EMPIRE AMERICAN REALTY TRUST INC
Form 424B3
May 18, 2010

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Registration No. 333-160093

250,000 shares of common stock minimum offering 110,000,000 shares of common stock maximum offering

EMPIRE AMERICAN REALTY TRUST, INC.

$10.00 PER SHARE Minimum Initial Purchase 200 Shares

Empire American Realty Trust, Inc. is a newly formed Maryland corporation incorporated on March 26, 2009 and sponsored by Empire American Holdings, LLC, one of the largest private property holders in the United States. We are offering up to 100,000,000 shares of common stock to investors who meet our suitability standards and up to 10,000,000 shares of common stock to participants in our distribution reinvestment program. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and our distribution reinvestment plan. We intend to use substantially all of the net proceeds from this offering to acquire a diverse portfolio of multifamily properties located in the United States and real estate-related debt and securities. The dealer manager of the offering is Empire American Realty, LLC, a member firm of the Financial Industry Regulatory Authority, or FINRA. Our dealer manager is not required to sell a specific number or dollar amount of shares but will use its best efforts to sell 100,000,000 of our shares and may engage third party soliciting dealers in connection with this offering.

Investing in us involves a high degree of risk. See Risk Factors beginning on page 19 for a discussion of the risks which should be considered in connection with your investment in our common stock. Some of these risks include:

We are a blind pool offering because we do not currently own any properties, we have not identified any properties to acquire with the offering proceeds and we have no operating history or established financing sources;
No public market currently exists for our shares of common stock, no public market for such shares may ever exist and our shares are illiquid;
There are substantial conflicts between the interests of our investors, our interests and the interests of our advisor, sponsor and our respective affiliates regarding affiliate compensation, investment opportunities and management resources;
Our charter permits us to maintain a level of leverage as high as 300% of our net assets (equivalent to 75% of the cost of our net assets) as of the date of any borrowing;
As long as we maintain our status as a real estate investment trust for U.S. federal income tax purposes (a REIT), five or fewer individuals are generally prohibited from beneficially owning more than 50% of our outstanding shares during the last half of each taxable year;
Our investment objectives and strategies may be changed without stockholder consent;
We are obligated to pay substantial fees to our advisor and its affiliates, including fees payable upon the sale of properties, and our incentive fee structure may result in our advisor recommending riskier or more speculative investments;
Although our distribution policy is not to use the proceeds of this offering to make distributions, our organizational documents permit us to pay distributions from any source, including offering proceeds. Subject to certain limited

exceptions, there is no limit to the amount of distributions that we may pay from offering proceeds. Until the proceeds from this offering are fully invested and from time to time during our operational stage, we may use proceeds from this offering and financings to fund distributions in anticipation of cash flow to be received in later periods;

The agreements between us and our advisor or its affiliates, and the fees paid to them pursuant to such agreements in connection with this offering and in connection with the acquisition and management of our investments, will not be reached through arm s length negotiations and may not reflect the terms that would be available from a third-party.

We are not yet a REIT and may be unable to qualify as a REIT; and

The current economic downturn and disruption in the financial markets could have an adverse impact on our tenant s ability to make rental payments and the demand for rental space.

This offering will end no later than May 14, 2012 unless we elect to extend it to a date no later than May 14, 2013 in states that permit us to make this one-year extension. We will deposit subscription payments in an escrow account held by the escrow agent, UMB Bank, N.A., in trust for the subscriber s benefit, pending release to us. A minimum of 250,000 shares of common stock must be sold within one year following this offering (unless the offering is extended) or we will terminate this offering and promptly return your subscription payments with your pro rata share of the interest earned on such funds in accordance with the provisions of the escrow agreement. Subscription payments held in escrow will be placed in short term, low risk, highly liquid, interest bearing investments. If a refund is made because we do not achieve the minimum offering, our sponsor will pay any escrow fees and no amounts will be deducted from the escrow funds.

PENNSYLVANIA INVESTORS: The minimum closing amount is $2,500,000. Because the minimum closing amount is less than $50,000,000, you are cautioned to carefully evaluate our ability to fully accomplish our stated objectives and inquire as to the current dollar volume of our subscriptions. We will not release any subscription proceeds from Pennsylvania investors from escrow until we have an aggregate of $50,000,000 in subscriptions.

TENNESSEE INVESTORS: The minimum closing amount for Tennessee investors is $25,000,000 in aggregate gross offering proceeds. We will not release any subscription proceeds from Tennessee investors until we have received an aggregate $25,000,000 in subscriptions.

These are speculative securities and this investment involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment.

The use of forecasts in this offering is prohibited. Any representation to the contrary and any predictions, written or oral, as to the amount or certainty of any present or future cash benefit or tax consequence which may flow from an investment in us is not permitted.

	Price to Public	Sales Commissions	Dealer Manager Fee	Proceeds to Us Before Expenses(1)(2)
Primary Offering Per Share	$10.00	$.70	$.30	$9.00
Total Minimum	$2,500,000.00	$175,000.00	$75,000.00	$2,250,000.00
Total Maximum	$1,000,000,000.00	$70,000,000.00	$30,000,000.00	$900,000,000.00
Distribution Reinvestment Plan Offering Per Share(1)	$9.50	$	$	$9.50
Total Maximum	$95,000,000.00	$	$	$95,000,000.00

(1) We reserve the right to reallocate shares of common stock being offered between the primary offering and our distribution reinvestment plan.

(2) Proceeds are calculated before reimbursing our advisor for organization and offering expenses.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, 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.

Prospectus dated May 14, 2010

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INVESTOR SUITABILITY STANDARDS

An investment in our common stock is suitable only for persons who have adequate financial means and desire a relatively long-term investment. We have established suitability standards for investors who purchase our common stock. These suitability standards are intended to help ensure, given the high degree of risk inherent in, the long-term nature of an investment in, and the relative illiquidity of, our shares, that shares of our common stock are an appropriate investment for those of you who become investors. In addition, residents of some states must meet higher suitability standards under state law. These standards require you to meet the applicable criteria below. In determining your net worth, do not include your home, home furnishings or your automobiles.

Notwithstanding these investor suitability standards, potential investors should note that investing in shares of our common stock involves a high degree of risk and should consider all of the information contained in this prospectus, including the Risk Factors section contained herein, in determining whether an investment in our common stock is appropriate.

The minimum purchase is 200 shares ($2,000), except in certain states. The minimum purchase for New York residents is 250 shares ($2,500), except for IRAs which must purchase a minimum of 100 shares ($1,000). The minimum purchase for Tennessee residents is 250 shares ($2,500). Following an initial subscription for at least the required minimum investment, any investor may make additional purchases in increments of at least 100 shares ($1,000), except for purchases made by residents of states with a different requirement, whose additional investments must meet their state's minimum investment amount, and purchases of shares pursuant to our distribution reinvestment plan, which may be in lesser amounts.

General Standards for all Investors. Investors must have either (a) a net worth of at least $250,000 or (b) an annual gross income of at least $70,000 and a minimum net worth of at least $70,000.

California. Investors must have either (a) a net worth of at least $250,000 or (b) an annual gross income of at least $70,000 and a net worth of at least $100,000.

Kentucky and Ohio. Investors must have either (a) a net worth of at least $250,000 or (b) an annual gross income of at least $70,000 and a minimum net worth of at least $70,000, with the amount invested in this offering not to exceed 10% of the Kentucky or Ohio investor s liquid net worth.

Iowa. Investors must have either (a) a net worth of at least $350,000 or (b) an annual gross income of at least $70,000 and a minimum net worth of at least $100,000. In addition, shares will only be sold to Iowa residents that represent that they have a combined liquid net worth of at least 10 times the amount of their investment in this real estate investment program and other similar programs.

Maine, Michigan, Oregon, Pennsylvania, Vermont and Washington. Investors must have either (a) a net worth of at least $250,000 or (b) an annual gross income of at least $70,000 and a minimum net worth of at least $70,000. The investor s maximum investment in us and our affiliates cannot exceed 10% of the Maine, Michigan, Oregon, Pennsylvania, Vermont or Washington investor s net worth.

Kansas, Massachusetts, Missouri and California. In addition to the general suitability standards described above, it is recommended that investors should invest no more than 10% of their liquid net worth in our shares and securities of other REITs. Liquid net worth is defined as that portion of net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities.

Alabama. In addition to the general suitability standards above, shares will only be sold to Alabama residents that represent that they have a liquid net worth of at least 10 times the amount of their investment in this real estate investment program and other similar programs.

Nebraska. Investors must have either (a) a minimum net worth of $100,000 and an annual income of $70,000 or (b) a minimum net worth of $350,000. In addition, the total investment in us should not exceed 10% of the investor s net worth.

Tennessee. In addition to the general suitability standards described above, shares will only be sold to Tennessee residents that represent that their maximum investment in us and our affiliates does not exceed 10% of their liquid net worth. We will only sell shares of our common stock to residents of Tennessee investors who initially purchase a minimum of 250 shares for a total purchase price of $2,500.

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Because the minimum offering of our common stock is less than $50,000,000, Pennsylvania investors are cautioned to carefully evaluate our ability to fully accomplish our stated objectives and to inquire as to the current dollar volume of our subscription proceeds. Further, the minimum aggregate closing amount for Pennsylvania investors is $50,000,000.

The foregoing suitability standards must be met by the investor who purchases the shares. In the case of sales to fiduciary accounts, these minimum standards must be met by the beneficiary, the fiduciary account or by the donor or grantor who directly or indirectly supplies the funds to purchase the common stock if the donor or the grantor is the fiduciary. **Investors with investment discretion over assets of an employee benefit plan covered by ERISA should carefully review the information in the ERISA Considerations section of this prospectus.**

In the case of gifts to minors, the suitability standards must be met by the custodian of the account or by the donor.

In order to ensure adherence to the minimum income and net worth standards established for us, requisite criteria must be met, as set forth in the subscription agreement in the form attached hereto as Appendix C. In addition, our sponsor, our dealer manager and the soliciting dealers, as our agents, must make every reasonable effort to determine that the purchase of our shares is a suitable and appropriate investment for an investor. In making this determination, the soliciting dealers will rely on relevant information provided by the investor in the investor s subscription agreement, including information regarding the investor s age, investment objectives, investment experience, income, net worth, financial situation, other investments, and any other pertinent information. Executed subscription agreements will be maintained in our records for 6 years.

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 (the USA PATRIOT Act), the units offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any Prohibited Shareholder, 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.

QUESTIONS AND ANSWERS ABOUT THIS OFFERING

Below are some of the more frequently asked questions and answers relating to an offering of this type. Please see the remainder of this prospectus for more detailed information about this offering.

Q: What is a REIT?

A: REIT stands for an entity electing to be treated as a real estate investment trust for U.S. federal income tax purposes. In general, a REIT is a company that:

- pools the capital of many investors to acquire or provide financing for real estate properties;
- allows individual investors to invest in a diversified real estate portfolio managed by a professional management team;
- is required to pay distributions to investors of at least 90% of its taxable income (excluding net capital gain) each year; and
- avoids the U.S. federal double income taxation treatment of income that results from investments in a corporation because a REIT is generally not subject to U.S. federal corporate income tax and excise tax on its net income, so long as it complies with certain tax requirements.

Q: What is an UPREIT?

A: UPREIT stands for Umbrella Partnership Real Estate Investment Trust. An UPREIT is a REIT that holds substantially all of its properties through a partnership in which the REIT (directly or indirectly) holds an interest as a general partner and/or a limited partner, approximately equal to the value of capital raised by the REIT through sales of its capital stock. Using an UPREIT structure may give us an advantage in acquiring properties from persons who may not otherwise sell their properties because of certain unfavorable U.S. federal income tax consequences. Generally, a sale of property directly to a REIT is a taxable sale to the selling property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may in some cases transfer the property to the UPREIT in exchange for limited partnership units in the partnership and defer taxation of gain until the seller later exchanges his limited partnership units on a one-for-one basis for REIT shares or for cash pursuant to the terms of the limited partnership agreement.

Q: What is the experience of your management?

A: Our advisor, Empire American Advisors, LLC, is responsible for managing our day-to-day affairs and for identifying and making acquisitions and investments on our behalf. Our advisor s current team of senior management averages approximately 20 years of industry experience among them. Our advisor will select investments for us based on specific investment objectives and criteria and subject to the direction, oversight and approval of our board of directors.

Q: What is your investment strategy?

A: Our investment strategy is to acquire a diverse portfolio of multifamily properties located in the United States. We plan to diversify our portfolio by size, property location and risk with the goal of attaining a portfolio of multifamily properties and real estate-related debt and securities that will generate attractive returns for our investors, with the potential for capital appreciation. We expect that we will target mostly value-added properties, and to a lesser extent opportunistic properties, in various phases of redevelopment or in need of repositioning. We expect to also target existing properties that are already well positioned and producing rental income. We will focus on responsibly reducing the operating costs of our properties while still maintaining high standards of repair and capital improvements.

Q: Will you invest in anything other than real property?

A: We may invest in real estate-related securities and other real estate-related debt and investments that we believe present the potential for high current income or total return without subjecting principal to undue risk, including but not limited to mortgage, bridge or subordinated loans, debt securities and preferred or other equity securities of other real estate companies. We may also invest in entities that make similar iii

investments. Although our charter does not limit the portion of our assets that may be invested in real estate-related securities and other investments, our investment guidelines provide that such investments will not constitute more than 15% of our portfolio by asset value.

Q: If I buy shares of your common stock, will I receive distributions, and if so, how often?

A: To maintain our qualification as a REIT, we are required to make annual aggregate distributions to our stockholders of at least 90% of our taxable income (excluding net capital gain). We are taxed on any undistributed income, including on any net capital gain. Subject to the approval of our board of directors and applicable law, we intend to make distributions to our stockholders on a monthly basis after we achieve the minimum offering, and we intend to make distributions sufficient to meet the annual distribution requirements in order to maintain our qualification as a REIT and to avoid U.S. federal income and excise taxes on our earnings; however, it may not always be possible to do so. We intend to commence distributions in the first month after we achieve the minimum offering. We generally do not intend to fund such distributions from offering proceeds, however, if we have not generated sufficient cash flow from our operations or other sources, such as borrowings, advances from our advisor, our advisor s deferral, suspension and/or waiver of its fees and expense reimbursements, we may use the net proceeds from this offering to fund distributions. Our board of directors may change this policy, in its sole discretion, at any time. 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. Distributions made from offering proceeds are a return of capital to stockholders upon which we will have used to pay offering and organization expenses in connection with this offering. We will send a statement to our stockholders that will accompany each distribution that will disclose the source or sources of that distribution.

Q: Can I reinvest my distributions in additional shares of common stock?

A: Yes, you may elect to participate in our distribution reinvestment program by checking the appropriate box on the subscription agreement, or by filling out an enrollment form which we will provide you at your request. The purchase price for shares purchased pursuant to the distribution reinvestment program will be $9.50 per share for the duration of this offering and 95% of our net asset value thereafter.

Q: Will the distributions I receive be taxable as ordinary income?

A: Distributions that you receive (not designated as capital gain dividends), including distributions reinvested pursuant to our distribution reinvestment program, will be taxed as ordinary income to the extent that they are paid from our earnings and profits (as determined for U.S. federal income tax purposes). However, distributions that we designate as capital gain dividends will generally be taxable as long-term capital gain to the extent they do not exceed our actual net capital gain for the taxable year. Some portion of your distributions may not be subject to tax in the year in which they are received because depreciation expense reduces the amount of taxable income but does not reduce cash available for distribution. The portion of your distribution which is not designated as a capital gain dividend and is in excess of our current and accumulated earnings and profits is considered a return of capital for tax purposes and will reduce the tax basis of your investment, deferring such portion of your tax until your investment is sold or our company is liquidated, at which time you will be taxed at capital gains rates. Please note that each investor s tax considerations are different, therefore, we suggest that you consult with your tax advisor prior to making an investment in our shares.

Q. Will I receive a stock certificate?

A. No. You will not receive a stock certificate unless expressly authorized by our board of directors. We anticipate that all shares of our common stock will be issued in book-entry form only. The use of book-entry registration protects against loss, theft or destruction of stock certificates and reduces the offering costs.

Q. What happens if we do not raise the minimum $2,500,000 in this offering?

A.

We will not sell any shares of our common stock unless we sell a minimum of 250,000 shares to the public by May 14, 2011 (one year from the date of the effective date of this prospectus), unless the offering is

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extended in the states that permit such extension. Pending satisfaction of the minimum offering requirement, all subscription payments will be placed in escrow in trust for the subscribers benefit pending release to us. If we do not sell the minimum number of shares to the public by May 14, 2011 (one year from the effective date of this prospectus, unless extended), we will terminate this offering and return all subscribers funds held in escrow, plus interest. If we are successful in raising the minimum offering, the proceeds held in escrow, plus interest, will be released to us.

Q. How do I subscribe for shares of common stock?

A. Investors who meet the minimum income and net worth standards established for us may purchase shares of our common stock. See Investor Suitability Standards of this prospectus. Investors that would like to purchase shares of our common stock should:

Read the entire final prospectus and any appendices and supplements accompanying the final prospectus;

Complete and sign the subscription agreement, a copy of which is included in this prospectus as Appendix C.

Deliver a check for the full purchase price of the shares of our common stock being subscribed for along with the completed subscription agreement to the registered broker-dealer or investment advisor. Initially, your check should be made payable to UMB Bank, N.A., as escrow agent for Empire REIT. After we meet the minimum offering requirements, your check should be made payable to Empire American Realty Trust, Inc, except that Tennessee and Pennsylvania investors should continue to make checks payable to UMB Bank, N.A., as escrow agent for Empire REIT until we have received and accepted subscriptions for $25 million and $50 million, respectively, in the aggregate.

The subscription agreement requires you to make the following factual representations:

Your tax identification number set forth in the subscription agreement is accurate and you are not subject to backup withholding;

You received a copy of our final prospectus not less than five business days prior to signing the subscription agreement;

You meet the minimum income, net worth and any other applicable suitability standards established for you;

You are purchasing our common stock for your own account; and

You acknowledge that our shares are not liquid.

Each of the above representations is included in the subscription agreement in order to help us satisfy our responsibility, which our broker dealer will undertake as our agent, to make every reasonable effort to determine that the purchase of our common stock is a suitable and appropriate investment for you and that appropriate income tax reporting information is obtained. We will not sell any common stock to you unless you are able to make the above factual representations by executing the subscription agreement. You must separately sign or initial each representation made in the subscription agreement and, except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such representations on your behalf.

By executing the subscription agreement, you will not be waiving any rights under federal or state law.

Q. How will the payment of fees and expenses affect my invested capital?

A. We will pay sales commissions and dealer manager fees in connection with this offering. In addition, we will reimburse our advisor for our organization and offering expenses not to exceed, together with the dealer manager fees and selling commissions, 15% of the gross proceeds of our offering. We estimate such expenses will be approximately 1.5% of the gross offering proceeds raised if we achieve the maximum offering. We will also pay our advisor acquisition fees for substantial services provided in he acquisition of investments. The payment of fees and expenses will reduce the funds available to us for investment in multifamily properties and real estate-related debt and securities.

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Q: How does a best efforts offering work?

A: When securities are offered to the public on a best efforts basis, the broker-dealers participating in the offering are only required to use their best efforts to sell the securities and have no firm commitment or obligation to purchase any of the offered securities. Therefore, no specified dollar amount is guaranteed to be raised.

Q: Who can buy shares of your common stock?

A: Generally, you can buy shares of our common stock pursuant to this prospectus provided that you have either (i) a net worth of at least $250,000 or (ii) an annual gross income of at least $70,000 and a net worth of at least $70,000. For this purpose, net worth does not include your home, home furnishings or personal automobiles. Please note that some states impose higher minimum levels than the limits above and/or additional restrictions on your investment. See the more detailed descriptions of investor requirements in the Investor Suitability Standards section of this prospectus.

Q: Is there any minimum investment required?

A: Generally, the required minimum investment is $2,000, except for purchases by our existing stockholders, including purchases made pursuant to our distribution reinvestment program. Please note that certain states have imposed higher minimum investment amounts.

Q: If I buy shares of common stock in this offering, how can I subsequently sell them?

A: At the time you purchase shares of our common stock, they will not be listed for trading on any national securities exchange or national market system. Moreover, there will not be a public market for the shares when you purchase them and a public market may never develop. As a result, it may be difficult to find a buyer for your shares. You may, however, sell your shares to any buyer unless such sale would violate federal or state securities laws or cause any person or entity to directly or indirectly own more than 9.8% in value or in number, whichever is more restrictive, of outstanding shares of our common stock, unless otherwise excepted by our board of directors or charter.

If you meet the limited qualifications to participate in our share repurchase program, you may be able to sell your shares to us. We may repurchase shares from stockholders through the program, from time to time, at prices ranging from the 92.5% of the then-current share value to 100% of the then-current share value (or the average purchase price per share paid by such stockholder if that is a lesser amount), depending on how long the stockholder has owned shares. Our board of directors, in its sole discretion, may change these repurchase prices. Stockholders who have held their shares for at least one year may request that we repurchase any number of shares by submitting a repurchase request, the form of which is available on our website to our repurchase agent. However, if a stockholder dies prior to or after owning the shares for one year, the one-year holding period will not be applicable, and any shares held for less than one year by the deceased will be repurchased at a price equal to the lesser of 100% of the then-current share value or the purchase price paid per share paid by such stockholder. We will effect all repurchases on the last business day of the calendar month or any other business day that may be established by our board of directors. Please see the section of our prospectus titled Share Repurchase Program on page 139 for more information

In the case of any repurchases other than upon the death of a stockholder, we are authorized to use only the proceeds from our distribution reinvestment plan during that month and we will limit the number of shares repurchased during any calendar year to 5.0% of the number of shares of common stock outstanding on December 31st of the previous calendar year. In the case of repurchases made upon the death of a stockholder, we are authorized to use any funds to complete the repurchase, and neither the limit regarding funds available from the distribution reinvestment plan nor the 5.0% limit will apply. The share repurchase program will immediately terminate if our shares are listed on any national securities exchange. In addition, our board of directors, in its sole discretion, may at any time amend, suspend (in whole or in part), or terminate our share repurchase program, without prior notice to stockholders. Further, our board reserves the right in its sole discretion to reject any requests for repurchases. Our board of directors may reject requests at any point prior to the date of repurchase.

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Q: Do you intend to list your common stock? If not, is there any other planned liquidity event?

A: We presently intend to complete a transaction providing liquidity for our stockholders within 5 to 7 years from the completion of our offering. This may involve listing our common stock on a national securities exchange. If we do not begin the process of listing our shares of common stock on a national securities exchange by the end of that period, or have not otherwise completed a liquidity event by such date, our charter requires that we seek stockholder approval of an extension of this deadline or of the liquidation of the company.

Q: Will I receive notification as to how my investment is doing?

A: You will receive periodic reports on the performance of your investment with us, including:

an annual report that updates and details your investment;

an annual report, including audited financial statements, as filed with the Securities and Exchange Commission;

an annual IRS Form 1099-DIV; and

supplements to the prospectus, as may be required by the federal securities laws.

Q: When will I receive my tax information?

A: We intend to mail your IRS Form 1099-DIV tax information by January 31st of each year.

Q: Who can I contact to answer questions I may have?

A: If you have any questions regarding the offering or if you would like additional copies of this prospectus, please contact your registered representative or:

Empire American Realty Trust, Inc.
c/o Empire American Holdings, LLC
25 Philips Parkway
Montvale, New Jersey 07645
Tel: (201) 326-3300
Attention: Blimi Meyer

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PROSPECTUS SUMMARY

This summary highlights some of the material information contained elsewhere in this prospectus. Because it is only a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire prospectus and its appendices carefully, including the Risk Factors section and the financial statements, before you decide to invest in our common stock. Except where the context suggests otherwise, the terms company, we, us and our refer to Empire American Realty Trust, Inc., a Maryland corporation. We refer to: Empire American Advisors, LLC, a Delaware limited liability company, as our advisor; Empire American Realty Operating Partnership, LP, a Delaware limited partnership, as our operating partnership; Empire American Realty, LLC, a Delaware limited liability company, as our dealer manager or our broker dealer; Empire American Management, LLC, a Delaware limited liability company, as our property manager; and Empire American Holdings, LLC, a Delaware limited liability company, as our sponsor.

Empire American Realty Trust, Inc.

We are a newly organized Maryland corporation and we intend to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the Code) beginning with the taxable year ending December 31, 2010, or the first year during which we begin material operations. We intend to use substantially all of the net proceeds from this offering to acquire a diversified portfolio of multifamily properties and real estate-related debt and securities, with a primary focus on well-located multifamily properties that we believe present opportunities for short-term capital appreciation, such as those requiring repositioning, renovation or redevelopment, and properties available at opportunistic prices from distressed or time-constrained sellers. We also intend to acquire well-located, quality multifamily properties with strong and stable cash flows. We intend to implement a strategy at these multifamily properties that we believe will increase rents, tenant retention and property values, and as a result will generate attractive returns for our investors. In addition, we may invest in real estate-related debt and securities that we believe present the potential for high current income or total returns without subjecting principal to undue risk, including without limitation, mortgage, bridge, subordinated, mezzanine, construction or other loans, debt securities and preferred or other equity securities of other real estate companies. We do not own, nor have we identified any specific properties or real estate-related assets for investment, and therefore, we are considered to be a blind pool.

Our principal executive offices are located at 25 Philips Parkway, Montvale, NJ 07645, our telephone number is 201-326-3300, and our website address is *www.empirereit.com*. The contents of that website are not incorporated by reference or otherwise made part of this prospectus.

Our Sponsor

Empire American Holdings, LLC, our sponsor, is a national real estate investment firm based in New Jersey that focuses on acquiring, managing and redeveloping residential and commercial properties across the United States. Our sponsor has been ranked by the National Multi Housing Counsel in its publication, the NMHC 50, as of January 1, 2010, as the 30th largest U.S. apartment owner and the 22nd largest U.S. apartment manager. Our sponsor employs approximately 40 staff and professionals. Since 1983, our sponsor has acquired residential properties across the United States, currently totaling approximately 328 properties with more than 40,000 residential units in 17 states.

Certain officers and directors of our sponsor and its affiliates also have senior management positions with us. The positions and biographical information for these directors and officers can be found below in Management Our Directors and Officers. Empire American Holdings, LLC was formed in Delaware in 2006, while certain of its subsidiaries and businesses have been in operation since 1983.

Terms of the Offering

We are offering a minimum of 250,000, and a maximum of 100,000,000, shares of our common stock in this offering. These shares are being offered on a best efforts basis through our dealer manager at $10.00 per share, subject to volume discounts and other discounts in some cases as described in the Plan of Distribution section of this prospectus. An offering on a best efforts basis is one in which the securities dealers participating in the offering are under no obligation to purchase any of the securities being offered, and therefore, no specified number of securities are guaranteed to be sold and no specified amount of money is guaranteed to be raised from the offering. In addition, we are offering up to 10,000,000 shares of our common stock at $9.50 per share to

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stockholders who elect to participate in our distribution reinvestment program. We reserve the right to reallocate the shares of common stock registered in this offering between the primary offering and the distribution reinvestment program.

If we do not sell the minimum of 250,000 shares before May 14, 2011 this offering will be terminated and our escrow agent will promptly send you a full refund of your investment (with interest) and without deduction for escrow expenses. However, our board of directors may extend the offering in the states that permit us to make such an extension.

Investment Objectives

Our primary investment objectives are to:

- preserve your investment in us without subjecting principal to undue risk;
- generate cash flows from our operations for distributions to our stockholders;
- realize growth in the value of our investments; and
- invest in a diversified portfolio of multifamily properties.

Investment Strategy

Using substantially all of the net proceeds from this offering, we intend to achieve our investment objectives by acquiring a diverse portfolio of multifamily properties located in the United States. We plan to diversify our portfolio by size, property location and risk with the goal of attaining a portfolio of multifamily properties and real estate-related debt and securities that will generate returns for our investors with the potential for capital appreciation. We will target mostly value-added properties, and to a lesser extent opportunistic properties, in various phases of redevelopment or in need of repositioning, as well as existing properties that are already well positioned and producing rental income. We will focus on responsibly reducing the operating costs of our properties while still maintaining high standards of repair and capital improvements.

We believe the probability of meeting our investment objectives will be maximized through the careful selection and underwriting of assets. When considering an investment opportunity, we will generally evaluate the following: the performance and risk characteristics of that investment; how that investment will fit within our target portfolio objectives; and the expected returns of that investment relative to the risk characteristics of that investment and to other investment alternatives.

To further diversify, we may invest in first and second mortgages, subordinated, bridge, mezzanine, construction and other loans and real estate-related securities, including securities issued by other real estate companies, either for investment or in change-of-control transactions, completed on a negotiated basis or otherwise.

Our targeted portfolio is as follows:

Value-Added Properties. We intend to allocate approximately 50% of our portfolio to investments in well-located multifamily communities that offer a significant potential for short-term capital appreciation through repositioning, renovation or redevelopment. In addition, we will seek to acquire properties available at opportunistic prices from distressed sellers or time-constrained sellers in need of liquidity. Distressed sellers are those that may need to sell a property (i) because the debt on such property is maturing, (ii) because the property is being foreclosed upon, or (iii) to raise capital in order to make loan payments on other properties.

Core Properties. We intend to allocate approximately 35% of our portfolio to investments in well-located, quality multifamily communities with strong and stable cash flows, typically located in supply constrained sub-markets with relatively high expectations of rent growth. As appropriate, we intend to implement strategies at these properties that we anticipate will create sustainable long-term increases in property value and generate attractive returns for our investors by, among other benefits, generating higher rental revenue and reducing resident turnover.

Real Estate-Related Debt and Securities. We may allocate up to approximately 15% of our portfolio to investments in other real estate-related debt and securities with the potential for high current income

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or total returns without subjecting principal to undue risk. These allocations may include first and second mortgages, subordinated, bridge, mezzanine, construction and other loans, as well as debt securities related to or secured by real estate and common and preferred equity securities, which may include securities of other REITs or real estate companies. Subject to the provisions of our charter, some of these investments may be made in connection with other programs sponsored, managed or advised by our affiliates, including our advisor.

The above summarizes our targeted portfolio, however, we may make adjustments at any time based on, among other things, prevailing real estate market conditions and the availability of attractive investment opportunities. We expect to allocate no more than approximately 2% 5% of our net assets in any one individual property and no more than approximately 1% 5% of our net assets in any one investment in real estate-related investment, assuming we achieve the maximum offering.

Our ability to diversify our portfolio will depend on, among other things, prevailing real estate market conditions, prevailing credit market conditions, our ability to raise funds in this offering and the availability of attractive investment opportunities. Although our focus is on multifamily properties, our charter does not restrict us from acquiring other types of properties and real estate-related assets and will not forego an attractive investment because it does not fit within our targeted asset class or portfolio composition. We are making this offering on a best efforts basis and the offering is conditioned on the sale of at least 250,000 shares of common stock for $2,500,000. Because this offering will be made on a best efforts basis, our potential profitability and our ability to diversify our investments will be limited by the amount of funds we raise. If we are unable to raise additional funds, we may not be able to execute our diversification strategy, which may adversely affect your investment. Further, we do not anticipate diversifying our investments in properties by industry, that is, we plan to only invest in the multifamily industry. Therefore, a downturn in such industry will likely have a more pronounced effect on the amount of cash available to us for distribution or on the value of our assets than if we had diversified our investments by industry.

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 that 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.

As set forth in our investment guidelines, we intend to limit our leverage to 50% of the combined market value of all of our real estate and real estate-related investments, as determined at the end of each calendar year by our board of directors. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset.

Our secured and unsecured aggregate borrowings will be reasonable in relation to our net assets and will be reviewed by our board of directors at least quarterly. In determining whether our borrowings are reasonable in relation to our net assets, we expect that our board of directors will consider many factors, including without limitation, the lending standards of government-sponsored enterprises, such as Fannie Mae and Freddie Mac, for loans in connection with the financing of multifamily properties, the leverage ratios of publicly traded and non-traded REITs with similar investment strategies, whether we have positive leverage (in that, the board will compare the capitalization rates of our properties to the interest rates on the indebtedness of such properties) and general market conditions. Pursuant to our charter, the maximum amount of these borrowings in relation to net assets will not exceed 300% of net assets (equivalent to 75% of the cost of our net assets) in the absence of a satisfactory showing that a higher level of borrowing is appropriate, approval by a majority of independent directors and disclosure to our stockholders. Net assets means our total assets, other than intangibles, at cost before deducting depreciation, reserves for bad debts or other non-cash reserves less our total liabilities, calculated at least quarterly on a basis consistently applied. Any excess in borrowing over this 300% level must be approved by a majority of independent directors and disclosed to our stockholders in our next quarterly report, along with justification for such excess.

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Subject to these limitations set forth in our charter, there is no limitation on the amount that we may borrow for any single investment.

Our Dealer Manager

Empire American Realty, LLC, a Delaware limited liability company, an one of our affiliates will serve as our dealer manager for this offering. Our dealer manager is located at 25 Philips Parkway, Montvale, NJ 07645 and its telephone number is 877-729-1919.

Our Advisor

Our advisor is Empire American Advisors, LLC, a Delaware limited liability company formed on March 26, 2009, which is responsible for managing our day-to-day business operations and acquiring investments on our behalf. Under the terms of the advisory agreement, our advisor undertakes to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our board of directors. Our advisor is located at 25 Philips Parkway, Montvale, NJ 07645 and its telephone number is 201-326-3300.

Our Management

We are managed by our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. Our board of directors, including a majority of independent directors, must approve each investment proposed by our advisor. Notwithstanding the foregoing, our advisor may purchase on our account, without the prior approval of the board of directors, properties whose purchase price is less than $15,000,000, so long as the investment in the property would not, if consummated, violate our investment guidelines or any restrictions on indebtedness and the consideration to be paid for such properties does not exceed the fair market value of such properties, as determined by a qualified independent real estate appraiser selected by our independent directors. We have seven board members, four of whom are independent. Our independent directors have responsibility for reviewing, among other things, our advisor s performance.

Our Operating Partnership

We are a holding company and expect to own substantially all of our properties and real estate-related investments through our operating partnership, Empire American Realty Operating Partnership, LP, a Delaware limited partnership. We are the general partner of our operating partnership and have full, exclusive and complete responsibility and discretion in the management and control of the partnership. Our structure is generally referred to as an UPREIT structure. This structure in some cases may enable us to acquire assets from other partnerships and individual owners in a manner that will defer the recognition of gain to the transferors, assuming certain conditions are met.

Our Property Manager

Our property manager is Empire American Management, LLC, a Delaware limited liability company formed on April 21, 2009. Our property manager will provide services to us in connection with the rental, leasing, operation and management of our properties. Our property manager is located at 25 Philips Parkway, Montvale, NJ 07645 and its telephone number is 201-326-3300.

Empire American ALP, LLC

Empire American ALP, LLC is a Delaware limited liability company formed on June 3, 2009 and is an associate limited partner of our operating partnership. Empire American ALP, LLC is wholly-owned by EAH Holdings, LLC, a wholly owned entity of our sponsor. Empire American ALP, LLC 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 fees in connection with our liquidation or listing on a national stock exchange. Empire American ALP, LLC will have no role in our operations.

Through the sponsor s ownership and control of Empire American ALP, LLC, the sponsor may be entitled to certain fees in connection with our liquidation or listing on a national stock exchange. The payment of these fees to Empire American ALP, LLC is related to our successful performance and is paid indirectly to the sponsor through this entity for tax reasons that are advantageous to the sponsor and that have no impact on us.

The subordinated participation in net sale proceeds, also known as the promote, is a success-based performance fee. The fee is calculated as 10% of the remaining net sale proceeds after the investors have received a return of their net capital invested and a 8% annual cumulative, non-compounded return. If our net sale proceeds do not result in an annual cumulative, non-compounded return greater than 8%, then Empire American ALP, LLC would not earn this incentive fee. If we list our common stock on a national securities exchange, Empire American ALP, LLC will be entitled to a fee equal to 10% of the amount, if any, by which (a) the market value of our outstanding common stock plus distributions paid by us prior to listing, exceeds (b) the aggregate remaining capital contributed by investors plus an amount equal to an 8% annual cumulative, non-compounded return to investors on their aggregate capital contributed.

EAH Holdings, LLC

EAH Holdings, LLC, a Delaware limited liability company formed on March 26, 2009, is wholly-owned by our sponsor. EAH Holdings, LLC is a holding company that owns 100% of the outstanding limited liability company interests in each of our property manager, our dealer manager, our advisor and Empire American ALP, LLC. Except for the foregoing ownership interests, EAH Holdings, LLC has no operations nor equity interest in any other entity.

Organizational Structure

The following chart shows our organizational structure:

ORGANIZATIONAL STRUCTURE

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Estimated Use of Proceeds

The amounts listed in the table below represent our current estimates concerning the use of the offering proceeds. Since these are estimates, they may not accurately reflect the actual receipt or application of the offering proceeds. The first scenario assumes we sell the minimum number of 250,000 shares of common stock in this offering and the second scenario assumes that we sell the maximum number of 100,000,000 shares in this offering, with both scenarios contemplating a price of $10.00 per share. Our advisor or its affiliates may advance, and we will reimburse for, organizational and offering costs incurred on our behalf, but only to the extent that the reimbursement of the selling commissions, dealer manager fee and organization and offering costs would not cause such organization and offering expenses to exceed 15% of the gross proceeds of our offering. Assuming the maximum number of shares is sold, we estimate that at least 85.92% of the money raised in this offering will be used to acquire a diverse portfolio of multifamily properties located in the United States and real estate-related debt and securities. The table below does not give effect to special sales or volume discounts which could reduce selling commissions or any sales pursuant to our distribution reinvestment plan and many of the figures represent management s best estimate because they cannot be precisely calculated at this time.

	Minimum Dollar Amount	Percent	Maximum Dollar Amount	Percent
Gross offering proceeds	$2,500,000	100 %	$1,000,000,000	100 %
Less offering expenses				
Selling commissions and dealer manager fee[(2)]	$250,000	10.0 %	$100,000,000	10.0 %
Organizational and offering expenses[(3)]	$37,500	1.50 %	$15,000,000	1.50 %
Net proceeds	2,212,500	88.50%	885,000,000	88.50%
Acquisition costs				
Acquisition fees[(4)]	$53,700	2.15 %	$21,481,000	2.15 %
Acquisition expenses[(5)]	$10,740	0.43 %	$4,296,000	0.43 %
Initial working capital reserves[(6)]	$		$	
Total proceeds available for investment[(1)]	$2,148,060	85.92%	$859,223,000	85.92%

(1) 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. Our ability to pay regular distributions and the size of these distributions will depend upon a variety of factors. If we pay such distributions from offering proceeds, then we will have less offering proceeds available for investment. We intend to commence distributions in the first month after we achieve the minimum offering. We generally do not intend to fund such distributions from offering proceeds, however, if we have not generated sufficient cash flow from our operations and other sources, such as from borrowings, advances from our advisor, our advisor s deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the offering proceeds. Moreover, our board of directors may change this policy, in its sole discretion, at any time.

(2) Includes selling commissions equal to 7% of aggregate gross offering proceeds and a dealer manager fee equal to 3% of aggregate gross offering proceeds, both of which are payable to the dealer manager, our affiliate. See Plan of Distribution Volume Discounts for a description of volume discounts. Our broker dealer, in its sole discretion,

intends to reallow selling commissions of up to 7% of aggregate gross offering proceeds to unaffiliated broker-dealers participating in this offering attributable to the amount of shares sold by them. In addition, our dealer manager may reallow a portion of its dealer manager fee to participating dealers in the aggregate amount of up to 3% of gross offering proceeds to be paid to such participating dealers as marketing fees, based upon such factors as the volume of sales of such participating dealers, the level of marketing support provided by such participating dealers and the assistance of such participating dealers in marketing the offering, or to reimburse representatives of such participating dealers for the costs and expenses of attending our educational conferences and seminars. The amount of selling commissions may often be reduced under certain circumstances for volume discounts.

(3) Organization and offering expenses consist of reimbursement of actual legal, accounting, printing and other accountable offering expenses, including amounts to reimburse our advisor for marketing, salaries and direct expenses of its employees, and employees of its affiliates while engaged in registering and marketing the shares (including, without limitation, reimbursement of *bona fide* due diligence expenses of broker-dealers included in a detailed and itemized invoice, reimbursement of our advisor for costs in connection with

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preparing supplemental sales materials, the cost of *bona fide* training and education meetings held by us (primarily the travel, meal and lodging costs of registered representatives of broker-dealers), attendance and sponsorship fees and cost reimbursement for employees of our affiliates to attend retail seminars conducted by broker-dealers) and other marketing, coordination, administrative oversight and organization costs, other than selling commissions and the dealer manager fee. Our advisor and its affiliates are responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 1.5% of gross offering proceeds, without recourse against or reimbursement by us; provided, however, that in no event will we pay or reimburse organization and offering expenses (including selling commissions and dealer manager fees) in excess of 15% of the gross offering proceeds. We currently estimate that approximately $8,000,000 of organization and offering expenses (excluding dealer manager fees and selling commissions) will be incurred if the maximum offering of 100,000,000 shares is sold.

(4) Acquisition fees do not include acquisition expenses. Acquisition fees also exclude any construction fee paid to a person who is not our affiliate in connection with construction of a project after our acquisition of the property. Fees payable to our advisor in the amount of 2.5% of the gross contract purchase price (including any mortgage assumed) of the asset purchased. For purposes of this table we have assumed that all of the net proceeds after organizational and offering expenses (including selling commissions and dealer manager fees) have been invested in assets. Our advisor will receive acquisition fees but only to the extent that acquisition fees and acquisition expenses collectively do not exceed 6% of the contract price of the asset. Assuming that we incur leverage up to 50% of the combined market value of all of our assets, as set forth in our investment guidelines, the minimum and the maximum acquisition fees would be $107,400 and $42,962,000, respectively. Assuming that we incur leverage up to 75% of the combined cost of all of our assets, the minimum and maximum acquisition fees would be $214,800 and $85,920,000, respectively.

(5) Acquisition expenses are estimated by us, for illustrative purposes, based on the prior experience of our sponsor in acquiring the types of assets that we intend to acquire. The actual amount of acquisition expenses cannot be determined at the present time and will depend on numerous factors including the type of asset acquired, the aggregate purchase price paid to acquire the asset, the aggregate amount borrowed, if any, to acquire the asset, the number of assets acquired, and the type of consideration, cash or common stock, used to pay the expenses. Acquisition expenses include legal fees and expenses, travel and communications expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the selection and acquisition of assets, whether or not acquired. For purposes of this table, we have assumed expenses of approximately 0.5% of the contract purchase price; however, expenses on a particular acquisition may be higher. Acquisition fees and expenses for any particular asset will not exceed, in the aggregate, 6% of the contract purchase price of the asset. We will reimburse our advisor for acquisition expenses up to a maximum amount, which collectively with all acquisitions fees and expenses will not exceed, in the aggregate, 6% of the contract price of the asset.

For purposes of this prospectus, contract purchase price means the amount actually paid or allocated in respect of the purchase, development, construction or improvement of a property or the amount actually paid or allocated in respect of the purchase of loans or other real-estate related assets, in each case exclusive of acquisition fees and acquisition expenses, but in each case including any indebtedness assumed or incurred in respect of such investment.

(6) Although we do not anticipate establishing a general working capital reserve out of the proceeds from this offering, we may establish working capital reserves with respect to particular investments.

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REIT Status

If we qualify as a REIT, we generally will not be subject to U.S. federal income or excise tax on income that we distribute to our stockholders. Under the Code, a REIT is subject to numerous organizational and operational requirements, including a requirement that it generally distribute at least 90% of its REIT annual taxable income (excluding net capital gain) to its stockholders. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, regardless of our distributions to stockholders, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even if we qualify for treatment as a REIT, we may still be subject to state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income.

Summary Risk Factors

An investment in shares of our common stock involves a number of risks which are described in detail in the Risk Factors section. If we are unable to effectively manage the impact of these risks, we may not meet our investment objectives, and therefore, you may lose some or all of your investment. Some of the more significant risks relating to this offering and an investment in our shares include:

Since this is initially a blind pool offering, you may not have the opportunity to evaluate our investments before you make your purchase of our common stock, thus making your investment more speculative;
We do not currently own any properties and we have not identified any properties to acquire with the offering proceeds;
The profitability of our acquisitions is uncertain;
We have no operating history or established financing sources;
Our investment objectives and strategies may be changed without stockholder consent;
We are obligated to pay substantial fees to our advisor and its affiliates, including fees payable upon the sale of properties;
There are numerous conflicts of interest between the interests of investors and our interests or the interests of our advisor, our sponsor, and their respective affiliates;
We may borrow 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 subject to risks associated with the significant dislocations and liquidity disruptions currently occurring in the United States credit markets;
No public market currently exists, or may ever exist, for shares of our common stock and our shares are, and may continue to be, illiquid;
There are limitations on ownership and transferability of our shares;
The incentive advisor fee structure may result in our advisor recommending riskier or more speculative investments;
There are significant risks associated with maintaining as high level of leverage as permitted under our charter (which permits leverage of up to 75% of the cost of all of our net assets);
Our advisor may have an incentive to incur high levels of leverage due to the fact that asset management fees payable to our advisor are based on total assets, including assets purchased with indebtedness;
If only the minimum number of shares is sold in this offering, our ability to diversify our investments will be limited;
Our dealer manager has not conducted an independent review of this prospectus;

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We may fail to qualify or continue to qualify to be treated as a REIT;
Our share repurchase program is subject to numerous restrictions, may be cancelled at any time and should not be relied upon as a means of liquidity; and
We may be deemed to be an investment company under the Investment Company Act of 1940 (Investment Company Act) and thus subject to regulation under the Investment Company Act.

Conflicts of Interest

Conflicts of interest may exist between us and some of our affiliates, including our sponsor and our advisor. Some of these potential conflicts include:

The possibility that our affiliates may invest in properties that meet our investment profile;
Competition for the time and services of personnel that work for us and our affiliates;
Substantial compensation payable by us to our advisor, property manager, dealer manager and affiliates for their various services, which may not be on market terms and is payable, in some cases, whether or not our stockholders receive distributions;
The possibility that we may acquire or consolidate with our advisor;
The possibility that we may do business with entities that have pre-existing relationships with our affiliates which may result in a conflict between our business and the ongoing business relationships our affiliates have with each other;
The possibility that our advisor, its officers and their respective affiliates will face conflicts of interest relating to the purchase and leasing 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 your investment in us;
The possibility that our advisor and its affiliates may make recommendations to us that we buy, hold or sell property or other investments in order to increase their own compensation;
The possibility that, if we acquire properties from or make investments in entities owned or sponsored by affiliates of our advisor, the price may be higher than we would pay if the transaction was 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 substantial justification for such excess price and such excess is reasonable; and
The possibility that our advisor and its affiliates, including our officers (some of whom are also our directors), will face conflicts of interest caused by their ownership of our advisor and their roles with other programs, resulting in actions that are not in the long-term best interests of our stockholders.

Conflicts of interest may also arise in connection with the potential sale or refinancing of our properties or the enforcement of agreements. See the Conflicts of Interest section for more details on these and other conflicts of interest.

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Compensation

We will pay our advisor, property manager, dealer manager fees and reimburse certain expenses for services rendered to us. The most significant items of compensation and reimbursement are outlined in the table below. For a more complete explanation of the fees and expenses, as well as restrictions on compensation, see the Compensation Table and Management sections.

Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
	Offering Stage	
Selling Commissions	Payable to our dealer manager up to 7% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. Our dealer manager intends to reallow 100% of commissions earned for those transactions that involve participating broker dealers.	$70,000,000
Dealer Manager Fee	Payable to our dealer manager up to 3% of gross offering proceeds before reallowance to participating broker-dealers. Our dealer manager, in its sole discretion, may reallow a portion of its dealer manager fee of up to 3% of the gross offering proceeds to be paid to such participating broker-dealers.	$30,000,000
Organization and Offering Expenses	We will pay our advisor up to 1.5% of the gross offering proceeds for organizational and offering expenses (other than dealer manager fees and selling commissions). We currently estimate that approximately $8 million of organizational and offering expenses will be incurred if the maximum offering is achieved. Our advisor and its affiliates are responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 1.5% of gross offering proceeds, without recourse against or reimbursement by us; provided, however, that in no event will we pay or reimburse organization and offering expenses (including dealer manager fees and selling commissions) in excess of 15% of the gross offering proceeds.	$8,000,000
	Operational Stage	
Acquisition Fees	Fees payable to our advisor in the amount of 2.5% of the contract purchase price (including any mortgage assumed) of the property, loans or	$21,481,000 (or $42,962,000 assuming that we incur our expected

	other real estate-related assets purchased. The acquisition fees and expenses for any particular asset, including amounts payable to affiliates, will not exceed, in the aggregate, 6% of the contract purchase price (including any mortgage assumed) of the asset. Our advisor will be paid acquisition fees and we will reimburse our advisor for acquisition expenses only to the extent that acquisition fees and acquisition expenses collectively do not exceed 6% of the contract purchase price of our assets.	leverage set forth in our investment guidelines or \$85,924,000 assuming the maximum leverage permitted by our charter.)

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
Acquisition Expenses	Expenses reimbursed to our advisor incurred in connection with the purchase of an asset. We have assumed that acquisition expenses will equal approximately 0.5% of the contract purchase price. The acquisition fees and expenses for any particular asset, including amounts payable to affiliates, will not exceed, in the aggregate, 6% of the contract purchase price (including any mortgage assumed) of the asset. Our advisor will be paid acquisition expenses and we will reimburse our advisor for acquisition expenses only to the extent that acquisition fees and acquisition expenses collectively do not exceed 6% of the contract price of our assets.	$4,296,000 (or $8,592,000 assuming that we incur our expected leverage set forth in our investment guidelines or $17,184,000 assuming the maximum amount of leverage permitted by our charter.)
Asset Management Fees	Payable to our advisor in the amount of 0.75% of average invested assets. Average invested assets means the average of the aggregate book value of our assets invested in interests in, and loans secured by, real estate before reserves for depreciation or bad debt or other similar non-cash reserves. We will compute the average invested assets by taking the average of these book values at the end of each month during the quarter for which we are calculating the fee. The fee will be payable quarterly in an amount equal to 0.1875% of average invested assets as of the last day of such quarter. We will also reimburse our advisor for expenses that it pays on our behalf.	Not determinable at this time because the fee is based on a fixed percentage of aggregate asset value; there is no maximum dollar amount of this fee.
Property Management and Leasing Fees	Payable to our property manager on a monthly basis in the amount of 5% of the gross revenues. Additionally, we may pay our property manager a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm s length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area.	Not determinable at this time because the fee is based on a fixed percentage of gross revenue and/or market rates; there is no maximum dollar amount of this fee.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
Operating Expenses	We will reimburse our advisor for all expenses paid or incurred by our advisor in connection with the services provided to us, subject to the limitation that we will not reimburse our advisor for any amount by which our operating expenses (including the asset management fee, the financing coordination fee and disposition fees paid in connection with the sale of real estate-related assets other than real property interests) at the end of the four preceding fiscal quarters exceeds the greater of: (A) 2% of our average invested assets, or (B) 25% of our net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of our assets for that period. Notwithstanding the above, we may reimburse our advisor for expenses in excess of this limitation if a majority of the independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. We will not reimburse our advisor or its affiliates for personnel employment costs incurred by our advisor or its affiliates in performing services under the advisory agreement to the extent that such employees perform services for which the advisor receives a separate fee.	Not determinable at this time.
Financing Coordination Fee	If our advisor provides services in connection with the refinancing of any debt that we obtain, we will pay the advisor a financing coordination fee equal to 1% of the amount available and/or outstanding under such financing, subject to certain limitations. The services our advisor may perform include, without limitation, searching for lenders in connection with a proposed refinancing and negotiating the terms of any proposed refinancing with such lenders. Our advisor may reallow some or all of this fee to reimburse third parties that it retains to procure any such refinancing.	Not determinable at this time because the fee is based on a fixed percentage of any debt financing; there is no maximum dollar amount of this fee.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
	Liquidation Distributions	
Disposition Fee	We may pay our advisor a commission upon the sale of one or more of our properties or other real estate related 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 or (b) 1% of the sale price of the asset. Payment of such fee may be made only if the advisor provides a substantial amount of services in connection with the sale of the asset. 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 the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset or an amount equal to 6% of the sale price of such asset. We will not pay a disposition fee upon the maturity, prepayment or workout of a loan or other debt-related investment, provided that if we take ownership of a property as a result of a workout or foreclosure of a loan we will pay a disposition fee upon the sale of such property. Any disposition fees paid on assets other than real property interests will be included in the calculation of operating expenses for purposes of the limitation on total operating expenses.	Not determinable at this time because actual amounts are dependent upon the sale price of specific properties or commission that would be reasonable, customary and competitive at the time of sale.
Subordinated Participation in Net Sale Proceeds	After investors have received a return of their capital contributions invested and a 8% annual cumulative, non-compounded return, then Empire American ALP, LLC is entitled to receive 10% of the remaining net sale proceeds. We cannot assure you that we will provide this 8% return, which we have disclosed solely as a measure for our advisor s and its affiliates incentive compensation.	Not determinable at this time because actual amounts are dependent upon the sale proceeds of specific properties.
Subordinated Incentive Listing Fee	Upon listing our common stock on a national securities exchange, Empire American ALP, LLC is entitled to a fee equal to 10% of the amount, if any, by which (a) the market value of our	Not determinable at this time because actual amounts are dependent upon the future value of

	outstanding stock plus distributions paid by us prior to listing, exceeds (b) the aggregate remaining capital contributed by investors plus an amount equal to an 8% annual cumulative, non-compounded return to investors on their aggregate capital contributed. We have no intent to list our shares at this time. We cannot assure you that we will provide this 8% return, which we have disclosed solely as a measure for our advisor s and its affiliates incentive compensation.	our stock and distributions that may be paid by us.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
Subordinated Termination Fee	Upon termination of the advisory agreement, Empire American ALP, LLC will be entitled to a subordinated termination fee payable in the form of an interest bearing promissory note. The subordinated termination fee, if any, will be equal to the sum of (a) 10% of the amount, if any, by which (1) the appraised value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date, less any amounts distributable as of the termination date to limited partners who received units in the operating partnership in connection with the acquisition of any assets upon the liquidation or sale of such assets (assuming the liquidation or sale of such assets on the termination date) exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination date, would have provided them an 8% annual cumulative, pre-tax, non-compounded return on the gross proceeds from the sale of shares of our common stock through the termination date.	Not determinable at this time because actual amounts are dependent upon the future appraised value of our properties.

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Distributions

United States federal income tax law requires that a REIT generally distribute annually at least 90% of its REIT taxable income (excluding net capital gain). In order to qualify for REIT status, we may be required to make distributions in excess of cash available. We intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings; however, it may not always be possible to do so. For a discussion of the tax treatment of distributions to you, see Certain Material U.S. Federal Income Tax Considerations.

Distributions will be at the discretion of the board of directors. We cannot assure that regular distributions will continue to be made nor that we will maintain any particular level of distributions that we may establish. We intend to commence distributions on a monthly basis after we achieve the minimum offering. We do not intend to fund such distributions from offering proceeds, however, if we have not generated sufficient cash flow from our operations and other sources, such as from borrowings, advances from our advisor, our advisor s deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the offering proceeds. Moreover, our board of directors may change this policy, in its sole discretion, at any time. Our ability to pay regular distributions and the size of these distributions will depend upon a variety of factors. For example, our borrowing policy permits us to incur short-term indebtedness, having a maturity of 2 years or less, to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

We will be an accrual basis taxpayer, and as such, our REIT taxable income could be higher than the cash available to us. We may therefore borrow to make distributions, which could reduce the cash available to us, in order to distribute 90% of our REIT taxable income as a condition to our election to be taxed as a REIT. To the extent that distributions to stockholders are not designated as capital gain dividends and exceed our earnings and profits (as determined for U.S. federal income tax purposes), such excess amounts would generally constitute a return of capital for U.S. federal income tax purposes, although such distributions might not reduce stockholders aggregate invested capital. Because our earnings and profits are reduced for depreciation and other non-cash items, a portion of each distribution may constitute a tax-deferred return of capital for U.S. federal income tax purposes.

The amount of distributions will depend upon a variety of factors, including without limitation:

- our cash available for distribution;
- our overall financial condition;
- our capital requirements;
- the annual distribution requirements applicable to REITs under U.S. federal income tax laws; and
- such other considerations as our board of directors may deem relevant.

We may pay distributions from sources other than from our cash flow from operations. Until we acquire properties or other real estate-related investments, we will not generate sufficient cash flow from operations to pay distributions. 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. Our inability to acquire properties or other real estate-related investments may result in a lower return on your investment than you expect. We generally do not intend to fund such distributions from offering proceeds, however, if we have not generated sufficient cash flow from our operations and other sources, such as from borrowings, sale of additional securities, advances from our advisor, our advisor s deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the offering proceeds. Moreover, our board of directors may change this policy, in its sole discretion, at any time. If we fund distributions from the proceeds of this offering, we will have less funds available for acquiring properties or real estate-related investments. Our inability to acquire properties or real estate-related investments may have a negative affect on our ability to generate sufficient cash flow from operations to pay distributions. As a result, the return you realize on your investment may be reduced and investors who invest in us before we commence significant real estate operations or generate significant cash flow

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may realize a lower rate of return than later investors. In addition, 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 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 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 affect on your investment. Distributions made from offering proceeds are effectively a return of capital to stockholders upon which we will have used to pay offering and organization expenses in connection with this offering. We will send a statement to our stockholders that will accompany each distribution that will disclose the source or sources of that distribution.

Distribution Reinvestment and Share Repurchase Programs

Our distribution reinvestment program provides our stockholders with an opportunity to purchase additional shares of our common stock at a discount by reinvesting distributions. Our share repurchase program may provide our stockholders with limited, interim liquidity by enabling them to sell their shares back to us, subject to restrictions. However, our board of directors reserves the right to terminate either program for any reason without cause by providing written notice.

Investment Company Act of 1940 Considerations

We intend to conduct our operations so that the company and each of its 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 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 on an unconsolidated basis (the 40% test). Investment securities excludes 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 wholly and majority-owned subsidiaries of the company, each formed to hold a particular asset.

We intend to conduct our operations so that the 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 the company and each wholly owned and majority-owned subsidiary with this test. 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 the 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 the company nor any of its wholly 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 hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, the company and its subsidiaries will be primarily engaged in non-investment company businesses related to real estate. Consequently, the company and its 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 a majority-owned subsidiary of our company 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 we do not fall within the definition of investment company under the Investment Company Act. In the event that the company or any of its wholly 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 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.

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 the company and its subsidiaries to invest directly in mortgage-backed 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 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.

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.

Listing or Liquidation

Depending upon then-prevailing market conditions, it is our intention to consider beginning the process of listing or liquidation between 5 to 7 years after the termination of this primary offering. If we have not begun the process to list our shares for trading on a national securities exchange or to liquidate at any time after the 10th anniversary of the termination of this primary offering, unless such date is extended by our board of directors, including a majority of our independent directors, we will furnish a proxy statement to stockholders to vote on a proposal for our orderly liquidation upon the written request of stockholders owning 10% or more of our outstanding common stock. The liquidation proposal would include information regarding appraisals of our portfolio. Stockholders holding a majority of our shares could vote to approve our liquidation. If our stockholders did not approve the liquidation proposal, we would obtain new appraisals and resubmit the proposal by proxy statement to our stockholders up to once every two years upon the written request of stockholders owning 10% or more of our outstanding common stock.

In making the decision to apply for listing of our shares for trading on a national securities exchange, the directors will try to determine whether listing our shares or liquidating our assets will result in greater value for our stockholders. The circumstances, if any, under which the directors will agree to list our shares cannot be determined at this time; however, liquidity would likely be one factor that the board will consider when deciding between listing or liquidating. Even if our shares are not listed, we are under no obligation to actually sell our portfolio within this period because the precise timing will depend on the real estate and financial markets, economic conditions of the areas in which the properties are located and U.S. federal income tax effects on stockholders that may prevail in the future. Furthermore, we cannot assure you that we will be able to liquidate our assets. We will continue in existence until all properties are sold and our other assets are liquidated.

Suitability

In order to purchase shares, you must meet the financial suitability standards we have established for this offering. In general you must have either (i) $70,000 in annual gross income and a minimum net worth of $70,000, or (ii) a minimum net worth of $250,000. Note that certain states impose higher financial suitability standards on their residents. Employee benefit plans covered by the Employee Retirement Income Security Act of 1974, as amended (ERISA), must consider additional factors before investing. To invest in this offering, you must complete a subscription agreement which, in part, provides that you meet these standards.

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RISK FACTORS

The purchase of shares of our common stock involves a number of risks. You should carefully consider the following risk factors in conjunction with the other information contained in this prospectus before purchasing our common stock. The risks discussed in this prospectus could adversely affect our business, operating results, prospects and financial condition. This could cause the value of our common stock to decline and/or you to lose part or all of your investment. The risks and uncertainties described below 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 may also harm our business.

Investment Risks

Our lack of prior operating history makes it difficult for you to evaluate our likely performance and this investment.

We and our advisor are both newly formed entities with no prior operating history and we may both 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 or affiliates of our sponsor may not be indicative of the performance we may achieve. We have no income, cash flow, funds from operations or funds from which we can make distributions to you. We may not be able to conduct our business as planned and/or successfully.

We differ from prior programs sponsored by our sponsor in a number of respects, and therefore, the past performance of those programs may not be indicative of our future results.

The past performance of prior investment programs sponsored by our sponsor may not be indicative of our future results and we may not be able to successfully implement our strategies and operate our business. Our business is different in a number of respects from the operations of such prior programs and our portfolio is unlikely to mirror the portfolios of the prior programs, resulting in returns to our stockholders that vary from those generated by those prior programs. We are also the first publicly-offered investment program sponsored by our sponsor or any of its affiliates. Therefore, the prior programs of our sponsor, which were all conducted through privately-held entities, were not subject to the up-front commissions, fees and expenses associated with this offering, the limitations on leverage associated with a public program, or to many of the laws and regulations to which we will be subject. Our sponsor has no experience making such investments or in operating a REIT or any other publicly-offered investment program. As a result of all of these and other factors, you should not assume that your investment will generate returns, if any, comparable to those experienced by investors in the prior programs sponsored by our sponsors or its affiliates.

This is initially a blind pool offering, therefore you will not have the opportunity to evaluate our investments before we make them, which makes your investment more speculative.

Currently, we do not own any properties or other investments, have not obtained any financing and do not conduct any operations. Further, we have yet to identify any investments that we may make. As a result, we are not able to provide you with information to evaluate our investments prior to acquisition. You will be unable to evaluate the economic merit of real estate projects before we invest in them and will be relying entirely on the ability of our advisor to select well-performing investment properties. Additionally, our board of directors will have broad discretion in implementing policies regarding tenant or mortgagor creditworthiness, and you will not have the opportunity to evaluate potential tenants, borrowers or managers. These factors increase the risk that your investment may not generate the returns that you seek by investing in our shares.

You may be more likely to sustain a loss on your investment because our sponsor does not have as strong an economic incentive to avoid losses as does a sponsor who has made significant equity investments in its company.

Our sponsor has only invested $200,000 in us through the purchase of 20,000 shares of our common stock at $10.00 per share. Therefore, if we are successful in raising enough proceeds to be able to reimburse our sponsor for our significant organization and offering expenses, our sponsor will have little exposure to loss in the value of our shares. Without this exposure, our investors may be at a greater risk of loss because our sponsor may have less to lose from a decrease in the value of our shares as does a sponsor that makes more significant equity investments in its company.

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We may not raise sufficient funds from this offering to diversify our investments.

This offering is being made on a best efforts basis whereby our dealer manager is only required to use its best efforts to sell our shares and has no firm commitment or obligation to purchase any of our common stock. Our sponsor has only contributed $200,000 in connection with this offering, and therefore we will rely almost entirely on proceeds raised in this offering to purchase real estate and real estate-related investments. If we are unable to raise substantially more than the minimum offering amount, we will make fewer investments resulting in less diversification in terms of the number of investments owned and the geographic regions in which our investments are located. In such case, the likelihood that any single property s performance would materially reduce our overall profitability will increase. In addition, any inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, and our net income and the distributions we make to stockholders would be reduced.

The price of our common stock is subjective and may not bear any relationship to what a stockholder could receive if its shares are sold.

Our board of directors arbitrarily determined the offering price of $10 per share for our common stock and such price bears no relationship to any established criteria for valuing issued or outstanding shares. The offering price determination was based primarily on the range of offering prices of other REITs that do not have a public trading market. Our offering price may not reflect the price at which the shares may trade if they are listed on an exchange or actively traded by brokers, nor of the proceeds that a stockholder may receive if we were liquidated or dissolved. If we list our shares on a national securities exchange, the share price might drop below your original investment. Neither prospective investors nor stockholders should assume that the per share prices reflect the intrinsic or realizable value of the shares or otherwise reflect our value, earnings or other objective measures of worth.

Currently, our common stock is not listed on an exchange and there is no public trading market for it, therefore it may be difficult for you to sell your stock. If you sell your stock, it may be at a substantial discount.

Following this offering, our common stock will not be listed on a stock exchange and there is no current public trading market, nor is there any assurance that a public trading market will ever exist, for our stock. Our charter contains restrictions on the ownership and transfer of our stock, which may inhibit your ability to sell your stock. We plan to adopt a share repurchase program which will be limited in terms of the number of shares of stock that may be repurchased annually. Our board of directors may also limit, suspend or terminate our share repurchase program at any time. As a result, it may be difficult for you to sell your shares of stock. If you are able to sell your stock, it might be at a substantial discount from the price you paid. This may be the result because, in part, the amount of funds available for investment is expected to be reduced by selling commissions, dealer manager fees, organization and offering expenses, and acquisition fees and expenses. If our offering expenses are higher than we anticipate, we will have a smaller amount available for investment. You should consider our stock as an illiquid investment and must be prepared to hold your stock for an indefinite period of time. See Description of Securities Restrictions on Ownership and Transfer for a more detailed description.

Our dealer manager has no experience in public offerings, which may affect the amount of funds it raises in this offering.

Our dealer manager, Empire American Realty, LLC, was formed on March 26, 2009 and has not conducted any public offering such as this, nor does it have any established relationships with registered broker dealers, registered investment advisors or bank trust departments, which increases the risk that we will not achieve the minimum offering. This lack of experience may affect the way in which our dealer manager conducts this offering. Until we achieve the minimum offering, your investment in us will be held in escrow and be invested in accordance with the terms of the escrow agreement. If we do not achieve the minimum offering, the return on your investment in us may be less than the return you would have achieved if you had invested your money in other investments.

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If we sell substantially less than all of the shares we are offering, the costs we incur to comply with the rules of the Securities and Exchange Commission (SEC) regarding internal control over financial reporting and other fixed costs will be a larger percentage of our net income and will reduce the return on your investment.

In order to comply with SEC rules, we expect to incur significant costs in establishing and maintaining adequate internal control over our financial reporting and our management will spend a significant amount of time assessing the effectiveness of such internal control. It is unlikely that such costs and the amount of time our management spends will be significantly less if we sell substantially less than the maximum number of shares we are offering.

We may suffer from delays in locating suitable investments, which could adversely affect the return on your investment.

Our ability to achieve our investment objectives and to make distributions to our stockholders is dependent upon our advisor s performance in the acquisition of, and arranging of financing for, investments, as well as our property manager s performance in the selection of residents and the negotiation of leases. The current market for properties that meet our investment objectives is highly competitive as is the leasing market for such properties. The more shares we sell in this offering, the greater our challenge will be to invest all of the net offering proceeds on attractive terms. You will not have the opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the oversight of our board of directors, the management ability of our advisor and the performance of the property manager. We cannot be sure that our advisor will be successful in obtaining suitable investments on financially attractive terms.

Additionally, as a public company, we are subject to the ongoing reporting requirements under the Securities Exchange Act of 1934, as amended (the Exchange Act). Pursuant to the Exchange Act, we may be required to file with the SEC financial statements of properties we acquire and investments we make in real estate-related assets. To the extent any required financial statements are not available or cannot be obtained, we will not be able to acquire the investment. As a result, we may be unable to acquire certain properties or real estate-related assets that otherwise would be a suitable investment. We could suffer delays in our investment acquisitions due to these reporting requirements.

Furthermore, where we acquire properties prior to the start, or during the early stages of, construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the receipt of distributions attributable to those particular properties.

Delays we encounter in the selection and acquisition of properties could adversely affect your returns. In addition, if we are unable to invest our offering proceeds in real properties and real estate-related assets in a timely manner, we will hold the proceeds of this offering in an interest-bearing escrow account, invest the proceeds in short-term, investment-grade investments, or ultimately, liquidate. In such an event, our ability to make distributions and pay returns to our stockholders would be adversely affected.

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. In making this determination, our directors will consider all relevant factors, including the amount of cash available for distribution, capital expenditure and reserve requirements and general operational requirements. We cannot assure you how long it may take to generate sufficient available cash flow to fund distributions nor can we assure you that sufficient cash will be available to make distributions to you. We may borrow funds, return capital or sell assets to make distributions. With no 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.

As we raise proceeds from this offering, the sufficiency of cash flow to fund future distributions with respect to an increased number of outstanding shares will depend on the pace at which we are able to identify and close on suitable cash-generating real property investments. Because the accrual of offering proceeds may outpace the investment of these funds in real property acquisitions, cash generated from such investments may become insufficient to fund operating expenses and distributions. Also, because we may receive income from rents or interest at various times during our fiscal year, distributions paid may not reflect our income earned in that particular distribution period. The amount of cash available for distributions will be affected by many factors, including without limitation, our ability to acquire properties and real estate-related investments as offering proceeds become available, the income from those investments and yields on securities of other real estate companies that we invest in, and our operating expense levels. Further, if the aggregate amount of our distributions in any given year exceeds our earnings and profits (as determined for U.S. federal income tax purposes), the excess amount will either be (i) a return of capital or (ii) gain from the sale or exchange of property to the extent that a stockholder s tax basis in our common stock equals or is reduced to zero as the result of our current or prior year distributions, in each case for U.S. federal income tax purposes. For further information regarding the tax consequences in the event we make distributions other than from funds from operations, please see Certain Material U.S. Federal Income Tax Considerations.

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

As mentioned above, we may pay distributions from sources other than from our cash flow from operations. Until we acquire properties or other real estate-related investments, we will not generate sufficient cash flow from operations to pay distributions. Our inability to acquire 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, sale of additional securities, advances from our advisor, our advisor s deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the offering proceeds. Moreover, our board of directors may change this policy, in its sole discretion, at any time. Distributions made from offering proceeds are a return of capital to stockholders upon which we will have used to pay offering and organization 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. See the section of this prospectus titled Description of Securities Distributions for more information. If we fund distributions from the proceeds of this offering, we will have less funds available for acquiring properties or real estate-related investments. Our inability to acquire properties or real estate-related investments may have a negative affect on our ability to generate sufficient cash flow from operations to pay distributions. As a result, the return you realize on your investment may be reduced and investors who invest in us before we commence significant real estate operations or generate significant cash flow may realize a lower rate of return than later investors. We expect to have little cash flow from operations available for distribution until we make substantial investments. 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 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 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 affect on your investment.

We do not have agreements or letters of intent in place for any financing sources and our ability to obtain financing on reasonable terms would be impacted by negative market conditions.

Currently, we do not have any agreements or letters of intent in place for any financing sources. Our strategy depends, in part, on our ability to obtain financing on reasonable terms. Recently, domestic and international financial markets have experienced unusual volatility and uncertainty. Although this condition occurred initially within the subprime single-family mortgage lending sector of the credit market, liquidity has tightened in overall financial markets, including the investment grade debt and equity capital markets. The dislocation in the credit markets has had a negative affect on the ability of purchasers of real estate to obtain financing. Consequently, there is greater uncertainty regarding our ability to access the credit markets in order to attract financing on reasonable terms. Investment returns on our assets and our ability to make acquisitions could be adversely affected by our inability to secure financing on reasonable terms, if at all.

Your percentage of ownership may become diluted if we issue new shares of stock.

Stockholders have no rights to buy additional shares of stock in the event we issue new shares of stock. 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 common stock 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.

Investors who invest later in this offering may realize a lower rate of return than investors who invest earlier in the offering to the extent we fund distributions from sources other than operating cash flow.

To the extent we incur debt to fund distributions earlier in this offering, the amount of cash available for distributions in future periods will be decreased by the repayment of such debt. Similarly, if we use offering proceeds to fund distributions, later investors may experience immediate dilution in their investment because a portion of our net assets would have been used to fund distributions instead of retained in our company and used to make real estate investments. Earlier investors will benefit from the investments made with funds raised later in the offering, however, later investors may not share in all of the net offering proceeds raised from earlier investors.

The properties we acquire or develop may not produce the cash flow required to meet our REIT minimum distribution requirements, and we may decide to borrow funds to satisfy such requirements, which could adversely affect our overall financial performance.

We may decide to borrow funds in order to meet the REIT minimum distribution requirements even if our management believes that the then prevailing market conditions generally are not favorable for such borrowings or that such borrowings would not be advisable in the absence of such tax considerations. If we borrow money to meet the REIT minimum distribution requirement or for other working capital needs, our expenses will increase, our net income will be reduced by the amount of interest we pay on the money we borrow and we will be obligated to repay the money we borrow from future earnings or by selling assets, any or all of which may decrease future distributions to stockholders.

To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which may delay or hinder our ability to meet our investment objectives and reduce your overall return.

To qualify as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of your investment.

Risks Related to Our Organization, Structure and Management

We are dependent upon our sponsor, advisor and their affiliates to conduct our operations, and therefore, any adverse changes in the financial health of our sponsor, advisor or their affiliates, or our relationship with any of them, could hinder our operating performance and the return on your investment.

We are dependent on our advisor and affiliates to manage our operations and acquire and manage our portfolio of real estate assets. Our advisor will make all decisions with respect to the management of our company. Neither our sponsor, advisor nor any of their affiliates has any experience operating a public company. Our advisor will depend upon the fees and other compensation that it will receive from us in connection with the purchase, management and sale of our properties to conduct its operations. Any adverse changes in the financial condition of, or our relationship with, our advisor or property manager could hinder their ability to successfully manage our operations and our portfolio of investments.

If our advisor loses or is unable to obtain key personnel, our ability to implement our investment strategies could be hindered, which could adversely affect our ability to make distributions and the value of your investment.

Our success depends to a significant degree upon the contributions of certain of our executive officers and other key personnel of our advisor. In particular, we depend on the skills and expertise of Ezra Beyman, the director of our investment strategies. Neither we nor our advisor has an employment agreement with any of our

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or its key personnel, including Mr. Beyman, and we cannot guarantee that all, or any, will remain affiliated with us or our advisor. If any of our key personnel were to cease their affiliation with our advisor, our operating results could suffer. Further, we do not intend to maintain key person life insurance that would provide us with proceeds in the event of death or disability of Mr. Beyman or any of our key personnel.

We believe our future success depends upon our advisor s ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that our advisor will be successful in attracting and retaining such skilled personnel. If our advisor loses or is unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline.

If our sponsor, our advisor or their affiliates waive certain fees due to them, our results of operations and distributions may be artificially high.

From time to time, our sponsor, our advisor and/or their affiliates may agree to waive or defer all or a portion of the acquisition, asset management or other fees, compensation or incentives due to them, pay general administrative expenses or otherwise supplement stockholder returns in order to increase the amount of cash available to make distributions to stockholders. If our sponsor, our advisor and/or their affiliates choose to no longer waive or defer such fees and incentives, our results of operations will be lower than in previous periods and your return on your investment could be negatively affected.

Maryland General Corporation Law prohibits certain business combinations, which may make it more difficult for us to be acquired.

Under Maryland General Corporation 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 (i) any person who beneficially owns 10% or more of the voting power of the then outstanding voting stock of the corporation; or (ii) 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 voting 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 the person 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 expiration of the five-year period described above, any business combination between the Maryland corporation and an interested stockholder must generally 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 the then 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 General Corporation 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. Maryland General Corporation Law also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. See Description of Securities Provisions of Maryland Law and of Our Charter and Bylaws.

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

Our board of directors determines our major policies, including regarding 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. Our charter sets forth the stockholder voting rights required under the North American Securities Administrators Association (NASAA) REIT Guidelines. Under our charter and the Maryland General Corporation Law, our stockholders generally have a right to vote only on the following matters:

- the election or removal of directors;
- any 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 our shares;
  - increase or decrease the number of our 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 any merger, consolidation, sale or other disposition of substantially all of our assets or similar reorganization.

All other matters are subject to the discretion of our board of directors.

Our authorized but unissued shares of common and preferred stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Because of our holding company structure, we depend on our operating subsidiary and its subsidiaries for cash flow and we will be structurally subordinated in right of payment to the obligations of such operating subsidiary and its subsidiaries.

We are a holding company with no business operations of our own. Our only significant asset is and will be the general partnership interests of our operating partnership. We conduct, and intend to conduct, all of our business operations through our operating partnership. Accordingly, our only source of cash to pay our obligations is distributions from our operating partnership and its subsidiaries of their net earnings and cash flows. We cannot assure you that our operating partnership or its subsidiaries will be able to, or be permitted to, make distributions to us that will enable us to make distributions to our stockholders from cash flows from operations. Each of our operating partnership s subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from such entities. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be able to satisfy your claims as stockholders only after all of our and our operating partnerships and its subsidiaries liabilities and obligations have been paid in full.

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Our board of directors may amend or terminate our distribution reinvestment program or our share repurchase program, which may have a material effect on your investment.

The directors, including a majority of independent directors, may by majority vote amend or terminate the distribution reinvestment program upon 10 days notice to participants. If our directors terminate our distribution reinvestment program, you will not be able to reinvest your distributions to purchase our shares at a lower price, which may have a material affect on your investment. In addition, limitations on participation in our share repurchase program, and the ability of our board of directors to modify, suspend or terminate the plan, may restrict your ability to participate in and receive liquidity on your investment through this program. As a result, you should not rely on our share repurchase program to provide you with liquidity.

Our rights and the rights of our stockholders to recover on claims against our directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.

Maryland General Corporation Law provides that a director has no liability in such capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. A director who performs his or her duties in accordance with the foregoing standards should not be liable to us or any other person for failure to discharge his or her obligations as a director. We are permitted to purchase and maintain insurance or provide similar protection on behalf of any directors, officers, employees and agents, including our advisor and its affiliates, against any liability asserted which was incurred in any such capacity with us or arising out of such status, except as limited by our charter and/or bylaws. This may result in us having to expend significant funds, which will reduce the available cash for distribution to our stockholders.

Our charter prohibits us from indemnifying our directors, our advisor and its affiliates for any loss or liability that they suffer or holding harmless our directors, the advisor and its affiliates for any loss or liability that we suffer unless certain conditions are met. For details regarding these restrictions, their effect on our ability to indemnify or hold harmless for liability and circumstances under which we are required or authorized to indemnify and to advance expenses to our directors, officers or our advisor, see Limitation of Liability and Indemnification of Directors, Officers and Our Advisor.

As a result of the foregoing, our directors and officers will not be liable for monetary damages unless the director or officer actually received an improper benefit or profit in money, property or services, or is adjudged to be liable to us or our stockholders based on a finding that his or her action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

If we internalize our management functions, the percentage of our outstanding common stock owned by our other stockholders could be reduced, and we could incur other significant costs associated with being self-managed.

In the future, our board of directors may consider internalizing the functions performed for us by our advisor by, among other methods, acquiring our advisor s assets. The method by which we could internalize these functions could take many forms. There is no assurance that internalizing our management functions will be beneficial to us and our stockholders. An acquisition of our advisor could also result in dilution of your interests as a stockholder and could reduce earnings per share and funds from operation per share. Additionally, we may not realize the perceived benefits or we may not be able to properly integrate a new staff of managers and employees or we may not be able to effectively replicate the services provided previously by our advisor, property manager or their affiliates. Internalization transactions, including without limitation, transactions involving the acquisition of advisors or property managers affiliated with entity sponsors have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of money defending claims which would reduce the amount of funds available for us to invest in properties or other investments and to pay distributions. All of these factors could have a material adverse effect on our results of operations, financial condition and ability to pay distributions. See the section of this prospectus titled Management Our Advisory Agreement Potential Acquisition of Our Advisor for more information about the potential internalization of our management functions.

If we do not successfully implement our listing or liquidation policy, you may have to hold your investment for an indefinite period.

We presently intend to complete a transaction providing liquidity to stockholders within five to seven years from the completion of our offering stage. Market conditions and other factors could cause us to delay the listing of our shares on a national securities exchange or the commencement of our liquidation beyond seven years from the termination of our offering stage. If our board of directors does determine to pursue our liquidation policy, we would be under no obligation to conclude the process within a set time. The timing of the sale of assets will depend on real estate and financial markets, economic conditions in the areas in which properties are located, and U.S. federal income tax effects on stockholders, that may prevail in the future. We cannot guarantee that we will be able to liquidate all of our assets. After we adopt a plan of liquidation, we would remain in existence until all properties and assets are liquidated. If we do not pursue a liquidity event, or delay such an event due to market conditions, your shares may continue to be illiquid and you may, for an indefinite period of time, be unable to convert your investment to cash easily and could suffer losses on your investment.

We will not calculate the net asset value per share for our shares until 18 months after completion of the last offer to sell shares of our common stock pursuant to this offering, therefore, you will not be able to determine the net asset value of your shares on an on-going basis during this offering and for a substantial period of time thereafter.

We do not intend to calculate the net asset value per share for our shares until 18 months after the completion of the last offer to sell shares of our common stock pursuant to this offering. Beginning 18 months after the completion of the last offer to sell shares of our common stock pursuant to this offering (excluding offers to sell under our distribution reinvestment program), our board of directors will determine the value of our properties and our other assets based on such information as our board determines appropriate, which may or may not include independent valuations of our properties and our other assets or of our enterprise as a whole. We will disclose this net asset value to stockholders in our filings with the SEC. Therefore, you will not be able to determine the net asset value of your shares on an on-going basis during this offering.

Risks Related to Conflicts of Interest

Our advisor, executive officers and their affiliates may face conflicts of interest and if inadequate time is devoted to our business, your investment may be negatively impacted.

We do not have any employees, and as a result, will rely on the employees of our advisor and its affiliates for the day-to-day operation of our business. Our sponsor and its affiliates are general partners, managing members and sponsors of other real estate programs having similar investment objectives to ours. The employees of our sponsor and its affiliates currently control and/or operate other entities that own properties in the markets in which we may seek to invest, and they spend a material amount of time managing these properties and other assets that are unrelated to our business. Each of our executive officers are also officers of our sponsor and/or its affiliates, and as a result, these individuals owe fiduciary duties to these other entities and their stockholders, members and limited partners. Because our sponsor and its affiliates have such interests in other real estate programs and engage in other business activities, the employees of our sponsor and its affiliates may experience conflicts of interest in allocating their time and resources among our business and these other activities. The amount of time that our advisor 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 properties. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. We expect that as our real estate activities expand, our advisor will attempt to hire additional employees who would devote substantially all of their time to our business. There is no assurance that our advisor will devote adequate time to our business. If our advisor 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.

Some of these individuals 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 affect on our operations and your investment. Our advisor, property manager and

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their respective 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 may compete with us for the acquisition and/or refinancing of properties.

Our advisor and its affiliates will receive substantial fees from us. These fees could influence our advisor s advice to us, as well as the judgment of the affiliates of our advisor who serve as our officers and directors. Among other matters, the compensation arrangements, which might entitle affiliates of our advisor to disposition fees and other possible fees in connection with its services for the seller, could affect the judgment of our advisor 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 a decline in the value of your investment.

Property management services are being provided by an affiliated party, which may impact our sale of properties, and as a result, affect your investment.

Our property manager is controlled by our sponsor, and is thus subject to an inherent conflict of interest. Specifically, because the property manager will receive significant fees for managing our properties, our advisor may face a conflict of interest when determining whether we should sell properties under circumstances where the property manager would no longer manage the property after the transaction. As a result of this conflict of interest, we may not dispose of properties when it would be in our best interests to do so.

If we acquire properties from affiliates of our advisor, the price may be higher than we would pay if the transaction was the result of arm s-length negotiations.

The prices we pay to affiliates of our advisor for our properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties, or if the price to us is in excess of such cost, substantial justification for such excess will exist and such excess will be reasonable and consistent with current market conditions as determined by a majority of our independent directors. Substantial justification for a higher price could result from improvements to a property by the affiliate of our advisor or increases in market value of the property during the period of time the property is owned by the affiliate as evidenced by an appraisal of the property. In no event will we acquire property from an affiliate at an amount in excess of its current appraised value as determined by an independent appraiser selected by our independent directors not otherwise interested in the transaction. An appraisal is current if obtained within the prior year. These prices 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 in an arm s-length transaction. Even though we will use an independent third-party appraiser to determine fair market value when acquiring properties from our advisor and its affiliates, we may pay more for particular properties than we would have in an arm s-length transaction, which would reduce our cash available for investment in other properties or distribution to our stockholders.

We may purchase real properties from persons with whom affiliates of our advisor have prior business relationships, which may impact the purchase terms, and as a result, affect your investment.

If we purchase properties from third parties who have sold, or may sell, properties to our advisor or its affiliates, our advisor may experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. As a result of this conflict, the terms of any transaction between us and such third parties may not reflect the terms that we could receive in the market on an arm s length basis. If the terms we receive in a transaction are less favorable to us, our results from operations may be adversely affected.

Payment of fees to our advisor and its affiliates will reduce cash available for investment and distribution.

Our advisor and its affiliates will perform services for us in connection with the selection and acquisition of our properties and other investments, as well as the management and leasing of our properties. They will be paid significant fees for these services, which will reduce the amount of cash available for investment and for distribution to stockholders. The agreements between us and our advisor or its affiliates, and the fees paid to them pursuant to such agreements, will not be reached through arm s-length negotiations and may not reflect the terms

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that would be available from a third-party; that is, a third-party unaffiliated with our advisor may be willing to provide such services to us at a lower price. These fees increase the risk that the amount available for payment of distributions to our stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares of stock in this offering. Substantial up-front fees also increase the risk that you will not be able to resell your shares of stock at a profit, even if our stock is listed on a national securities exchange. See Compensation Table and Management.

Certain of our affiliates will receive substantial fees prior to the payment of dividends to our stockholders.

As mentioned above, we will pay or cause to be paid substantial compensation to our dealer manager, advisor, property manager and other affiliates and their employees. In addition, generally, our dealer manager and advisor will receive compensation that is not be dependent on our success or profitability. These payments are payable before the payment of dividends to our stockholders and none of these payments are subordinated to a specified return to our stockholders. Also, although our property manager will receive compensation under a management agreement, such compensation will generally be dependent on our gross revenues. Further, other affiliates of our sponsor may, from time to time, provide services to us if approved by a majority of the disinterested directors. It is possible that we could obtain such goods and services from unrelated persons at a lesser price.

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

Ezra Beyman owns 100% of the ownership interests, either directly or indirectly, of our sponsor, our advisor, our property manager and our dealer manager. In addition, Ezra Beyman is our President, Chief Executive Officer and Chairman of the Board of Directors and the President and Chief Executive Officer of our advisor. As a result, Mr. Beyman has a direct interest in all fees paid to our affiliates and is in a position to make decisions about our investments in ways that could maximize fees payable to our affiliates. Some compensation is payable to our advisor whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our advisor 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 advisor are based on total assets under management, including assets purchased using debt, our advisor 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 advisor s ability to receive fees and reimbursements depends on our continued investment in real properties. Therefore, the interest of our advisor and its affiliates in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock.

Our advisor may receive substantial fees in connection with the refinancing of any debt that we use to acquire properties or to make other permitted investments, or that is assumed, directly or indirectly, in connection with the acquisition of properties.

In connection with any refinancing of our debt that we use to acquire properties or to make other permitted investments, including any indebtedness assumed by us in connection with the acquisition of properties, we will pay our advisor a financing coordination fee equal to 1% of the amount available and/or outstanding under such financing, subject to certain limitations. There is no limit on our ability to refinance our indebtedness. As a result, our advisor has an incentive to recommend that we refinance our existing indebtedness, regardless of whether the structure, terms or conditions are favorable to us given our then-existing debt levels and current market conditions. Although our charter limits the amount of indebtedness that we may incur, our advisor may have an incentive to recommend that we refinance our indebtedness and incur additional indebtedness in connection with such refinancing.

We may compete with other entities affiliated with our sponsor for tenants.

Our sponsor and its affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business ventures, including ventures involved in the acquisition, development, ownership, management, leasing or sale of real estate. Our sponsor and/or its affiliates may own and/or manage properties in the same geographical areas in which we expect to acquire real estate assets.

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Therefore, our properties may compete for tenants with other properties owned and/or managed by our sponsor and its affiliates. Our sponsor may face conflicts of interest when evaluating tenant opportunities for our properties and other properties owned and/or managed by our sponsor and its affiliates, and these conflicts of interest may have a negative impact on our ability to attract and retain tenants.

If we invest in joint ventures, the objectives of our partners may conflict with our objectives.

In accordance with our acquisition strategies, we may make investments in joint ventures or other partnership arrangements between us and affiliates of our sponsor or with unaffiliated third parties. Investments in joint ventures which own real properties may involve risks otherwise not present when we purchase real properties directly. For example, our co-venturer may file for bankruptcy protection, have economic or business interests or goals which are inconsistent with our interests or goals, or take actions contrary to our instructions, requests, policies or objectives. Among other things, actions by a co-venturer might subject real properties owned by the joint venture to liabilities greater than those contemplated by the terms of the joint venture or other adverse consequences.

These diverging interests could result in, among other things, exposing us to liabilities of the joint venture in excess of our proportionate share of these liabilities. The partition rights of each owner in a jointly owned property could reduce the value of each portion of the divided property. Moreover, there is an additional risk that the co-venturers may not be able to agree on matters relating to the property they jointly own. In addition, the fiduciary obligation that our sponsor or our board of directors may owe to our partner in an affiliated transaction may make it more difficult for us to enforce our rights.

General Risks Related to Investments in Real Estate

Economic conditions may adversely affect the residential real estate market and our income.

A residential property s income and value may be adversely affected by international, national and regional economic conditions. Currently, the U.S. and international markets are experiencing increased levels of volatility due to a combination of many factors, including decreasing values of home prices and commercial real estate, limited access to credit markets, increased energy costs, increased unemployment rates, and a national and global recession. If such conditions persist, the residential real estate industry may experience a significant decline in business caused by a reduction in overall renters. The current economic downturn and increase in unemployment rates may also have an adverse affect on our operations if the tenants occupying the residential properties we acquire cease making rent payments to us.

In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, availability of for sale properties, competition from other similar properties, our ability to provide adequate maintenance, insurance and management services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates, may adversely affect a property s income and value. The continued rise in energy costs could result in higher operating costs, which may affect our results from operations. In addition, local conditions in the markets in which we own or intend to own properties may significantly affect occupancy or rental rates at such properties. The risks that may adversely affect conditions in those markets include: layoffs, plant closings, relocations of significant local employers and other events negatively impacting local employment rates and the local economy; an oversupply of, or a lack of demand for, apartments; a decline in household formation; the inability or unwillingness of residents to pay rent increases; and rent control, rent stabilization and other housing laws, which could prevent us from raising rents.

We cannot predict when the residential real estate market will recover. Therefore, to the extent that there are adverse economic conditions in the residential market, such conditions could result in a reduction of our income and cash available for distributions and thus affect the amount of distributions we can make to you.

Our investments in real estate-related investments will be subject to the risks typically associated with real estate, which may have a material affect on your investment.

Our loans held for investment will generally be directly or indirectly secured by a lien on real property (or the equity interests in an entity that owns real property) that, upon the occurrence of a default on the loan, could result in our acquiring ownership of the property. We will not know whether the values of the properties ultimately securing our loans will remain at the levels existing on the dates of origination of those loans. If the values of the underlying properties decline, our risk will increase because of the lower value of the security associated with such loans. In this manner, real estate values could impact the values of our loan investments. Any investments in mortgage-backed securities, collateralized debt obligations and other real estate-related investments (including potential investments in real property) may be similarly affected by real estate property values. Therefore, our investments will be subject to the risks typically associated with real estate.

The value of real estate may be adversely affected by a number of risks, including:

- natural disasters, such as hurricanes, earthquakes and floods;
- acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001;
- adverse changes in national and local economic and real estate conditions;
- an oversupply of (or a reduction in demand for) space in the areas where particular properties are located and the attractiveness of particular properties to prospective tenants;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance therewith and the potential for liability under applicable laws;
- costs of remediation and liabilities associated with environmental conditions affecting properties; and
- the potential for uninsured or underinsured property losses.

The value of each property is affected significantly by its ability to generate cash flow and net income, which in turn depends on the amount of rental or other income that can be generated net of expenses required to be incurred with respect to the property. Many expenditures associated with properties (such as operating expenses and capital expenditures) cannot be reduced when there is a reduction in income from the properties. These factors may have a material adverse effect on the ability of the borrowers to pay their loans, as well as on the value that we can realize from assets we own or acquire.

Rising expenses could reduce cash flow and funds available for future acquisitions, which may have a material affect on your investment.

Our properties will be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance, administrative and other expenses. Some of the leases on our properties may require the tenants to pay all or a portion of the expenses, however, renewals of leases or future leases may not be negotiated on that basis, in which event we will have to pay those expenses. Such increased expenses could adversely affect funds available for future acquisitions or cash available for distributions.

Failure to generate sufficient cash flows from operations may reduce distributions to stockholders.

We intend to rely primarily on our cash flow from operations to make distributions to our stockholders. The cash flow from equity investments in our multifamily properties depends on the amount of revenue generated and expenses incurred in operating our properties. The revenue generated and expenses incurred in operating our properties depends on many factors, some of which are beyond our control. For instance, rents from our properties may not increase as expected or the real estate-related investments we purchase may not generate the anticipated returns. If our properties do not generate revenue sufficient to meet our operating expenses, debt service and capital expenditures, our cash flows and ability to make distributions to you will be adversely affected.

If we purchase assets at a time when the residential real estate market is experiencing substantial influxes of capital investment and competition for properties, the real estate we purchase may not appreciate or may decrease in value.

The residential real estate market may experience substantial influxes of capital from investors. This substantial flow of capital, combined with significant competition for real estate, may result in inflated purchase prices for such assets. To the extent we purchase real estate in such an environment, we are subject to the risk that, if the real estate market subsequently ceases to attract the same level of capital investment, or if the number

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of companies seeking to acquire such assets decreases, our returns will be lower and the value of our assets may not appreciate or may decrease significantly below the amount we paid for such assets.

We may be unable to sell a property if or when we decide to do so, which could adversely impact our ability to make cash distributions to our stockholders.

We may give some tenants the right, but not the obligation, to purchase their properties from us beginning a specified number of years after the date of the lease. Some of our leases also provide the tenant with a right of first refusal on any proposed sale. These provisions may lessen the ability of the advisor and our board of directors to freely control the sale of the property.

Although we may grant a lessee a right of first offer or option to purchase a property, there is no assurance that the lessee will exercise that right or that the price offered by the lessee in the case of a right of first offer will be adequate. In connection with the acquisition of a property, we may agree on restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. Even absent such restrictions, the real estate market is affected by many factors that are beyond our control, including general economic conditions, availability of financing, interest rates and supply and demand. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property or real estate-related asset. If we are unable to sell a property or real estate-related asset when we determine to do so, it could have a significant adverse effect on our cash flow and results of operations. As a result, we may not have funds to make distributions to our stockholders.

We may not make a profit if we sell a property, which could adversely impact our ability to make cash distributions to our stockholders.

The prices that we can obtain when we determine to sell a property will depend on many factors that are presently unknown, including the operating history, tax treatment of real estate investments, demographic trends in the area and available financing. There is a risk that we will not realize any significant appreciation on our investment in a property. Accordingly, your ability to recover all or any portion of your investment under such circumstances will depend on the amount of funds so realized and claims to be satisfied therefrom.

Our properties may not be diversified by geographic location or by type, which may increase the risk of your investment.

We are making this offering on a best efforts basis and the offering is conditioned on the sale of at least 250,000 shares of common stock for $2,500,000. Because this offering will be made on a best efforts basis, our potential profitability and our ability to diversify our investments, both geographically and by type of properties purchased, will be limited by the amount of funds we raise. If we are unable to raise additional funds, we may not be able to execute our diversification strategy, which may adversely affect your investment. Moreover, even if we sell 100,000,000 shares of common stock for $1,000,000,000, our properties may not be well diversified and their economic performance could be affected by changes in local economic conditions.

Additionally, we intend to acquire properties principally in the Northeast region. As a result, we are subject to risks related to that geographic region, including adverse economic conditions, natural disasters, acts of terrorism and other regional risks. If we are unable to diversify our investments by region, our performance will be linked to a greater extent to economic conditions in the regions in which we acquire properties. Therefore, to the extent that there are adverse economic conditions in the regions in which our properties are located and in the market for real estate properties, such conditions could result in a reduction of our income, and thus affect the amount of distributions we can make to you. Further, we do not anticipate diversifying our investments in properties by industry, that is, we plan to only invest in the multifamily industry. Therefore, a downturn in such industry will likely have a more pronounced effect on the amount of cash available to us for distribution or on the value of our assets than if we had diversified our investments by industry.

We may incur liabilities in connection with properties we acquire.

Our anticipated acquisition activities are subject to many risks. We may acquire properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes, or other legal requirements. In each case, our acquisition may be without any, or with only limited, recourse with respect to unknown liabilities or conditions. As a result, if any liability were asserted against us relating to those properties or entities, or if any adverse condition existed with respect to the properties or entities, we might have to pay substantial sums to settle or cure it, which could adversely affect our cash flow and operating results. However, some of these liabilities may be covered by insurance. In addition, as mentioned above, absent a determination that an expedited acquisition is necessary, we intend to perform customary due diligence regarding each property or entity we acquire. We also will attempt to obtain appropriate representations and undertakings from the sellers of the properties or entities we acquire, although it is possible that the sellers may not have the resources to satisfy their indemnification obligations if a liability arises. Unknown liabilities to third parties with respect to properties or entities acquired might include, without limitation:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants or other persons dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We may suffer losses that are not covered by insurance.

If we suffer losses that are not covered by insurance or that are in excess of insurance coverage, we could lose invested capital and anticipated profits. We intend to cause comprehensive insurance to be obtained for our properties, including casualty, liability, fire, extended coverage and rental loss customarily obtained for similar properties in amounts which our advisor determines are sufficient to cover reasonably foreseeable losses, and with policy specifications and insured limits that we believe are adequate and appropriate under the circumstances. Material losses may occur in excess of insurance proceeds with respect to any property as insurance proceeds may not provide sufficient resources to fund the losses. However, there are types of losses, generally of a catastrophic nature, such as losses due to wars, earthquakes, floods, hurricanes, pollution, environmental matters, mold or terrorism which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments.

Insurance companies have recently begun to exclude acts of terrorism from standard coverage. Terrorism insurance is currently available at an increased premium, and it is possible that the premium will increase in the future or that terrorism coverage will become unavailable. In some cases, mortgage lenders have begun to insist that specific coverage against terrorism be purchased by owners as a condition for providing loans. We intend to obtain terrorism insurance if required by our lenders, but the terrorism insurance that we obtain may not be sufficient to cover loss for damages to our properties as a result of terrorist attacks. In addition, we may not be able to obtain insurance against the risk of terrorism because it may not be available or may not be available on terms that are economically feasible. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot assure you that we will have adequate coverage for such losses.

In addition, many insurance carriers are excluding asbestos-related claims from standard policies, pricing asbestos endorsements at prohibitively high rates or adding significant restrictions to such coverage.

Because of our inability to obtain specialized coverage at rates that correspond to our perceived level of risk, we may not obtain insurance for acts of terrorism or asbestos-related claims. We will continue to evaluate the availability and cost of additional insurance coverage from the insurance market. If we decide in the future to purchase insurance for terrorism or asbestos, the cost could have a negative impact on our results of operations. If an uninsured loss or a loss in excess of insured limits occurs on a property, we could lose our capital invested in the property, as well as the anticipated future revenues from the property and, in the case of debt that is recourse to us, would remain obligated for any mortgage debt or other financial obligations related to the property. Any loss of this nature would adversely affect us. Although we intend to adequately insure our properties, we cannot assure that we will successfully do so.

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We may be unable to secure funds for future capital improvements, which could adversely impact our ability to make cash distributions to our stockholders.

When residents do not renew their leases or otherwise vacate their space, in order to attract replacement residents, we may be required to expend funds for capital improvements to the vacated apartment units. In addition, we may require substantial funds to renovate a multifamily community in order to sell it, upgrade it or reposition it in the market. If we have insufficient capital reserves, we will have to obtain financing from other sources. We intend to establish capital reserves in an amount we, in our discretion, believe is necessary. A lender also may require escrow of capital reserves in excess of any established reserves. If these reserves or any reserves otherwise established are designated for other uses or are insufficient to meet our cash needs, we may have to obtain financing from either affiliated or unaffiliated sources to fund our cash requirements. We cannot assure you that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future capital improvements. Additional borrowing will increase our interest expense, therefore, our financial condition and our ability to make cash distributions to our stockholders may be adversely affected.

We may not have control over costs arising from rehabilitation of properties.

We may elect to acquire properties which require rehabilitation. In particular, we may acquire affordable properties that we will rehabilitate and convert to market rate properties. Consequently, we intend to retain independent general contractors to perform the actual physical rehabilitation work and will be subject to risks in connection with a contractor s ability to control the rehabilitation costs, the timing of completion of rehabilitation, and a contractor s ability to build in conformity with plans and specifications.

Short-term apartment leases expose us to the effects of declining market rent, which could adversely impact our ability to make cash distributions to our stockholders.

We expect that most of our apartment leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without any penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms.

The profitability of our acquisitions is uncertain.

We intend to acquire properties selectively. Acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking these acquisitions, we will incur certain risks, including the expenditure of funds on, and the devotion of management s time to, transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate.

We will face competition from third parties, including other apartment communities, which may limit our profitability and the return on your investment.

The residential apartment industry is highly competitive. This competition could reduce occupancy levels and revenues at our multifamily communities, which would adversely affect our operations. We compete with many other entities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities. Many of these entities have significant financial and other resources, including operating experience, allowing them to compete effectively with us. Competitors with substantially greater financial resources than us may be able to accept more risk than we can effectively manage. In addition, those competitors that are not REITs may be at an advantage to the extent they can utilize working capital to finance projects, while we (and our competitors that are REITs) will be required by the annual distribution provisions under the Code to distribute significant amounts of cash from operations to our stockholders. Our competitors include those in other apartment communities both in the immediate vicinity where our multifamily communities will be located and the broader geographic market. Such competition may also result in overbuilding of apartment communities, causing an increase in the number of apartment units available and potentially decreasing our occupancy and apartment rental rates. We may also be required to expend substantial sums to attract new

We will face competition from third parties, including other apartmentcommunities, which may limit our profitability a

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residents. The resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property. In addition, increases in operating costs due to inflation may not be offset by increased apartment rental rates. Further, costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the investment. These events would cause a significant decrease in revenues and could cause us to reduce the amount of distributions to our stockholders.

The large amount of foreclosed homes and low residential mortgage rates may result in potential renters purchasing residences rather than leasing them, and as a result, cause a decline in occupancy rates.

The large amount of foreclosed homes available at very attractive prices, along with the low residential mortgage interest rates currently available and government sponsored programs to promote home ownership, has resulted in a record high level on the National Association of Realtor s Housing Affordability Index, an index used to measure whether or not a typical family could qualify for a mortgage loan on a typical home. The foregoing factors may encourage potential renters to purchase residences rather than lease them, thereby causing a decline in the occupancy rates of our properties.

Failure to succeed in new markets or in new property classes may have adverse consequences on our performance.

We may make acquisitions outside of our existing market areas or the property classes of our primary focus if appropriate opportunities arise. Our sponsor s, advisor s or any of our affiliates historical experience in their existing markets in owning and operating certain classes of property does not ensure that we will be able to operate successfully in new markets, should we choose to enter them, or that we will be successful in new property classes. We may be exposed to a variety of risks if we choose to enter new markets, including an inability to accurately evaluate local market conditions, to identify appropriate acquisition opportunities, to hire and retain key personnel, and a lack of familiarity with local governmental and permitting procedures. In addition, we may abandon opportunities to enter new markets or acquire new classes of property that we have begun to explore for any reason and may, as a result, fail to recover expenses already incurred.

Acquiring or attempting to acquire multiple properties in a single transaction may adversely affect our operations.

We are likely to acquire multiple properties in a single transaction. Such portfolio acquisitions are more complex and expensive than single-property acquisitions, and the risk that a multiple-property acquisition does not close may be greater than in a single-property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets, placing additional demands on our ability to manage the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate, or attempt to dispose of, these properties. To acquire multiple properties in a single transaction we may be required to accumulate a large amount of cash. We expect the returns that we can earn on such cash to be less than the ultimate returns on real property, and therefore, accumulating such cash could reduce the funds available for distributions. Any of the foregoing events may have an adverse effect on our operations.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

If we decide to sell any of our properties, we intend to use our commercially reasonable efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser and will be subject to remedies provided by law, which could negatively impact distributions to our stockholders. There are no limitations or restrictions on our ability to take such purchase money obligations. We may, therefore, take a purchase money obligation secured by a mortgage as full or partial payment for the purchase price of a property. The terms of payment to us generally will be affected by custom in the area where the property being sold is located and the then-prevailing economic conditions. If we receive promissory notes or other property in lieu of cash from property sales, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property are actually paid, sold or refinanced or we have

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otherwise disposed of such promissory notes or other property. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our ability to make distributions to our stockholders.

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 will likely 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.

We may have difficulty selling real estate investments, and our ability to distribute all or a portion of the net proceeds from such sale to our stockholders may be limited.

Real estate investments are relatively illiquid, and as a result, we will have a limited ability to vary our portfolio in response to changes in economic or other conditions. We will also have a limited ability to sell assets in order to fund working capital and similar capital needs. When we sell any of our properties, we may not realize a gain on such sale. We may elect not to distribute any proceeds from the sale of properties to our stockholders; for example, we may use such proceeds to:

- purchase additional properties;
- repay debt, if any;
- buy out interests of any co-venturers or other partners in any joint venture in which we are a party;
- create working capital reserves; or
- make repairs, maintenance, tenant improvements or other capital improvements or expenditures to our remaining properties.

Our ability to sell our properties may also be limited by our need to avoid a 100% penalty tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to ensure that we avoid such characterization, we may be required to hold our properties for a minimum period of time and comply with certain other requirements in the Code.

We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.

We may acquire properties in exchange for operating partnership units and agree to restrictions on sales or refinancing, called lock-out provisions, that are intended to preserve favorable tax treatment for the owners of such properties who sell them to us. Additionally, we may agree to lock-out provisions in connection with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwise disposing of or refinancing properties. This would affect our ability to turn our investments into cash and thus affect cash available to return capital to you. Lock-out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders, and therefore, might

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have an adverse impact on the value of the shares, relative to the value that would result if the lock-out provisions did not exist. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

Actions of our joint venture partners could subject us to liabilities in excess of those contemplated or prevent us from taking actions which are in the best interests of our stockholders, which could result in lower investment returns to our stockholders.

We may enter into joint ventures with affiliates and other third parties to acquire or improve properties. We may also purchase properties in partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present when acquiring real estate directly, including, for example:

- joint venturers may share certain approval rights over major decisions;
- a co-venturer, co-owner or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint venture or the timing of termination or liquidation of the joint venture;
- the possibility that our co-venturer, co-owner or partner in an investment might become insolvent or bankrupt;
- the possibility that we may incur liabilities as a result of an action taken by our co-venturer, co-owner or partner;
- that such co-venturer, co-owner or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining our qualification as a REIT;
- disputes between us and our joint venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable joint venture to additional risk; or
- that under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached which might have a negative influence on the joint venture.

These events might subject us to liabilities in excess of those contemplated and thus reduce your investment returns. If we have a right of first refusal or buy/sell right to buy out a co-venturer, co-owner or partner, we may be unable to finance such a buy-out if it becomes exercisable or we may be required to purchase such interest at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to elect to purchase an interest of a co-venturer subject to the buy/sell right, in which case we may be forced to sell our interest as the result of the exercise of such right when we would otherwise prefer to keep our interest. Finally, we may not be able to sell our interest in a joint venture if we desire to exit the venture.

Risks Associated with Debt Financing and Investments

We plan to incur mortgage indebtedness and other borrowings, which may increase our business risks.

We intend to acquire properties subject to existing financing or by borrowing new funds. In addition, we intend to incur or increase our mortgage debt by obtaining loans secured by selected, or all of our, real properties to obtain funds to acquire additional real properties and/or make capital improvements to properties. We may also borrow funds, if necessary, to satisfy the requirement that we generally distribute to stockholders as dividends at least 90% of our annual REIT taxable income (excluding net capital gain), or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for U.S. federal income tax purposes.

We intend to incur mortgage debt on a particular property if we believe the property s projected cash flow is sufficient to service the mortgage debt. However, if there is a shortfall in cash flow requiring us to use cash from other sources to make the mortgage payments on the property, then the amount available for distributions to

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stockholders may be affected. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and our loss of the property securing the loan which is in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. We may, in some circumstances, give a guaranty on behalf of an entity that owns one or more of our properties. In these cases, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, there is a risk that more than one real property may be affected by a default.

Any mortgage debt which we place on properties may contain clauses providing for prepayment penalties. If a lender invokes these penalties upon the sale of a property or the prepayment of a mortgage on a property, the cost to us to sell the property could increase substantially, and may even be prohibitive. This could lead to a reduction in our income, which would reduce cash available for distribution to stockholders and may prevent us from borrowing more money.

We may also finance our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or balloon payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

There is no limitation on the amount we may invest in any single property or other asset or, subject to the limitations in our charter, on the amount we can borrow for the purchase of any individual property or other investment. Under our charter, the maximum amount of our secured and unsecured borrowings in relation to net assets cannot exceed 300% of net assets (the equivalent of 75% of the cost of our net assets) on the date of any borrowing in the absence of a satisfactory showing that a higher level of borrowing is appropriate, approval by a majority of independent directors and disclosure to our stockholders. Net assets means our total assets, other than intangibles, at cost before deducting depreciation, reserves for bad debts or other non-cash reserves less our total liabilities, calculated at least quarterly on a basis consistently applied. This restriction does not, however, apply to individual properties, and therefore, does not limit our ability to borrow more than 75% of the contract purchase price for any individual property.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.

When we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when the properties are refinanced, we may not be able to finance the properties at reasonable rates and our income could be reduced. If this occurs, it would reduce cash available for distribution to our stockholders, and it may prevent us from borrowing more money.

Our ability to obtain financing on reasonable terms could be impacted by negative capital market conditions.

Recently, domestic financial markets have experienced unusual volatility, uncertainty and a tightening of liquidity in both the investment grade debt and equity capital markets. The commercial real estate debt markets are also experiencing volatility as a result of certain factors including the tightening of underwriting standards by lenders and credit rating agencies and the frozen Collateralized Mortgage Backed Securities market. Credit spreads for major sources of capital have widened significantly as investors have demanded a higher risk premium. This is resulting in lenders increasing the cost for debt financing. Should the overall cost of borrowings

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increase, either by increases in the index rates or by increases in lender spreads, we will need to factor such increases into the economics of our acquisitions. This may result in our acquisitions generating lower overall economic returns and potentially reducing cash flow available for distribution.

The recent dislocations in the debt markets have reduced the amount of capital that is available to finance real estate, which, in turn, (a) will no longer allow real estate investors to rely on capitalization rate compression to generate returns and (b) has slowed real estate transaction activity, all of which may reasonably be expected to have a material impact on revenues and income from the acquisition and operations of real properties and mortgage loans. Investors will need to focus on market-specific growth dynamics, operating performance, asset management and the long-term quality of the underlying real estate asset.

In addition, the state of the debt markets could have an impact on the overall amount of capital investing in real estate which may result in price or value decreases of real estate assets.

Consequently, there is greater uncertainty regarding our ability to access the credit market in order to attract financing on reasonable terms. Investment returns on our assets and our ability to make acquisitions could be adversely affected by our inability to secure financing on reasonable terms, if at all.

Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act.

The company is not registered, and does not intend to register itself or any of its subsidiaries, as an investment company under the Investment Company Act. If we become obligated to register the company or any of its subsidiaries as an investment company, the registered entity would have to comply with a variety of substantive requirements under the Investment Company Act imposing, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

The company intends to conduct its operations, directly and through wholly or majority-owned subsidiaries, so that the company and each of its 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 deemed to be 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 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 on an unconsolidated basis.

We believe that the company and most, if not all, of its wholly and majority-owned subsidiaries will not be considered investment companies under either Section 3(a)(1)(A) or Section 3(a)(1)(C) of the Investment Company Act. In the event that the company or any of its wholly or majority-owned subsidiaries would ever inadvertently fall within one of the definitions of investment company, we intend to rely on the exception provided by Section 3(c)(5)(C) of the Investment Company Act. Under Section 3(c)(5)(C), the SEC staff generally requires the company to maintain at least 55% of its assets directly in qualifying assets and at least 80% of qualifying assets in a broader category of real estate related assets to qualify for this exception. See Investment Strategy, Objectives and Policies Investment Company Act of 1940 Considerations.

The method we use to classify our assets for purposes of the Investment Company Act will be based in large measure 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 ten 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 qualifying for an exclusion from regulation under 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.

A change in the value of any of our assets could cause us to fall within the definition of investment company and negatively affect our ability to maintain our exemption from regulation under the Investment

Company Act. To avoid being required to register the company or any of its subsidiaries as an investment company under 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 income- or loss-generating assets that we might not otherwise have acquired or may have to forgo opportunities to acquire interests in companies that we would otherwise want to acquire and would be important to our investment strategy.

If we were required to register the company as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

High levels of debt or increases in interest rates could increase the amount of our loan payments, which could reduce the cash available for distribution to stockholders.

As mentioned above, we intend to incur debt. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. Interest we pay could reduce cash available for distribution to stockholders. Additionally, if we incur variable rate debt, increases in interest rates would increase our interest costs, which would reduce our cash flow and our ability to make distributions to you. If we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments and could result in a loss.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

In providing financing to us, a lender may impose restrictions on us that affect our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise affect our distribution and operating policies. In general, we expect our loan agreements to restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Such loan documents may contain other negative covenants that may limit our ability to discontinue insurance coverage, replace our advisor or impose other limitations. Any such restriction or limitation may have an adverse effect on our operations and our ability to make distributions to you. Further, such restrictions could make it difficult for us to satisfy the requirements necessary to maintain our qualification as a REIT for U.S. federal income tax purposes.

Some of our mortgage loans may have due on sale provisions, which may impact the manner in which we acquire, sell and/or finance our properties.

In purchasing properties subject to financing, we may obtain financing with due-on-sale and/or due-on-encumbrance clauses. Due-on-sale clauses in mortgages allow a mortgage lender to demand full repayment of the mortgage loan if the borrower sells the mortgaged property. Similarly, due-on-encumbrance clauses allow a mortgage lender to demand full repayment if the borrower uses the real estate securing the mortgage loan as security for another loan. These clauses may cause the maturity date of such mortgage loans to be accelerated and such financing to become due. In such event, we may be required to sell our properties on an all-cash basis, to acquire new financing in connection with the sale, or to provide seller financing. It is not our intent to provide seller financing, although it may be necessary or advisable for us to do so in order to facilitate the sale of a property. It is unknown whether the holders of mortgages encumbering our properties will require such acceleration or whether other mortgage financing will be available. Such factors will depend on the mortgage market and on financial and economic conditions existing at the time of such sale or refinancing.

Lenders may be able to recover against our other properties under our mortgage loans.

In financing our property acquisitions, we will seek to obtain secured nonrecourse loans. However, only recourse financing may be available, in which event, in addition to the property securing the loan, the lender may look to our other assets for satisfaction of the debt. Therefore, should we be unable to repay a recourse loan with the proceeds from the sale or other disposition of the property securing the loan, the lender could look to one or more of our other properties for repayment. Also, in order to facilitate the sale of a property, we may allow the buyer to purchase the property subject to an existing loan whereby we remain responsible for the debt.

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We may be subject to risks related to interest rate fluctuations, and the derivative financial instruments that we may use may be costly and ineffective and may reduce the overall returns on your investment.

We may be subject to risks related to interest rate fluctuations if any of our debt is subject to a floating interest rate. To the extent that we use derivative financial instruments in connection with our floating interest rate debt, we will be exposed to credit, basis and legal enforceability risks. Derivative financial instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. If we are unable to manage these risks effectively, our results of operations, financial condition and ability to make distributions to you will be adversely affected.

Complying with REIT requirements may limit our ability to hedge risk effectively.

The REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. As mentioned above, from time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Any income or gain derived by us from transactions that hedge certain risks, such as the risk of changes in interest rates, will not be treated as gross income for purposes of either the 75% or the 95% Income Test, as defined below in Certain Material U.S. Federal Income Tax Considerations, unless specific requirements are met. Such requirements include that the hedging transaction be properly identified within prescribed time periods and that the transaction either (i) hedges risks associated with indebtedness issued by us that is incurred to acquire or carry real estate assets or (ii) manages the risks of currency fluctuations with respect to income or gain that qualifies under the 75% or 95% Income Test (or assets that generate such income). To the extent that we do not properly identify such transactions as hedges, hedge with other types of financial instruments, or hedge other types of indebtedness, the income from those transactions is not likely to be treated as qualifying income for purposes of the 75% and 95% Income Tests. As a result of these rules, we may have to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

Compliance with Laws

The costs of compliance with environmental laws and other governmental laws and regulations may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Examples of Federal laws include: National Environmental Policy Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, the Federal Clean Air Act, the Toxic Substances Control Act, the Emergency Planning and

Community Right to Know Act and the Hazard Communication Act. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on residents, owners or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. In addition, the presence of these substances, or the failure to properly remediate these substances, may adversely affect our ability to sell or rent the property or to use the property as collateral for future borrowing.

There may also be potential liability associated with lead-based paint arising from lawsuits alleging personal injury and related claims. The existence of lead paint is especially a concern in residential units. A structure built prior to 1978 may contain lead-based paint and may present a potential for exposure to lead, however, structures built after 1978 are not likely to contain lead-based paint.

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Properties values may also be affected by their proximity to electric transmission lines. Electric transmission lines are one of many sources of electro-magnetic fields (EMFs) to which people may be exposed. Research completed regarding potential health concerns associated with exposure to EMFs has produced inconclusive results. Notwithstanding the lack of conclusive scientific evidence, some states now regulate the strength of electric and magnetic fields emanating from electric transmission lines, and other states have required transmission facilities to measure for levels of EMFs. On occasion, lawsuits have been filed (primarily against electric utilities) that allege personal injuries from exposure to transmission lines and EMFs, as well as from fear of adverse health effects due to such exposure. This fear of adverse health effects from transmission lines has been considered both when property values have been determined to obtain financing and in condemnation proceedings. We may not, in certain circumstances, search for electric transmission lines near our properties, but are aware of the potential exposure to damage claims by persons exposed to EMFs.

Recently, indoor air quality issues, including mold, have been highlighted in the media and the industry is seeing mold claims from lessees rising. Due to such recent increase in mold claims and given that the law relating to mold is unsettled and subject to change, we could incur losses from claims relating to the presence of, or exposure to, mold or other microbial organisms, particularly if we are unable to maintain adequate insurance to cover such losses. We may also incur unexpected expenses relating to the abatement of mold on properties that we may acquire.

Limited quantities of asbestos-containing materials are present in various building materials such as floor coverings, ceiling texture material, acoustical tiles and decorative treatment. Environmental laws govern the presence, maintenance and removal of asbestos. These laws could be used to impose liability for release of, and exposure to, hazardous substances, including asbestos-containing materials, into the air. Such laws require that owners or operators of buildings containing asbestos (i) properly manage and maintain the asbestos, (ii) notify and train those who may come into contact with asbestos and (iii) undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. These laws may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to asbestos fibers. As the owner of our properties, we may be liable for any such costs.

Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We cannot assure you that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of residents, existing conditions of the land, operations in the vicinity of the properties, or the activities of unrelated third parties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations that we may be required to comply with. Failure to comply with applicable laws and regulations could result in fines and/or damages, suspension of personnel of our advisor and/or other sanctions.

Discovery of previously undetected environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances.

Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles govern the presence, maintenance, removal and disposal of certain building materials, including asbestos and lead-based paint (which are both discussed above).

The cost of defending against such claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to you.

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We cannot assure you that properties which we acquire will not have any material environmental conditions, liabilities or compliance concerns. Accordingly, we have no way of determining at this time the magnitude of any potential liability to which we may be subject arising out of environmental conditions or violations with respect to the properties we own.

Our costs associated with and the risk of failing to comply with the Americans with Disabilities Act may affect cash available for distributions.

Our properties are generally expected to be subject to the Americans with Disabilities Act of 1990, as amended (the Disabilities Act). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for public accommodations and commercial facilities that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the Disabilities Act or place the burden on the seller or a third party to ensure compliance with such laws. However, we cannot assure you that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for compliance with these laws may affect cash available for distributions and the amount of distributions to you.

The multifamily communities we acquire must comply with Title III of the Disabilities Act, to the extent that such properties are public accommodations and/or commercial facilities as defined by the Disabilities Act. Compliance with the Disabilities Act could require removal of structural barriers to handicapped access in certain public areas of our multifamily communities where such removal is readily achievable. The Disabilities Act does not, however, consider residential properties, such as multifamily communities to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as the leasing office, are open to the public.

We must comply with the Fair Housing Amendments Act of 1988 (the FHAA), and failure to comply may affect cash available for distributions.

We must comply with the FHAA, which requires that apartment communities first occupied after March 13, 1991 be accessible to handicapped residents and visitors. Compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently there has been heightened scrutiny of multifamily housing communities for compliance with the requirements of the FHAA and Disabilities Act and an increasing number of substantial enforcement actions and private lawsuits have been brought against apartment communities to ensure compliance with these requirements. Noncompliance with the FHAA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

United States Federal Income Tax Risks

If we fail 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 intend to qualify as a REIT under the Code. A REIT generally is not taxed at the corporate level on income and gains it distributes to its stockholders on a timely basis. Although we do not intend to request a ruling from the

Internal Revenue Service (IRS) as to our REIT status, we have received the opinion of our tax counsel, Proskauer Rose LLP with respect to our qualification as a REIT. This opinion has been issued in connection with this offering. Investors should be aware, however, that opinions of counsel are not binding on the IRS or on any court. The opinion of Proskauer Rose LLP represents only the view of our counsel based on our counsel s review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income and representations related to our future conduct. Proskauer Rose LLP has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law. Qualification as a REIT involves the application of highly technical and

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complex rules for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the U.S. federal income tax consequences of such qualification, including changes with retroactive effect.

If we elect to be taxed as a REIT and then were to fail to qualify as a REIT in any taxable year:

- we would not be allowed to deduct our distributions to our stockholders when computing our taxable income;
- we would be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;
- we could be disqualified from being taxed as a REIT for the four taxable years following the year during which qualification was lost, unless entitled to relief under certain statutory provisions;
- we would have less cash to make distributions to our stockholders; and
- we might be required to borrow additional funds or sell some of our assets in order to pay corporate tax obligations we may incur as a result of our disqualification.

Although we intend to operate in a manner intended 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 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 encourage you to read the Certain Material U.S. Federal Income Tax Considerations section below for further discussion of the tax issues related to this offering.

To qualify as a REIT we must meet annual distribution requirements, which may result in us distributing amounts that may otherwise be used for our operations.

To obtain the favorable tax treatment accorded to REITs, we generally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income (excluding net capital gain), determined without regard to the deduction for distributions paid. We will be subject to U.S. federal income tax on our undistributed taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (i) 85% of our ordinary income, (ii) 95% of our capital gain net income and (iii) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings, it is possible that we might not always be able to do so. See Certain Material U.S. Federal Income Tax Considerations.

You may have current tax liability on distributions if you elect to reinvest in shares of our common stock.

If you participate in our distribution reinvestment program, you will be deemed to have received a cash distribution equal to the fair market value of the stock received pursuant to the program. For U.S. federal income tax purposes, you will be taxed on this amount in the same manner as if you have received cash. Further, to the extent that we have current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), you will have ordinary taxable income. To the extent that we make a distribution in excess of such earnings and profits, the distribution will be treated first as a tax-free return of capital, which will reduce the tax basis in your stock, and the amount of the distribution in excess of such basis will be taxable as a gain realized from the sale of your common stock. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the value of the common stock received. See Certain Material U.S. Federal Income Tax Considerations.

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Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

Our ability to dispose of property during the first few years following acquisition is restricted to a substantial extent as a result of our REIT status. Under applicable provisions of the Code regarding prohibited transactions by REITs, we will be subject to a 100% tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. No assurance can be given that any particular property we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

The use of taxable REIT subsidiaries would increase our overall tax liability.

Some of our assets may need to be owned or sold, or operations conducted, by taxable REIT subsidiaries. Any of our taxable REIT subsidiaries will be subject to U.S. federal and state income tax on their taxable income. The after-tax net income of our taxable REIT subsidiaries would be available for distribution to us. Further, we will incur a 100% excise tax on transactions with our taxable REIT subsidiaries that are not conducted on an arm s length basis. For example, to the extent that the rent paid by one of our taxable REIT subsidiaries exceeds an arm s length rental amount, such amount is potentially subject to the excise tax. We intend that all transactions between us and our taxable REIT subsidiaries will be conducted on an arm s length basis, and therefore, any amounts paid by our taxable REIT subsidiaries to us will not be subject to the excise tax; provided, however, no assurance can be given that no excise tax would arise from such transactions.

Legislative or regulatory action could adversely affect the returns to our investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. You are urged to consult with your own tax adviser with respect to the impact of recent legislation on your investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. You also should note that our counsel s tax opinion was based upon existing law and Treasury Regulations, applicable as of the date of its opinion, all of which will be subject to change, either prospectively or retroactively.

Although REITs continue to receive substantially better tax treatment than entities taxed as corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be taxed for U.S. federal income tax purposes as a corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a corporation, without the vote of our stockholders. Our board of directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interest of our stockholders.

If the operating partnership fails to maintain its status as a partnership, its income may be subject to taxation.

We intend to maintain the status of the operating partnership as a partnership for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of the operating partnership as a partnership for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that the operating partnership could make to us. This would also result in our losing REIT status, and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the yield on your investment. In addition, if any of the partnerships or limited

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liability companies through which the operating partnership owns its properties, in whole or in part, loses its characterization as a partnership for U.S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the operating partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain REIT status.

Distributions to tax-exempt investors may be classified as unrelated business taxable income (UBTI) and tax-exempt investors would be required to pay tax on such income and to file income tax returns.

Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of stock should generally constitute UBTI to a tax-exempt investor. However, there are certain exceptions to this rule, including:

- under certain circumstances, part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as UBTI if our stock is predominately held by qualified employee pension trusts, such that we are a pension-held REIT (which we do not expect to be the case);
- part of the income and gain recognized by a tax exempt investor with respect to our stock would constitute UBTI if such investor incurs debt in order to acquire the common stock; and
- part or all of the income or gain recognized with respect to our stock held by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U.S. federal income taxation under Sections 501(c)(7), (9), (17) or (20) of the Code may be treated as UBTI.

We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a tax-exempt investor. See Certain Material U.S. Federal Income Tax Considerations Taxation of Tax-Exempt Stockholders.

Distributions to foreign investors may be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits.

In general, foreign investors will be subject to regular U.S. federal income tax with respect to their investment in our stock if the income derived therefrom is effectively connected with the foreign investor s conduct of a trade or business in the United States. A distribution to a foreign investor that is not attributable to gain realized by us from the sale or exchange of a U.S. real property interest within the meaning of the Foreign Investment in Real Property Tax Act of 1980, as amended (FIRPTA), and that we do not designate as a capital gain dividend, will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution, unless this tax is reduced by the provisions of an applicable treaty. See the Certain Material U.S. Federal Income Tax Considerations Taxation of Non-U.S. Stockholders section below.

Foreign investors may be subject to FIRPTA tax upon the sale of their shares of our stock.

A foreign investor disposing of a U.S. real property interest, including shares of stock of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to FIRPTA tax, on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is domestically controlled. A REIT is domestically controlled if less than 50% of the REIT s stock, by value, has been owned directly or indirectly by persons who are not qualifying U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT s existence. While we intend to qualify as domestically controlled we cannot assure you that we will. If we were to fail to so qualify, gain realized by foreign investors on a sale of shares of our stock would be subject to FIRPTA tax, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 5% of the value of our outstanding common stock. See the Certain Material U.S. Federal Income Tax Considerations Taxation of Non-U.S. Stockholders section below.

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Foreign investors may be subject to FIRPTA tax upon the payment of a capital gain dividend.

A foreign investor also may be subject to FIRPTA tax upon the payment of any capital gain dividend by us, which dividend is attributable to gain from sales or exchanges of U.S. real property interests. Additionally, capital gain dividends paid to foreign investors, if attributable to gain from sales or exchanges of U.S. real property interests, would not be exempt from FIRPTA and would be subject to FIRPTA tax. See the Certain Material U.S. Federal Income Tax Considerations Taxation of Non-U.S. Stockholders section below for further discussion.

We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a foreign investor.

Employee Benefit Plan Risks

If you fail to meet the fiduciary and other standards under ERISA or the Code as a result of an investment in our stock, you could be subject to liability and penalties.

Special considerations apply to the purchase of stock by employee benefit plans subject to the fiduciary rules of Title I of ERISA, including pension or profit sharing plans and entities that hold assets of such plans (ERISA Plans), and plans and accounts that are not subject to ERISA, but are subject to the prohibited transaction rules of Section 4975 of the Code, including IRAs, Keogh Plans, and medical savings accounts (collectively, we refer to ERISA Plans and plans subject to Section 4975 of the Code as Benefit Plans). If you are investing the assets of any Benefit Plan, you should satisfy yourself that:

- your investment is consistent with your fiduciary obligations under ERISA and the Code;
- your investment is made in accordance with the documents and instruments governing the Benefit Plan, including the Benefit Plan s investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA, if applicable, and other applicable provisions of ERISA and the Code;
- your investment will not impair the liquidity of the Benefit Plan;
- your investment will not produce UBTI for the Benefit Plan;
- you will be able to value the assets of the plan annually in accordance with ERISA requirements and applicable provisions of the Benefit Plan; and
- your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Fiduciaries may be held personally liable under ERISA for losses as a result of failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA. In addition, if an investment in our stock constitutes a prohibited transaction under ERISA or the Code, the fiduciary of the plan who authorized or directed the investment may be subject to imposition of excise taxes with respect to the amount invested and an IRA investing in the stock may lose its tax exempt status.

Plans that are not subject to ERISA or the prohibited transactions of the Code, such as government plans or church plans, may be subject to similar requirements under state law. Such plans should satisfy themselves that the investment satisfies applicable law. We have not, and will not, evaluate whether an investment in our stock is suitable for any particular plan. Rather, we will accept entities as stockholders if an entity otherwise meets the suitability standards set forth in Investor Suitability Standards.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this prospectus that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as may, should, expect, could, intend, plan, anticipate, estir continue, predict, potential or the negative of such terms and other comparable terminology.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- our ability to effectively utilize the proceeds raised in this offering;
- changes in economic conditions generally and the real estate and debt markets specifically;
- legislative or regulatory changes (including changes to the laws governing the taxation of REITs);
- the availability of capital;
- interest rates; and
- changes to U.S. generally accepted accounting principles (GAAP).

Any of the assumptions underlying forward-looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward-looking statements included in this prospectus. All forward-looking statements are made as of the date of this prospectus and the risk that actual results will differ materially from the expectations expressed in this prospectus will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements after the date of this prospectus, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this prospectus, including without limitation, the risks described under Risk Factors, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this prospectus will be achieved.

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CONFLICTS OF INTEREST

We are subject to conflicts of interest arising out of our relationships with our sponsor, advisor, property manager and their affiliates. All of our agreements and arrangements with such parties, including those relating to compensation, are not the result of arm s-length negotiations. Some of the conflicts inherent in our transactions with our sponsor, advisor, property manager and their affiliates, and the limitations on such parties adopted to address these conflicts, are described below. Our sponsor, advisor, property manager and their affiliates will try to balance our interests with their own. However, to the extent that such parties take actions that are more favorable to other entities than to us, these actions could have a negative impact on our financial performance, and as a result, on distributions to you and the value of our stock.

Our advisor, executive officers and their affiliates may face conflicts of interest.

We do not have any employees, and, as a result, will rely on the employees of our advisor and its affiliates for the day-to-day operation of our business. Our sponsor and its affiliates are general partners, managing members and sponsors of other real estate programs having similar investment objectives to ours. The employees of our sponsor and its affiliates currently control and/or operate other entities that own properties in the markets in which we may seek to invest, and they spend a material amount of time managing these properties and other assets that are unrelated to our business. Each of our executive officers are also officers of our sponsor and/or its affiliates, and as a result, these individuals owe fiduciary duties to these other entities and their stockholders, members and limited partners. Because our sponsor and its affiliates have such interests in other real estate programs and engage in other business activities, the employees of our sponsor and its affiliates may experience conflicts of interest in allocating their time and resources among our business and these other activities. The amount of time that our advisor 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 properties. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. We expect that as our real estate activities expand, our advisor will attempt to hire additional employees who would devote substantially all of their time to our business. There is no assurance that our advisor will devote adequate time to our business, however, our advisor believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to us and all of the other activities for which they are responsible.

If our advisor 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 these things occur, the returns on our investments, our ability to make distributions to stockholders and the value of your investment may suffer. Some of these individuals 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 effect on our operations and your investment. Our advisor, property manager and their respective affiliates may, in the future, be engaged in other activities that could result in potential conflicts of interest with the services that they provide to us. In addition, our sponsor may compete with us for the acquisition and/or refinancing of properties of a type suitable for our investment following the final closing of this offering.

Property management services are being provided by an affiliated party.

Our property manager is controlled by our sponsor, and is thus subject to an inherent conflict of interest. Specifically, because the property manager will receive significant fees for managing our properties, our advisor may face a conflict of interest when determining whether we should sell properties under circumstances where the property manager would no longer manage the property after the transaction. As a result of this conflict of interest, we may not dispose of properties when it would be in our best interests to do so.

If we acquire properties from affiliates of our advisor, the price may be higher than we would pay if the transaction was the result of arm s-length negotiations.

The prices we pay to affiliates of our advisor for our properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties, or if the price to us is in excess of such cost, substantial justification for such excess will exist and such excess will be reasonable and consistent with current market conditions as determined by a majority of our independent directors. Substantial justification for a higher price could result from improvements to a property by the affiliate of our advisor or increases in market value of the property during the period of time the property is owned by the affiliate as evidenced by an appraisal of the property. In no event will we acquire property from an affiliate at an amount in excess of its current appraised value as determined by an independent appraiser selected by our independent directors not otherwise interested in the transaction. An appraisal is current if obtained within the prior year. These prices 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 in an arm s-length transaction. Even though we will use an independent third-party appraiser to determine fair market value when acquiring properties from our advisor and its affiliates, we may pay more for particular properties than we would have in an arm s-length transaction, which would reduce our cash available for investment in other properties or distribution to our stockholders. Notwithstanding the foregoing, we will not enter into transactions with our affiliates to purchase property at a higher price than the cost of the property unless substantial justification for the excess exists and such excess is reasonable (and in no event shall the cost of such asset to us exceed its current appraised value).

We may purchase real properties from persons with whom affiliates of our advisor have prior business relationships.

If we purchase properties from third parties who have sold, or may sell, properties to our advisor or its affiliates, our advisor may experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. As a result of this conflict, the terms of any transaction between us and such third parties may not reflect the terms that we could receive in the market on an arm s length basis. If the terms we receive in a transaction are less favorable to us, our results from operations may be adversely affected.

Payment of fees to our advisor and its affiliates will reduce cash available for investment and distribution.

Our advisor and its affiliates will perform services for us in connection with the selection and acquisition of our properties and other investments. They will be paid significant fees for these services, which will reduce the amount of cash available for investment and for distribution to stockholders. Although our board of directors will review the compensation of our advisor on an annual basis, the agreements between us and our advisor or its affiliates, and the fees paid to them pursuant to such agreements, will not be reached through arm s-length negotiations and may not reflect the terms that would be available from a third-party. These fees increase the risk that the amount available for payment of distributions to our stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares of stock in this offering. Substantial up-front fees also increase the risk that you will not be able to resell your shares of stock at a profit, even if our stock is listed on a national securities exchange. See Compensation Table and Management.

Certain of our affiliates will receive substantial fees prior to the payment of dividends to our stockholders.

Ezra Beyman owns 100% of the ownership interests, either directly or indirectly, of our advisor, our property manager and our dealer manager. In addition, Ezra Beyman is our President, Chief Executive Officer and Chairman of the Board of Directors and the President and Chief Executive Officer of our advisor. As a result, Mr. Beyman has a direct interest in all fees paid to our affiliates and is in a position to make decisions about our investments in ways that could maximize fees payable to our affiliates. We will pay or cause to be paid substantial compensation to our dealer manager, advisor, property manager and other affiliates and their employees. In addition, generally, our dealer manager and advisor will receive compensation that is not dependent on our success or profitability. These payments are payable before the payment of dividends to our stockholders and none of these payments are subordinated to a specified return to our stockholders. Also, although our property manager will receive compensation under a management agreement, such compensation will generally be dependent on our gross revenues. Further, other affiliates of our sponsor may, from time to time, provide services to us if approved by our board of directors, including a majority of the disinterested directors. It is possible that we could obtain such goods and services from unrelated persons at a lesser price.

Our advisor and its affiliates receive fees and other compensation based upon our investments.

Some compensation is payable to our affiliates whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our advisor 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 advisor are based on total assets under management, including assets purchased using debt, our advisor may have an incentive to incur a high level of leverage in order to increase the total amount of assets under management. These fees could influence our advisor s advice to us. In addition, our advisor s ability to receive fees and reimbursements depends on our continued investment in real properties. Therefore, the interest of our advisor and its affiliates in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock.

Our advisor may receive substantial fees in connection with the refinancing of any debt that we use to acquire properties or to make other permitted investments, or that is assumed, directly or indirectly, in connection with the acquisition of properties.

In connection with any refinancing of our debt that we use to acquire properties or to make other permitted investments, including any indebtedness assumed by us in connection with the acquisition of properties, we will pay our advisor a financing coordination fee equal to 1% of the amount available and/or outstanding under such financing, subject to certain limitations. There is no limit on our ability to refinance our indebtedness. As a result, our advisor has an incentive to recommend that we refinance our existing indebtedness, regardless of whether the structure, terms or conditions are favorable to us given our then-existing debt levels and current market conditions. Although our charter limits the amount of indebtedness that we may incur, our advisor may have an incentive to recommend that we refinance our indebtedness and incur additional indebtedness in connection with such refinancing.

We may compete with other entities affiliated with our sponsor for tenants.

Our sponsor and its affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business ventures, including ventures involved in the acquisition, development, ownership, management, leasing or sale of real estate. Our sponsor and/or its affiliates may own and/or manage properties in the same geographical areas in which we expect to acquire real estate assets. Therefore, our properties may compete for tenants with other properties owned and/or managed by our sponsor and its affiliates. Our sponsor may face conflicts of interest when evaluating tenant opportunities for our properties and other properties owned and/or managed by our sponsor and its affiliates, and these conflicts of interest may have a negative impact on our ability to attract and retain tenants.

If we invest in joint ventures, the objectives of our partners may conflict with our objectives.

In accordance with our acquisition strategies, we may make investments in joint ventures or other partnership arrangements between us and affiliates of our sponsor or with unaffiliated third parties. Investments in joint ventures which own real properties may involve risks otherwise not present when we purchase real properties directly. For example, our co-venturer may file for bankruptcy protection, have economic or business interests or goals which are inconsistent with our interests or goals, or take actions contrary to our instructions, requests, policies or objectives. Among other things, actions by a co-venturer might subject real properties owned by the joint venture to liabilities greater than those contemplated by the terms of the joint venture or other adverse consequences.

These diverging interests could result in, among other things, exposing us to liabilities of the joint venture in excess of our proportionate share of these liabilities. The partition rights of each owner in a jointly owned property could reduce the value of each portion of the divided property. Moreover, there is an additional risk that the co-venturers may not be able to agree on matters relating to the property they jointly own. In addition, the fiduciary obligation that our sponsor or our board of directors may owe to our partner in an affiliated transaction may make it more difficult for us to enforce our rights.

Certain Conflict Resolution Measures

Allocation of Investment Opportunities

As previously mentioned, we rely on our sponsor and its executive officers, and real estate professionals acting on behalf of our advisor, to identify suitable investments. Such executive officers and real estate professionals currently serve as advisors and managers for other real estate investment programs sponsored by

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affiliates of our sponsor. As such, many investment opportunities may be suitable for us as well as other real estate programs sponsored by our sponsor or affiliates of our sponsor, and we will rely upon the same executive officers and real estate professionals to identify suitable investments for us as such other programs. Such real estate professionals have complete discretion in allocating investment opportunities, and as a result, could direct attractive investment opportunities to other entities or investors. Our board of directors has a duty to ensure that the method used by our advisor for the allocation of the acquisition of properties by two or more affiliated programs seeking to acquire similar types of properties is applied fairly to us.

Our advisor s success in generating investment opportunities for us and its fair allocation of opportunities among programs sponsored by its affiliates are important criteria in the determination by our independent directors whether to continue or renew our contract with our advisor. Our independent directors have a duty to ensure that our advisor fairly applies its method for allocating investment opportunities among the programs sponsored by our advisor or its affiliates.

Before the advisor may take advantage of an investment opportunity for its own account or recommend it to others, the advisor is obligated to present such opportunity to us if (a) such opportunity is compatible with our investment objectives and policies, (b) such opportunity is of a character which could be taken by us, and (c) we have financial resources to take advantage of such opportunity. In the event that an investment opportunity becomes available that is suitable for both us and a public or private entity with which the advisor or its affiliates are affiliated for which both entities have sufficient uninvested funds, and the requirements of the preceding sentence have been satisfied, then the entity that has had the longest period of time elapse since it was offered an investment opportunity will first be offered the investment opportunity.

In determining whether or not an investment opportunity is suitable for more than one (1) entity, our Board of Directors and the advisor will examine such factors, among others, as the cash requirements of each entity, the effect of the acquisition both on diversification of each entity s investments by type of property and geographic area and on diversification of the tenants of its properties, the policy of each entity relating to leverage of properties, the anticipated cash flow of each entity, the income tax effects of the purchase to each entity, the size of the investment and the amount of funds available to each 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 the acquisition of such investment or a delay in the construction of a property, causes any such investment, in the opinion of our Board of Directors and the advisor, to be more appropriate for an entity other than the entity that committed to make the investment, the advisor may determine that the other entity affiliated with the advisor or its affiliates will make the investment. It shall be the duty of our Board of Directors, including our independent directors, to ensure that the method used by the advisor for the allocation of the acquisition of investments by two or more affiliated programs seeking to acquire similar types of assets is reasonable and applied fairly to us.

Independent Directors

In order to reduce the risks created by conflicts of interest, our charter requires our board to be comprised of a majority of persons who are independent directors. Our charter also empowers the independent directors to retain their own legal and financial advisors. Among the matters we expect the independent directors to act upon are:

- the continuation, renewal or enforcement of our agreements with our advisor and its affiliates;
- offerings of our securities;
- sales of properties and other investments;
- investments in properties and other assets;

- borrowings;
- transactions with affiliates;
- compensation of our officers and directors who are affiliated with our sponsor and advisor;
- whether and when we seek to list our shares of common stock on a national securities exchange;
- whether and when we seek to become self-managed, which decision could lead to our acquisition of our advisor and affiliates at a substantial price; and

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whether and when our company or its assets are sold.

A majority of our board of directors, including a majority of our independent directors, will approve any investments we acquire from our sponsor, advisor, directors or any of their respective affiliates.

Charter Provisions Relating to Conflicts of Interest

In order to reduce or eliminate certain potential conflicts of interest, our charter contains a number of restrictions relating to conflicts of interest, including the following:

Advisor Compensation

Our charter requires that our independent directors evaluate at least annually whether the compensation that we contract to pay to our advisor and its affiliates is reasonable in relation to the nature and quality of services performed and whether such compensation is within the limits prescribed by our charter. Each such determination will be reflected in the minutes of the meeting of the board of directors. Our independent directors will supervise the performance of our advisor and its affiliates and the compensation we pay to them to determine whether the provisions of our compensation arrangements are being carried out. This evaluation will be based on the following factors as well as any other factors deemed relevant by the independent directors:

the amount of the advisory fee in relation to the size, composition and performance of our investments;

the success of our advisor in generating appropriate investment opportunities;

the rates charged to other REITs, especially similarly structured REITs, and to investors other than REITs, by advisors performing similar services;

additional revenues realized by our advisor and its affiliates through their relationship with us;

the quality and extent of service and advice furnished by our advisor and its affiliates;

the performance of our investment portfolio; and

the quality of our portfolio relative to the investments generated by our advisor and its affiliates for the account of its other clients.

Term of Advisory Agreement

Each contract for the services of our advisor may not exceed one year, although there is no limit on the number of times that we may retain a particular advisor. Either a majority of our independent directors or our advisor may terminate our advisory agreement without cause or penalty on 60 days written notice.

Our Acquisitions

We will not purchase or lease properties in which our advisor, any of our directors, or any of their respective affiliates has an interest without a determination by a majority of the directors, including a majority of the independent directors, 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 substantial justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. In no event will we acquire any such property at an amount in excess of its current appraised value as determined by an independent appraiser selected by our independent directors not otherwise interested in the transaction. An appraisal is current if obtained within the prior year. We will not sell or lease properties to our advisor, any of our directors or any of their respective affiliates unless a majority of the directors, including a majority of the independent directors, not otherwise interested in the transaction, determines the transaction is fair and reasonable to us. We expect that, from time to time, our advisor or its affiliates will temporarily enter into contracts relating to investment in properties and other assets, all or a portion of which is to be assigned to us prior to closing, or may purchase property or other investments in their own name and temporarily hold title for us. There is no dollar or number limitation on transactions with our affiliates.

Other Transactions Involving Affiliates

A majority of our independent directors must conclude that all other transactions with affiliates, including joint ventures, between us and our advisor, any of our officers or directors or any of their affiliates are fair and

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reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties or, in the case of joint ventures, on substantially the same terms and conditions as those received by the other joint venturers.

Limitation on Operating Expenses

Commencing four fiscal quarters after the acquisition of our first real estate asset, our advisor must reimburse us the amount by which our aggregate total operating expenses for the four fiscal quarters then ended exceed the greater of 2% of our average invested assets or 25% of our net income, unless our independent directors have determined that such excess expenses were justified based on unusual and non-recurring factors. Our limitation on operating expenses is an ongoing limitation. Average invested assets means the average monthly book value of our assets during the 12-month period before deducting depreciation, bad debts or other non-cash reserves. Total operating expenses means all expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including advisory fees, but excluding (i) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (ii) interest payments; (iii) taxes; (iv) non-cash expenditures such as depreciation, amortization and bad debt reserves; (v) reasonable incentive fees based on the gain from the sale of our assets; and (vi) acquisition fees and expenses (including expenses relating to potential investments that we do not close), disposition fees on the resale of property and other expenses connected with the acquisition, disposition and ownership of real estate interests, loans or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property). Any financing coordination fees or disposition fees paid in connection with real estate-related assets other than interests in real property will be included in the calculation of Total Operating Expenses. Our advisor will reimburse us from time to time on an annual basis after the completion of our annual audit and no later than March 31 of any such year. Our board of directors will measure our aggregate total net income by reviewing our annual report and the financial statements included therein. Our board of directors will measure our average invested assets on a quarterly basis by reviewing our quarterly financial statements. If our independent directors do not determine that any excess is justified, our advisor will reimburse us for the amount by which the aggregate expenses exceeded the limitation.

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COMPENSATION TABLE

The compensation arrangements between us, our advisor, property manager, dealer manager, sponsor and their affiliates were not determined by arm s-length negotiations. The following table discloses the compensation which we may pay to such parties. In those instances in which there are maximum amounts on the compensation which may be received, our affiliates may not recover any excess amounts for those services by reclassifying them under a different compensation or fee category. See the Conflicts of Interest section of this prospectus for more information about the conflicts of interest with our affiliates.

We define net income as total revenues less expenses other than additions to reserves for depreciation or bad debts or other similar non-cash reserves. When we use the term net income for purposes of calculating some expenses and fees, it excludes the gain from the sale of our assets. However, this net income definition is not in accordance with GAAP, because we do not deduct depreciation and other non-cash reserves in determining net income.

We define the term net investment as the original issue price paid for our common stock, reduced by distributions from the sale or refinancing of our properties.

For a description of undertakings we have made to limit compensation paid to our affiliates, see Management and Reports to Stockholders.

Non-Subordinated Payments

The following aggregate amounts of compensation, allowances and fees we may pay to our affiliates are not subordinated to the returns on initial investments that we are required to pay to our stockholders.

Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
	Offering Stage	
Selling Commissions	Payable to our dealer manager up to 7% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. Our dealer manager intends to reallow 100% of commissions earned for those transactions that involve participating broker dealers.	$70,000,000
Dealer Manager Fee	Payable to our dealer manager up to 3% of gross offering proceeds before reallowance to participating broker-dealers. Our dealer manager, in its sole discretion, may reallow a portion of its dealer manager fee of up to 3% of the gross offering proceeds to be paid to such participating broker-dealers.	$30,000,000
Organization and Offering Expenses[1]	We will pay our advisor up to 1.5% of the gross offering proceeds for organizational and offering	$8,000,000

expenses (other than dealer manager fees and selling commissions). Currently we estimate that approximately $8 million of organizational and offering expenses will be incurred if the maximum offering is achieved. Our advisor and its affiliates are responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 1.5% of gross offering proceeds, without recourse against or reimbursement by us; provided, however, that in no event will we pay or reimburse organization and offering expenses (including dealer manager fees and selling commissions) in excess of 15% of the gross offering proceeds.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
	Operational Stage	
Acquisition Fees	Fees payable to our advisor in the amount of 2.5% of the gross contract purchase price (including any mortgage assumed) of the property, loans or other real estate-related assets purchased. The acquisition fees and expenses for any particular asset, including amounts payable to affiliates, will not exceed, in the aggregate, 6% of the contract purchase price (including any mortgage assumed) of the asset. Our advisor will be paid acquisition fees and we will reimburse our advisor for acquisition expenses only to the extent that acquisition fees and acquisition expenses collectively do not exceed 6% of the contract purchase price of our assets.	21,481,000 (or $42,962,000 assuming that we incur our expected leverage set forth in our investment guidelines or $85,924,000 assuming the maximum leverage permitted by our charter.)
Acquisition Expenses	Expenses reimbursed to our advisor incurred in connection with the purchase of an asset. We have assumed the acquisition expenses will equal approximately 0.5% of the contract purchase price. The acquisition fees and expenses for any particular asset, including amounts payable to affiliates, will not exceed, in the aggregate, 6% of the gross contract purchase price (including any mortgage assumed) of the asset. Our advisor will be paid acquisition fees and we will reimburse our advisor for acquisition expenses only to the extent that acquisition fees and acquisition expenses collectively do not exceed 6% of the contract purchase price of our assets.	$4,296,000 (or $8,592,000 assuming that we incur our expected leverage set forth in our investment guidelines or $17,184,000 assuming the maximum amount of leverage permitted by our charter.)
Asset Management Fees	Payable to our advisor in the amount of 0.75% of average invested assets. Average invested assets means the average of the aggregate book value of our assets invested in interests in, and loans secured by, real estate before reserves for depreciation or bad debt or other similar non-cash reserves. We will compute the average invested assets by taking the average of these book values at the end of each month during the quarter for which we are calculating the fee. The fee will be payable quarterly in an amount equal to 0.1875% of average invested assets as of the last day of such quarter. We will also reimburse our advisor for expenses that it pays on our behalf.	Not determinable at this time because the fee is based on a fixed percentage of aggregate asset value; there is no maximum dollar amount of this fee.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
Property Management and Leasing Fees	Payable, on a monthly basis in the amount of 5% of the gross revenues, to our property manager 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 property manager to provide such services. Additionally, we may pay our property manager a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm s length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area.	Not determinable at this time because the fee is based on a fixed percentage of gross revenue and/or market rates; there is no maximum dollar amount of this fee.
Operating Expenses	We will reimburse our advisor for all expenses paid or incurred by our advisor in connection with the services provided to us, subject to the limitation that we will not reimburse our advisor for any amount by which our operating expenses (including the asset management fee, the financing coordination fee and any disposition fees paid in connection with the sale of real estate-related assets other than interests in real property) at the end of the four preceding fiscal quarters exceeds the greater of: (A) 2% of our average invested assets, or (B) 25% of our net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of our assets for that period. Notwithstanding the above, we may reimburse our advisor for expenses in excess of this limitation if a majority of the independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. We will not reimburse our advisor or its affiliates for personnel employment costs incurred by our advisor or its affiliates in performing services under the advisory agreement to the extent that such employees perform services for which the advisor receives a separate fee.	Not determinable at this time.
	Items such as interest payments, taxes, non-cash expenditures, the special liquidation distribution,	

organization and offering expenses, and acquisition fees and expenses are excluded from the definition of total operating expenses, which otherwise includes the aggregate expenses of any kind paid or incurred by us. Excess amounts relating to items listed above may not need to be reimbursed. See Management Our Advisory Agreement for an explanation of circumstances where the excess amount may not need to be reimbursed.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
Financing Coordination Fee	If our advisor provides services in connection with the refinancing of any debt that we use to acquire properties or to make other permitted investments, or that is assumed, directly or indirectly, in connection with the acquisition of properties, we will pay the advisor a financing coordination fee equal to 1% of the amount available and/or outstanding under such financing, subject to certain limitations. The services our advisor may perform include, without limitation, searching for lenders in connection with a proposed refinancing and negotiating the structure, terms and conditions of any proposed refinancing with such lenders. Our advisor may reallow some or all of this fee to reimburse third parties that it retains to procure any such refinancing.	Not determinable at this time. Because the fee is based on a fixed percentage of any debt financing, there is no maximum dollar amount of this fee.
	Liquidation Distributions	
Disposition Fee	We may pay our advisor a commission upon the sale of one or more of our properties or other real estate related 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 or (b) 1% of the sale price of the asset. Payment of such fee may be made only if the advisor provides a substantial amount of services in connection with the sale of the asset. 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 the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset or an amount equal to 6% of the sale price of such asset. We will not pay a disposition fee upon the maturity, prepayment or workout of a loan or other debt-related investment, provided that if we take ownership of a property as a result of a workout or foreclosure of a loan we will pay a disposition fee upon the sale of such property.	Not determinable at this time because actual amounts are dependent upon the sale price of specific properties or commission that would be reasonable, customary and competitive at the time of sale.

	Any disposition fees paid on assets other than real property interests will be included in the calculation of operating expenses for purposes of the limitation on total operating expenses.	
Subordinated Participation in Net Sale Proceeds	After investors have received a return of their capital contributions invested and a 8% annual cumulative, non-compounded return, then Empire American ALP, LLC is entitled to receive 10% of the remaining net sale proceeds.	Not determinable at this time because actual amounts are dependent upon the sale proceeds of specific properties.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (100,000,000 Shares)
Subordinated Incentive Listing Fee	Upon listing our common stock on a national securities exchange, Empire American ALP, LLC is entitled to a fee equal to 10% of the amount, if any, by which (a) the market value of our outstanding stock plus distributions paid by us prior to listing, exceeds (b) the aggregate remaining capital contributed by investors plus an amount equal to an 8% annual cumulative, non-compounded return to investors on their aggregate capital contributed. We have no intent to list our shares at this time.	Not determinable at this time because actual amounts are dependent upon the future value of our stock and distributions that may be paid by us.
Subordinated Termination Fee	Upon termination of the advisory agreement, Empire American ALP, LLC will be entitled to a subordinated termination fee payable in the form of an interest bearing promissory note. The subordinated termination fee, if any, will be equal to the sum of (a) 10% of the amount, if any, by which (1) the appraised value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date, less any amounts distributable as of the termination date to limited partners who received units in the operating partnership in connection with the acquisition of any assets upon the liquidation or sale of such assets (assuming the liquidation or sale of such assets on the termination date) exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination date, would have provided them an 8% annual cumulative, pre-tax, non-compounded return on the gross proceeds from the sale of shares of our common stock through the termination date.	Not determinable at this time because actual amounts are dependent upon the future appraised value of our properties.

(1) Organization and offering expenses consist of actual legal, accounting, printing and other accountable offering expenses, other than selling commissions and the dealer manager fee, including without limitation, amounts to reimburse our advisor for marketing, salaries and direct expenses of its employees, employees of its affiliates and others while engaged in registering and marketing the shares of our common stock to be sold in connection with this offering, which includes without limitation, development of marketing materials and marketing presentations, *bona fide* due diligence expenses, training seminars and educational conferences and coordinating generally the marketing process for this offering in addition to certain oversight costs. All *bona fide* due diligence expenses

require a detailed and itemized invoice.

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PRIOR PERFORMANCE OF AFFILIATES OF OUR SPONSOR

Prior Performance Summary

The following section contains information on prior real estate investment programs sponsored by our sponsor and its principal, Ezra Beyman. This discussion includes a narrative summary of our sponsor s experience in the last ten years for (i) all non-public programs sponsored by it and its affiliates which raised funds from outside investors, and (ii) investments for its own account. The following discussion is intended to summarize briefly the objectives and performance of the prior real estate programs and to disclose any material adverse business developments sustained by them. The information set forth is current as of December 31, 2009, except where a different date is specified.

For purposes of this summary and the tables included in this prospectus, we have divided the information into two separate sections. One section describes with the investment performance of our sponsor investing for its own account in the last ten years. These investments are referred to as Non-Program Properties. The other section describes the investment performance of the non-public real estate investment program sponsored by our sponsor and its affiliates which raised funds from outside investors during the ten years ended December 31, 2009. These investments are referred to as Program Properties.

The information contained herein is included solely to provide prospective investors with background to be used to evaluate the real estate experience of our sponsor and its affiliates. The information summarized below is set forth in greater detail in the Prior Performance Tables included in this prospectus. Investors should direct their attention to the Prior Performance Tables for further information regarding the prior performance of our sponsor and its affiliates.

THE INFORMATION IN THIS SECTION AND THE TABLES REFERENCED HEREIN SHOULD NOT BE CONSIDERED AS INDICATIVE OF HOW WE WILL PERFORM. THIS DISCUSSION REFERS TO THE PERFORMANCE OF PRIOR PROGRAMS AND PROPERTIES SPONSORED BY OUR SPONSOR OR ITS AFFILIATES OVER THE PERIODS LISTED THEREIN. IN ADDITION, THE TABLES INCLUDED WITH THIS PROSPECTUS (WHICH REFLECT RESULTS OVER THE PERIODS SPECIFIED IN EACH TABLE) DO NOT MEAN THAT WE WILL MAKE INVESTMENTS COMPARABLE TO THOSE REFLECTED IN SUCH TABLES. IF YOU PURCHASE SHARES IN EMPIRE AMERICAN REALTY TRUST, INC., YOU WILL NOT HAVE ANY OWNERSHIP INTEREST IN ANY OF THE REAL ESTATE PROGRAMS DESCRIBED IN THE TABLES (UNLESS YOU ARE ALSO AN INVESTOR IN THOSE REAL ESTATE PROGRAMS).

Our Sponsor

Empire American Holdings, LLC, our sponsor, is a national real estate investment firm based in New Jersey that focuses on acquiring and managing residential and commercial properties across the United States. Our sponsor has been ranked by the National Multi Housing Counsel in its publication, the NMHC 50, as of January 1, 2010, as the 30th largest U.S. apartment owner and the 22nd largest U.S. apartment manager. Since 1983, our sponsor has acquired residential properties across the United States, currently totaling approximately 328 properties with more than 40,000 residential units in 17 states. Our sponsor has interests in a portfolio of properties currently valued at approximately $2.7 billion based on recent appraisals and management s estimates of property values using recent sale information and using capitalization rates of comparable properties. Our sponsor is supported by Empirian Property Management, Inc. (Empirian), a property management company that employs over 1,100 people nationwide.

During the last ten years, our sponsor has invested in numerous real estate properties, which were, generally, Non-Program Properties. Our sponsor also purchased certain Program Properties through a non-public program in which it raised funds from outside investors.

Program Properties

Prospective investors should read the Prior Performance Tables for Program Properties included herein carefully together with the information concerning the Program Properties as set forth in the foregoing Prior Performance Summary. Investors in our shares will not own any interest in any of the Program Properties and should not assume that they will experience returns, if any, comparable to those experienced by investors in the Program Properties.

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Our advisor is responsible for managing our day-to-day business operations, including operation, maintenance and resale of real estate properties. Mr. Beyman controls our advisor and is a President or manager of each of the entities owning the Program Properties or its controlling entity. The financial results of the Program Properties thus provide the performance of properties for which Mr. Beyman was ultimately responsible during the periods covered. However, general economic conditions affecting the real estate industry and other factors contribute significantly to financial results.

The following tables are included herein:

Table I	Experience in Raising and Investing Funds (As a Percentage of Investment)
Table II	Compensation to Sponsor (in Dollars)
Table III	Annual Operating Results of Prior Real Estate Programs
Table IV	Results of Completed Programs
Table V	Results of Sales or other Dispositions of Properties

Additional information relating to the acquisition of Program Properties is contained in Table VI, included in Part II of the registration statement, which we have filed with the SEC. Copies of Table VI will be provided to prospective investors at no charge upon request.

These Program Properties have similar investment objectives as us. Nevertheless, the Program Properties objectives differ from ours in that: (i) a substantial portion of our sponsor s returns have come from refinancing proceeds; (ii) our sponsor utilizes more leverage than we are permitted to use; (iii) investors received fixed returns on capital invested that were unrelated to the performance of the Program Properties; (iv) investors in completed programs did not experience a liquidity event, such as a liquidation of assets or listing on a stock exchange, but rather agreed to roll their investment into another program sponsored by our sponsor; (v) the entities owning the Program Properties generally do not pay any Acquisition Fees, asset management fees or other fees to our sponsor which we pay; and (vi) the operational documents of the entities owning the Program Properties generally do not contain the prohibitions on self-dealing activities and the operational and investment limitations that are applicable to us and the sponsor was able to and did in certain cases transfer assets from one program to another without transferring any funds. In order to increase the net asset value and cash flows supporting the investors interests in the Empire Asset Group program, from time to time certain properties with positive equity value that were generating positive cash flows were transferred into the program and certain properties with high leverage and decreasing cash flows were transferred out of the program.

YOU SHOULD NOT CONSTRUE INCLUSION OF THE FOLLOWING INFORMATION AS IMPLYING IN ANY MANNER THAT WE WILL HAVE RESULTS COMPARABLE TO THOSE REFLECTED IN THE INFORMATION BELOW BECAUSE THE YIELD AND CASH AVAILABLE AND OTHER FACTORS COULD BE SUBSTANTIALLY DIFFERENT IN OUR PROPERTIES.

Narrative Summary of Program Properties: January 1, 1999 through December 31, 2009

From January 1, 1999 through December 31, 2009, our sponsor and its predecessor entities and affiliates sponsored six programs: Empire Asset Group, LLC, Empirian Bay Investors, LLC, Empire Network I, LLC, Empire Network II, LLC, Empire American Group, LLC and Gibraltar Group, LLC. During such time period, the sponsor raised capital from approximately 424 outside investors in the aggregate of approximately $228.6 million. 100% of the Program Properties consisted of old properties. During such period the sponsor caused the sale of 10 properties in the aggregate from the Programs. No investor failed to receive a distribution when due and no investor realized a loss in any of the sponsor s completed Programs.

Empire Asset Group and Empirian Bay Programs

Empire Asset Group and Empirian Bay each commenced during the year ended December 31, 2003. During 2005, all investors of Empirian Bay Investors transferred their investment interest to Empire Asset Group. This transfer was done to consolidate all investors in one program. The sponsor believed that investors in the Empirian Bay Investors program would benefit from this consolidation because the Empire Asset Group program had a more diversified portfolio of multifamily properties.

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Since inception, the sponsor raised capital from investors in the aggregate of $164,360,752 (excluding amounts contributed by the sponsor and its affiliates) with an aggregate of 367 outside investors. Empire Asset Group currently continues to raise additional capital from investors. The aggregate acquisition cost for the these program properties was $1,001,493,127 and 100% of these program properties consisted of old properties. During the period from inception to December 31, 2009, the sponsor caused the sale of 8 properties in the aggregate from the these programs.

During the period from inception to December 31, 2009, the sponsor purchased, with the use of senior and mezzanine financing, multifamily residential properties located in the Southeastern, Southwestern, Mid-western and Mid-Atlantic regions of the United States. During 2005 and 2006, the sponsor sold 7 of such multifamily residential properties.

From January 1, 2006 through December 31, 2009, our sponsor acquired individual communities known as:

Alta Cove at Greenbreier Apartments, now known as Empirian Chesapeake, a 374 unit residential property located in Chesapeake, Virginia;
Highlands at Alexander Pointe, now known as Empirian Highlands, a 309 unit residential property located in Charlotte, North Carolina;
Carrington Park at Lanier, now known as Empirian Lanier, a 210 unit residential property located in Gainesville, Georgia;
Waterford Landing, now known as Empirian Waterford Landing, a 260 unit residential property located in McDonough, Georgia;
Carrington Place at Wildewood, now known as Empirian Wildewood, a 240 unit residential property located in Columbia, South Carolina, and
Springhill Lake*, now known as Empirian Village of Maryland, a 2,877 unit residential property located in Greenbelt, Maryland.

On August 30, 2007, our sponsor acquired a 9 property portfolio known as the Gibraltar Portfolio*, consisting of:

Avon Creek Apartments, now known as Empirian Avon Creek, a 256 unit residential property located in West Avon, Indiana;
Brownsburg Crossing Apartments, now known as Empirian Brownsburg Crossing, a 224 unit residential property located in Brownsburg, Indiana;
Greenfield Crossing Apartments, now known as Empirian Greenfield Crossing, a 272 unit residential property located in Greenfield, Indiana;
Island Club Apartments, now known as Empirian Island Club, a 272 unit residential property located in Ft. Wayne, Indiana;
The Reserve at Dawson s Creek Apartments, now known as Empirian Dawson s Creek, a 274 unit residential property located in Ft. Wayne, Indiana;
Saratoga Crossing Apartments, now known as Empirian Saratoga Crossing, a 240 unit residential property located in Plainfield, Indiana;
Settler s Run Apartments, now known as Empirian Settler s Run, a 304 unit residential property located in Danville, Indiana;
The Landings Apartments, now known as Empirian Bellevue Landings, a 240 unit residential property located in Bellevue, Nebraska, and
The Overlook Apartments, now known as Empirian Bellevue Overlook, a 330 unit residential property located in Bellevue, Nebraska.

On March 19, 2008, our sponsor acquired a 4 property portfolio known as the Toledo Portfolio* consisting of:

The Cloisters Apartments, now known as Empirian CKT, a 506 unit residential property located in Toledo, Ohio;

*Purchased outside of the Program and subsequently transferred to the Program in exchange for preferred interests.

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Country Club Apartments, now known as Empirian Country Club, a 316 unit residential property located in Toledo, Ohio;
Hawthorne Hills Apartments, now known as Empirian Hawthorne Hills, an 88 unit residential property located in Toledo, Ohio, and
The Woodlands Apartments, now known as Empirian Woodlands, a 150 unit residential property located in Toledo, Ohio.

Empire Network I Program

The Empire Network I program commenced during the year ended December 31, 1999. Since inception, the sponsor raised capital from outside investors in the aggregate of approximately $26 million. The Empire Network I program was completed prior to 2004. Investors in the Empire Network I program either redeemed their interests or transferred their investment interests to Empire Network II or Empire Asset Group. 100% of these properties consisted of old properties. During the program s existence the sponsor caused the sale of two properties. In addition to making investments in real property, Empire Network I engaged in other real estate related operations consistent with its broad investment objectives. Program investors received a fixed return based on the value of their investment. The sponsor purchased, with the use of senior and mezzanine financing, five multifamily residential properties known as:

Empirian Luxury Towers, a 571 unit residential property located in Philadelphia, Pennsylvania.
Deerfield Luxury Townhomes, a 166 unit residential property located in Hermantown, Minnesota.
Empirian at Northridge, a 608 unit residential property located in Sandy Springs, Georgia.
Hilltower Apartments, a 224 unit residential property located in Chestnut Hill, Pennsylvania.
Coriel Apartments, a 245 unit residential property located in Levittown, Pennsylvania.

Empire Network II Program

The Empire Network II program commenced during the year ended December 31, 2002. Since inception, the sponsor raised capital from outside investors in the aggregate of approximately $36 million with an aggregate of 167 outsider investors. The Empire Network II program was completed prior to 2004. The Empire Network II program did not purchase any properties and investors either redeemed their interests or transferred their investment interests to Empire Asset Group.

Empire American Group

The Empire American Group program commenced during January of 2009. Since inception, the sponsor raised capital from 13 outside investors in the aggregate of approximately $2.0 million. Empire American Group is still in the offering stage and has not invested in any properties, however upon the commencement of this offering the sponsor intends to cancel this offering and return the subscription proceeds to the investors.

Gibraltar Group

The Gibraltar Group program commenced during July of 2009 for the purpose of raising capital to invest in nine properties owned by affiliates of the sponsor. Since inception, the sponsor raised capital from 46 outside investors in the aggregate amount of $5,811,827. Gibraltar Group is still in the offering stage.

Non-Program Properties

During the past ten years, our sponsor has invested in numerous real estate properties. Generally, our sponsor acquired such properties for its own account. These personal account investments are referred to as Non-Program Properties .

Additionally, our sponsor also purchased certain real estate properties through non-public programs in which it raised funds from outside investors during the last ten years, which we refer to as Program Properties .

The following is a summary of the investment performance of our sponsor that represents the results of our sponsor s Non-Program Properties since January 1, 2004. This information is presented to show our sponsor s experience investing in Non-Program Properties. For all Non-Program Properties, our sponsor has operational control, including making all material property decisions.

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The following definitions are applicable to the Non-Program Properties summaries below:

Acquisition Costs include a Non-Program Properties total purchase price including closing costs (e.g., legal fees and expenses, appraisals, accounting fees, due diligence expenses, title insurance and similar and related costs).
Cumulative Capital Advanced is the total cash capital contributed or loans advanced to the owning entities by our Sponsor and its affiliates.
Cumulative Cash Distributions is the aggregate amount of cash distributed by the owning entities from operating cash flow and sale and refinancing to our Sponsor and its affiliates.

These Non-Program Properties have similar investment objectives as us: to realize growth, to generate cash flows from operations and to invest in a diversified portfolio of multifamily properties. The Non-Program Properties differ from those that we may acquire in that: (i) a substantial portion of our sponsor s returns have come from refinancing proceeds; (ii) our sponsor utilizes more leverage than we are permitted to use; (iii) the Non-Program Properties owning entities generally do not pay any acquisition fees, asset management fees or other fees to our sponsor which we will pay affiliates of our sponsor; and (iv) the Non-Program Properties owning entities operational documents generally do not contain the prohibitions of self-dealing activities and the operational and investment limitations that are applicable to us. YOU SHOULD NOT CONSTRUE INCLUSION OF THE FOLLOWING INFORMATION AS IMPLYING IN ANY MANNER THAT WE WILL HAVE RESULTS COMPARABLE TO THOSE REFLECTED IN THE INFORMATION BELOW BECAUSE THE YIELD AND CASH AVAILABLE AND OTHER FACTORS COULD BE SUBSTANTIALLY DIFFERENT IN OUR PROPERTIES.

At December 31, 2009, the aggregate acquisition cost of the Non-Program Properties owned is approximately $1.305 billion. Such cost is the actual total acquisition costs of the Non-Program Properties and does not represent the current fair market value of such properties. The Cumulative Capital Advanced in the Non-Program Properties is approximately $90.0 million with no capital advanced remaining in such properties (after taking into account all cash distributions as indicated in the table below). As a percentage of capital invested in these properties, cash distributions during the five years ended December 31, 2009 averaged 55.4% per year.

For the period January 1, 2005 through December 31, 2009, the Non-Program Properties owned by our sponsor made aggregate cash distributions to our sponsor from operations and refinancing proceeds of approximately $11 million and $253 million, respectively. Information on such Non-Program Properties owned is set forth in the table below.

Aggregate Cash Distributions from Non-Program Properties for the Period January 1, 2005 to December 31, 2009

Except as otherwise indicated in the table, all figures are shown as of January 1 of the year indicated.

	2005	2006	2007	2008	2009
Number of Non-Program Real Estate Properties Owned	5	5	294	301	304
Cumulative Acquisition Costs to date	$108,754,666	$108,754,666	$1,191,754,666	$1,282,910,341	$1,305,518,798
Cumulative Capital Advanced as of the end of the period	$17,814,666	$21,191,180	$74,259,118	$86,280,271	$90,781,461

Cumulative Cash Distributions as of the end of the period	$34,422,119	$34,422,119	$253,029,118	$263,529,203	$266,616,354
Total Acquisition Costs during the period	$	$1,120,972,180	$91,155,675	$20,608,456	$
Original Mortgage	$	$1,069,700,000	$81,820,000	$17,414,000	$
Cash down Payment	$	$51,272,180	$9,335,675	$3,194,456	$
Capital Invested during the period	$	$3,376,514	$1,795,758	$2,685,478	$1,306,733
Total Cash distributions during the period	$31,798,395	$	$218,606,999	$10,500,085	$3,087,151
From operating cash flow	$842,021	$	$4,124,070	$2,935,679	$3,087,151
From sales	$	$	$	$	$
From refinancing	$30,956,374	$	$214,482,929	$7,564,406	$
Non Program Debt at December 31	$136,200,000	$1,205,900,000	$1,631,820,000	$1,658,334,000	$1,658,334,000

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Narrative Summary of Non-Program Properties: January 1, 1999 through December 31, 2009

From January 1, 1999 through December 31, 2009, our sponsor purchased a number of Non-Program Properties, including commercial office buildings and residential multifamily properties. Our sponsor has had control over the investment and operating decisions of the Non-Program Properties since the date of purchase. The approximate acquisition cost of such properties was in excess of $1.3 billion, which represents the approximate prices paid for the properties and not their current fair market value. The properties were purchased with a combination of our sponsor s capital and senior and mezzanine financing. From January 1, 1998 through December 31, 2009, the aggregate cash distributions to our sponsor from the operations, sales and refinancing proceeds of the Non-Program Properties was approximately $266 million.

Lexford Portfolio

On October 5, 2006, our sponsor purchased, through an affiliate, a residential property portfolio known as the Lexford Portfolio from Equity Residential Properties Trust (NYSE: EQR) for $1,083,000,000. Our sponsor acquired the Lexford Portfolio utilizing $957,100,000 of senior debt financing and $112,600,000 of mezzanine debt financing. The Lexford Portfolio consists of 289 properties located in Maryland, Georgia, Indiana, Kentucky, Tennessee, South Carolina, Ohio, Pennsylvania, Michigan and Florida comprising a total of 27,115 residential apartment units constructed between 1976 and 1989. On May 9, 2007, our sponsor refinanced the Lexford Portfolio for $1,413,800,000 by means of the following:

- a loan from Merrill Lynch in the principal amount of $1,050,000,000 due June 8, 2017;
- a loan from Fannie Mae in the principal amount of $293,800,000 due June 8, 2017; and
- a preferred equity investment from Arbor Realty Funding LLC of $70,000,000.

Our sponsor refinanced the Lexford Portfolio in 2007 because interest rates were favorable and our sponsor was able to monetize part of the appreciation in the value of the portfolio.

Other Multifamily Properties

From January 1, 1998 through December 31, 2009, our sponsor acquired:

- Empirian on Central, a 414 unit residential property located in Phoenix, Arizona;
- Empirian at Steele Park, a 399 unit residential property located in Phoenix, Arizona;
- Riverfront Towers, now known as Empirian at Riverfront, a 561 unit residential property located in Detroit, Michigan;
- Candlewood Apartments, now known as Empirian Candlewood, a 63 unit residential property located in Tampa, Florida;
- Country Square Apartments, now known as Empirian Country Square, a 72 unit residential property located in Tampa, Florida;
- Lanier Phase II, an 82 unit residential property located in Gainesville, Georgia;
- Villas at Kings Crossing, now known as Empirian Kings Crossing, a 133 unit residential property located in Jacksonville, Florida;
- Longleaf Apartments, now known as Empirian Longleaf, a 76 unit residential property located in Lawrenceville, Georgia;

Vineyard Pointe Apartments, now known as Empirian Vineyard Pointe, a 108 unit residential property located in Riverdale, Georgia and

Southlake Cove apartments, now known as Empirian Southlake Cove, a 346 unit residential property located in Jonesboro, Georgia.

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Commercial Properties

Since 2001, our sponsor has acquired a number of commercial properties nationwide. On August 7, 2001, our sponsor acquired a commercial building in Toms River, New Jersey comprising 8,846 square feet for $725,000, and subsequently sold it on August 24, 2004 for $730,000. On May 1, 2003, our sponsor acquired a commercial property in Lakewood, New Jersey for $5,800,000 comprising 74,400 square feet. On January 14, 2004, our sponsor acquired a commercial building in Montvale, New Jersey for $6,200,000 comprising 50,700 square feet, which currently houses our sponsor s headquarters. On February 13, 2007, our sponsor acquired a commercial building in Reynoldsburg, Ohio for $3,117,950 comprising 54,168 square feet. On June 28, 2007, our sponsor acquired a commercial building in West Palm Beach, Florida for $11,492,184.94 comprising 202,433 square feet.

Adverse Business Developments

Certain of the Program Properties and Non-Program Properties have been adversely affected by the U.S. economic recession and its impact on the real estate and capital markets. U.S. and international markets are currently experiencing increased levels of volatility due to a combination of many factors, including decreasing values of residential and commercial real estate, limited access to credit, decreased consumer spending and a national and global recession. The liquidity disruptions in the credit markets have significantly limited the access to debt financing. Those institutions with lending capacity are demanding higher interest rates, significantly increasing the cost of capital for those with access to the credit markets. The dislocations in the credit markets and the continuing weakness in the U.S. economy have adversely affected the financial performance of several of the sponsor s properties. A small percentage of these properties are not generating sufficient cash flows to support their debt service and operating costs. After an analysis of these factors, taking into account the dislocation in the credit markets, the increased costs of borrowing and the fact that a small percentage of properties are not generating sufficient cash flow to cover their fixed costs, the sponsor is not current on certain payments on certain debt obligations in an attempt to renegotiate the underlying indebtedness for such properties. The sponsor is confident that it will be able to successfully renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to it or its principal as a result.

There are 12 properties for which the sponsor is attempting loan modifications to enhance debt coverage as of April 14, 2010. The aggregate principal amount of indebtedness outstanding on these 12 properties is $433 million as of April 14, 2010, which comprises approximately 17% of the total indebtedness of the sponsor s Program and Non-Program Properties. The revenues generated from these 12 properties comprises approximately 13% of the sponsor s total revenue and the properties constitute less than 4% of the sponsor s total portfolio on a per property basis as of April 14, 2010. If the sponsor is unable to modify the terms of the indebtedness on these properties existing payment defaults will continue or new payment defaults may occur under the loan documents governing such indebtedness. The lenders are, or upon the existence of a payment default the lenders will be, entitled to all customary remedies, including foreclosure. Additionally, since the sponsor will not invest in further capital to improve these properties, the properties may become less desirable to potential tenants. If the properties cannot retain existing tenants or attract new tenants, the cash flow generated from these properties will decline. As a result, the failure to modify the terms of the indebtedness on these properties would reasonably be expected to have a material adverse impact on these programs. However, the sponsor does not anticipate that the failure to modify the terms of the existing indebtedness of these properties would materially affect its operations or financial condition. Each of these loans are non-recourse to the sponsor and the properties represent only a small portion of the sponsor s property portfolio.

Historically the sponsor s philosophy regarding properties with adverse cash flow has been to support the properties with positive equity infusion. For the following properties, the sponsor had funded the negative cash flow in line with this paradigm. Below is a list of our sponsor s properties that have experienced material adverse business developments.

Program Properties:

Empirian Chesapeake, a property formerly known as Alta Cove at Greenbreier Apartments, in Chesapeake, Virginia, has experienced a decline in occupancy from 94% to 84% during the period of September, 2008 to December, 2009, due in part to the U.S. recession. The property currently has an occupancy of 88%. This decline in occupancy has adversely affected cash flow. The principal amount of indebtedness on this property is approximately $63 million which bears an interest rate of 5.815%. Approximately $13.5 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

Empirian at Cordova, in Cordova, Tennessee has recently experienced an adverse effect on cash flow due in part to the U.S. recession. The principal amount of indebtedness on this property is approximately $24 million with an interest rate of 5.79%. Approximately $3.75 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

Empirian at Inverness, in Tuscaloosa, Alabama, has recently completed significant capital improvements which have adversely affected cash flow. The property currently has an occupancy of 87% and rental concessions have increased in line with competition. The aggregate principal amount of indebtedness on this property is $26.7 million with an interest rate of approximately 6.4%. Approximately $2.75 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

Wildewood in Columbia South Carolina has been experiencing negative cash flow due in part to the U.S. recession. The principal amount of indebtedness on this property is approximately $26 million with a blended interest rate of approximately 6.2%. Approximately $4.5 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

Empirian at Park Row, in Houston, Texas, experienced a significant loss due to Hurricane Ike on September 13, 2008 that damaged a number of individual apartment units. An insurance claim of over $2,000,000 was made to the insurance company. While this claim continues to be processed, the sponsor has so far received $400,000 from the insurance company after a deductible of $600,000. In addition, a decline in current cash flow on the property, due in part to the U.S. recession, has made it difficult to sustain the debt service on the loan. In addition, the sponsor has received a letter to accelerate the indebtedness. The principal amount of indebtedness on the property is $40.5 million with an interest rate of 6.577%. Approximately $5.0 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiation with the lender of the subject property to restructure the indebtedness.

Empirian at Southwind in Memphis, Tennessee, has recently experienced an adverse effect on cash flow due in part to the U.S. recession. The principal amount of indebtedness on this property is approximately $28 million with an interest rate of 5.77%. Approximately $4.5 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor has received notice of an intent to commence foreclosure proceedings on this property. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

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Non-Program Properties:

Empirian Lakeview, also known as Northridge Apartments, in Atlanta, Georgia, has experienced a decline in occupancy due in part to the U.S. recession. This decline has adversely affected cash flow. The current principal amount of debt on this property is $43.2 million. Beginning in June, 2009, the sponsor unilaterally began modifying payments on the loan and subsequently engaged a financial advisor to begin direct negotiation with the lender of the subject property to restructure the indebtedness. The occupancy rate for this property had been as low as 70%, however, the sponsor is confident that, with a loan modification, it will be able to make the property cash flow positively.

Park Drive, in Philadelphia, Pennsylvania, has experienced a decline in occupancy due in part to the U.S. recession. This decline in occupancy has adversely affected cash flow. The sponsor has received a complaint by the lender through a special server to accelerate the loan and foreclose on the property. The sponsor and lender are working on a modified schedule of payments under the current mortgage. The sponsor has proposed a plan to the lender which would lower the interest rate in year 1, and gradually increase it over a 2-3 year period as occupancy and market rents increase. Though the loan modification has not been finalized, the sponsor has commenced modifying interest payments in the expectation that the lender will agree to these changes. The aggregate amount of principal indebtedness on this property is $50 million with an interest rate of 6.472%. Approximately $6.4 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result.

Empirian at Steele Park[(1)] and Empirian on Central, both in Phoenix, Arizona, have experienced a decline in occupancy and cash flow due in part to the U.S. recession generally, and in particular, the downturn in the Phoenix real estate market. The aggregate principal amount of indebtedness on these properties is $78 million with a blended interest rate of 5.768%. Approximately $8.925 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor has received notice of an intention to commence foreclosure proceedings with respect to Empirian on Central. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

Empirian at Waterford Place in Memphis, Tennessee, has recently experienced an adverse effect on cash flow due in part to the U.S. recession. The principal amount of indebtedness on this property is approximately $30 million with an interest rate of 5.796%. Approximately $3 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

Carrington Place in Charlotte, North Carolina has recently experienced an adverse effect on cash flow due in part to the U.S. recession. The principal amount of indebtedness on this property is approximately $28 million with an interest rate of 5.796%. Approximately $6 million of this indebtedness is guaranteed by our sponsor s principal. The sponsor believes that it will be able to renegotiate its obligations under such indebtedness, and therefore, the sponsor does not anticipate any adverse effects to, nor any personal obligation on, it or its principal as a result. The sponsor is currently making short payments on the loan and has engaged a financial advisor to begin direct negotiations with the lender of the subject property to restructure the indebtedness.

(1) Empirian Colonnade in Germantown, Tennessee is a Program Property, and the sponsor is current in all its debt obligations. The property is cross-collateralized with Empirian at Steele Park. As a result of this relationship, it has been transferred to special servicing. The sponsor has engaged a financial advisor to sever this relationship, and is

hopeful that it will be accomplished.

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ESTIMATED USE OF PROCEEDS

The amounts listed in the table below represent our current estimates concerning the use of the offering proceeds. Since these are estimates, they may not accurately reflect the actual receipt or application of the offering proceeds. The first scenario assumes we sell the minimum number of 250,000 shares of common stock in this offering and the second scenario assumes that we sell the maximum number of 100,000,000 shares in this offering, with both scenarios contemplating a price of $10.00 per share. Our advisor or its affiliates may advance, and we will reimburse for, organizational and offering costs incurred on our behalf, but only to the extent that the reimbursement of the selling commissions, dealer manager fee and organization and offering costs would not cause such organization and offering expenses to exceed 15% of the gross proceeds of our offering. Assuming the maximum number of shares is sold, we estimate that at least 85.92% of the money raised in this offering will be used to acquire a diverse portfolio of multifamily properties located in the United States and real estate-related debt and securities. The table below does not give effect to special sales or volume discounts which could reduce selling commissions or sales of our shares pursuant to our distribution reinvestment plan and many of the figures represent management s best estimate because they cannot be precisely calculated at this time.

	Minimum Dollar Amount	Percent	Maximum Dollar Amount	Percent
Gross offering proceeds	$2,500,000	100 %	$1,000,000,000	100 %
Less offering expenses				
Selling commissions and dealer manager fee[2]	$250,000	10.0 %	$100,000,000	10.0 %
Organizational and offering expenses[3]	$37,500	1.50 %	$15,000,000	1.50 %
Net proceeds	2,212,500	88.50%	885,000,000	88.50%
Acquisition costs				
Acquisition fees[4]	$53,700	2.15 %	$21,481,000	2.15 %
Acquisition expenses[5]	$10,740	0.43 %	$4,296,000	0.43 %
Initial working capital reserves[6]	$		$	
Total proceeds available for investment[1]	$2,148,060	85.92%	$859,223,000	85.92%

(1) 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. Our ability to pay regular distributions and the size of these distributions will depend upon a variety of factors. If we pay such distributions from offering proceeds, then we will have less offering proceeds available for investment. We intend to commence distributions in the first month after we achieve the minimum offering. We generally do not intend to fund such distributions from offering proceeds, however, if we have not generated sufficient cash flow from our operations and other sources, such as from borrowings, advances from our advisor, our advisor s deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the offering proceeds. Moreover, our board of directors may change this policy, in its sole discretion, at any time.

(2) Includes selling commissions equal to 7% of aggregate gross offering proceeds and a dealer manager fee equal to 3% of aggregate gross offering proceeds, both of which are payable to the dealer manager, our affiliate. See Plan of Distribution Volume Discounts for a description of volume discounts. Our broker dealer, in its sole discretion,

intends to reallow selling commissions of up to 7% of aggregate gross offe