issuer which is a corporation or a partnership, securities that otherwise would be considered straight debt will not be so considered if we, and any of our controlled taxable REIT subsidiaries as defined in the Code, hold any securities of the corporate or partnership issuer which (a) are not straight debt or other excluded securities (prior to the application of this rule), and (b) have an aggregate value greater than 1% of the issuer s outstanding securities (including, for the purposes of a partnership issuer, our interest as a partner in the partnership).

We believe that our holdings of real estate assets and other securities comply with the foregoing REIT asset requirements, and we intend to monitor compliance on an ongoing basis. We may make real estate-related debt investments; provided, that the underlying real estate meets our criteria for direct investment. A real estate mortgage loan that we own generally will be treated as a real estate asset for purposes of the 75% Asset Test if, on the date that we acquire or originate the mortgage loan, the value of the real property securing the loan is equal to or greater than the principal amount of the loan. Certain mezzanine loans we make or acquire may qualify for the safe harbor in Revenue Procedure 2003-65, 2003-2 C.B. 336, pursuant to which certain loans secured by a first priority security interest in ownership interests in a partnership or limited liability company will be treated as qualifying assets for purposes of the 75% real estate asset test and the 10% vote or value test. We may hold some mezzanine loans that do not qualify for that safe harbor. Furthermore, we may acquire distressed debt investments that require subsequent modification by agreement with the borrower. If the outstanding principal balance of a mortgage loan exceeds the fair market value of the real property securing the loan at the time we commit to acquire the loan, or agree to modify the loan in a manner that is treated as an acquisition of a new loan for U.S. federal income tax purposes, then a portion of such loan may not be a qualifying real estate asset. Under current law it is not clear how to determine what portion of such a loan will be treated as a qualifying real estate asset. Under recently issued guidance, the IRS has stated that it will not challenge a REIT s treatment of a loan as being in part a real estate asset if the REIT treats the loan as being a real estate asset in an amount that is equal to the lesser of the fair market value of the real property securing the loan, as of the date we committed to acquire or modify the loan, and the fair market value of the loan. However, uncertainties exist regarding the application of this guidance, particularly with respect to the proper treatment under the Asset Tests of mortgage loans acquired at a discount that increase in value following their acquisition, and no assurance can be given that the IRS would not challenge our treatment of such assets.

A REIT is able to cure certain asset test violations. As noted above, a REIT cannot own securities of any one issuer representing more than 5% of the total value of the REIT s assets or more than 10% of the outstanding securities, by vote or value, of any one issuer. However, a REIT would not lose its REIT qualification for failing to satisfy these 5% or 10% asset tests in a quarter if the failure is due to the ownership of assets the total value of which does not exceed the lesser of (i) 1% of the total value of the REIT s assets at the end of the quarter for which the measurement is done, or (ii) $10 million; *provided*, that in either case the REIT either disposes of the assets within six months after the last day of the quarter in which the REIT identifies the failure (or such other time period prescribed by the Treasury), or otherwise meets the requirements of those rules by the end of that period.

If a REIT fails to meet any of the asset test requirements for a quarter and the failure exceeds the de minimis threshold described above, then the REIT still would be deemed to have satisfied the requirements if: (i) following the REIT s identification of the failure, the REIT files a schedule with a description of each asset that caused the failure, in accordance with regulations prescribed by the Treasury; (ii) the failure was due to reasonable cause and not to willful neglect; (iii) the REIT disposes of the assets within six months after the last day of the quarter in which the identification occurred or such other time period as is prescribed by the Treasury (or the requirements of the rules are otherwise met within that period); and (iv) the REIT pays a tax on the failure equal to the greater of (A) $50,000 and

(B) an amount determined (under regulations) by multiplying (1) the highest rate of tax for corporations under Code Section 11, by (2) the net income generated by the assets that caused the failure for the period beginning on the first date of the failure and ending on the date the REIT has disposed of the assets (or otherwise satisfies the requirements).

## Income Tests

For each calendar year, we must satisfy two separate tests based on the composition of our gross income, as defined under our method of accounting, or the Gross Income Tests.

*75% Gross Income Test.* At least 75% of our gross income for the taxable year (excluding gross income from prohibited transactions) must result from (i) rents from real property, (ii) interest on obligations secured by mortgages on real property or on interests in real property, (iii) gains from the sale or other disposition of real property (including interests in real property and interests in mortgages on real property) other than property held primarily for sale to customers in the ordinary course of our trade or business, (iv) dividends from other qualifying REITs and gain (other than gain from prohibited transactions) from the sale of shares of other qualifying REITs, (v) other specified investments relating to real property or mortgages thereon, and (vi) for a limited time, temporary investment income (as described under the 75% Asset Test above). We refer to this requirement as the 75% Gross Income Test. We intend to invest funds not otherwise invested in real properties in cash sources or other liquid investments which will allow us to qualify under the 75% Gross Income Test.

*95% Gross Income Test.* At least 95% of our gross income (excluding gross income from prohibited transactions) for the taxable year must be derived from (1) sources which satisfy the 75% Gross Income Test, (2) dividends, (3) interest, or (4) gain from the sale or disposition of stock or other securities that are not assets held primarily for sale to customers in the ordinary course of our trade or business. We refer to this requirement as the 95% Gross Income Test. It is important to note that dividends and interest on obligations not collateralized by an interest in real property qualify under the 95% Gross Income Test, but not under the 75% Gross Income Test. We intend to invest funds not otherwise invested in properties in cash sources or other liquid investments which will allow us to qualify under the 95% Gross Income Test.

*Rents from Real Property.* Income attributable to a lease of real property generally will qualify as rents from real property under the 75% Gross Income Test and the 95% Gross Income Test if such lease is respected as a true lease for U.S. federal income tax purposes (see Characterization of Property Leases ) and subject to the rules discussed below.

Rent from a particular tenant will not qualify if we, or an owner of 10% or more of our stock, directly or indirectly, owns 10% or more of the voting stock or the total number of shares of all classes of stock in, or 10% or more of the assets or net profits of, the tenant (subject to certain exceptions). The portion of rent attributable to personal property rented in connection with real property will not qualify, unless the portion attributable to personal property is 15% or less of the total rent received under, or in connection with, the lease.

Generally, rent will not qualify if it is based in whole, or in part, on the income or profits of any person from the underlying property. However, rent will not fail to qualify if it is based on a fixed percentage (or designated varying percentages) of receipts or sales, including amounts above a base amount so long as the base amount is fixed at the time the lease is entered into, the provisions are in accordance with normal business practice and the arrangement is not an indirect method for basing rent on income or profits.

If a REIT operates or manages a property or furnishes or renders certain impermissible services to the tenants at the property, and the income derived from the services exceeds 1% of the total amount received by that REIT with respect to the property, then no amount received by the REIT with respect to the property will qualify as rents from real property. Impermissible services are services other than services usually or customarily rendered in connection with the rental of real property and not otherwise considered rendered to the occupant. For these purposes, the income that a REIT is considered to receive from the provision of impermissible services will not be less than 150% of the cost of providing the service. If the amount so received is 1% or less of the total amount received by us with respect to the property, then only the income from the impermissible services will not qualify as rents from real property. However, this rule generally will not apply if such services are provided to tenants through an independent contractor from whom we derive no revenue, or though a TRS. With respect to this rule, tenants will receive some services in connection

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with their leases of the real properties. Our intention is that the services to be provided are those usually or customarily rendered in connection with the rental of space, and therefore, providing these services will not cause the rents received with respect to the properties to fail to qualify as rents from real property for purposes of the 75% Gross Income Test and the 95% Gross Income Test. The Board of Directors intends to hire qualifying independent contractors or to utilize our TRSs to render services which it believes, after consultation with our tax advisors, are not usually or customarily rendered in connection with the rental of space.

In addition, we have represented that, with respect to our leasing activities, we will not (i) charge rent for any property that is based in whole or in part on the income or profits of any person (excluding rent based on a percentage of receipts or sales, as described above), (ii) charge rent that will be attributable to personal property in an amount greater than 15% of the total rent received under the applicable lease, or (iii) enter into any lease with a related party tenant.

Amounts received as rent from a TRS are not excluded from rents from real property by reason of the related party rules described above, if the activities of the TRS and the nature of the properties it leases meet certain requirements. The TRSs will pay regular corporate tax rates on any income they earn. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT s tenants whose terms are not on an arm s-length basis.

*Interest Income*. It is possible that we will be paid interest on loans secured by real property. All interest income qualifies under the 95% Gross Income Test, and interest on loans secured by real property qualifies under the 75% Gross Income Test; *provided*, that in both cases the interest does not depend, in whole or in part, on the income or profits of any person (excluding amounts based on a fixed percentage of receipts or sales). If a loan is secured by both real property and other property, the interest on it may nevertheless qualify under the 75% Gross Income Test. Interest income constitutes qualifying mortgage interest for purposes of the 75% Gross Income Test to the extent that the obligation upon which such interest is paid is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date that we committed to acquire the loan, or agreed to modify the loan in a manner that is treated as an acquisition of a new loan for U.S. federal income tax purposes, then the interest income will be apportioned between the real property and the other collateral, and our income from the loan will qualify for purposes of the 75% Gross Income Test only to the extent that the interest is allocable to the real property. For purposes of the preceding sentence, however, under recently issued IRS guidance we do not need to re-determine the fair market value of real property in connection with a loan modification that is occasioned by a default or made at a time when we reasonably believe the modification to the loan will substantially reduce a significant risk of default on the original loan, and any such modification will not be treated as a prohibited transaction. All of our loans secured by real property will be structured so that the amount of the loan does not exceed the fair market value of the real property at the time of the loan commitment. Therefore, income generated through any investments in loans secured by real property should be treated as qualifying income under the 75% Gross Income Test.

*Dividend Income*. We may receive distributions from TRSs or other corporations that are not REITs or qualified REIT subsidiaries. These distributions are generally classified as dividends to the extent of the earnings and profits of the distributing corporation. Such distributions generally constitute qualifying income for purposes of the 95% Gross Income Test, but not the 75% Gross Income Test. Any dividends received by us from a REIT will be qualifying income for purposes of both the 95% and 75% Gross Income Tests.

We will monitor the amount of the dividend and other income from our TRSs and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the Gross Income Tests. Although we intend to take these actions to prevent a violation of the Gross Income Tests, we cannot guarantee that such actions will in all cases prevent such a violation.

*Foreclosure Property*. Foreclosure property is real property and any personal property incident to such real property (1) that is acquired by a REIT as a result of the REIT having bid on the property at foreclosure or having otherwise reduced the property to ownership or possession by agreement or process of law after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum U.S. federal corporate tax rate (currently 35%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% Gross Income Test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property in the hands of the selling REIT. If we believe we will receive any income from foreclosure property that is not qualifying income for purposes of the 75% Gross Income Test, we intend to elect to treat the related property as foreclosure property.

*Satisfaction of the Gross Income Tests*. Our share of income from the properties primarily will give rise to rental income and gains on sales of the properties, substantially all of which generally will qualify under the 75% Gross Income and 95% Gross Income Tests. Our current and anticipated operations indicate that it is likely that we will have little or no non-qualifying income to cause adverse U.S. federal income tax consequences.

As described above, we may establish one or more TRSs with which we could enter into leases for any properties we may invest in. The gross income generated by these TRSs would not be included in our gross income. However, we would realize gross income from these subsidiaries in the form of rents. In addition, any dividends from TRSs to us would be included in our gross income and qualify for the 95% Gross Income Test, but not the 75% Gross Income Test.

If we fail to satisfy either the 75% Gross Income or 95% Gross Income Tests for any taxable year, we may retain our qualification as a REIT for such year if we satisfy the IRS that: (i) the failure was due to reasonable cause and not due to willful neglect, (ii) we attach to our return a schedule describing the nature and amount of each item of our gross income, and (iii) any incorrect information on such schedule was not due to fraud with intent to evade U.S. federal income tax. If this relief provision is available, we would remain subject to tax equal to the greater of the amount by which we failed the 75% Gross Income Test or the 95% Gross Income Test, as applicable, multiplied by a fraction meant to reflect our profitability.

## Annual Distribution Requirements

In addition to the other tests described above, we are required to distribute dividends (other than capital gain dividends) to our stockholders each year in an amount at least equal to the excess of: (a) the sum of (i) 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain) and (ii) 90% of the net income (after tax) from foreclosure property; over (b) the sum of some types of items of non-cash income. Whether sufficient amounts have been distributed is based on amounts paid in the taxable year to which they relate, or in the following taxable year if we: (A) declared a dividend before the due date of our tax return (including extensions); (B) distribute the dividend within the 12-month period following the close of the taxable year (and not later than the date of the first regular dividend payment made after such declaration); and (C) file an election with our tax return. Additionally, dividends that we declare in October, November or December in a given year payable to stockholders of record in any such month will be treated as having been paid on December 31st of that year so long as the dividends are actually paid during January of the following year. In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be preferential dividends. A dividend is not a preferential dividend if the distribution is (1) pro rata among all outstanding shares of stock within a particular class, and (2) in accordance with the preferences among different classes of stock as set forth in our organizational documents. If we fail to meet the annual distribution requirements as a result of an adjustment to our U.S. federal income tax return by the IRS, or under certain other circumstances, we may cure the failure by paying a deficiency dividend (plus penalties and interest to the IRS) within a specified period.

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If we do not distribute 100% of our REIT taxable income, we will be subject to U.S. federal income tax on the undistributed portion. We also will be subject to an excise tax if we fail to currently distribute sufficient income. In order to make the required distribution with respect to a calendar year and avoid the excise tax, we must distribute the sum of (a) 85% of our REIT ordinary income for the calendar year, (b) 95% of our REIT capital gain net income for the calendar year, and (c) the excess, if any, of the grossed up required distribution (as defined in the Code) for the preceding calendar year over the distributed amount for that preceding calendar year. Any excise tax liability would be equal to 4% of the difference between the amount required to be distributed and the amount actually distributed and would not be deductible by us.

We intend to pay sufficient dividends each year to satisfy the annual distribution requirements and avoid U.S. federal income and excise taxes on our earnings; however, it may not always be possible to do so. It is possible that we may not have sufficient cash or other liquid assets to meet the annual distribution requirements due to tax accounting rules and other timing differences. Other potential sources of non-cash taxable income include:

- residual interests in REMICs or taxable mortgage pools;
- loans or mortgage-backed securities held as assets that are issued at a discount and require the accrual of taxable economic interest in advance of receipt in cash; and
- loans on which the borrower is permitted to defer cash payments of interest, distressed loans on which we may be required to accrue taxable interest income even though the borrower is unable to make current servicing payments in cash, and debt securities purchased at a discount.

We will closely monitor the relationship between our REIT taxable income and cash flow, and if necessary to comply with the annual distribution requirements, will attempt to borrow funds to fully provide the necessary cash flow or to pay dividends in the form of taxable in-kind distributions of property, including taxable stock dividends.

## Failure to Qualify

If we fail to continue to qualify, for U.S. federal income tax purposes, as a REIT in any taxable year, we may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. If the applicable relief provisions are not available or cannot be met, we will not be able to deduct our dividends and will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, thereby reducing cash available for distributions. In such event, all distributions to stockholders (to the extent of our current and accumulated earnings and profits) will be taxable as ordinary dividend income. This double taxation results from our failure to continue to qualify as a REIT. Unless entitled to relief under specific statutory provisions, we will not be eligible to elect REIT qualification for the four taxable years following the year during which qualification was lost.

***Recordkeeping Requirements***. We are required to maintain records and request on an annual basis information from specified stockholders. These requirements are designed to assist us in determining the actual ownership of our outstanding stock and maintaining our qualification as a REIT.

***Prohibited Transactions***. As discussed above, we will be subject to a 100% U.S. federal income tax on any net income derived from prohibited transactions. Net income derived from prohibited transactions arises from the sale or exchange of property held for sale to customers in the ordinary course of our business which is not foreclosure property. There is an exception to this rule for the sale of property that:

- is a real estate asset under the 75% Asset Test;
- generally has been held for at least two years;

has aggregate expenditures which are includable in the basis of the property not in excess of 30% of the net selling price;

in some cases, was held for production of rental income for at least two years;

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in some cases, substantially all of the marketing and development expenditures were made through an independent contractor; and

when combined with other sales in the year, either does not cause the REIT to have made more than seven sales of property during the taxable year (excluding sales of foreclosure property or in connection with an involuntary conversion) or occurs in a year when the REIT disposes of less than 10% of its assets (measured by U.S. federal income tax basis or fair market value, and ignoring involuntary dispositions and sales of foreclosure property).

Although we currently intend to sell each of the properties, our primary intention in acquiring and operating the properties is the production of rental income and we do not expect to hold any property for sale to customers in the ordinary course of our business. The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate income tax rates. As a general matter, any condominium conversions we might undertake must satisfy these restrictions to avoid being prohibited transactions, which will limit the annual number of transactions. See REIT Qualification Tests Ownership of Interests in TRSs.

## Excess Inclusion Income

Pursuant to IRS guidance, a REIT s excess inclusion income, including any excess inclusion income from a residual interest in a REMIC, must be allocated among its stockholders in proportion to dividends paid. The REIT is required to notify stockholders of the amount of excess inclusion income allocated to them. A stockholder s share of excess inclusion income:

cannot be offset by any net operating losses otherwise available to the stockholder;

is subject to tax as UBTI in the hands of most types of stockholders that are otherwise generally exempt from U.S. federal income tax; and

results in the application of U.S. federal income tax withholding at the maximum rate (30%), without reduction for any otherwise applicable income tax treaty or other exemption, to the extent allocable to most types of foreign stockholders.

See Taxation of U.S. Holders. Under recently issued IRS guidance, to the extent that excess inclusion income is allocated to a tax-exempt stockholder of a REIT that is not subject to unrelated business taxable income (such as a government entity or charitable remainder trust), the REIT may be subject to tax on this income at the highest applicable corporate tax rate (currently 35%). In that case, the REIT could reduce distributions to such stockholders by the amount of such tax paid by the REIT attributable to such stockholder s ownership. Treasury regulations provide that such a reduction in distributions does not give rise to a preferential dividend that could adversely affect the REIT s compliance with its distribution requirements. See REIT Qualification Tests Annual Distribution Requirements. The manner in which excess inclusion income is calculated, or would be allocated to stockholders, including allocations among shares of different classes of stock, is not clear under current law. As required by IRS guidance, we intend to make such determinations using a reasonable method. Tax-exempt investors, foreign investors and taxpayers with net operating losses should carefully consider the tax consequences described above, and are urged to consult their tax advisors.

## Characterization of Property Leases

We may purchase either new or existing properties and lease them to tenants. Our ability to claim certain tax benefits associated with ownership of these properties, such as depreciation, would depend on a determination that the lease transactions are true leases, under which we would be the owner of the leased property for U.S. federal income tax purposes, rather than a conditional sale of the property or a financing transaction. A determination by the IRS that we are not the owner of any properties for U.S. federal income tax purposes may have adverse consequences to us, such as the denial of depreciation deductions (which could affect the determination of our REIT taxable income subject to the distribution requirements) or the aggregate value of our assets invested in real estate (which could affect REIT asset testing).

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# Tax Aspects of Investments in Partnerships

***General***. We currently hold and anticipate holding direct or indirect interests in one or more partnerships, including our operating partnership. We operate as an Umbrella Partnership REIT, or UPREIT, which is a structure whereby we own a direct interest in our operating partnership, and our operating partnership, in turn, owns the properties and may possibly own interests in other non-corporate entities that own properties. Such non-corporate entities would generally be organized as limited liability companies, partnerships or trusts and would either be disregarded for U.S. federal income tax purposes (if our operating partnership were the sole owner) or treated as partnerships for U.S. federal income tax purposes.

The following is a summary of the U.S. federal income tax consequences of our investment in our operating partnership if our operating partnership is treated as a partnership for U.S. federal income tax purposes. This discussion should also generally apply to any investment by us in a property partnership or other non-corporate entity.

A partnership (that is not a publicly traded partnership taxed as a corporation) is not subject to tax as an entity for U.S. federal income tax purposes. Rather, partners are allocated their allocable share of the items of income, gain, loss, deduction and credit of the partnership, and are potentially subject to tax thereon, without regard to whether the partners receive any distributions from the partnership. We are required to take into account our allocable share of the foregoing items for purposes of the various REIT gross income and asset tests, and in the computation of our REIT taxable income and U.S. federal income tax liability. Further, there can be no assurance that distributions from our operating partnership will be sufficient to pay the tax liabilities resulting from an investment in our operating partnership.

Generally, an entity with two or more members formed as a partnership or limited liability company under state law will be taxed as a partnership for U.S. federal income tax purposes unless it specifically elects otherwise. Because our operating partnership was formed as a partnership under state law, for U.S. federal income tax purposes our operating partnership will be treated as a partnership, if it has two or more partners, or a disregarded entity, if it is treated as having one partner. We intend that interests in our operating partnership (and any partnership invested in by our operating partnership) will fall within one of the safe harbors for the partnership to avoid being classified as a publicly traded partnership. However, our ability to satisfy the requirements of some of these safe harbors depends on the results of actual operations and accordingly no assurance can be given that any such partnership will at all times satisfy one of such safe harbors. We reserve the right to not satisfy any safe harbor. Even if a partnership is a publicly traded partnership, it generally will not be treated as a corporation if at least 90% of its gross income each taxable year is from certain sources, which generally include rents from real property and other types of passive income. We believe that our operating partnership has had and will have sufficient qualifying income so that it would be taxed as a partnership, even if it were treated as a publicly traded partnership.

If for any reason our operating partnership (or any partnership invested in by our operating partnership) is taxable as a corporation for U.S. federal income tax purposes, the character of our assets and items of gross income would change, and as a result, we would most likely be unable to satisfy the applicable REIT requirements under U.S. federal income tax laws discussed above. In addition, any change in the status of any partnership may be treated as a taxable event, in which case we could incur a tax liability without a related cash distribution. Further, if any partnership was treated as a corporation, items of income, gain, loss, deduction and credit of such partnership would be subject to corporate income tax, and the partners of any such partnership would be treated as stockholders, with distributions to such partners being treated as dividends.

Anti-abuse Treasury Regulations have been issued under the partnership provisions of the Code that authorize the IRS, in some abusive transactions involving partnerships, to disregard the form of a transaction and recast it as it deems appropriate. The anti-abuse regulations apply where a partnership is utilized in connection with a transaction (or series of related transactions) with a principal purpose of substantially reducing the present value of the partners aggregate U.S. federal tax liability in a manner inconsistent with the intent of the partnership provisions. The anti-abuse regulations contain an example in which a REIT contributes the proceeds of a public offering to a partnership in exchange for a general partnership interest. The limited partners contribute real property assets to the partnership, subject to liabilities that exceed their respective aggregate bases in such property. The example concludes that the use of the partnership is not inconsistent with the intent of the partnership provisions, and thus, cannot be recast by the IRS. However, the anti-abuse regulations are extraordinarily broad in scope and are applied based on an analysis of all the facts and circumstances. As a result, we cannot assure you that the IRS will not attempt to apply the anti-abuse regulations to us. Any such action could potentially jeopardize our qualification as a REIT and materially affect the tax consequences and economic return resulting from an investment in our company.

***Income Taxation of Partnerships and their Partners***. Although a partnership agreement generally will determine the allocation of a partnership s income and losses among the partners, such allocations may be disregarded for U.S. federal income tax purposes under Code Section 704(b) and the Treasury Regulations. If any allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners economic interests in the partnership. We believe that the allocations of taxable income and loss in the operating partnership agreement comply with the requirements of Code Section 704(b) and the Treasury Regulations. For a description of allocations by our operating partnership to the partners, see the section entitled Summary of Our Operating Partnership Agreement included elsewhere in this prospectus.

In some cases, special allocations of net profits or net losses will be required to comply with the U.S. federal income tax principles governing partnership tax allocations. Additionally, pursuant to Code Section 704(c), income, gain, loss and deduction attributable to property contributed to our operating partnership in exchange for units must be allocated in a manner so that the contributing partner is charged with, or benefits from, the unrealized gain or loss attributable to the property at the time of contribution. The amount of such unrealized gain or loss is generally equal to the difference between the fair market value and the adjusted basis of the property at the time of contribution. These allocations are designed to eliminate book-tax differences by allocating to contributing partners lower amounts of depreciation deductions and increased taxable income and gain attributable to the contributed property than would ordinarily be the case for economic or book purposes. With respect to any property purchased by our operating partnership, such property generally will have an initial tax basis equal to its fair market value, and accordingly, Code Section 704(c) will not apply, except as described further below in this paragraph. The application of the principles of Code Section 704(c) in tiered partnership arrangements is not entirely clear. Accordingly, the IRS may assert a different allocation method than the one selected by our operating partnership to cure any book-tax differences. In certain circumstances, we create book-tax differences by adjusting the values of properties for economic or book purposes and generally the rules of Code Section 704 (c) would apply to such differences as well.

For U.S. federal income tax purposes, depreciation deductions on residential rental buildings, structural components and improvements generally are computed using the straight-line method. Shorter depreciation periods apply to other properties. We have elected to have the alternative depreciation system apply to our properties with the result that residential rental buildings structural components and improvements are depreciated using the straight-line method over 40 years and some improvements to land are depreciated using the straight-line method over 20 years. For properties contributed to our operating partnership, depreciation deductions are calculated based on the transferor s basis and depreciation method. Because depreciation deductions are based on the transferor s basis in the contributed property, our operating partnership generally would be entitled to less depreciation than if the properties were purchased in a taxable transaction. The burden of lower depreciation generally will fall first on the contributing partner, but also may reduce the depreciation allocated to other partners.

Gain on the sale or other disposition of depreciable property is characterized as ordinary income (rather than capital gain) to the extent of any depreciation recapture. Buildings and improvements depreciated under the straight-line method of depreciation are generally not subject to depreciation recapture unless the property was held for less than one year. However, individuals, trusts and estates that hold shares either directly or through a pass-through entity may be subject to tax on the disposition on such assets at a rate of 25% rather than at the normal capital gains rate, to the extent that such assets have been depreciated.

Some expenses incurred in the conduct of our operating partnership s activities may not be deducted in the year they were paid. To the extent this occurs, the taxable income of our operating partnership may exceed its cash receipts for the year in which the expense is paid. As discussed above, the costs of acquiring properties must generally be recovered through depreciation deductions over a number of years. Prepaid interest and loan fees, and prepaid management fees are other examples of expenses that may not be deducted in the year they were paid.

# Taxation of U.S. Holders

The following section applies to you only if you are a U.S. Holder. Generally, for purposes of this discussion, a U.S. Holder is a person (other than a partnership or entity treated as a partnership for U.S. federal income tax purposes) that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) the trust has a valid election in effect under current Treasury Regulations to be treated as a U.S. person.

If a partnership or entity treated as a partnership for U.S. federal income tax purposes holds our stock, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding shares of our Series A Redeemable Preferred Stock, the Warrants or shares of our common stock should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of such shares of Series A Redeemable Preferred Stock, the Warrants or shares of our common stock by the partnership.

*Allocation of Purchase Price of Unit as Between Series A Redeemable Preferred Stock and Warrant.* For U.S. federal income tax purposes, the purchase of each Unit will be treated as the purchase of an investment unit consisting of two components, a share of Series A Redeemable Preferred Stock and a Warrant to purchase 20 shares of common stock exercisable by the holder at an exercise price of 120% of the current market price per share of our common stock determined using the volume weighted average price of our common stock for the 20 trading days prior to the date of issuance of such Warrant, subject to a minimum exercise price of $9.00 per share (subject to adjustment). The purchase price for the Unit must be allocated as between the Series A Redeemable Preferred Stock and the Warrant in proportion to their relative fair market values on the date that the Unit is purchased. The allocation of the purchase price will establish your initial tax basis for U.S. federal income tax purposes in your Series A Redeemable Preferred Stock and the Warrant. You should consult your own tax advisor regarding the allocation of the purchase price between the share of Series A Redeemable Preferred Stock and the Warrant.

If the allocation of the purchase price between the Series A Redeemable Preferred Stock and the Warrant results in an issue price for the Series A Redeemable Preferred Stock that is lower than the price at which the Series A Redeemable Preferred stock may be redeemed under certain circumstances, this difference in price (the redemption premium ) will be treated as a constructive distribution of additional stock on preferred stock under Code Section 305(c), unless the redemption premium is less than a statutory de minimis amount. If shares of the Series A Redeemable Preferred Stock may be redeemed at more than one time, the time and price at which redemption is most likely to occur must be determined based on all the facts and circumstances as of the issue date. Any such constructive distribution must be taken into account under principles similar to the principles governing the inclusion of accrued original issue discount under Code Section 1272(a). Under those principles, a U.S. Holder is required to include the redemption premium in gross income as it accrues under a constant yield method.

We intend to take a position, through an appropriate valuation methodology, on an allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that comprise the Units. If the allocation results in a value for the Warrant in excess of the statutory de minimis amount, we will report the premium in gross income of U.S. Holders as it accrues under a constant yield method and include the amount on the annual dividend reporting form, Form 1099-DIV. However, our position on the allocation of the purchase price to the Warrants is not binding on the IRS. If the IRS were to take a different position regarding such allocation, U.S. Holders would be required to include a different amount of redemption premium in gross income as it accrues under a constant yield method and may be required to treat any gain recognized on the disposition of the Series A Redeemable Preferred Stock as ordinary income rather than as capital gain.

*Series A Redeemable Preferred Stock and Common Stock.* As long as we qualify as a REIT, distributions (including any deemed distributions) paid to our U.S. Holders out of current or accumulated earnings and profits (and not designated as capital gain dividends, or for tax years beginning before January 1, 2013, qualified dividend income) will be ordinary income.

Distributions in excess of current and accumulated earnings and profits are treated first as a return of capital to the U.S. Holder, reducing the U.S. Holder s tax basis in his, her or its stock by the amount of such distribution, but not below zero, and then capital gain. Because our earnings and profits are reduced for depreciation and other non-cash items, it is possible that a portion of each distribution will constitute a return of capital. Additionally, because distributions in excess of earnings and profits reduce the U.S. Holder s basis in our stock, this will increase the U.S. Holder s gain, or reduce the U.S. Holder s loss, on any subsequent sale of the stock.

Distributions that we designate as capital gain dividends will be taxed as long-term capital gain to the extent they do not exceed our actual net capital gain for the taxable year, without regard to the period for which the U.S. Holder that receives such distribution has held its stock. However, corporate U.S. Holders may be required to treat up to 20% of some types of capital gain dividends as ordinary income. We also may decide to retain, rather than distribute, our net capital gain and pay any tax thereon. In such instances, U.S. Holders would include their proportionate shares of such gain in income as long-term capital gain, receive a credit on their returns for their proportionate share of our tax payments, and increase the tax basis of their shares of stock by the after-tax amount of such gain.

With respect to U.S. Holders who are taxed at the rates applicable to individuals, for taxable years beginning before January 1, 2013, we may elect to designate a portion of our distributions (including any deemed distributions) paid to such U.S. Holders as qualified dividend income. A portion of a distribution that is properly designated as qualified dividend income is taxable to non-corporate U.S. Holders as capital gain; *provided*, that the U.S. Holder has held the stock with respect to which the distribution is made for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which such stock became ex-dividend with respect to the relevant distribution. The maximum amount of our distributions eligible to be designated as qualified dividend income for a taxable year is equal to the sum of:

(1) the qualified dividend income received by us during such taxable year from C corporations (including any TRSs);

(2) the excess of any undistributed REIT taxable income recognized during the immediately preceding year over the U.S. federal income tax paid by us with respect to such undistributed REIT taxable income; and

(3) the excess of any income recognized during the immediately preceding year attributable to the sale of a built-in gain asset that was acquired in a carry-over basis transaction from a non REIT corporation or had appreciated at the time our REIT election became effective over the U.S. federal income tax paid by us with respect to such built-in gain.

Generally, dividends that we receive will be treated as qualified dividend income for purposes of (1) above if the dividends are received from a regular domestic C corporation, such as any TRSs, and specified holding period and other requirements are met.

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Dividend income is characterized as portfolio income under the passive loss rules and cannot be offset by a U.S. Holder s current or suspended passive losses. Corporate U.S. Holders cannot claim the dividends received deduction for such dividends unless we lose our REIT qualification. Although U.S. Holders generally will recognize taxable income in the year that a distribution is received, any distribution we declare in October, November or December of any year and is payable to a U.S. Holder of record on a specific date in any such month will be treated as both paid by us and received by the U.S. Holder on December 31st of the year it was declared even if paid by us during January of the following calendar year. Because we are not a pass-through entity for U.S. federal income tax purposes, U.S. Holders may not use any of our operating or capital losses to reduce their tax liabilities.

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash (which portion can be as low as 20%) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, U.S. Holders will be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our stock. In general, any dividend on shares of our preferred stock will be taxable as a dividend, regardless of whether any portion is paid in stock.

In general, the sale of our stock held for more than 12 months will produce long-term capital gain or loss. All other sales will produce short-term gain or loss. In each case, the gain or loss is equal to the difference between the amount of cash and fair market value of any property received from the sale and the U.S. Holder s basis in the stock sold. However, any loss from a sale or exchange of stock by a U.S. Holder who has held such stock for six months or less generally will be treated as a long-term capital loss, to the extent that the U.S. Holder treated our distributions as long-term capital gain. The use of capital losses is subject to limitations.

If excess inclusion income from a REMIC residual interest is allocated to any U.S. Holder, that income will be taxable in the hands of the Holder and would not be offset by any net operating losses of the U.S. Holder that would otherwise be available. As required by IRS guidance, we intend to notify our U.S. Holders if a portion of a dividend paid by us is attributable to excess inclusion income.

For taxable years beginning before January 1, 2013, the maximum tax rate applicable to individuals and certain other noncorporate taxpayers on net capital gain recognized on the sale or other disposition of shares has been reduced from 20% to 15%, and the maximum marginal tax rate payable by them on dividends received from corporations that are subject to a corporate level of tax has been reduced. Except in limited circumstances, as discussed above, this reduced tax rate will not apply to dividends paid by us.

*Warrants*. Upon the exercise of a Warrant for cash, you will not recognize gain or loss, and the amount paid for the Warrant plus the amount paid at exercise will be added to your basis in the common stock received. Your holding period for the common stock purchased pursuant to exercise of a Warrant for cash will generally begin no later than the day following the exercise and will not include the period you held the Warrant.

Upon a sale or other disposition (other than exercise) of a Warrant, you will recognize capital gain or loss in an amount equal to the difference between the amount realized and your tax basis in the Warrant. Such gain or loss will be long-term capital gain or loss provided you held the Warrant for more than one year at the time of sale or other disposition.

If the Warrant is allowed to lapse unexercised, you will generally have a capital loss equal to your basis in the Warrant. Such loss will be a long-term capital loss provided you held the Warrant for more than one year at the time the Warrant is allowed to lapse.

Certain adjustments to, or failure to adjust, the number of shares underlying the Warrants and/or exercise price of the Warrants may cause holders of Warrants and our stock to be treated as having received a distribution, to the extent any such adjustment or failure to adjust results in an increase in the proportionate interest of such holders in our company. Such a distribution would be taxable to holders as a dividend, return of capital or capital gain in accordance with rules discussed above under Series A Redeemable Preferred Stock and Common Stock.

*Cost Basis Reporting*. U.S. federal income tax information reporting rules may apply to certain transactions in our shares. Where such rules apply, the cost basis calculated for the shares involved will be reported to the IRS and to you. Generally these rules apply to all shares purchased. For cost basis reporting purposes, you may identify by lot the shares that you transfer or that are redeemed, but if you do not timely notify us of your election, we will identify the shares that are transferred or redeemed on a first in/first out basis. The shares in the Distribution Reinvestment Plan are also eligible for the average cost basis method, should you so elect.

Information reporting (transfer statements) on other transactions may also be required under these new rules. Generally, these reports are made for certain transactions. Transfer statements are issued between brokers and are not issued to the IRS or to you.

Stockholders should consult their tax advisors regarding the consequences of these new rules.

*Medicare Tax*. U.S. Holders who are individuals, estates or trusts are required to pay a 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of shares of stock for taxable years beginning after December 31, 2012. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of our stock.

*Backup Withholding and Information Reporting*. We will report to our U.S. Holders and the IRS the amount of dividends (including deemed dividends) paid during each calendar year and the amount (if any) of U.S. federal income tax we withhold. Under the backup withholding rules, a U.S. Holder may be subject to backup withholding at the current rate of 28% with respect to dividends (including any deemed dividends) paid unless the U.S. Holder (1) is a corporation or comes within other exempt categories and, when required, demonstrates this fact, or (2) provides us with a taxpayer identification number or social security number, certifies under penalties of perjury that such number is correct and that such U.S. Holder is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Holder that does not provide his, her or its correct taxpayer identification number or social security number also may be subject to penalties imposed by the IRS. In addition, we may be required to withhold a portion of capital gain distribution to any U.S. Holder who fails to certify its non-foreign status. See the Taxation of Non-U.S. Holders portion of this section.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such U.S. Holder s U.S. federal income tax liability, provided the required information is furnished to the IRS.

For taxable years beginning after December 31, 2013, a U.S. withholding tax at a 30% rate will be imposed on dividends and, after December 31, 2014, proceeds of sale in respect of our stock received by U.S. Holders who own their stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. We will not pay any additional amounts in respect to any amounts withheld

# Taxation of Tax-Exempt Holders

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income, or UBTI. While many investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that ruling, our distributions to a U.S. Holder that is a domestic tax-exempt entity should not constitute UBTI unless such U.S. Holder borrows funds (or otherwise incurs acquisition indebtedness within the meaning of the Code) to acquire its common shares, or the common shares are otherwise used in an unrelated trade or business of the tax-exempt entity. Furthermore, even in the absence of acquisition debt, part or all of the income or gain recognized with respect to our stock held by certain domestic tax-exempt entities, including social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal service plans (all of which are exempt from U.S. federal income taxation under Code Sections 501(c)(7), (9), (17) or (20)), may be treated as UBTI.

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Special rules apply to the ownership of REIT shares by some tax-exempt pension trusts. If we would be closely held (discussed above with respect to the share ownership tests) because the stock held by tax-exempt pension trusts was viewed as being held by the trusts rather than by their respective beneficiaries, tax-exempt pension trusts owning more than 10% by value of our stock may be required to treat a percentage of our dividends as UBTI. This rule applies if: (i) at least one tax-exempt pension trust owns more than 25% by value of our shares, or (ii) one or more tax-exempt pension trusts (each owning more than 10% by value of our shares) hold in the aggregate more than 50% by value of our shares. The percentage treated as UBTI is our gross income (less direct expenses) derived from an unrelated trade or business (determined as if we were a tax-exempt pension trust) divided by our gross income from all sources (less direct expenses). If this percentage is less than 5%, however, none of the dividends will be treated as UBTI. Because of the restrictions in our charter regarding the ownership concentration of our stock, we believe that a tax-exempt pension trust should not become subject to these rules. However, because our shares of common stock are publicly traded, we can give no assurance of this.

Prospective tax-exempt purchasers should consult their own tax advisors and financial planners as to the applicability of these rules and consequences to their particular circumstances.

# Taxation of Non-U.S. Holders

*General.* The rules governing the U.S. federal income taxation of Non-U.S. Holders are complex, and as such, only a summary of such rules is provided in this prospectus. Non-U.S. investors should consult with their own tax advisors and financial planners to determine the impact that U.S. federal, state and local income tax or similar laws will have on such investors as a result of an investment in our REIT. A Non-U.S. Holder means a person (other than a partnership or entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

*Allocation of Purchase Price as Between Series A Redeemable Preferred Stock and Warrant.* As described above under Taxation of U.S. Holders Allocation of Purchase Price Between Series A Redeemable Preferred Stock and Warrants, a portion of the purchase price for the Unit will be allocated to the Warrant. Any redemption premium that may result will be treated as a constructive distribution of additional stock on preferred stock under Code Section 305(c), unless the redemption premium is less than a statutory de minimis amount. Any such constructive distribution may need to be taken into account under principles similar to the principles governing the inclusion of accrued original issue discount under Code Section 1272(a) and may be subject to a withholding tax equal to 30% of the gross amount of the dividend unless an applicable tax treaty reduces or eliminates that tax. See Distributions In General and U.S. Federal Income Tax Withholding on Distributions below.

*Distributions In General.* Distributions paid by us that are not attributable to gain from our sales or exchanges of U.S. real property interests, or USRPIs, and not designated by us as capital gain dividends will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such dividends to Non-U.S. Holders ordinarily will be subject to a withholding tax equal to 30% of the gross amount of the dividend unless an applicable tax treaty reduces or eliminates that tax. Under some treaties, however, lower rates generally applicable to dividends do not apply to dividends from REITs. Any constructive dividends on the Series A Redeemable Preferred Stock also would be subject to U.S. federal withholding tax to the same extent as an actual distribution. Because constructive dividends would not give rise to any cash from which any applicable withholding tax could be satisfied, we may withhold the U.S. federal tax on such dividend from cash proceeds otherwise payable to a Non-U.S. Holder.

If income from the investment in the common shares is treated as effectively connected with the Non-U.S. Holder s conduct of a U.S. trade or business, the Non-U.S. Holder generally will be subject to a tax at the graduated rates applicable to ordinary income, in the same manner as U.S. Holders are taxed with respect to such dividends (and also may be subject to the 30% branch profits tax in the case of a Non-U.S. Holder that is a foreign corporation that is not entitled to any treaty exemption). In general, Non-U.S. Holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. Dividends in excess of our current and accumulated earnings and profits will not be taxable to a Non-U.S. Holder to the extent they do not exceed the adjusted basis of the Non-U.S. Holder s shares. Instead, they will

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reduce the adjusted basis of such shares. To the extent that such dividends exceed the adjusted basis of a Non-U.S. Holder s shares, they will give rise to tax liability if the Non-U.S. Holder would otherwise be subject to tax on any gain from the sale or disposition of his shares, as described in the Sales of Shares portion of this Section below.

*Distributions Attributable to Sale or Exchange of Real Property*. Distributions that are attributable to gain from our sales or exchanges of USRPIs will be taxed to a Non-U.S. Holder as if such gain were effectively connected with a U.S. trade or business. Non-U.S. Holders would thus be taxed at the normal capital gain rates applicable to U.S. Holders, and would be subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Also, such distributions may be subject to a 30% branch profits tax in the hands of a corporate Non-U.S. Holder not entitled to any treaty exemption. However, generally such a distribution from a REIT is not treated as effectively connected income for a Non-U.S. Holder if: (i) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the U.S.; and (ii) the Non-U.S. Holder does not own more than 5% of the class of stock at any time during the one-year period ending on the date of the distribution. Distributions that qualify for this exception are subject to withholding tax in the manner described above as dividends of ordinary income. We anticipate that our shares of common stock will be regularly traded on an established securities market, although, no assurance can be given that this will be the case.

*U.S. Federal Income Tax Withholding on Distributions*. For U.S. federal income tax withholding purposes, we generally will withhold tax at the rate of 30% on the amount of any distribution (other than distributions designated as capital gain dividends) made to a Non-U.S. Holder, unless the Non-U.S. Holder provides us with appropriate documentation (i) evidencing that such Non-U.S. Holder is eligible for an exemption or reduced rate under an applicable income tax treaty, generally an IRS Form W-8BEN (in which case we will withhold at the lower treaty rate), or (ii) claiming that the dividend is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the U.S., generally an IRS Form W-8ECI (in which case we will not withhold tax). We also generally are required to withhold tax at the rate of 35% on the portion of any dividend to a Non-U.S. Holder that is or could be designated by us as a capital gain dividend, to the extent attributable to gain on a sale or exchange of an interest in U.S. real property. Such withheld amounts of tax do not represent actual tax liabilities, but rather, represent payments in respect of those tax liabilities described above. Therefore, such withheld amounts are creditable by the Non-U.S. Holder against its actual U.S. federal income tax liabilities, including those described above. The Non-U.S. Holder would be entitled to a refund of any amounts withheld in excess of such Non-U.S. Holder s actual U.S. federal income tax liabilities, *provided that* the Non-U.S. Holder files applicable returns or refund claims with the IRS.

*Sales of Shares*. Gain recognized by a Non-U.S. Holder upon a sale of shares generally will not be subject to U.S. federal income taxation, *provided that*: (i) such gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the U.S.; (ii) the Non-U.S. Holder is an individual and is not present in the U.S. for 183 days or more during the taxable year and certain other conditions apply; and (iii) (A) our REIT is domestically controlled, which generally means that less than 50% in value of our shares continues to be held directly or indirectly by foreign persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of our existence, or (B) the class of shares being sold are regularly traded on an established securities market and the selling Non-U.S. Holder has not held more than 5% of our outstanding shares of such class at any time during the five-year period ending on the date of the sale.

We believe, but cannot assure you, that we will qualify as domestically controlled. However, if we were not domestically controlled, a Non-U.S. Holder s sale of shares would be subject to tax, unless the class of shares being sold were regularly traded on an established securities market and the selling Non-U.S. Holder has not directly, or indirectly, owned during the five-year period ending on the date of sale more than 5% in value of such class of our shares. We anticipate that our common shares will be regularly traded on an established market, although, no assurance can be given that this will be the case. If the gain on the sale of shares were to be subject to taxation, the

Non-U.S. Holder would be subject to the same treatment as U.S. Holders with respect to such gain, and the purchaser of such shares may be required to withhold 10% of the gross purchase price.

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If the proceeds of a disposition of our securities are paid by or through a U.S. office of a broker-dealer, the payment is generally subject to information reporting and to backup withholding unless the disposing Non-U.S. Holder certifies as to its name, address and non-U.S. status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding will not apply to a payment of disposition proceeds if the payment is made outside the U.S. through a foreign office of a foreign broker-dealer. Under Treasury Regulations, if the proceeds from a disposition of our securities paid to or through a foreign office of a U.S. broker-dealer or a non-U.S. office of a foreign broker-dealer that is (i) a controlled foreign corporation for U.S. federal income tax purposes, (ii) a person 50% or more of whose gross income from all sources for a three-year period was effectively connected with a U.S. trade or business, (iii) a foreign partnership with one or more partners who are U.S. persons and who, in the aggregate, hold more than 50% of the income or capital interest in the partnership, or (iv) a foreign partnership engaged in the conduct of a trade or business in the U.S., then (A) backup withholding will not apply unless the broker-dealer has actual knowledge that the owner is not a Non-U.S. Holder, and (B) information reporting will not apply if the Non-U.S. Holder certifies its non-U.S. status and further certifies that it has not been, and at the time the certificate is furnished reasonably expects not to be, present in the U.S. for a period aggregating 183 days or more during each calendar year to which the certification pertains. Prospective foreign purchasers should consult their tax advisors and financial planners concerning these rules.

With respect to payments made after December 31, 2013, a withholding tax of 30% will be imposed on dividends from, and, after December 31, 2014, the gross proceeds of a disposition of, our stock paid to certain foreign entities unless various information reporting requirements are satisfied. Such withholding tax will generally apply to non-U.S. financial institutions, which is generally defined for this purpose as any non-U.S. entity that (i) accepts deposits in the ordinary course of a banking or similar business, (ii) is engaged in the business of holding financial assets for the account of others, or (iii) is engaged or holds itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities, or any interest in such assets. We will not pay any additional amounts in respect of any amounts withheld. Non-U.S. Holders are encouraged to consult their tax advisors regarding the implications of this legislation on their investment in our stock, as well as any the status of any legislative proposals that may pertain to a purchase of our stock.

*Warrants Expiration, Sale or Exercise of the Warrants.* The discussion above under Taxation of U.S. Holders Warrants generally applies to Non-U.S. Holders, except that a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on gain recognized upon the sale or otherwise taxable disposition of a Warrant, *provided*, *however*, that: (i) such gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the U.S.; (ii) the Non-U.S. Holder is an individual and is not present in the U.S. for 183 days or more during the taxable year and certain other conditions apply; and (iii) our REIT is domestically controlled (see Sales of Shares above).

# Other Tax Considerations

*State, Local and Foreign Taxes.* We and you may be subject to state, local or foreign taxation in various jurisdictions, including those in which we transact business or you reside. Our and your state, local and foreign tax treatment may not conform to the U.S. federal income tax consequences discussed above. Any foreign taxes incurred by us would not pass through to U.S. Holders as a credit against their U.S. federal income tax liability. You should consult your own tax advisors and financial planners regarding the effect of state, local and foreign tax laws on an investment in our securities.

*Legislative Proposals.* You should recognize that our and your present U.S. federal income tax treatment may be modified by legislative, judicial or administrative actions at any time, which may be retroactive in effect. The rules dealing with U.S. federal income taxation are constantly under review by Congress, the IRS and the Treasury Department, and statutory changes as well as promulgation of new regulations, revisions to existing statutes, and revised interpretations of established concepts occur frequently. We are not aware of any pending legislation that would materially affect our or your taxation as described in this prospectus. You should, however, consult your advisors concerning the status of legislative proposals that may pertain to a purchase of our securities.

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# INVESTMENT BY TAX-EXEMPT ENTITIES AND ERISA CONSIDERATIONS

## General

The following is a summary of certain additional considerations associated with an investment in our shares or holding of the Warrants by tax-qualified pension, stock bonus or profit-sharing plans, employee benefit plans described in Section 3(3) and subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or ERISA, annuities described in Section 403(a) or (b) of the Code, an individual retirement account or annuity described in Sections 408 or 408A of the Code, an Archer MSA described in Section 220(d) of the Code, a health savings account described in Section 223(d) of the Code, or a Coverdell education savings account described in Section 530 of the Code, which are referred to in this section as Plans and IRAs, as applicable. This summary is based on provisions of ERISA and the Code, including amendments thereto through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor and the IRS through the date of this prospectus and is designed only to provide a general conceptual understanding of certain basic issues relevant to a Plan or IRA investor. We cannot assure you that adverse tax decisions or legislative, regulatory or administrative changes that would significantly modify the statements expressed herein will not occur. Any such changes may or may not apply to transactions entered into prior to the date of their enactment.

Our management has attempted to structure us in such a manner that we will be an attractive investment vehicle for Plans and IRAs. However, in considering an investment in our shares, those involved with making such an investment decision should consider applicable provisions of the Code and ERISA. While each of the ERISA and the Code issues discussed below may not apply to all Plans and IRAs, individuals involved with making investment decisions with respect to Plans and IRAs should carefully review the rules and exceptions described below, and determine their applicability to their situation. This discussion should not be considered legal advice and prospective investors are required to consult their own legal advisors on these matters.

In general, individuals making investment decisions with respect to Plans and IRAs should, at a minimum, consider:

whether the investment is in accordance with the documents and instruments governing such Plan or IRA;
whether the investment satisfies the prudence, diversification and other fiduciary requirements of ERISA, if applicable;
whether the investment will result in UBTI to the Plan or IRA (see the section entitled Material U.S. Federal Income Tax Considerations Taxation of Tax-Exempt Stockholders included elsewhere in this prospectus);
whether there is sufficient liquidity for the Plan or IRA, considering the minimum and other distribution requirements under the Code and the liquidity needs of such Plan or IRA, after taking this investment into account;
the need to value the assets of the Plan or IRA annually or more frequently; and
whether the investment would constitute or give rise to a non-exempt prohibited transaction under ERISA or the Code, if applicable.

Additionally, individuals making investment decisions with respect to Plans and IRAs must remember that ERISA requires that the assets of an employee benefit plan must generally be held in trust.

## Minimum and Other Distribution Requirements Plan Liquidity

Potential Plan or IRA investors who intend to purchase our shares or hold the Warrants should consider the limited liquidity of an investment in our shares as it relates to the minimum distribution requirements under the Code, if applicable, and as it relates to other distributions (such as, for example, cash out distributions) that may be required under the terms of the Plan or IRA from time to time. If the shares are held in an IRA or Plan and, before we sell our properties, mandatory or other distributions are required to be made to the participant or beneficiary of such IRA or Plan, pursuant to the Code, then this could require that a distribution of the shares be made in kind to such participant or beneficiary or that a rollover of such shares be made to an IRA or other plan, which may not be permissible under the terms and provisions of the IRA or Plan. Even if permissible, a distribution of shares in kind to a participant or beneficiary of an IRA or Plan must be included in the taxable income of the recipient for the year in which the shares are received at the then current fair market value of the shares, even though there would be no corresponding cash distribution with which to pay the income tax liability arising because of the distribution of shares. See the section entitled Risk Factors. The fair market value of any such distribution-in-kind can be only an estimated value per share if no public market for our shares currently exists or may ever develop. See the section entitled Annual or More Frequent Valuation Requirement included elsewhere in this prospectus. Further, there can be no assurance that such estimated value could actually be realized by a stockholder because estimates do not necessarily indicate the price at which our shares could be sold. Also, for distributions subject to mandatory income tax withholding under Section 3405 or other tax withholding provisions of the Code, the trustee of a Plan may have an obligation, even in situations involving in-kind distributions of shares, to liquidate a portion of the in-kind shares distributed in order to satisfy such withholding obligations, although there might be no market for such shares. There also may be similar state and/or local tax withholding or other tax obligations that should be considered.

# Annual or More Frequent Valuation Requirement

Fiduciaries of Plans may be required to determine the fair market value of the assets of such Plans on at least an annual basis and, sometimes, as frequently as quarterly. If the fair market value of any particular asset is not readily available, the fiduciary is required to make a good faith determination of that asset s value. Also, a trustee or custodian of an IRA must provide an IRA participant and the IRS with a statement of the value of the IRA each year. However, currently, neither the IRS nor the Department of Labor has promulgated regulations definitively specifying how fair market value should be determined in all circumstances.

Unless and until our shares of Series A Redeemable Preferred Stock are listed on a national securities exchange, it is not expected that a public market for our shares of Series A Redeemable Preferred Stock will develop. To assist fiduciaries of Plans subject to the annual reporting requirements of ERISA and IRA trustees or custodians to prepare reports relating to an investment in our shares of Series A Redeemable Preferred Stock, we intend to provide reports of our quarterly and annual determinations of the current estimated share value to those fiduciaries (including IRA trustees and custodians) who identify themselves to us and request the reports until we obtain a listing for our shares of Series A Redeemable Preferred Stock.

We anticipate that we will provide annual reports of our determination of value (1) to IRA trustees and custodians not later than January 15 of each year, and (2) to other Plan fiduciaries within 75 days after the end of each calendar year. Each determination may be based upon valuation information available as of October 31 of the preceding year, updated, however, for any material changes occurring between October 31 and December 31.

There can be no assurance, however, with respect to any estimate of value that we prepare, that:

the estimated value per share would actually be realized by our stockholders upon liquidation, because these estimates do not necessarily indicate the price at which properties can be sold;
our stockholders would be able to realize estimated net asset values if they were to attempt to sell their shares, because no public market for our shares exists or is likely to develop; or
that the value, or method used to establish value, would comply with ERISA or the Code requirements described above.

# Fiduciary Obligations Prohibited Transactions

Any person identified as a fiduciary with respect to a Plan has duties and obligations under ERISA as discussed herein. For purposes of ERISA, any person who exercises any authority or control with respect to the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan. Further, many transactions between a Plan or an IRA and a party-in-interest or a disqualified person with respect to such Plan or IRA are prohibited by ERISA and/or the Code. ERISA also requires generally that the assets of Plans be held in trust.

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If our properties and other assets were deemed to be assets of a Plan or IRA, referred to herein as plan assets, our directors would, and employees of our affiliates might be deemed fiduciaries of any Plans or IRAs investing as stockholders. If this were to occur, certain contemplated transactions between us and our directors and employees of our affiliates could be deemed to be prohibited transactions. Additionally, ERISA s fiduciary standards applicable to investments by Plans would extend to our directors and possibly employees of our affiliates as Plan fiduciaries with respect to investments made by us.

## Plan Assets Definition

Prior to the passage of the Pension Protection Act of 2006, or the PPA, neither ERISA nor the Code contained a definition of plan assets. After the passage of the PPA, new Section 3(42) of ERISA now defines plan assets in accordance with Department of Labor regulations with certain express exceptions. A Department of Labor regulation, referred to in this discussion as the Plan Asset Regulation, as modified or deemed to be modified by the express exceptions noted in the PPA, provides guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute plan assets. Under the Plan Asset Regulation, the assets of an entity in which a Plan or IRA makes an equity investment generally will be deemed to be assets of such Plan or IRA unless the entity satisfies one of the exceptions to this general rule. Generally, the exceptions require that the investment in the entity be one of the following:

in securities issued by an investment company registered under the Investment Company Act;
in publicly offered securities, defined generally as interests that are freely transferable, widely held and registered with the SEC;
in an operating company, which includes venture capital operating companies and real estate operating companies ; or in which equity participation by benefit plan investors is not significant.

## Plan Assets Registered Investment Company Exception

The shares we are offering will not be issued by a registered investment company. Therefore we do not anticipate that we will qualify for the exception for investments issued by a registered investment company.

## Publicly Offered Securities Exemption

As noted above, if a Plan acquires publicly offered securities, the assets of the issuer of the securities will not be deemed to be plan assets under the Plan Asset Regulation. The definition of publicly offered securities requires that such securities be widely held, freely transferable and satisfy registration requirements under federal securities laws.

Under the Plan Asset Regulation, a class of securities will meet the registration requirements under federal securities laws if they are (i) part of a class of securities registered under section 12(b) or 12(g) of the Exchange Act, or (ii) part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities of which such security is a part is registered under the Exchange Act within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred. We anticipate that we will meet the registration requirements under the Plan Asset Regulation. Also under the Plan Asset Regulation, a class of securities will be widely held if it is held by 100 or more persons independent of the issuer. We anticipate that this requirement will be met.

Although our shares are intended to satisfy the registration requirements under this definition, and we expect that our securities will be widely-held, the freely transferable requirement must also be satisfied in order for us to qualify for the publicly offered securities exception.

The Plan Asset Regulation provides that whether a security is freely transferable is a factual question to be determined on the basis of all relevant facts and circumstances. Our shares are subject to certain restrictions on transferability typically found in REITs, and are intended to ensure that we continue to qualify for U.S. federal income tax treatment as a REIT. The Plan Asset Regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on

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transferability intended to prohibit transfers that would result in a termination or reclassification of the entity for U.S. federal or state tax purposes will not ordinarily affect a determination that such securities are freely transferable. The minimum investment in our shares is less than $10,000. Thus, the restrictions imposed in order to maintain our status as a REIT should not prevent the shares from being deemed freely transferable. Therefore, we anticipate that we will meet the publicly offered securities exception, although there are no assurances that we will qualify for this exception.

# Plan Assets Operating Company Exception

If we are deemed not to qualify for the publicly offered securities exemption, the Plan Asset Regulation also provides an exception with respect to securities issued by an operating company, which includes venture capital operating companies and real estate operating companies. To constitute a venture capital operating company, 50% of more of the assets of the entity must be invested in venture capital investments. A venture capital investment is an investment in an operating company (other than a venture capital operating company but including a real estate operating company) as to which the entity has or obtains direct management rights. To constitute a real estate operating company, 50% or more of the assets of an entity must be invested in real estate which is managed or developed and with respect to which such entity has the right to substantially participate directly in the management or development activities.

While the Plan Asset Regulation and relevant opinions issued by the Department of Labor regarding real estate operating companies are not entirely clear as to whether an investment in real estate must be direct, it is common practice to insure that an investment is made either (i) directly into real estate, (ii) through wholly owned subsidiaries, or (iii) through entities in which all but a de minimis interest is separately held by an affiliate solely to comply with the minimum safe harbor requirements established by the IRS for classification as a partnership for U.S. federal income tax purposes. We have structured ourselves in a manner that should enable us to meet the venture capital operating company exception and our operating partnership to meet the real estate operating company exception.

Notwithstanding the foregoing, 50% of our operating partnership s investments must be in real estate over which it maintains the right to substantially participate in the management and development activities. An example in the Plan Asset Regulation indicates that if 50% or more of an entity s properties are subject to long-term leases under which substantially all management and maintenance activities with respect to the properties are the responsibility of the lessee, such that the entity merely assumes the risk of ownership of income-producing real property, then the entity may not be eligible for the real estate operating company exception. By contrast, a second example in the Plan Asset Regulation indicates that if 50% or more of an entity s investments are in shopping centers in which individual stores are leased for relatively short periods to various merchants, as opposed to long-term leases where substantially all management and maintenance activities are the responsibility of the lessee, then the entity likely will qualify as a real estate operating company. The second example further provides that the entity may retain contractors, including affiliates, to conduct the management of the properties so long as the entity has the responsibility to supervise and the authority to terminate the contractors. We intend to use contractors over which we have the right to supervise and the authority to terminate. Due to the uncertainty of the application of the standards set forth in the Plan Asset Regulation, there can be no assurance as to our ability to structure our operations, or the operations of our operating partnership, as the case may be, to qualify for the venture capital operating company and real estate operating company exceptions.

# Plan Assets Not Significant Investment Exception

The Plan Asset Regulation provides that equity participation in an entity by benefit plan investors is significant if at any time 25% or more of the value of any class of equity interests is held by benefit plan investors. As modified by the PPA, a benefit plan investor is now defined to mean an employee benefit plan subject to Part 4 of Subtitle B of Title I of ERISA, any plan to which Section 4975 of the Code applies and any entity whose underlying assets include plan assets by reason of a plan s investment in such entity. If we determine that we fail to meet the publicly offered securities exception, as a result of a failure to sell an adequate number of shares or otherwise, and we cannot ultimately establish that we are an operating company, we intend to restrict ownership of each class of equity interests held by benefit plan investors to an aggregate value of less than 25% and thus qualify for the exception for investments in which equity participation by benefit plan investors is not significant.



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## Consequences of Holding Plan Assets

If our underlying assets were treated by the Department of Labor as plan assets, our management would be treated as fiduciaries with respect to each Plan or IRA stockholder, and an investment in our shares might expose the fiduciaries of the Plan or IRA to co-fiduciary liability under ERISA for any breach by our management of the fiduciary duties mandated under ERISA. Further, if our assets are deemed to be plan assets, an investment by a Plan or IRA in our shares might be deemed to result in an impermissible commingling of plan assets with other property.

If our management or affiliates were treated as fiduciaries with respect to Plan or IRA stockholders, the prohibited transaction restrictions of ERISA and/or the Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with our affiliates or us or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Plan or IRA stockholders with the opportunity to sell their shares to us or we might dissolve or terminate.

## Prohibited Transactions

Generally, both ERISA and the Code prohibit Plans and IRAs from engaging in certain transactions involving plan assets with specified parties, such as sales or exchanges or leasing of property, loans or other extensions of credit, furnishing goods or services, or transfers to, or use of, plan assets. The specified parties are referred to as parties-in-interest under ERISA and as disqualified persons under the Code. These definitions generally include persons providing services to the Plan or IRA, as well as employer sponsors of the Plan or IRA, fiduciaries and certain other individuals or entities affiliated with the foregoing.

A person generally is a fiduciary with respect to a Plan or IRA for these purposes if, among other things, the person has discretionary authority or control with respect to plan assets or provides investment advice for a fee with respect to plan assets. Under Department of Labor regulations, a person will be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares, and that person regularly provides investment advice to the Plan or IRA pursuant to a mutual agreement or understanding that such advice will serve as the primary basis for investment decisions, and that the advice will be individualized for the Plan or IRA based on its particular needs. The Department of Labor has proposed regulations that, if finalized, may broaden the circumstances under which the individual or entity may become a fiduciary as a result of providing investment advice. Thus, if we are deemed to hold plan assets, our management could be characterized as fiduciaries with respect to such assets, and each would be deemed to be a party-in-interest under ERISA and a disqualified person under the Code with respect to investing Plans and IRAs. Whether or not we are deemed to hold plan assets, if we or our affiliates are affiliated with a Plan or IRA investor, we might be a disqualified person or party-in-interest with respect to such Plan or IRA investor, potentially resulting in a prohibited transaction merely upon investment by such Plan or IRA in our shares.

## Prohibited Transactions Consequences

ERISA forbids Plans from engaging in non-exempt prohibited transactions. Fiduciaries of a Plan that allow a non-exempt prohibited transaction to occur will breach their fiduciary responsibilities under ERISA, and may be liable for any damage sustained by the Plan, as well as civil (and criminal, if the violation was willful) penalties. If it is determined by the Department of Labor or the IRS that a non-exempt prohibited transaction has occurred, any disqualified person or party-in-interest involved with the prohibited transaction would be required to reverse or unwind the transaction and, for a Plan, compensate the Plan for any loss resulting therefrom. Additionally, the Code requires that a disqualified person involved with a non-exempt prohibited transaction must pay an excise tax equal to a percentage of the amount involved in the transaction for each year in which the transaction remains uncorrected. The percentage is generally 15%, but is increased to 100% if the non-exempt prohibited transaction is not corrected promptly. For IRAs, if an IRA engages in a non-exempt prohibited transaction, the tax-exempt status of the IRA may be lost.

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## Reporting

Based on certain revisions to the Form 5500 Annual Return, or Form 5500, that generally became effective on January 1, 2009, benefit plan investors may be required to report certain compensation paid by us (or by third parties) to our service providers as reportable indirect compensation on Schedule C to Form 5500. To the extent any compensation arrangements described herein constitute reportable indirect compensation, any such descriptions (other than compensation for which there is no formula used to calculate or determine compensation or an actual amount stated) are intended to satisfy the disclosure requirements for the alternative reporting option for eligible indirect compensation, as defined for purposes of Schedule C to the Form 5500.

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# PLAN OF DISTRIBUTION

## General

We are offering up to a maximum of 850,000 shares of our Series A Redeemable Preferred Stock and Warrants to purchase up to a maximum of 17,000,000 shares of our common stock in this offering through International Assets Advisory, LLC, our dealer manager, on a reasonable best efforts basis, which means that the dealer manager is only required to use its good faith efforts and reasonable diligence to sell the Series A Redeemable Preferred Stock and Warrants and has no firm commitment or obligation to purchase any specific number or dollar amount of the Series A Redeemable Preferred Stock or Warrants. The Series A Redeemable Preferred Stock and Warrants will be sold in Units, with each Unit consisting of (i) one share of Series A Redeemable Preferred Stock with an initial stated value of $1,000 per share, and (ii) one Warrant to purchase 20 shares of common stock, exercisable by the holder at an exercise price of 120% of the current market price per share of our common stock determined using the volume weighted average price of our common stock for the 20 trading days prior to the date of issuance of such Warrant, subject to a minimum exercise price of $9.00 per share (subject to adjustment). Each Unit will be sold at a public offering price of $1,000 per Unit. Units will not be issued or certificated. The shares of Series A Redeemable Preferred Stock and Warrants are immediately separable and will be issued separately.

This offering is scheduled to terminate by , 2014. Under rules promulgated by the SEC, in some circumstances we could continue this offering until as late as , 2015, in our sole discretion. If we decide to continue this offering beyond , 2014, we will supplement this prospectus accordingly. We may terminate this offering at any time.

We will sell Units through DTC Settlement or, under special circumstances, through DRS Settlement. Investors purchasing Units through DTC Settlement will coordinate with their registered representatives to pay the full purchase price for their Units by the settlement date, and such payments will not be held in escrow. Investors who are permitted to utilize the DRS Settlement method will complete and sign subscription agreements, which will be delivered to the escrow agent, UMB Bank N.A. In addition, such investors will pay the full purchase price for their Units to the escrow agent (as set forth in the subscription agreement), to be held in trust for the investors benefit pending release to us as described herein. See Settlement Procedures for a description of the settlement procedures with respect to each of these settlement methods.

International Assets Advisory, LLC is a securities broker-dealer registered with the SEC and a member firm of FINRA. The principal business address of International Assets Advisory, LLC is 300 South Orange Ave., Suite 1100, Orlando, Florida 32801. International Assets Advisory, LLC is indirectly owned and controlled by Ed Cofrancesco, Kevin Carreno, Sheri Cuff and Jeff Winn.

## Compensation of Dealer Manager and Participating Broker-Dealers

We will pay to International Assets Advisory, LLC selling commissions of 7% of the gross offering proceeds from this offering. We will also pay to International Assets Advisory, LLC 3% of the gross offering proceeds from this offering as compensation for acting as dealer manager and for expenses incurred in connection with marketing and due diligence of our Units. The combined selling commission and dealer manager fee will not exceed FINRA s 10% cap. Our dealer manager will repay to the company any excess payments made to our dealer manager over FINRA s

10% cap if this offering is abruptly terminated before reaching the maximum amount of offering proceeds. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the Units.

We expect International Assets Advisory, LLC to authorize other broker-dealers that are members of FINRA, which we refer to as participating broker-dealers, to sell our Units. International Assets Advisory, LLC may reallow all or a portion of its selling commissions attributable to a participating broker-dealer. International Assets Advisory, LLC may also reallow a portion of its dealer manager fee earned on the proceeds raised by a participating broker-dealer, to such participating broker-dealer as a non-accountable marketing or due diligence allowance. The amount of the reallowance to any participating broker-dealer will be determined by the dealer manager in its sole discretion.

We will not pay any selling commissions, but will pay dealer manager fees, in connection with the sale of Units to investors whose contracts for investment advisory and related brokerage services include a fixed or

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wrap fee feature. Investors may agree with their participating brokers to reduce the amount of selling commissions payable with respect to the sale of their Units down to zero (i) if the investor has engaged the services of a registered investment advisor, or RIA, or other financial advisor who will be paid compensation for investment advisory services or other financial or investment advice, or (ii) if the investor is investing through a bank trust account with respect to which the investor has delegated the decision-making authority for investments made through the account to a bank trust department. The net proceeds to us will not be affected by reducing the commissions payable in connection with such sales. Neither our dealer manager nor its affiliates will directly or indirectly compensate any person engaged as an investment advisor or a bank trust department by a potential investor as an inducement for such investment advisor or bank trust department to advise favorably for an investment in Units.

# Dealer Manager and Participating Broker-Dealer Compensation

The table below sets forth the nature and estimated amount of all items viewed as underwriting compensation by FINRA, assuming we sell all the Units offered hereby.

| | |
|---|---|
| Selling commissions (maximum) | $59,500,000 |
| Dealer manager fee (maximum) | $25,500,000 |
| Total | $85,000,000 |

Subject to the cap on issuer expenses described below, we also will reimburse International Assets Advisory, LLC for reimbursements it may make to broker-dealers for bona fide due diligence expenses presented on detailed and itemized invoices.

We or our affiliates also may provide permissible forms of non-cash compensation to registered representatives of our dealer manager and the participating broker-dealers, including gifts. In no event shall such gifts exceed an aggregate value of $100 per annum per participating salesperson, or be pre-conditioned on achievement of a sales target. The value of such items will be considered underwriting compensation in connection with this offering. The combined selling commissions, dealer manager fee and such non-cash compensation will not exceed FINRA s 10% cap. Our dealer manager will repay to the company any excess payments made to our dealer manager over FINRA s 10% cap if this offering is abruptly terminated before reaching the maximum amount, of offering proceeds. The dealer manager s legal expenses will be paid by the dealer manager from the dealer manager fee.

To the extent permitted by law and our charter, we will indemnify the participating broker-dealers and International Assets Advisory, LLC against certain civil liabilities, including certain liabilities arising under the Securities Act and liabilities arising from breaches of our representations and warranties contained in the dealer manager agreement. However, the SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and is not enforceable.

We will reimburse our manager up to 1.5% of the gross offering proceeds for actual expenses incurred in connection with this offering. Any remaining amounts will be paid by our manager without reimbursement by us. The total amount of underwriting compensation, including selling commissions and dealer manager fees paid or reimbursed by us, our manager or any other source in connection with this offering, will not exceed FINRA s 10% cap. All organization and offering expenses, including selling commissions and dealer manager fees, will be capped at 11.5% of the gross proceeds of this offering.

We will be responsible for the expenses of issuance and distribution of the Units, including registration fees, printing expenses and the company s legal and accounting fees, which we estimate will total approximately $12.75 million (excluding selling commissions and dealer manager fees).

The obligations of the dealer manager may be terminated in the event of a material adverse change in economic, political or financial conditions or upon the occurrence of certain other conditions specified in the dealer manager agreement.

## IPO Warrant

In connection with the IPO, we issued to International Assets Advisory, LLC, in it capacity as financial advisor in the IPO, the IPO Warrant to purchase up to 150,000 shares of our common stock. If International Assets Advisory, LLC, or any assignee or transferee, in whole or in part, of the IPO Warrant, exercises the

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IPO Warrant the purchase price for each share is $12.50 per share (125% of the price per share of the common stock sold in the IPO). The IPO Warrant is currently exercisable and expires on March 31, 2015. Neither the IPO Warrant nor the underlying shares of common stock to be issued upon the exercise of the IPO Warrant were or will be registered.

Under certain circumstances, the IPO Warrant also may be exercised on a cashless basis, which allows International Assets Advisory, LLC to elect to pay the exercise price by surrendering the IPO Warrant for that number of shares of our common stock equal to the quotient obtained by dividing (x) the product of the number of shares of our common stock underlying the IPO Warrant, multiplied by the difference between the exercise price of the IPO Warrant and the fair market value (defined below) of the common stock by (y) the fair market value of the common stock. The fair market value shall mean the average reported last sale price of our common stock for the five trading days immediately preceding the date as of which the fair market value is being determined.

# Settlement Procedures

If you purchase Units through DTC Settlement, you can place an order for the purchase of Units through your registered representative. Orders will be executed via broker to broker syndicate transactions. In connection with a DTC Settlement, you should coordinate with your registered representative to pay the full purchase price of the Units by the settlement date. This purchase price will not be held in escrow.

Under special circumstances, you have the option to elect to use DRS Settlement. If you elect to use DRS Settlement, you should complete and sign the Direct Registration System Settlement Subscription Agreement similar to the one incorporated in this prospectus as Appendix A, which is available from your registered representative and which will be delivered to the escrow agent. In connection with a DRS Settlement subscription, you should pay the full purchase price of the Units to the escrow agent as set forth in the subscription agreement. Subscribers may not withdraw funds from the escrow account. Subscriptions will be effective upon our acceptance, and we reserve the right to reject any subscription in whole or in part.

**Irrespective of whether you purchase Units using DTC Settlement or DRS Settlement, by accepting Units you will be deemed to have accepted the terms of our charter.**

Subject to compliance with Rule 15c2-4 of the Exchange Act, in connection with purchases using DRS Settlement, our dealer manager or the broker-dealers participating in this offering promptly will deposit any checks received from subscribers in an escrow account maintained by UMB Bank N.A. on the next business day following receipt of the subscriber s subscription documents and check. In certain circumstances where the subscription review procedures are more lengthy than customary or pursuant to a participating broker-dealer s internal supervising review procedures, a subscriber s check will be transmitted by the end of the next business day following receipt by the review office of the dealer, which will then be promptly deposited by the end of the next business day following receipt by the review office. Any subscription payments received by the escrow agent will be deposited into a special non-interest bearing account in our name until such time as we have accepted or rejected the subscription and will be held in trust for your benefit, pending our acceptance of your subscription. Subscriptions will be accepted or rejected within 10 business days of receipt by us and, if rejected, all funds shall be returned to the rejected subscribers within 10 business days. If accepted, the funds will be transferred into our general account on our next closing date. You will receive a confirmation of your purchase. We generally will admit stockholders on a monthly basis.

Investors purchasing Units through DTC Settlement will coordinate with their registered representatives to pay the full purchase price for their Units by the settlement date, and such payments will not be held in escrow.

Each participating dealer who sells shares on our behalf has the responsibility to make every reasonable effort to determine that the purchase of shares is appropriate for the investor. In making this determination, the participating broker-dealer will rely on relevant information provided by the investor, including information as to the investor s age, investment objectives, investment experience, income, net worth, financial situation, other investments and other pertinent information. Each investor should be aware that the participating broker-dealer will be responsible for determining whether this investment is appropriate for your portfolio. However, you are required to represent and warrant in the subscription agreement or, if placing an order through your

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registered representative not through a subscription agreement in connection with a DTC Settlement, to the registered representative, that you have received a copy of this prospectus and have had sufficient time to review this prospectus. International Assets Advisory, LLC and each participating broker-dealer shall maintain records of the information used to determine that an investment in the Units is suitable and appropriate for an investor. These records are required to be maintained for a period of at least six years.

# Minimum Purchase Requirements

For your initial investment in our Units, you must invest at least $5,000, or such lesser amounts in the discretion of International Assets Advisory, LLC, our dealer manager. In order to satisfy the minimum purchase requirement for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs. You should note that an investment in the Units will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Code. If you have satisfied the applicable minimum purchase requirement, any additional purchase must be in amounts of at least $1,000, or such lesser amount in the discretion of International Assets Advisory, LLC.

Unless our Series A Redeemable Preferred Stock or Warrants are listed on a national securities exchange, you may not transfer a portion of your securities in a manner that causes you or your transferee to own fewer than the number of shares of Series A Redeemable Preferred Stock or Warrants required to meet the minimum purchase requirements described above, except for the following transfers without consideration: transfers by gift; transfers by inheritance; intrafamily transfers; family dissolutions; transfers to affiliates; and transfers by operation of law.

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# LEGAL MATTERS

Venable LLP, Baltimore, Maryland, will pass upon the legality of the Units and the common stock covered by the registration statement, of which this prospectus is a part. Proskauer Rose LLP, New York, New York, will pass upon the legal matters in connection with our status as a REIT for U.S. federal income tax purposes. Proskauer Rose LLP will rely on the opinion of Venable LLP as to all matters of Maryland law. Proskauer Rose LLP does not purport to represent any of our stockholders or potential investors, who should consult their own counsel. Foley & Lardner LLP is acting as counsel to the dealer-manager in connection with certain legal matters relating to the Units being offered in this offering by this prospectus.

# EXPERTS

The financial statements incorporated in this prospectus by reference to Preferred Apartment Communities, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011, and the combined statements of revenue and certain operating expenses for the years ended December 31, 2010, 2009 and 2008 of Oxford Rise and Oxford Summit, included on pages F-41 through F-43 of Pre-Effective Amendment No. 2 to Preferred Apartment Communities, Inc. s Registration Statement on Form S-11 dated November 16, 2011, have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The statement of revenues and certain operating expenses of the Acquired Property (Oxford Trail) for the year ended December 31, 2010 incorporated in this prospectus by reference from Preferred Apartment Communities, Inc. s Current Report on Form 8-K/A filed with the SEC on June 24, 2011 has been audited by Deloitte & Touche LLP, independent auditors, as stated in their report incorporated herein by reference, and is incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

# ELECTRONIC DELIVERY OF DOCUMENTS

We will provide you with prospectuses, prospectus supplements, annual reports and other information (referred to herein as documents) electronically, including by filing any such documents with the SEC or otherwise. We also will make such documents available on our Internet web site. Subject to availability, we will provide you such documents in paper form by mail if you request in writing in a form acceptable to us that we send such documents in paper form by mail. Unless you elect in writing to receive documents in paper form, all documents will be provided electronically. You may access and print all documents provided electronically. You may revoke your instruction for delivery of documents in paper form by informing us in writing at any time and we will resume providing you with all required documents in electronic form. See Where You Can Find Additional Information.

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# WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-11 with the SEC in connection with this offering. We also file annual, quarterly and current reports, proxy statements and other information with the SEC.

You may request and obtain a copy of these filings, at no cost to you, by writing or telephoning us at the following address or telephone number:

3625 Cumberland Boulevard, Suite 400
Atlanta, Georgia 30339
(770) 818-4100
Attn: Leonard A. Silverstein

One of our affiliates maintains an Internet site at *www.pacapts.com*, at which there is additional information about us. The contents of the site are not incorporated by reference in, or otherwise a part of, this prospectus.

This prospectus is part of the registration statement and does not contain all the information included in the registration statement and all its exhibits, certificates and schedules. Whenever a reference is made in this prospectus to any contract or other document of ours, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or document.

You may read and copy our registration statement and all its exhibits and schedules which we have filed with the SEC, at the Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. This material, as well as copies of all other documents filed with the SEC, may be obtained from the Public Reference Section of the SEC, 100 F. Street, N.E., Washington D.C. 20549 upon payment of the fee prescribed by the SEC. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330 or e-mailing the SEC at *publicinfo@sec.gov*. The SEC maintains a web site that contains reports, proxy statements, information statements and other information regarding registrants that file electronically with the SEC, including us. The address of this website is *http://www.sec.gov*.

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# INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we are disclosing important information to you by referring you to documents we have filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus.

The following documents or information filed with the SEC are incorporated by reference in this prospectus, except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on March 15, 2012;
Our Quarterly Reports on Form 10-Q filed with the SEC on May 11, 2012 and August 13, 2012;
Our Current Reports on Form 8-K/A filed with the SEC on June 24, 2011;
Our Current Reports on Form 8-K filed with the SEC on April 2, 2012, August 6, 2012 and August 15, 2012;
The Combined Statements of Revenue and Certain Operating Expenses of Oxford Rise and Oxford Summit for the years ended December 31, 2010, 2009 and 2008 and the Combined Statements of Revenue and Certain Operating Expenses of Oxford Rise and Oxford Summit for the three months ended March 31, 2011 (unaudited) as provided on pages F-40 to F-46 of Pre-Effective Amendment No. 2 to the company's Registration Statement on Form S-11 (File No. 333-176604) filed with the SEC on November 17, 2011; and
Our Definitive Proxy Statement in respect of our 2012 meeting of stockholders filed with the SEC on March 23, 2012.

The section entitled Where you can Find Additional Information above describes how you can obtain or access any documents or information that we have incorporated by reference herein. The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus.

Upon written or oral request, we will provide, free of charge, to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the reports or documents that are incorporated by reference into this prospectus. Such written or oral requests should be made to:

Leonard A. Silverstein
3625 Cumberland Boulevard, Suite 400
Atlanta, Georgia 30339
Telephone Number: (770) 818-4100

In addition, such reports and documents may be found on our website at *www.pacapts.com*.

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# PREFERRED APARTMENT COMMUNITIES, INC.

**Maximum of 850,000 Units consisting of 850,000 Shares of Series A Redeemable Preferred Stock and Warrants to Purchase 17,000,000 Shares of Common Stock**

**(Liquidation Preference $1,000 per share of Series A Redeemable Preferred Stock (subject to adjustment))**

# PROSPECTUS

## International Assets Advisory, LLC

as Dealer Manager

, 2012

You should rely only on the information contained in this prospectus. No dealer, salesperson or other person is authorized to make any representations other than those contained in this prospectus, and, if given or made, such information and representations must not be relied upon. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of these securities. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus implies that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

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# PART II
# INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 31. Other Expenses of Issuance and Distribution (assuming sale of maximum offering).

The following table sets forth the expenses (other than underwriting discounts and commissions) we will incur in connection with the issuance and distribution of the securities to be registered pursuant to this registration statement. All amounts other than the SEC registration fee and FINRA filing fee have been estimated.

| | |
|---|---|
| SEC registration fee | $ 114,944 |
| FINRA filing fee | 150,950 |
| NYSE MKT listing fee | 400,000 |
| Printing and mailing expenses | 1,000,000 |
| Blue sky filing fees and expenses | 50,000 |
| Legal fees and expenses | 1,500,000 |
| Accounting fees and expenses | 250,000 |
| Transfer agent and escrow fees | 200,000 |
| Advertising and sales literature | 8,000,000 |
| Due diligence expenses | 1,000,000 |
| Miscellaneous | 84,106 |
| Total | 12,750,000 |

## Item 32. Sales to Special Parties.

None.

## Item 33. Recent Sales of Unregistered Securities

On January 26, 2010, certain of our affiliates acquired 33,333 shares of Class B Common Stock in a private placement at a price per share equal to $3.00 per share of Class B Common Stock and 3,333 shares of Class A Common Stock in a private placement at a price per share equal to $3.00 per share of Class A Common Stock. The gross proceeds we received from selling our Class A Common Stock and our Class B Common Stock in the private placement were approximately $109,998. No sales commissions or other consideration was paid in connection with such sales, which were consummated without registration under the Securities Act in reliance upon the exemption from registration in Section 4(2) of the Securities Act as transactions not involving any public offering. Pursuant to a change in the designation of our shares of Class A Common Stock to common stock and a change of each of our issued and outstanding shares of Class B Common Stock to one issued and outstanding share of common stock, all effected through an amendment to our charter filed on February 22, 2011, NELL Partners now holds 36,666 shares of common stock.

On April 5, 2011, we completed the irrevocable private placement offering to WOF of 500,000 shares of our common stock, without payment of underwriting discounts and commissions by us, at the public offering price of $10.00 per share, for proceeds to us of $5 million. Aggregate estimated offering expenses in connection with the private placement were approximately $0.3 million. This sale was consummated without registration under the Securities Act in reliance upon the exemption from registration in Section 4(2) of the Securities Act as a transaction not involving any public offering.

In connection with our initial public offering on April 5, 2011, we issued to International Assets Advisory, LLC, as our financial advisor, the IPO Warrant to purchase up to 150,000 shares of our common stock. If the financial advisor exercises the IPO Warrant, the purchase price for each share of common stock is expected to be $12.50 per share (125% of the assumed price per share of the common stock sold in the underwritten offering). Neither the IPO Warrant nor the underlying shares of common stock to be issued upon the exercise of the IPO Warrant will be registered. This sale was consummated without registration under the Securities Act in reliance upon the exemption from registration in Section 4(2) of the Securities Act as a transaction not involving any public offering.

On April 5, 2011, we issued an aggregate of 26,000 restricted shares of common stock to our independent directors in lieu of paying $260,000 in cash as compensation for annual service on our Board of

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Directors pursuant to our 2011 Stock Incentive Plan. These shares were issued pursuant to the exemption provided under Section 4(2) of the Securities Act.

On May 5, 2011, we issued an aggregate of 1,872 shares of common stock to our independent directors in lieu of paying $18,000 in cash as compensation for attendance at Board committee meetings pursuant to our 2011 Stock Incentive Plan. These shares were issued pursuant to the exemption provided under Section 4(2) of the Securities Act.

On August 4, 2011, we issued an aggregate of 1,500 shares of common stock to our independent directors in lieu of paying $12,000 in cash as compensation for attendance at Board committee meetings pursuant to our 2011 Stock Incentive Plan. These shares were issued pursuant to the exemption provided under Section 4(2) of the Securities Act.

On November 10, 2011, we issued an aggregate of 1,926 shares of common stock to our independent directors in lieu of paying $12,000 in cash as compensation for attendance at Board committee meetings pursuant to our 2011 Stock Incentive Plan. These shares were issued pursuant to the exemption provided under Section 4(2) of the Securities Act.

On February 2, 2012, we issued an aggregate of 2,988 shares of common stock to our independent directors in lieu of paying $18,000 in cash as compensation for attendance at Board committee meetings pursuant to our 2011 Stock Incentive Plan. These shares were issued pursuant to the exemption provided under Section 4(2) of the Securities Act.

# Item 34. Indemnification of Directors and Officers.

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to our stockholders and us for money damages, except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services, or (ii) active and deliberate dishonesty established by a final judgment and that is material to the cause of action. Our charter contains such a provision which eliminates directors and officers liability to the maximum extent permitted by Maryland law.

The Maryland General Corporation Law, or MGCL requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith, or (2) was the result of active and deliberate dishonesty;

the director or officer actually received an improper personal benefit in money, property or services; or

in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by the corporation or in its right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. The MGCL permits a corporation to advance reasonable expenses to a director or officer upon receipt of a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

Our charter requires us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse

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reasonable expenses in advance of final disposition of a proceeding to any individual who is a present or former director or officer and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or any individual who, while a director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, REIT, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. With the approval of our Board of Directors, we may provide such indemnification and advance for expenses to any individual who served a predecessor of the company in any of the capacities described above and any employee or agent of the company or a predecessor of the company, including our manager or any of its affiliates. This provision does not reduce the exposure of directors and officers to liability under federal or state securities laws, nor does it limit the stockholders ability to obtain injunctive relief or other equitable remedies for a violation of a director s or an officer s duties to us, although the equitable remedies may not be an effective remedy in some circumstances.

We also have agreed to indemnify and hold harmless Preferred Apartment Advisors, LLC (our manager) and its affiliates performing services for us from specific claims and liabilities arising out of the performance of their obligations under the management agreement. As a result, our stockholders and we may be entitled to a more limited right of action than they and we would otherwise have if these indemnification rights were not included in the management agreement.

The general effect to investors of any arrangement under which we agree to insure or indemnify any persons against liability is a potential reduction in distributions resulting from our payment of premiums associated with insurance or indemnification payments in excess of amounts covered by insurance. In addition, indemnification could reduce the legal remedies available to our stockholders and us against the officers and directors.

We have entered into an indemnification agreement with each of our officers and directors. Each indemnification agreement provides, among other things, that we will indemnify, to the maximum extent permitted by law, the covered officer or director against any and all judgments, penalties, fines and amounts paid in settlement, and all reasonable and out-of-pocket expenses (including attorneys fees), actually and reasonably incurred in connection with any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or other proceeding that arises out of the officer s or director s status as a present or former officer, director, employee or agent of the company. Each indemnification agreement also requires us, upon request of the covered officer or director, to advance the expenses related to such an action provided that the officer or director undertakes to repay any amounts to which he is subsequently determined not to be entitled.

The indemnification agreement is not exclusive of any other rights to indemnification or advancement of expenses to which the covered officer or director may be entitled, including any rights arising under our charter or by-laws or applicable law.

# Item 35. Treatment of Proceeds from Stock Being Registered.

Not applicable.

# Item 36. Financial Statements and Exhibits.

# (a) Financial Statements:

The following financial statements of the Registrant are incorporated into this registration statement by reference:

Preferred Apartment Communities, Inc. s audited Consolidated Balance Sheets as of December 31, 2011 and 2010, Consolidated Statements of Operations for the years ended December 31, 2011 and 2010, Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010, Consolidated Statements of Equity and Accumulated Deficit for the years ended December 31, 2011 and 2010, Notes to Consolidated Financial Statements, dated as of December 31, 2011, Schedule

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III-Real Estate Investments and Accumulated Depreciation as of December 31, 2011, and Schedule IV-Mortgage Loans on Real Estate as of December 31, 2011, included in the Registrant s Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012.
Preferred Apartment Communities, Inc. s unaudited Consolidated Balance Sheet as of March 31, 2012, Consolidated Statement of Operations for the period ended March 31, 2012, Consolidated Statement of Cash Flows for the period ended March 31, 2012, Consolidated Statements of Equity and Accumulated Deficit for the period ended March 31, 2012, and Notes to Consolidated Financial Statements, dated as of March 31, 2012, included in the Registrant s Quarterly Report on Form 10-Q for the three months ended March 31, 2012, filed with the SEC on May 11, 2012.
Preferred Apartment Communities, Inc. s unaudited Consolidated Balance Sheet as of June 30, 2012, Consolidated Statement of Operations for the period ended June 30, 2012, Consolidated Statement of Cash Flows for the period ended June 30, 2012, Consolidated Statements of Equity and Accumulated Deficit for the period ended June 30, 2012, and Notes to Consolidated Financial Statements, dated as of June 30, 2012, included in the Registrant s Quarterly Report on Form 10-Q for the three months ended June 30, 2012, filed with the SEC on August 13, 2012.

## (b) Exhibits:

The list of exhibits filed with or incorporated by reference in this Registration Statement is set forth in the Exhibit Index following the signature page herein.

## Item 37. Undertakings.

(a) The undersigned registrant hereby undertakes: (1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; (2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; and (3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of this offering.

(b) The undersigned registrant hereby undertakes that, for the purpose of determining liability under the Securities Act to any purchaser: (i) each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement, and (ii) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x), for the purpose of providing the information required by Section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. *Provided*, *however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(c) The undersigned registrant hereby undertakes that, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser: (i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424; (ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant; (iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and (iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(d) The undersigned registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act, shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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# SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 16th day of August, 2012.

**PREFERRED APARTMENT COMMUNITIES, INC.**

| | |
|---|---|
| | /s/ John A. Williams |
| By: | John A. Williams |
| | President and Chief Executive Officer |

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| NAME | CAPACITY | DATE |
|---|---|---|
| By:<br>/s/ John A. Williams<br>John A. Williams | Chief Executive Officer and Director (Principal Executive Officer) | August 16, 2012 |
| By:<br>/s/ Michael J. Cronin<br>Michael J. Cronin | Executive Vice President, Chief Accounting Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer) | August 16, 2012 |
| By:<br>/s/ Leonard A. Silverstein<br>Leonard A. Silverstein | President and Chief Operating Officer | August 16, 2012 |
| By:<br>/s/ William F. Leseman<br>William F. Leseman | Executive Vice President Property Management | August 16, 2012 |
| By:<br>*<br>Daniel M. DuPree | Independent Director and Vice Chairman of the Board | August 16, 2012 |
| By:<br>*<br>Timothy A. Peterson | Independent Director | August 16, 2012 |
| By:<br>*<br>Steve Bartkowski | Independent Director | August 16, 2012 |
| By: | Independent Director | August 16, 2012 |

| | | |
|---|---|---|
| *<br>Gary B. Coursey<br>By: | | |
| *<br>Howard A. McLure<br>*By: | Independent Director | August 16, 2012 |

/s/ John A. Williams
John A. Williams
Attorney-in-fact

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# EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this registration statement on Form S-11 (and are numbered in accordance with Item 601 of Regulation S-K).

| Exhibit No. | Description |
|---|---|
| 1.1* | Form of Dealer Manager Agreement between Preferred Apartment Communities, Inc. and International Assets Advisory, LLC |
| 1.2* | Form of Soliciting Dealer Agreement |
| 3.1(2) | Articles of Amendment and Restatement of Preferred Apartment Communities, Inc. |
| 3.2(2) | Third Amended and Restated By-laws of Preferred Apartment Communities, Inc. |
| 4.1(17) | Third Amended and Restated Agreement of Limited Partnership of Preferred Apartment Communities Operating Partnership, L.P. |
| 4.2(16) | Articles Supplementary for the Series A Redeemable Preferred Stock |
| 4.3* | Articles Supplementary classifying additional shares of the Series A Redeemable Preferred Stock |
| 4.4* | Form of Warrant Agreement between Preferred Apartment Communities, Inc. and Computershare Trust Company, N.A., as Warrant Agent |
| 4.5* | Form of Direct Registration System Settlement Subscription Agreement |
| 4.6(15) | Warrant to Purchase Common Stock issued to International Assets Advisory, LLC, dated March 31, 2011 |
| 4.7(16) | Form of Global Warrant Certificate |
| 4.8(20) | First Amendment to Third Amended and Restated Agreement of Limited Partnership of Preferred Apartment Communities Operating Partnership, L.P. |
| 4.9* | Second Amendment to Third Amended and Restated Agreement of Limited Partnership of Preferred Apartment Communities Operating Partnership, L.P. |
| 5.1* | Opinion of Venable LLP |
| 8.1* | Opinion of Proskauer Rose LLP as to tax matters |
| 10.1* | Fourth Amended and Restated Management Agreement, dated , 2012, among Preferred Apartment Communities, Inc., Preferred Apartment Communities Operating Partnership, L.P. and Preferred Apartment Advisors, LLC |
| 10.2(2) | The Company s 2011 Stock Incentive Plan |
| 10.3(4) | Trademark License and Assignment Agreement dated September 17, 2010, between Preferred Apartment Communities, Inc. and Preferred Apartment Advisors, LLC |
| 10.4(5) | Contract of Purchase and Sale, dated September 29, 2010, between Preferred Apartment Communities, Inc. and Oxford Rise Partners LLC and Williams Opportunity Fund, LLC |
| 10.5(5) | Contract of Purchase and Sale, dated September 29, 2010, between Preferred Apartment Communities, Inc. and Oxford Summit Development LLC and Williams Realty Fund I, LLC |
| 10.6(6) | Assignment and Assumption of Purchase and Sale Agreement, dated October 19, 2010, between Preferred Apartment Communities, Inc. and Preferred Apartment Communities Operating Partnership, L.P. (Oxford Rise) |
| 10.7(6) | Assignment and Assumption of Purchase and Sale Agreement, dated October 19, 2010, between Preferred Apartment Communities, Inc. and Preferred Apartment Communities Operating Partnership, L.P. (Oxford Summit) |
| 10.8(5) | |

| | |
|---|---|
| | Form of Intellectual Property Assignment and License Agreement between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. |
| 10.9(2) | Form of Restricted Stock Agreement pursuant to the Preferred Apartment Communities, Inc. 2011 Stock Incentive Plan |

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| Exhibit No. | Description |
|---|---|
| 10.10(7) | First Amendment to Purchase and Sale Agreement, dated December 14, 2010, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Rise Partners LLC and Williams Opportunity Fund, LLC (Oxford Rise) |
| 10.11(7) | First Amendment to Purchase and Sale Agreement, dated December 14, 2010, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Summit Development, LLC, and Williams Realty Fund I, LLC (Oxford Summit) |
| 10.12(8) | Second Amendment to Purchase and Sale Agreement, dated December 28, 2010, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Rise Partners LLC and Williams Opportunity Fund, LLC (Oxford Rise) |
| 10.13(8) | Second Amendment to Purchase and Sale Agreement, dated December 28, 2010, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Summit Development, LLC, and Williams Realty Fund I, LLC (Oxford Summit) |
| 10.14(2) | Third Amendment to Purchase and Sale Agreement, dated February 15, 2011, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Rise Partners LLC and Williams Opportunity Fund, LLC (Oxford Rise) |
| 10.15(2) | Third Amendment to Purchase and Sale Agreement, dated February 15, 2011, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Summit Development, LLC and Williams Realty Fund I, LLC (Oxford Summit) |
| 10.16(9) | Fourth Amendment to Purchase and Sale Agreement, dated March 25, 2011, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Rise Partners LLC and Williams Opportunity Fund, LLC (Oxford Rise) |
| 10.17(9) | Fifth Amendment to Purchase and Sale Agreement, dated March 25, 2011, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Rise Partners LLC and Williams Opportunity Fund, LLC (Oxford Rise) |
| 10.18(9) | Fourth Amendment to Purchase and Sale Agreement, dated March 25, 2011, between Preferred Apartment Communities Operating Partnership, L.P., as assignee of Preferred Apartment Communities, Inc., and Oxford Summit Development, LLC and Williams Realty Fund I, LLC (Oxford Summit) |
| 10.19(10) | Form of Indemnification Agreement |
| 10.20(3) | Purchase and Sale Agreement, dated as of December 16, 2010, between Oxford Trail JV LLC and Trail Creek Apartments, LLC |
| 10.21(3) | Reinstatement and First Amendment to Purchase and Sale Agreement, dated as January 6, 2011, between Oxford Trail JV LLC and Trail Creek Apartments, LLC |
| 10.22(3) | Reinstatement and Second Amendment to Purchase and Sale Agreement, dated as April 6, 2011, between Oxford Trail JV LLC and Trail Creek Apartments, LLC |
| 10.23(11) | Multifamily Mortgage, Assignment of Rents and Security Agreement, dated as of April 15, 2011, between Stone Rise Apartments, LLC and Jones Lang LaSalle, L.L.C. |

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|---|---|
| 10.24[11] | Multifamily Note dated as of April 15, 2011, by Stone Rise Apartments, LLC in favor of Jones Lang LaSalle, L.L.C. |

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| Exhibit No. | Description |
|---|---|
| 10.25[12] | Multifamily Deed to Secure Debt, Assignment of Rents and Security Agreement dated as of April 21, 2011, between PAC Summit Crossing, LLC and Prudential Multifamily Mortgage, Inc. |
| 10.26[12] | Multifamily Note dated as of April 21, 2011, by PAC Summit Crossing, LLC in favor of Prudential Multifamily Mortgage, Inc. |
| 10.27[13] | Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of April 29, 2011, between Trail Creek Apartments, LLC and Jones Lang LaSalle, L.L.C. |
| 10.28[13] | Multifamily Note dated as of April 29, 2011, by Trail Creek Apartments, LLC in favor of Jones Lang LaSalle, L.L.C. |
| 10.29[14] | Note in the amount of $6,000,000 dated as of June 30, 2011 by Oxford Hampton Partners LLC to Trail Creek Mezzanine Lending, LLC |
| 10.30[14] | Mezzanine Loan Agreement dated as of June 30, 2011 among Oxford Hampton Partners LLC and Trail Creek Mezzanine Lending, LLC |
| 10.31[14] | Purchase Option Agreement dated as of June 30, 2011 by and between Oxford Hampton Partners LLC and Trail Creek Mezzanine Lending, LLC |
| 10.32* | Escrow Agreement, between Preferred Apartment Communities, Inc. and UMB Bank, N.A. |
| 10.33[16] | First Amendment to Preferred Apartment Communities, Inc. 2011 Stock Incentive Plan |
| 10.34[18] | Form of Preferred Apartment Communities, Inc. 2011 Class B Unit Award Agreement |
| 10.35[19] | Form of Preferred Apartment Communities, Inc. 2012 Class B Unit Award Agreement |
| 10.36[20] | Intellectual Property Assignment and License Agreement, dated March 14, 2012, between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. |
| 10.37[20] | Trademark License Agreement, dated March 14, 2012, between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. |
| 10.38[20] | Trademark Assignment, dated March 14, 2012, between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. |
| 10.39[23] | Note in the amount of $6,103,027, dated as of May 7, 2012, by Oxford Summit Apartments II LLC to Summit Crossing Mezzanine Lending, LLC |
| 10.40[23] | Mezzanine Loan Agreement, dated as of May 7, 2012, by Oxford Summit Apartments II LLC to Summit Crossing Mezzanine Lending, LLC |
| 10.41[23] | Purchase Option Agreement, dated as of May 7, 2012, by Oxford Summit Apartments II LLC to Summit Crossing Mezzanine Lending, LLC |
| 12.1[1] | Statement of Computation of Ratios |
| 21[1] | Subsidiaries of Preferred Apartment Communities, Inc. |
| 23.1[1] | Consent of PricewaterhouseCoopers LLP |
| 23.2[1] | Consent of Deloitte & Touche LLP |
| 23.3* | Consent of Venable LLP (included in Exhibit 5.1) |
| 23.4* | Consent of Proskauer Rose LLP (included in Exhibit 8.1) |
| 24.1[1] | Power of Attorney of Steve Bartkowski |
| 24.2[1] | Power of Attorney of Gary B. Coursey |
| 24.3[1] | Power of Attorney of Daniel M. DuPree |
| 24.4[1] | Power of Attorney of Howard A. McLure |
| 24.5[1] | Power of Attorney of Timothy A. Peterson |

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| Exhibit No. | Description |
|---|---|
| 101.1[20] | XBRL (eXtensible Business Reporting Language). The following materials from Preferred Apartment Community, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Equity and Accumulated Deficit, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, as amended. |
| 101.2[23] | XBRL (eXtensible Business Reporting Language). The following materials from Preferred Apartment Community, Inc. s Quarterly Report on Form 10-Q for the three months ended March 31, 2012, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Equity and Accumulated Deficit, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, as amended. |
| 101.3[24] | XBRL (eXtensible Business Reporting Language). The following materials from Preferred Apartment Community, Inc. s Quarterly Report on Form 10-Q for the three months ended June 30, 2012, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Equity and Accumulated Deficit, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, as amended. |

* To be filed by amendment.

(1) Filed herewith.

(2) Previously filed with the Pre-effective Amendment No. 6 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on March 4, 2011

(3) Previously filed with the Quarterly Report on Form 10-Q filed by the Registrant with the Securities and Exchange Commission on May 16, 2011

(4) Previously filed with the Pre-effective Amendment No. 1 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on October 4, 2010

(5) Previously filed with the Pre-effective Amendment No. 3 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on December 14, 2010

(6) Previously filed with the Pre-effective Amendment No. 2 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on November 17, 2010

(7) Previously filed with the Pre-effective Amendment No. 4 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on December 20, 2010

(8) Previously filed with the Pre-effective Amendment No. 5 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on January 26, 2011

(9) Previously filed with the Pre-effective Amendment No. 9 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on March 29, 2011

(10) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 7, 2011
(11) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 21, 2011
(12) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 27, 2011
(13) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 5, 2011
(14) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 7, 2011
(15) Previously filed with the Form S-11 Registration Statement (Registration No.: 333-176604) filed by the Registrant with the Securities and Exchange Commission on September 1, 2011
(16) Previously filed with the Pre-effective Amendment No. 1 to Form S-11 Registration Statement (Registration No.: 333-176604) filed by the Registrant with the Securities and Exchange Commission on November 2, 2011
(17) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on November 25, 2011
(18) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 3, 2012
(19) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 6, 2012
(20) Previously filed with the Annual Report on Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 15, 2012
(21) Previously filed with the Post-effective Amendment No. 1 to Form S-11 Registration Statement (Registration No.: 333-176604) filed by the Registrant with the Securities and Exchange Commission on March 7, 2012
(22) Previously filed with the Pre-Effective Amendment No. 1 to Post-Effective Amendment No. 2 to Form S-11 (Registration No. 333-176604) filed by the Registrant with the Securities and Exchange Commission on April 13, 2012
(23) Previously filed with the Quarterly Report on Form 10-Q filed by the Registrant with the Securities and Exchange Commission on May 11, 2012
(24) Previously filed with the Quarterly Report on Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2012