



THE PROPERTY

- 280 unit Class A garden-style apartment community built in 2001, situated on 33.5 acres offering a combination of one, two and three bedroom units.
- Located in the city of Durham, the property is centrally located between the major universities in the area and a short commute to many of the area's top employers.
- The property is closer to Research Triangle Park than any other property within the submarket and also close to all major retail centers.

THE INVESTMENT OPPORTUNITY

- The Research Triangle Park and Duke University/Duke University Medical Center employ over 72,000 employees and are both within 10 minutes of the property.
- In 2010, Money Magazine ranked Durham as the #1 Place to Retire and the US News and World report named Durham one of its best places to live in 2009.
- Implement a renovation program to potentially increase rents above market growth rates.
- REIS data forecasts effective rent growth to average over 3.5% for the next five years for the property's submarket.

This material does not constitute an offer and is authorized for use only when accompanied or preceded by a definitive confidential private placement memorandum. Reference is made to the memorandum for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the memorandum. All potential investors must read the memorandum and no person may invest without acknowledging receipt and complete review of the memorandum.

07/13



BUSINESS STRATEGY

The Master Tenant objectives, on behalf of the Delaware Statutory Trust, will be to (i) make fixed rent payments and percentage rent payments, (ii) maximize rental increases, 'other income' and occupancy, (iii) improve new lease closing ratios and resident retention, (iv) reduce operating expenses, and (v) prepare the property to be sold when the market dictates.

Maximize Revenue and Occupancy

- Improve the existing model unit and clubhouse including a new paint color scheme as well as the installation of new furniture, art work, and accessories. Create a cyber-lounge within the clubhouse and patrician it off to create a space the residents can access 24-hours a day.
- Enhance the Project's competitive position in the submarket by installing a dog wash.
- Install faux wood flooring throughout all first floor units (excluding the bedrooms), and on select second and third floor units in the entry, kitchen and bath(s). Each of the upgraded units will include upgraded lighting and plumbing fixtures and hardware throughout.
- Implement aggressive marketing campaigns to reach out to local corporations, businesses, vendors to provide referrals, activity sponsorships and reciprocal business opportunities.
- Install a new monument sign designating the new name of the Project to help drive-by traffic more easily locate the Project entrance.
- Enhance the Project's website and internet marketing by engaging an internet firm specializing in website design and search engine optimization. The utilization of a search engine optimization firm will improve the Project's online presence resulting in more cost efficient and cost effective marketing. The firm will design and develop a new website and provide community-tailored paid search advertising campaigns.
- Install a new cutting edge amenity providing online concierge service. The online service provides access for tenants to order services such as wake up calls, concert tickets, airline reservations and travel arrangements, restaurant reservations, etc. at a minimal additional charge to the tenant. The service is provided by the Master Tenant at the Master Tenant's cost, which is partially, if not entirely, offset by a per unit monthly chargeback to each tenant.
- Install a state-of-the-art computerized revenue management program that collates market and submarket data and establishes daily pricing for all units based on a number of primary factors including

ENCORE AT THE PARK

inventory, days on market, move-in date, and unit location. This type of computerized revenue enhancement system is gaining acceptance in the multifamily management industry as being a cost effective software program that manages pricing in an effort to increase the financial performance of the Project.

- Introduce and monitor more aggressive increases in other income items to maximize recovery of utility costs, trash removal fees, and pest control fees.
- Introduce and monitor more aggressive increases in other income fees such as administrative fees, application fees, transfer fees, pet deposits and pet rent.

Improve New Lease Closing Ratios and Resident Retention

- Hire a nationally recognized third-party property management company to oversee an on-site management team of experienced and enthusiastic professionals.
- Install a lease management system that targets the number of monthly lease expirations to a maximum of 10% of the units.
- Conduct weekly meetings between the Master Tenant's asset manager(s) and the regional third-party regional and onsite staff reviewing performance reports including, but not limited to, new leasing activity, retention activity, pricing matrix, marketing programs and capital projects.
- Hold regular resident functions to foster a sense of community thereby increasing tenant retention.
- Hold regular "town hall" meetings to improve communication, resident satisfaction and management performance.

Implement Passco Asset Management Programs

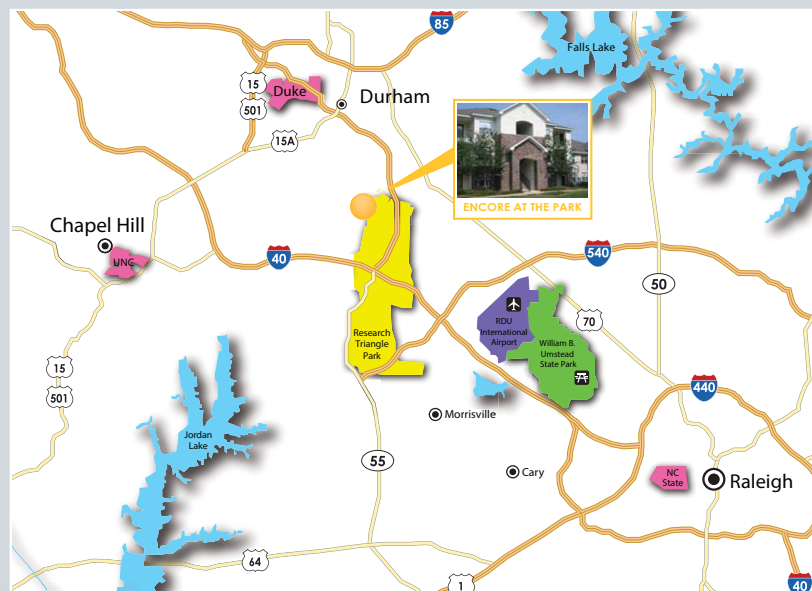
- Maximize occupancy through implementation of a multi-platform marketing program including a focus on website and internet advertising, utilization of print media if applicable and development of new marketing brochures, project signs, banners, leasing materials and websites.
- Leverage "economy of scale" cost effective pricing structure on contractor and vendor services, insurance and maintenance supply inventory.
- Perform annual competitive bidding of all contracts and services.

- Implement an annual property tax review and appeal program utilizing recognized national as well as local area tax consultants.
- Implement an annual property insurance review utilizing recognized national insurance agencies.

RALEIGH-DURHAM

Raleigh-Durham

The Raleigh-Durham MSA (includes 3 major cities, Raleigh, Durham and Chapel Hill) has a current population estimated to be just over 1.7 million and is projected to grow over 282,000 during the next 5 years. (Nielsen) Each of these cities is home to a major university - University of North Carolina, North Carolina State University and Duke University. Commonly known as the Triangle, this MSA has developed a healthy economy that is well diversified – creating considerable growth in industry, trade and employment. According to Moody's Economy.com, Raleigh-Durham's economic growth in recent years has more than doubled that of the national economy and has tripled the national population growth rate. The 5 largest employers in the Raleigh-Durham MSA are Duke University/Duke University Medical Center, IBM Corp., University of North Carolina, North Carolina State University and WakeMed Health and Hospitals. The PNC Financial Services Group expects Raleigh and Durham to lead the nation's economic recovery as education, healthcare, tech and professional services drive above-average payroll growth. According to REIS, the Raleigh-Durham apartment market, as of March 31, 2013, averaged 96.2% occupancy.



Durham

The Durham MSA population was just under 517,000 as of December 2012, having grown 1.7% annually since 2006, compared to 0.9% nationally and projects the local growth to continue to outpace the national growth over the next 5 years (Moody's Economy.com). Nielsen Company reports the immediate area surrounding Encore at The Park (as a growth area of Durham) has grown over 4.5% per year between 2010 and 2013. REIS projects the effective rent growth over the next 5 years to average about 3.8% annually in the property submarket.

Encore at The Park is in close proximity to Duke University, Duke University Medical Center and the Research Triangle Park, the largest employers in the Durham MSA. These employers reflect the diversity

of the local economy with Health Care, Educational Services, Professional/Science/Technical Administration and Accommodation/Food Services. Located just a few miles away, the Research Triangle Park is home to more than 170 companies and employs over 38,000 full-time employees and an additional 10,000 contract employees. Some of the companies include IBM Corporation, Cisco Systems, Inc., USDA Forest Service Southern Research Station, Ericsson, DuPont Electronics and Communications, Nortel Networks, GlaxoSmithKline, United States Postal Service, among others. In addition, Duke University and Duke University Medical Center are approximately 10 minutes away and employ almost 34,000. According to the Bureau of Labor Statistics, Durham's unemployment rate has not been higher than 8.7% over the last 10 years and as of April 2013, the unemployment rate was 6.3%.





DEMOGRAPHICS	Metropolitan Area	
	Durham	Raleigh
2010 – 2013 Population Growth	3.71%	6.38%
2013 – 2018 Population Growth	5.89%	8.87%
2013 Estimated Population	523,078	1,202,574
Average Age	37.3	35.9
% of Age 25+ w/ College Deg.	23.3%	27.8%
Median Household Income	\$48,698	\$57,459
% of Households greater than \$75K Income	12.1%	13.1%
Median Home Value	\$188,800	\$205,539

Source: Nielson – Claritas, 2013

FLOOR PLAN SAMPLES



1 Bedroom/1 Bath

UNIT MIX

UNIT TYPE	%	UNITS	TOTAL SQ. FT	SQ. FT/UNIT
1BD / 1 BA	6%	18	12,780	710
1BD / 1 BA	14%	40	30,000	750
1BD / 1 BA	9%	24	19,872	828
2BD / 2 BA	21%	60	69,900	1,165
2BD / 2 BA	4%	10	11,800	1,180
2BD / 2 BA	20%	56	66,080	1,180
2BD / 2 BA	4%	12	14,160	1,180
2BD / 2 BA	11%	32	39,392	1,231
3 BD / 2 BA	7%	20	24,660	1,233
3 BD / 2 BA	3%	8	9,864	1,233
Total	100%	280	298,508	1,066



2 Bedroom/2 Bath

SUPERIOR AMENITIES

Unit Amenities:

- Walk-in closets
- Private patio/balcony
- Ceiling fans
- Upgraded blinds
- Washer/dryer included
- Gourmet kitchen
- Intrusion alarm
- Custom tile entryway
- Solarium (in select floor plans)
- Vaulted ceiling (in select floor plans)

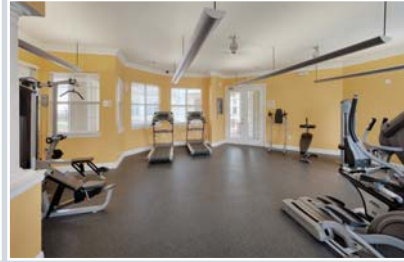
Community Amenities:

- Controlled access gates
- Resort-style swimming pool
- Sundeck
- Executive business center
- Fitness center
- Detached garages
- Car care center
- Coffee and tea bar
- Picnic and grilling stations
- Video library



3 Bedroom/2 Bath

ENCORE AT THE PARK



Passco Companies, LLC specializes in acquiring, developing and managing multifamily and commercial investment properties. Passco was formed in 1998 and is a privately held company.

- Passco invests strategically for investors to generate cash flow and asset value appreciation, while maintaining a risk-mitigating investment philosophy.
- Passco's current assets under management are upward of \$2 billion, including more than 10,000 apartment units and over 8 million square feet of land and commercial real estate nationwide.
- Passco is a full service real estate firm with diverse capabilities including acquisition and due diligence services, finance and structuring, escrow services, property and asset management, investment advisory, and investor services.
- Passco's mission is to be committed to excellence in real estate ownership and in the management of our investment portfolio; to develop long term strategic relationships with leading and innovative real estate professionals and companies; and to provide a rewarding environment for our employees, while creating opportunities for personal enrichment and career growth.



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