



THE COLONY APARTMENTS

Chapel Hill, North Carolina

The Colony Apartments (the "Property") is a garden-style apartment community comprised of 198 units within 15 two-story buildings situated on approximately 13.5 acres located in Chapel Hill, North Carolina.

Built in 1968/1972, the Class B Property contains approximately 153,400 rentable square feet with an average unit size of 775 square feet. Property amenities include picnic area with outside cooking grills, a wooded courtyard, playground, pool, and laundry facility. Unit amenities include large distinctive floorplans, eat-in kitchens, Jacuzzi tubs, washer/dryer hook-ups, and walk-in closets.

PROPERTY HIGHLIGHTS

Property Type:	Multifamily
Year Built:	1968/1972
Total Square Feet:	153,400
# of Units	198
Percent Occupied:	84% (as of 2/25/11)
Current Market Occupancy	94%

KEY INVESTMENT CONSIDERATIONS

The Colony presents an opportunity to purchase a well-located, underperforming asset from a distressed seller with significant upside potential through institutional management and a modest renovation program. A second layer of value creation is available through the unique circumstances surrounding Chapel Hill today, which is considering re-zoning the Property for higher density mixed use, which upon approval, could materially increase the value of the Property.

There can be no assurance that these objectives will be achieved. Please see "Risk Factors" located on back page.

- **Attractive Price.** The Property was acquired from an independent third-party for \$8.4 million. The pro forma stabilized cap rate is approximately 10%, in a market where stabilized assets trade for cap rates between 6.75% to 7.25%; providing an opportunity for value creation.
- **Value-Add Opportunity.** Based on market comps, Bluerock believes the Property's occupancy, collections and effective rents are significantly below market providing an opportunity to add value through improved management and modest renovations.
- **Strong Market with Barriers to Entry.** The Research Triangle, which encompasses Chapel Hill, is regarded as one of the strongest real estate markets in the Southeast. According to REIS and Real Data, which surveys 19 of the largest markets in the Southeast, the market ranks #1 based on "demand, development pipeline, employment growth, current occupancies, and rent growth¹." Chapel Hill is also regarded as a high barrier to entry market with only 1,196 units built since 1990.
- **2010 National Accolades for the Research Triangle Area.** Best Place to Raise Children (Business Week), Best Places to Live (Money Magazine), Top 5 Places for Businesses and Careers (Forbes), 25 Best Places to Retire (CNN Money Magazine), among others.

Property Amenities

- Outdoor Grilling & Picnic Area
- Refreshing Pool
- Wooded Courtyard
- Laundry Facility
- Playground

Unit Amenities

- Large Floor Plans
- Washer/Dryer Connections
- Eat-in Kitchens
- Walk-in Closets
- Jacuzzi Tub

¹REIS Apartment Asset Advisor, Raleigh-Durham Metro, October 4, 2010

This is neither an offer to sell nor a solicitation of an offer to buy any securities, which can be made only by a Confidential Private Placement Memorandum (PPM). This material must be reviewed in conjunction with the PPM to fully understand all of the implications and risks of the offering of securities to which it relates. A copy of the PPM must be made available to you in connection with any offering. Prospective investors should carefully read the PPM and review any additional information they desire prior to making an investment and should be able to bear the complete loss of their investment.

INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

Minimum Investment:	\$50,000	Total Available Investment Amount:	\$3,000,000
Total Project Capitalization: ²	\$11,190,405	Offering Price per Unit: ³	\$56,517
Loan Amount:	\$5,000,000	Projected Hold Period:	5 Years
Total Loan Amount / Senior Loan Terms:	44.7% LTC / 5-yr Term, 2-yr interest only, 5.50% variable interest rate	Projected Stabilized Cap Rate - Year 3 ³ :	7.83%

PROJECTED ANNUALIZED INVESTOR RETURNS

HYPOTHETICAL RETURNS PER \$50,000 INVESTMENT						
YEAR	1	2	3	4	5	TOTAL
Projected Cash Yield	0.0%	5.2%	7.9%	9.0%	9.9%	
Cash Distribution ⁴	–	\$2,600	\$3,950	\$4,500	\$4,950	\$16,000
Projected Profit from Sale ⁵						\$13,525
Return of Capital						\$50,000
Projected Total Investment Return						\$79,525
Projected Total Annualized Return						11.8%

² Figure represents initial Company purchase price, all escrows, offering fees and expenses, and Company and lender held reserves. Remaining equity amount to be held by Sponsor and affiliates.

³ Figure represents initial Company purchase price, all escrows, offering fees and expenses, and Company and lender held reserves.

⁴ First year of operations reflects capital and unit renovation plan as described in PPM. Returns per Annum; subject to available cash flow.

⁵ Figure based on sale in year 5 at a 7.25% terminal cap rate. Figure does not reflect potential re-zoning of the Property as discussed in the "Management Approach" section below and in the PPM.

These projections were created by the sponsor and are based on a number of assumptions and real estate analysis techniques. The results are necessarily hypothetical; the underlying assumptions may not be accurate, the results shown may not occur, and your performance could vary significantly. This material must be read in conjunction with the PPM, which contains additional important risk disclosures and more specific information about the assumptions made.

BUSINESS PLAN

- Preserve investor's capital investment;
- Realize income from the acquisition and potential improvement in operations and management of the Property;
- Make distributions to investors once stabilized, which may be partially tax-deferred as a result of depreciation and amortization expenses;
- Remain actively engaged with the city of Chapel Hill for proposed up-zoning of the site to potentially increase the value of the Property; and
- Within approximately 5 years, provide an exit strategy for Investors including: (i) refinance the Property in order to repatriate significant investor capital while retaining ownership of the Property; or (ii) sale the Property.

MANAGEMENT APPROACH

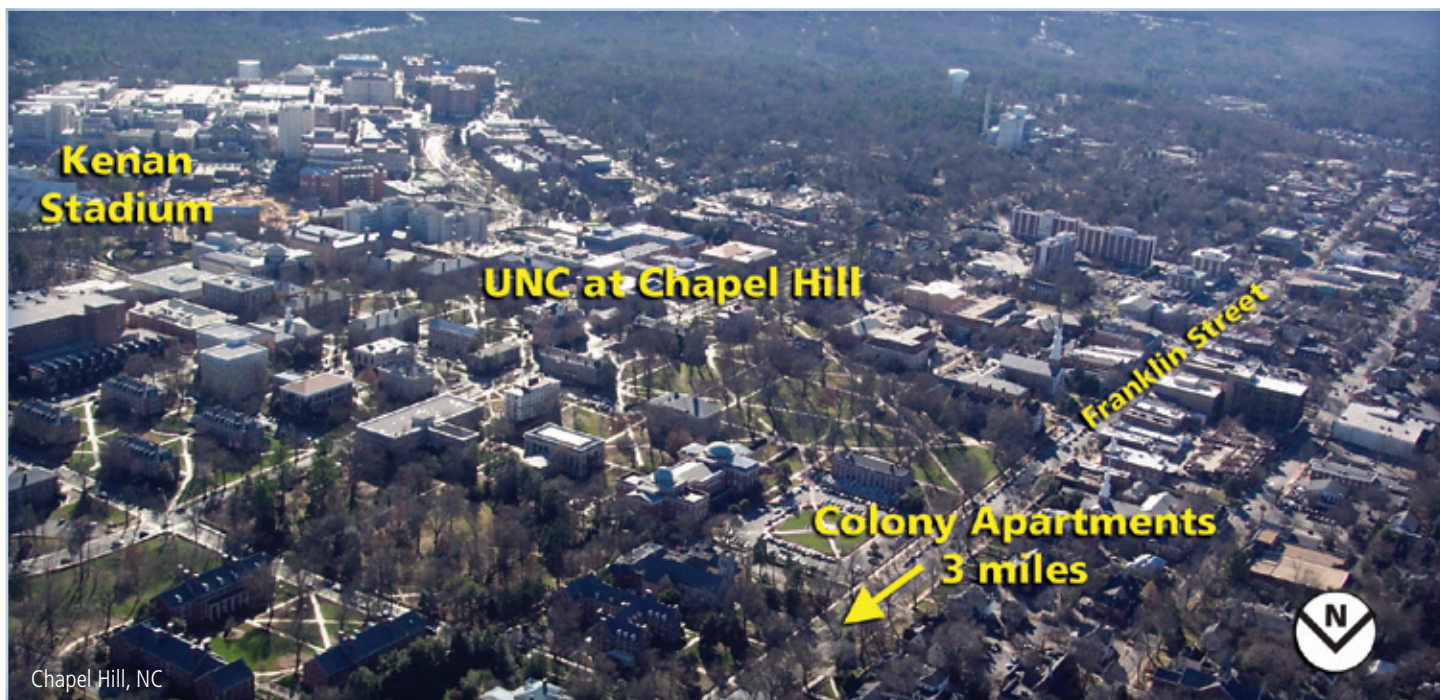
The Property is currently underperforming its competitors because of a lack of institutional quality management. As of year end 2010 the Property was 75% leased in a submarket that is 92%+ occupied and whose direct comps are 94%+ occupied⁶. Bluerock currently owns a 94% leased apartment complex in Chapel Hill, and the goal for this Property is to implement similar institutional-quality asset management practices to bring it up to market in terms of both occupancy and rental rates (we estimate current rents to be approximately 25% below market depending upon unit type).

In addition, Bluerock has been and remains actively engaged with the Chapel Hill Economic Development Authority to create a comprehensive land use development plan that would include redevelopment of the Property site. As part of its proposal, Bluerock is seeking to up-zone the Property from residential to mixed-use, and to increase the Property's density. If Bluerock is successful in achieving approval of its proposed plan, the value of the Property could materially increase.

Bell Partners ("Bell") will be responsible for providing institutional quality property management services to the Property on a day-to-day basis. Bell is a diversified real estate investment and management company. Bell is ranked as the #10 largest apartment manager in the United States by the National Multi-Housing Counsel with approximately 60,000 units under management.

⁶ Colony Apartments Southeast Realty Consultants Appraisal January 14, 2011

PROPERTY OVERVIEW



LOCATION OVERVIEW

Raleigh, the state capital of North Carolina, together with the cities of Durham and Chapel Hill comprise the Research Triangle area of North Carolina. The area is commonly referred to as the "Research Triangle" because each of these cities contains a major university: North Carolina State University in Raleigh; Duke University in Durham; and the University of North Carolina in Chapel Hill. Located between these three cities is the Research Triangle Park ("RTP"), the largest planned research and development park in the nation. The RTP campus encompasses over 7,000 acres and is home to more than 170 major R&D or technology companies that employ 70,000 people in approximately 20 million square feet of office space.

The Property is located in Chapel Hill (pop. 55,000), Orange County, North Carolina on the western edge of the Research Triangle. The Property is approximately three miles northeast of the University of North Carolina in Chapel Hill (28,000 students), 12 miles southwest of the Durham Central Business District ("CBD") and Duke University (14,250 students), 30 miles northwest of the Raleigh CBD, and approximately 16 miles west of the Raleigh Durham International Airport. The Research Triangle is a rich blend of the technology, manufacturing, medical, education and government sectors, which creates a very stable economic base.

The Chapel Hill/Carrboro School District is consistently ranked among the best school districts in the country (ranked #37) and the top performing school district in the Southeast US (Offspring Magazine, Sept/Oct 2000). In 2010, the Chapel Hill/Carrboro District was once again recognized as the best in the state in terms of combined SAT scores. The Property is located in one of the major commercial districts of Chapel Hill and is surrounded by ample retail amenities and employment centers including shopping malls (University Mall, which is anchored by Dillard's Department Store), grocery stores (Whole Foods, Trader Joes), hotels, the business district, and NC Memorial Hospital. The area is expected to benefit in the long-term from high barriers for new development because of the land-constrained nature of the development district, which is bounded by downtown Chapel Hill, UNC, and designated wetlands.



Research Triangle

WHY INVEST IN MULTIFAMILY?

According to independent research, Multifamily has:

- Higher returns when other property sectors have underperformed⁷;
- Best risk-adjusted returns and smallest variation in returns⁷;
- Less demand volatility⁷; and
- A significant upcoming supply-demand imbalance expected to drive increasing values for apartment holdings⁸.

ABOUT BLUEROCK REAL ESTATE

Bluerock Real Estate, LLC is a national real estate investment firm headquartered in Manhattan. Bluerock focuses on acquiring, managing, developing and syndicating stabilized, value-added and opportunistic multifamily and commercial properties throughout the United States. Bluerock and its principals have collectively sponsored or structured real estate transactions totaling approximately 25 million square feet and with approximately \$3 billion in value. Bluerock principals have an average of approximately 20 years experience in the finance and real estate fields including financing, development, construction, acquisition, disposition, and management of properties.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

This material contains forward-looking statements relating to Property that are based on our current expectations, and are not guarantees of future results. Actual results may differ materially from these forward-looking statements because of various factors, including described in the Risk Factors sections of the PPM and as may be amended. Forward-looking statements contained herein speak only as of the publication date, and we undertake no obligation to update such statements that may become untrue because of subsequent events.

RISKS FACTORS AND DISCLOSURES:

An investment in the Company involves substantial and speculative risks. Prospective Investors should consider carefully the following risks, and should consult with their own legal, tax, and financial advisors with respect thereto including, but not limited to:

- Risks associated generally with the start-up nature of the Company;
- Lack of diversity of investment;
- There are significant limitations on your ability to sell or transfer your Units;
- Real estate-related risks regarding the Property and performance of the Property;
- Town of Chapel Hill redevelopment plan and rezoning and value of the Property after rezoning;
- Continuing uncertainty in the financial and credit markets;
- Distributions subject to available cash flow, if any, and should not be relied upon;
- Investment in a multi-tiered joint venture;
- Lack of binding joint venture agreements;
- Reliance on the Manager to manage the Company;
- The limited fiduciary responsibilities of the Manager;
- Reliance on the managers of the Managing Member to manage the Managing Member's investment in the joint venture;
- Additional capital requirements from Members;
- The use of high leverage up to 75% loan-to-capitalization; and
- The Company, the Sponsor and their Affiliates will be subject to certain conflicts of interest and will receive substantial compensation in connection with this Offering.

See "Risk Factors" section of the PPM for a complete listing of all of the risks associated with the Units. Securities offered to Accredited Investors only pursuant to Rule 501 of Regulation D of the Securities Act of 1933.

For more information, please contact the Sales Desk at 877.826.BLUE (2583).



Heron Tower 70 East 55th Street New York, New York 10022
212.843.1601 BluerockRE.com

Securities Offered Through:
Halcyon Capital Markets, LLC
5775 Wayzata Boulevard, Suite 960
Minneapolis, Minnesota 55416
P: 952.346.3986 • F: 952.346.3979
Member FINRA / SIPC