

STONEGATE

Luxury Apartment Homes



101 Leaf Lake Boulevard | Birmingham, AL 35211

THE PROPERTY

- 260 unit Class A garden style apartment community built in 2007 offering 1, 2, and 3 bedroom units.
- The property is situated on 20 acres in Birmingham, Alabama. The property provides a peaceful, park environment in close proximity to the major employment centers of Birmingham.
- Stonegate is within the Oxmoor/Lakeshore Parkway corridor, which is home to the Ross Bridge Resort Community, Robert Trent Jones Oxmoor Valley Golf Course, and over \$300 million announced developments ranging from high-tech data centers to a 100-acre distribution center.
- Stonegate features unique attributes that appeal to the young professional lifestyle. Stonegate won “The Best Property” award in 2008.

THE INVESTMENT OPPORTUNITY

- Birmingham is the largest metropolitan area in the state of Alabama.
- The property is in close proximity to major employers, including Mercedes-Benz, Honda, AT&T, University of Alabama Birmingham and St. Vincent’s Health System.
- The Stonegate area, the south submarket of Birmingham, is projected by Claritas to be a primary growth area of Birmingham.
- Apartment rent levels of the submarket are nearly 10% higher than average rent levels of the metropolitan area.

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.

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, (ii) reduce operating expenses, and (iv) prepare the property to be sold when the market dictates.

Maximize Revenue and Occupancy

- Implement aggressive marketing campaign to reach out to local corporations, businesses, vendors to provide referrals, activity sponsorships and reciprocal business opportunities.
- Enhance the property's website by implementing the optimum technological platforms available to provide marketing services that increase the property's online presence, mobile access, and lead generation and tracking to produce measurable results and improve the cost effectiveness of our marketing programs.
- 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 inventory, days on market, move-in date, and location.
- 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. Additionally, improve the cyber café with more sitting areas and faster wireless internet access.
- Improve and update the clubhouse, pool area and fitness facility.
- Enhance our competitive position in the submarket by installing a dog park.
- Enhance our competitive position in the submarket by providing a premier online concierge service.
- Introduce and monitor more aggressive increases in 'other income' items such as utility rebilling, administrative fees, application fees, transfer fees, pet deposits and pet rent, trash removal fees, pest control fees.



Improve New Lease Closing Ratios and Resident Retention

- Install lease management and control systems that effectively manage the number of monthly lease expirations to spread them out through the year based on the most active new leasing and renewal patterns for this property and market.
- Conduct weekly meetings between Passco's asset manager(s) and the regional and on site staff reviewing performance reports including, but not limited to, new leasing activity, retention activity, pricing matrix and marketing programs.
- Hold regular "town hall" meetings to improve communication, and to foster a sense of community, resident satisfaction and management performance.

Implement Passco Asset Management Programs

- Maximize occupancy through implementation of a multi-platform marketing program to include internet advertising, mobile access, and social media as well as new marketing brochures, property signs, banners, leasing materials and internet sites.
- Leverage "economy of scale" cost effective pricing structure on contractor and vendor services, insurance and maintenance inventory.
- Perform annual competitive bidding of all contracts and services.
- Implement a property tax review and appeal program utilizing recognized national as well as local area tax consultants.
- Implement a property insurance review utilizing recognized national as well as local area insurance agencies and/or consultants.

Local Sub-Market

According to REIS, net-effective apartment rent growth over the next five years in Birmingham is projected to average 4.1% annually.

Stonegate is located within the city limits of Birmingham, about 10-12 miles southwest of the downtown area. Stonegate is equal distance to downtown as the prestigious Riverchase Galleria shopping area south of Birmingham.

The Stonegate area will be a primary growth area of the Birmingham metropolitan area over the next several years. For example, according to Claritas (The Nielson Company), the population within a 1 mile radius of Stonegate is projected to grow by 15% over the next five years, which compares to the projected Birmingham metropolitan area population growth of 3.4% over the same time period.

Employment in Oxmoor Valley is strong and growing. Dollar General, which just opened a \$100 million distribution center less than 1 mile away (southwest) along Lakeshore Parkway, is currently hiring 650 employees at this location. Oxmoor Corporate Park, which is located 1 mile away (northeast) from Stonegate along Lakeshore Parkway, is home to a large single tenant (Regions Bank) suburban office building which houses hundreds of employees at this location. Oxmoor Industrial Park, which is located about two miles away (northeast) from Stonegate along Lakeshore Parkway, is home to dozens of office buildings, industrial and distribution buildings, and businesses. Some of the employers located here include Kraft Foods, Budweiser Distribution, Tibbett Sporting Goods, Books-A-Million, Southern Family Markets, Birmingham Logistics, UPS, among others. Several data centers have been built and/or are under construction within ½ mile of Stonegate and include the following companies AT&T, Blue Cross/Blue Shield, Infinity Insurance, Wachovia, and the local electric company.



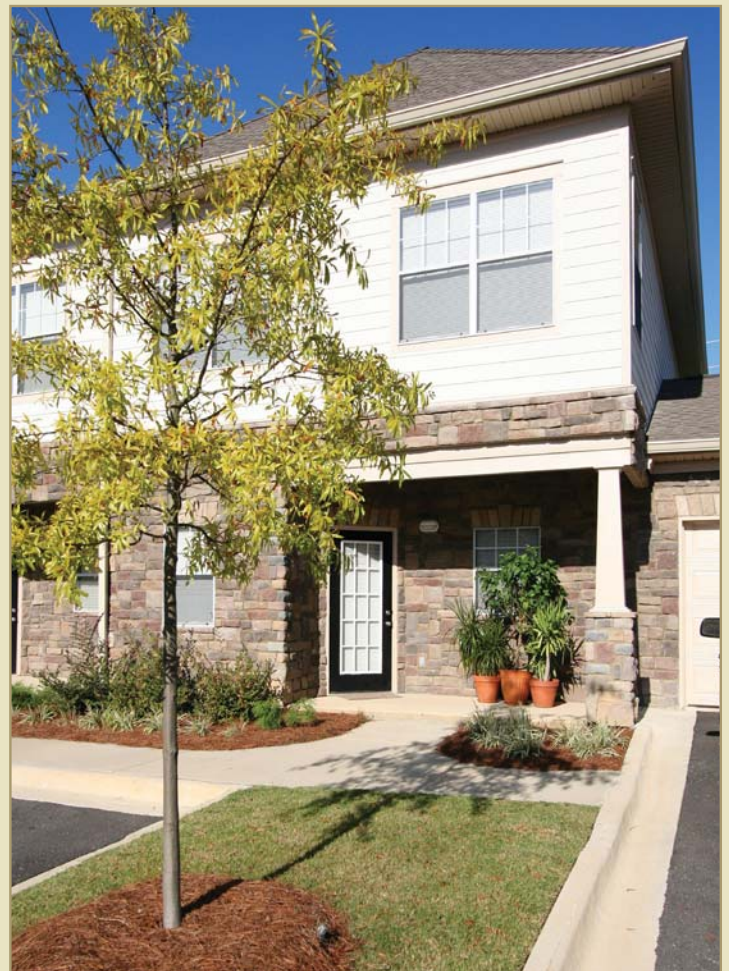
SUPERIOR AMENITIES

Unit Amenities Include:

- 9' ceilings
- double crown molding
- ventless gas fireplaces
- computer niche
- private patio/balcony or luxurious sunroom
- large walk-in closets and ceiling fans in the living rooms and all bedrooms

Community Amenities Include:

- tennis courts
- business center
- car care area
- walking trails
- 24 hour fitness center
- internet café
- contemporary clubhouse
- tropical swimming pool with stereo sound
- outdoor mezzanine lounge with flat panel TV
- clothes care center and magazine library



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BIRMINGHAM, ALABAMA

Birmingham is the largest metropolitan area in the state of Alabama, with the largest concentration of business, legal, financial and medical services in the state. The Birmingham MSA population was near 1,140,000 at the end of 2011 and has grown by over 55,000 since 2004. Moody's economy.com projects the Birmingham population to grow 3.4% or an additional 40,000 over the next four years. The largest employer located in the downtown area is the University of Alabama at Birmingham employing approximately 18,500. In addition to the University of Alabama, the top ten employers include:

- Regions Financial Corp.
- AT&T
- St. Vincent's Health System
- Birmingham City Schools
- City of Birmingham
- Jefferson County Board of Education
- Honda Manufacturing of Alabama
- Baptist Health System
- Mercedes-Benz US International
- Jefferson County Government

Source: Birmingham Business Journal

Honda announced a \$94 million expansion to increase production, which will add to the 4,000+ currently

employed and the \$1.5 billion already invested. Mercedes is also adding a 3rd production shift to their plant.

Total employment in Birmingham is currently approximately 481,000 (March 2012) and is projected to grow approximately 50,000 over the next 4 years. Birmingham's projected annual employment growth over the next four years is 2.5% compared to the national projection of 2.1%. The local unemployment rate has improved in recent months and currently stands at 6.5% (March 2012). The local unemployment rate has now been under 8.0% for six consecutive months for the first time in over three years.

Major colleges in the area are University of Alabama Birmingham, Samford University, Lawson State and Birmingham Southern. Major hospitals in the area are UAB Hospital, UAB Medical West, New Women's and Infants Center, Children's Hospital and Brookwood Hospital.



DEMOGRAPHICS

Adjusted 3-Mile Radius Without Bessemer¹

- Population 4,668
- Population Growth (2000-2012) 212.66%
- Median Age 46 years
- Households 1,953
- Median Household Income \$49,852

Birmingham MSA

- Population 1,141,798
- Population Growth (2000-2012) 8.51%
- Median Age 37 years
- Households 315,637
- Median Household Income \$46,021

Source: Site Reports, Claritas, Inc., 2012.

¹ For more detailed information please refer to Private Placement Memorandum



UNIT MIX

UNIT TYPE	%	UNITS	TOTAL SQ. FT	SQ. FT/UNIT
1BD/1BA	21%	54	46,116	854
1BD/1BA	17%	44	39,732	903
2BD/2BA	28%	74	88,652	1,198
2BD/2BA	23%	60	77,700	1,295
3BD/2BA	3%	8	11,672	1,459
3BD/2.5BA - TH	2%	6	9,042	1,507
3BD/2.5BA - TH	2%	6	9,162	1,527
3BD/2BA	3%	8	12,576	1,572
Totals / Average	100%	260	294,652	1,133

FLOOR PLAN SAMPLES



1 Bedroom/1 Bath
854-903 Square Feet

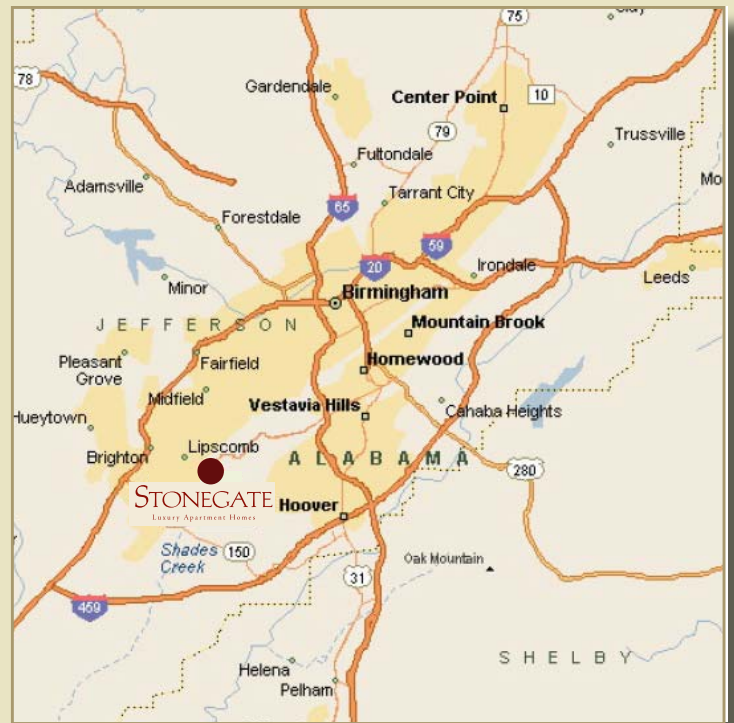
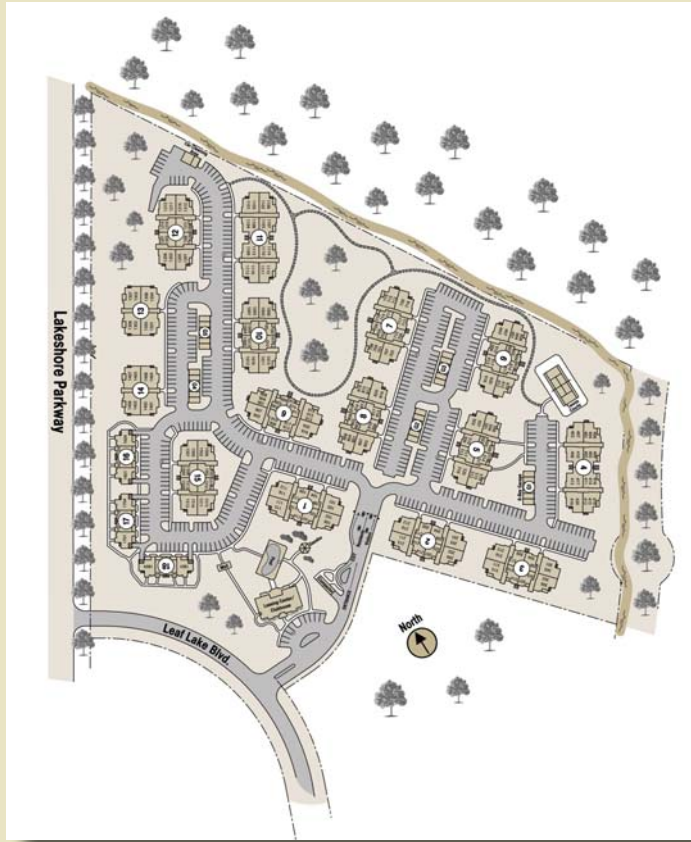


2 Bedroom/2 Bath
1,198-1,295 Square Feet



3 Bedroom/2.5 Bath
1,507-1,527 Square Feet

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Founded in 1998, Passco Companies, LLC is a widely respected company that provides a full spectrum of real estate investment services to the capital marketplace including acquisitions, asset management, property management, leasing, brokerage, construction management, development and investment advisory services. Passco has earned numerous accolades since its inception and was the 2007 recipient of the prestigious ACE Award "A Champion of Excellence", awarded by TICA (now REISA – Real Estate Investment Securities Association) for Passco's outstanding commitment to its investors. Passco currently manages more than \$2 billion in nationwide assets including over 8.5 million square feet of commercial space and over 10,000 multifamily units.



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