BRG 10-Q 3/31/2014

Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-54946

BLUEROCK RESIDENTIAL GROWTH REIT, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**26-3136483**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
712 Fifth Avenue, 9th Floor, New York, NY	**10019**
(Address or Principal Executive Offices)	(Zip Code)

(212) 843-1601
(Registrant's Telephone Number, Including Area Code)

None

(Former name, former address or former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐		Accelerated Filer	☐
Non-Accelerated Filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No☒

Number of shares outstanding of the registrant's classes of common stock, as of May 7, 2014:
Class A Common Stock: 4,495,744 shares
Class B-1 Common Stock: 353,630 shares
Class B-2 Common Stock: 353,630 shares
Class B-3 Common Stock: 353,629 shares

BLUEROCK RESIDENTIAL GROWTH REIT, INC.
FORM 10-Q
March 31, 2014

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BLUEROCK RESIDENTIAL GROWTH REIT, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Real Estate		
Land	$ 25,750,000	$ 25,750,000
Building and improvements	108,336,965	102,760,752
Construction in progress	14,200,628	16,695,988
Furniture, fixtures and equipment	3,473,879	2,942,264
Total Gross Operating Real Estate Investments	151,761,472	148,149,004
Accumulated depreciation	(5,551,525)	(4,515,937)
Total Net Operating Real Estate	146,209,947	143,633,067
Operating real estate held for sale, net	—	19,372,277
Total Net Real Estate Investments	146,209,947	163,005,344
Cash and cash equivalents	3,132,182	2,983,785
Restricted cash	1,996,482	2,002,117
Due from affiliates	4,287	514,414
Accounts receivable, prepaids and other assets	2,820,792	1,433,755
Investments in unconsolidated real estate joint ventures (Note 5)	1,216,564	1,254,307
Deferred financing costs, net	689,131	761,515
Assets related to discontinued operations	338,051	570,855
Total Assets	$ 156,407,436	$ 172,526,092
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage payable	$ 100,312,816	$ 96,534,338
Line of credit (Note 6)	7,571,223	7,571,223
Accounts payable	2,340,986	2,397,481
Other accrued liabilities	2,759,664	2,280,133
Due to affiliates	2,066,572	2,254,403
Distributions payable	—	143,463
Liabilities related to discontinued operations	677,048	15,262,832
Total Liabilities	115,728,309	126,443,873
Stockholders' Equity		
Preferred stock, $0.01 par value, 250,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value, no and 749,999,000 shares authorized as of March 31, 2014 and December 31, 2013, respectively; no and 2,413,811 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	—	24,138
Common stock - Class A, $0.01 par value, 747,586,185 and no shares authorized as of March 31, 2014 and December 31, 2013, respectively; no shares issued and outstanding as of both March 31, 2014 and December 31, 2013	—	—
Common stock - Class B-1, $0.01 par value, 804,605 and no shares authorized as of March 31, 2014 and December 31, 2013, respectively; 353,630 and no shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	3,536	—
Common stock - Class B-2, $0.01 par value, 804,605 and no shares authorized as of March 31, 2014 and December 31, 2013, respectively; 353,630 and no shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	3,536	—
Common stock - Class B-3, $0.01 par value, 804,605 and no shares authorized as of March 31, 2014 and December 31, 2013, respectively; 353,629 and no shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	3,536	—
Nonvoting convertible stock, $0.01 par value per share; no shares authorized, issued or outstanding, as of March 31, 2014 and 1,000 shares authorized, issued and outstanding as of December 31, 2013	—	10
Additional paid-in-capital, net of costs	21,775,003	21,747,713
Cumulative distributions and net losses	(11,090,242)	(9,770,468)
Total Stockholders' Equity	10,695,369	12,001,393
Noncontrolling interests	29,983,758	34,080,826
Total Equity	40,679,127	46,082,219
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 156,407,436	$ 172,526,092

See Notes to Consolidated Financial Statements

BLUEROCK RESIDENTIAL GROWTH REIT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Revenues		
Net rental income	$ 3,130,179	$ 2,891,602
Other	130,476	126,932
Total revenues	3,260,655	3,018,534
Expenses		
Property operating expenses	1,088,994	776,977
Management fees	119,215	107,524
Depreciation and amortization	1,107,971	1,715,876
General and administrative expenses	530,241	451,175
Asset management and oversight fees to affiliates	116,461	125,831
Real estate taxes and insurance	406,863	352,923
Acquisition costs	13,809	77,556
Total expenses	3,383,554	3,607,862
Other operating activities		
Equity in operating (loss) earnings of unconsolidated joint ventures (Note 5)	(5,851)	54,207
Operating loss	(128,750)	(535,121)
Other expense		
Interest expense, net	(1,123,322)	(1,146,899)
Total other expense	(1,123,322)	(1,146,899)
Net loss from continuing operations	(1,252,072)	(1,682,020)
Discontinued operations		
Loss on operations of rental property	(62,736)	(68,983)
Loss on early extinguishment of debt	(879,583)	—
Gain on sale of joint venture interest	1,006,359	—
Gain (loss) from discontinued operations	64,040	(68,983)
Net loss	(1,188,032)	(1,751,003)
Net loss attributable to noncontrolling interest	(141,286)	(524,871)
Net loss attributable to common shareholders	$ (1,046,746)	$ (1,226,132)
Loss per common share - continuing operations[(1)]		
Basic Loss Per Common Share	$ (1.05)	$ (1.16)
Diluted Loss Per Common Share	$ (1.05)	$ (1.16)
Income (Loss) per common share – discontinued operations[(1)]		
Basic Income (Loss) Per Common Share	$ 0.06	$ (0.07)
Diluted Income (Loss) Per Common Share	$ 0.06	$ (0.07)
Weighted Average Basic Common Shares Outstanding[(1)]	1,060,889	995,154
Weighted Average Diluted Common Shares Outstanding[(1)]	1,060,889	995,154

(1) Share and per share amounts have been restated to reflect the effects of two reverse stock splits which occurred during the first quarter of 2014. See Note 1, "Organization and Nature of Business" and Note 9, "Stockholders' Equity" for further discussion.

See Notes to Consolidated Financial Statements

BLUEROCK RESIDENTIAL GROWTH REIT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Nonvoting Convertible Stock		Common Stock		Class B-1 Common Stock		Class B-2 Common Stock		Class B-3 Common Stock						
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Cumulative Distributions	Net Income (Loss) to Common Stockholders'	Noncontrolling Interests	Total Equity
Balance, January 1, 2013	1,000	$ 10	2,219,432	$22,194	—	$ —	—	$ —	—	$ —	$16,157,954	$ (2,001,916)	$ (3,140,281)	$ 32,073,431	$43,111,392
Issuance of restricted stock, net	—	—	9,000	90	—	—	—	—	—	—	88,660	—	—	—	88,750
Issuance of common stock, net	—	—	195,379	1,952	—	—	—	—	—	—	1,504,453	—	—	—	1,506,405
Redemptions of common stock	—	—	(10,000)	(98)	—	—	—	—	—	—	98	—	—	—	—
Transfers to redeemable common stock	—	—	—	—	—	—	—	—	—	—	(441,269)	—	—	—	(441,269)
Transfers from redeemable common stock	—	—	—	—	—	—	—	—	—	—	738,550	—	—	—	738,550
Gain on partial sale of controlling interest	—	—	—	—	—	—	—	—	—	—	3,699,267	—	—	—	3,699,267
Distributions declared	—	—	—	—	—	—	—	—	—	—	—	(1,657,270)	—	—	(1,657,270)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,153,982)	(1,153,982)
Noncontrolling interest upon acquisition	—	—	—	—	—	—	—	—	—	—	—	—	—	4,603,929	4,603,929
Net Loss	—	—	—	—	—	—	—	—	—	—	—	—	(2,971,001)	(1,442,552)	(4,413,553)
Balance at December 31, 2013	1,000	10	2,413,811	24,138	—	—	—	—	—	—	21,747,713	(3,659,186)	(6,111,282)	34,080,826	46,082,219
Reverse stock-split effect (Note 9)	—	—	(2,413,811)	(24,138)	353,630	3,536	353,630	3,536	353,629	3,536	13,530	—	—	—	—
Issuance of common stock for compensation	—	—	—	—	—	—	—	—	—	—	13,750	—	—	—	13,750
Issuance of convertible stock, net	(1,000)	(10)	—	—	—	—	—	—	—	—	10	—	—	—	—
Distributions declared	—	—	—	—	—	—	—	—	—	—	—	(273,028)	—	—	(273,028)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,955,782)	(3,955,782)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(1,046,746)	(141,286)	(1,188,032)
Balance at March 31, 2014 (unaudited)	—	$ —	—	$ —	353,630	$3,536	353,630	$3,536	353,629	$3,536	$21,775,003	$ (3,932,214)	$ (7,158,028)	$ 29,983,758	$40,679,127

See Notes to Consolidated Financial Statements

BLUEROCK RESIDENTIAL GROWTH REIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Cash flows from operating activities:		
Net loss	$ (1,188,032)	$ (1,751,003)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,291,606	1,879,551
Amortization of fair value adjustment	(119,950)	(365,181)
Equity loss (income) of unconsolidated joint ventures	5,851	(33,250)
Gain on sale of joint venture interests	(1,006,359)	—
Distributions from unconsolidated real estate joint ventures	31,894	124,879
Share-based compensation attributable to directors' stock compensation plan	13,750	18,750
Changes in operating assets and liabilities:		
Due to affiliates	405,307	(164,218)
Accounts receivable, prepaids and other assets	(1,613,662)	58,052
Accounts payable and other accrued liabilities	1,000,043	322,306
Net cash (used in) provided by operating activities	(1,179,552)	89,886
Cash flows from investing activities:		
Restricted cash	220,164	19,796
Additions to consolidated real estate investments	(3,479,973)	(2,950,361)
Proceeds from sale of joint venture interests	4,985,424	—
Net cash provided by (used in) investing activities	1,725,615	(2,930,565)
Cash flows from financing activities:		
Distributions on common stock	(416,491)	(236,739)
Distributions to noncontrolling interests	(3,955,784)	(179,848)
Noncontrolling equity interest additions to consolidated real estate investments	—	816,340
Borrowings (repayments) on mortgages payable	3,974,609	123,941
Borrowings from line of credit	—	1,191,973
Deferred financing fees	—	15,464
Issuance of common stock, net	—	626,975
Payments to redeem common stock	—	(23,125)
Net cash (used in) provided by financing activities	(397,666)	2,334,981
Net increase (decrease) in cash and cash equivalents	148,397	(505,698)
Cash and cash equivalents at beginning of period	2,983,785	2,789,163
Cash and cash equivalents at end of period	$ 3,132,182	$ 2,283,465
Supplemental Disclosure of Cash Flow Information – Cash Interest Paid	$ 186,688	$ 241,407
Supplemental Disclosure of Noncash Transactions:		
Distributions payable	$ —	$ 137,780
Redemptions payable	$ —	$ 100,000
Accrued offering costs	$ 1,391,634	$ 663,188
Distributions paid to common stockholders through common stock issuances pursuant to the distribution reinvestment plan including none and $54,353 declared but not yet reinvested at March 31, 2014 and 2013, respectively	$ —	$ 153,226
Receivable for common stock issuances pursuant to the distribution reinvestment plan	$ —	$ (54,353)

See Notes to Consolidated Financial Statements

BLUEROCK RESIDENTIAL GROWTH REIT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Nature of Business

Bluerock Residential Growth REIT, Inc., or the Company, was incorporated as a Maryland corporation on July 25, 2008. The Company's objective is to maximize long-term stockholder value by acquiring well-located institutional-quality apartment properties in demographically attractive growth markets across the United States. The Company seeks to maximize returns through investments where it believes it can drive substantial growth in its funds from operations and net asset value through one or more of its Core-Plus, Value-Add, Opportunistic and Invest-to-Own investment strategies.

The Company conducts its operations through Bluerock Residential Holdings, L.P., its operating partnership, or Operating Partnership, of which the Company is the sole general partner. The consolidated financial statements include the accounts of the Company and the Operating Partnership. The use of the words "we", "us" or "our" refers to Bluerock Residential Growth REIT, Inc. and the Operating Partnership, except where the context otherwise requires. Bluerock Real Estate L.L.C. or Bluerock, is our sponsor.

The Company raised capital in a continuous registered offering, carried out in a manner consistent with offerings of non-listed REITs, from its inception until September 9, 2013, when it terminated the offering in connection with the Board of Directors' consideration of strategic alternatives to maximize value to its stockholders. Through September 9, 2013, the Company had raised an aggregate of $22.6 million in gross proceeds through its continuous registered offering, including its distribution reinvestment plan.

The Company subsequently determined to register shares of newly authorized Class A common stock that were to be offered in a firmly underwritten public offering by filing a registration statement on Form S-11 (File No. 333-192610) with the U.S. Securities and Exchange Commission, or the SEC, on November 27, 2013. On March 28, 2014, the SEC declared the registration statement effective and we announced the pricing of our public offering of 3,448,276 shares of Class A common stock at a public offering price of $14.50 per share for total gross proceeds of $50.0 million. The net proceeds of the offering are estimated to be approximately $44.4 million after deducting underwriting discounts and commissions and estimated offering proceeds.

In connection with our firmly underwritten public offering, shares of our Class A common stock were listed on the NYSE MKT for trading under the symbol "BRG." Pursuant to the second articles of amendment and restatement to our charter filed on March 26, 2014, or Second Charter Amendment, each share of our common stock outstanding immediately prior to the listing, including shares sold in our continuous registered offering, was changed into one-third of a share of each of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock. Following the filing of the Second Charter Amendment, we effected a 2.264881-to-1 reverse stock split of our outstanding shares of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock, and on March 31, 2014, we effected an additional 1.0045878-to-1 reverse stock split of our outstanding shares of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock.

As of March 31, 2014, the Company was externally managed by Bluerock Multifamily Advisor, LLC, an affiliate of Bluerock, or the Former Advisor, pursuant to an advisory agreement, or the Advisory Agreement. In connection with the completion of the firmly underwritten public offering on April 2, 2014, we engaged BRG Manager, LLC, also an affiliate of Bluerock, or the Manager, to provide external management services to us under a new management agreement, or the Management Agreement, and terminated the Advisory Agreement with the Former Advisor.

As of March 31, 2014, the Company's portfolio consisted of interests in five properties (four operating properties and one development property), all acquired through joint ventures, located primarily in the Southeastern United States. These five properties are comprised of an aggregate of 1,326 units, including a 266-unit development property that began delivering units for move-ins in November 2013. Following completion of the firmly underwritten public offering on April 2, 2014 and in connection with certain contribution transactions, we acquired interests in four additional properties and an additional interest in an existing property, such that we owned an interest in a portfolio of nine apartment properties comprised of an aggregate of 2,620 units. As of March 31, 2014, these properties, exclusive of our development property, were approximately 94% occupied.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The Company operates as an umbrella partnership REIT in which our subsidiary and operating partnership, Bluerock Residential Holdings, L.P., a Delaware limited partnership, or its wholly owned subsidiaries, owns substantially all of the property interests acquired on its behalf.

Because the Company is the sole general partner of its operating partnership and has unilateral control over its management and major operating decisions, the accounts of our operating partnership are consolidated in its consolidated financial statements. All significant intercompany accounts and transactions are eliminated in consolidation. The Company will consider future majority owned and controlled joint ventures for consolidation in accordance with the provisions required by the Topic 810 Consolidation of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Certain amounts in prior year presentations have been reclassified to conform with the current period presentation. Balances and amounts associated with the Company's Enders Place at Baldwin Park property, which was classified as held for sale at December 31, 2013 in the consolidated balance sheet for that period have been reclassified to continuing operations, as the Company no longer has the intent to sell the property, in order to conform with current year presentation. Amounts associated with The Reserve at Creekside Village, a 192-unit garden-style apartment community located in Chattanooga, Tennessee, or the Creekside property, which was sold on March 28, 2014, for the statements of operations for the three months ended March 31, 2013 have been reclassified to discontinued operations to conform with current year presentation. See Note 3, "Real Estate Assets Held for Sale, Discontinued Operations and Sale of Joint Venture Equity Interests" for further explanation. These reclassifications had no effect on previously reported results of operations.

Interim Financial Information

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting, and the instructions to Form 10-Q and Article 10-1 of Regulation S-X. Accordingly, the financial statements for interim reporting do not include all of the information and notes or disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for interim periods should not be considered indicative of the operating results for a full year.

The balance sheet at December 31, 2013 has been derived from the audited financial statements at that date, but does not include all of the information and disclosures required by GAAP for complete financial statements. For further information refer to the financial statements and notes thereto included in our audited consolidated financial statements for the year ended December 31, 2013 contained in the Annual Report on Form 10-K as filed with the SEC.

Summary of Significant Accounting Policies

There have been no significant changes to the Company's accounting policies since it filed its audited financial statements in its Annual Report on Form 10-K for the year ended December 31, 2013.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. At the property level, these estimates include such items as purchase price allocation of real estate acquisitions, impairment of long-lived assets, depreciation and amortization, and allowance for doubtful accounts. Actual results could differ from those estimates.

Note 3 – Real Estate Assets Held for Sale, Discontinued Operations and Sale of Joint Venture Equity Interests

Real Estate Assets Held for Sale and Discontinued Operations

ASC Topic 360-10, *Property, Plant and Equipment - Overall*, requires a long-lived asset to be classified as "held for sale" in the period in which certain criteria are met. The Company classifies real estate assets as held for sale after the following conditions have been satisfied: (1) management, having the appropriate authority, commits to a plan to sell the asset, (2) the initiation of an active program to sell the asset, and (3) the asset is available for immediate sale and it is probable that the sale of the asset will be completed within one year.

The Company periodically classifies real estate assets as held for sale, and these assets and their liabilities are stated separately on the accompanying consolidated balance sheets. The Creekside property was classified as held for sale as of March 28, 2014, on which date the special purpose entity in which the Company holds a 24.706% indirect equity interest sold the Creekside property, as discussed below. As of March 31, 2014, the remaining assets and liabilities were classified as discontinued operations. Balances and amounts associated with the Enders Place at Baldwin Park property, which was classified as held for sale at December 31, 2013 in the consolidated balance sheet for that period have been reclassified to continuing operations, as the Company no longer has the intent to sell the property, in order to conform with current year presentation.

The real estate assets and liabilities related to discontinued operations, representative of the Creekside property, as of March 31, 2014, were as follows:

	Assets Related to Discontinued Operations
	March 31, 2014
Other assets	$ 338,051
Assets related to discontinued operations	$ 338,051

	Liabilities Related to Discontinued Operations
	March 31, 2014
Property indebtedness	$ 677,048
Liabilities related to discontinued operations	$ 677,048

The following is a summary of results of operations of the Creekside property classified as discontinued operations at March 31, 2014, for the three months ended March 31, 2014 and 2013:

	For the Three Months Ended March 31,	
	2014	2013
Total revenues	$ 508,334	$ 516,076
Expenses		
Property operating expenses	(115,545)	(159,495)
Management fees	(19,604)	(20,988)
Depreciation and amortization	(183,636)	(163,675)
Asset management and oversight fees to affiliates	(8,040)	(8,308)
Real estate taxes and insurance	(95,349)	(89,451)
Equity in operating earnings of unconsolidated joint ventures	—	(20,957)
Operating (Loss) Earnings	$ 86,160	$ 53,202
Gain on sale of joint venture interest	1,006,359	—
Loss on early extinguishment of debt	(879,583)	—
Interest expense, net	(148,896)	(122,185)
Gain (loss) from discontinued operations	$ 64,040	$ (68,983)

Sale of Joint Venture Equity Interests

On March 28, 2014, BR Creekside, LLC, a special-purpose entity in which the Company holds a 24.706% indirect equity interest sold the Creekside property to SIR Creekside, LLC, which is an unaffiliated third party for $18,875,000, subject to certain prorations and adjustments typical in such real estate transaction. After deduction for payment of the existing mortgage indebtedness encumbering the Creekside property in the approximate amount of $13.5 million and payment of closing costs and fees, excluding disposition fees of approximately $69,946 deferred by the Former Advisor, the sale of the Creekside property generated net proceeds to the Company of approximately $1.2 million based on its proportionate ownership in the Creekside property.

Note 4 – Consolidated Investments

As of March 31, 2014, the major components of our consolidated real estate properties, Springhouse at Newport News, Enders Place at Baldwin Park, a mid-rise community in development known as 23Hundred @ Berry Hill located in Nashville, Tennessee, or the Berry Hill property, and MDA Apartments, were as follows:

Property	Land	Building and Improvements	Construction in Progress	Furniture, Fixtures and Equipment	Totals
Springhouse	$ 6,500,000	$ 27,696,588	$ —	$ 1,120,121	$ 35,316,709
Enders	4,750,000	19,262,413	—	1,014,387	25,026,800
Berry Hill	5,000,000	9,834,664	14,200,628	708,751	29,744,043
MDA	9,500,000	51,543,300	—	630,620	61,673,920
	$ 25,750,000	$ 108,336,965	$ 14,200,628	$ 3,473,879	$ 151,761,472
Less: Accumulated Depreciation	—	(4,830,563)	—	(720,962)	(5,551,525)
Totals	$ 25,750,000	$ 103,506,402	$ 14,200,628	$ 2,752,917	$ 146,209,947

Depreciation expense was $1,219,223 and $1,063,767 for the three months ended March 31, 2014 and 2013, respectively.

Costs of intangibles related to our consolidated investments in real estate consist of the value of in-place leases and deferred financing costs. In-place leases are amortized over the remaining term of the in-place leases, approximately a six-month term, and deferred financing costs are amortized over the life of the related loan. Amortization expense related to our in-place leases and deferred financing costs was $72,383 and $815,784 for the three months ended March 31, 2014 and 2013, respectively.

Note 5 – Equity Method Investments

Following is a summary of the Company's ownership interests, for investments we report under the equity method of accounting, representative of The Estates at Perimeter/Augusta, located in Augusta, Georgia, or The Estates at Perimeter/Augusta property, at March 31, 2014 and December 31, 2013.

Property	Joint Venture Interest	Managing Member LLC Interest	Indirect Equity Interest in Property
The Estates at Perimeter/Augusta	50.00%	50.00%	25.00%

The carrying amount of the Company's investments in our Augusta unconsolidated joint venture was $1,175,110 and $1,212,456 as of March 31, 2014 and December 31, 2013 respectively. Summary unaudited financial information for The Estates at Perimeter/Augusta Balance Sheet as of March 31, 2014 and December 31, 2013 and Operating Statement for the three months ended March 31, 2014 and 2013, is as follows:

	March 31, 2014	December 31, 2013
Balance Sheet:		
Real estate, net of depreciation	$ 22,020,088	$ 22,188,399
Other assets	413,943	394,866
Total assets	$ 22,434,031	$ 22,583,265
Mortgage payable	$ 17,522,349	$ 17,600,839
Other liabilities	236,755	139,465
Total liabilities	$ 17,759,104	$ 17,740,304
Stockholders' equity	4,674,927	4,842,961
Total liabilities and stockholders' equity	$ 22,434,031	$ 22,583,265

	Three Months Ended March 31,	
	2014	2013
Operating Statement:		
Rental revenues	$ 633,767	$ 650,909
Operating expenses	(264,203)	(190,299)
Income before debt service, acquisition costs, and depreciation and amortization	369,564	460,610
Mortgage interest	(186,255)	(189,416)
Depreciation and amortization	(199,771)	(196,669)
Net (loss) income	(16,462)	74,525
Net income (loss) attributable to JV partners	11,330	(58,093)
	(5,132)	16,432
Amortization of deferred financing costs paid on behalf of joint ventures	(321)	(321)
Equity in (loss) earnings of unconsolidated joint ventures	$ (5,453)	$ 16,111

Note 6 – Line of Credit

At both March 31, 2014 and December 31, 2013, the outstanding balance on the Company's working capital line of credit, provided by Fund II and Fund III, both of which are affiliates of Bluerock, or the Fund LOC, was $7,571,223. On April 2, 2014, the Fund LOC was paid in full with the proceeds of our firmly underwritten public offering and extinguished.

Note 7 – Fair Value of Financial Instruments

As of March 31, 2014 and December 31, 2013, the Company believes the carrying values of cash and cash equivalents and receivables and payables from affiliates, accounts payable, accrued liabilities, distribution payable and notes payable approximate their fair values based on their highly-liquid nature and/or short-term maturities, including prepayment options. As of March 31, 2014, the carrying value and approximate fair value of the mortgage payables, as presented on the balance sheet, were $100.3 million and $100.2 million respectively. The fair value of mortgage payables is estimated based on the Company's current interest rates (Level 3 inputs) for similar types of borrowing arrangements.

Note 8 – Related Party Transactions

In connection with the Company's investments in the Enders Place at Baldwin Park, the Berry Hill and MDA Apartments properties, it entered into the Fund LOC with Fund II and Fund III. Cash payments by the Company on the Fund LOC for the three months ended March 31, 2014 were $186,688, including interest. At March 31, 2014, the outstanding balance on the Fund LOC was $7,571,223. On April 2, 2014, the Fund LOC was paid in full with the proceeds of our firmly underwritten public offering and extinguished.

In connection with the initial closing of our firmly underwritten public offering, we entered into a new management agreement, or Management Agreement, with BRG Manager, LLC, an affiliate of Bluerock, or the Manager, on April 2, 2014. Concurrently with entering into the Management Agreement, we terminated our Advisory Agreement, with the Former Advisor. The disclosure below describes the terms and conditions of the Advisory Agreement, which were effective for the reported periods. For a description of the terms and conditions of the Management Agreement, see Note 12, "Subsequent Events" below.

Prior to the entry by the Company into the Management Agreement upon the completion of our firmly underwritten public offering and the concurrent termination of the Advisory Agreement, the Former Advisor performed its duties and responsibilities as the Company's fiduciary under the Advisory Agreement. The Advisory Agreement had a one-year term expiring October 14, 2014, and was renewable for an unlimited number of successive one-year periods upon the mutual consent of the Company and its Advisor. The Former Advisor conducted the Company's operations and managed its portfolio of real estate investments under the terms of the Advisory Agreement. Certain of the Company's affiliates will receive fees and compensation in connection with the acquisition, management and sale of its real estate investments.

The Former Advisor was entitled to receive a monthly asset management fee for the services it provides pursuant to the Advisory Agreement. On September 26, 2012, the Company amended the Advisory Agreement to reduce the monthly asset management fee from one-twelfth of 1.0% of the higher of the cost or the value of each asset to one-twelfth of 0.65% of the higher of the cost or the value of each asset, where (A) cost equals the amount actually paid, excluding acquisition fees and expenses, to purchase each asset it acquires, including any debt attributable to the asset (including any debt encumbering the asset after acquisition), provided that, with respect to any properties the Company develops, constructs or improves, cost will include the amount expended by the Company for the development, construction or improvement, and (B) the value of an asset is the value established by the most recent independent valuation report, if available, without reduction for depreciation, bad debts or other non-cash reserves. The asset management fee was based only on the portion of the cost or value attributable to our investment in an asset if the Company did not own all of an asset.

Pursuant to the Advisory Agreement, the Former Advisor was entitled to receive an acquisition fee for its services in connection with the investigation, selection, sourcing, due diligence and acquisition of a property or investment. On September 26, 2012, the Company amended its Advisory Agreement to increase the acquisition fee from 1.75% to 2.50% of the purchase price. The purchase price of a property or investment was equal to the amount paid or allocated to the purchase, development, construction or improvement of a property, inclusive of expenses related thereto, and the amount of debt associated with such real property or investment. The purchase price allocable for joint venture investments was equal to the product of (1) the purchase price of the underlying property and (2) the Company's ownership percentage in the joint venture. Total acquisition and disposition fees of $819,060 and $77,556 were incurred during the three months ended March 31, 2014 and March 31, 2013, respectively, of which $69,946 and $77,556 were for the Former Advisor for the three months ended March 31, 2014 and 2013, respectively.

The Former Advisor was also entitled to receive a financing fee for any loan or line of credit, made available to the Company. The Former Advisor was entitled to re-allow some or all of this fee to reimburse third parties with whom it subcontracted to procure such financing for the Company. On October 21, 2013, the Company amended its Advisory Agreement to decrease the financing fee from 1.0% to 0.25% of any loan made to the Company. In addition, to the extent the Former Advisor provided a substantial amount of services in connection with the disposition of one or more of our properties or investments (except for securities traded on a national securities exchange), the Former Advisor would receive fees equal to the lesser of (A) 1.5% of the sales price of each property or other investment sold or (B) 50% of the selling commission that would have been paid to a third-party broker in connection with such a disposition. In no event were disposition fees paid to the Former Advisor or its affiliates and unaffiliated third parties to exceed in the aggregate 6% of the contract sales price. On October 21, 2013, the Company amended its Advisory Agreement to change the disposition fee to only 1.5% of the sales price of each property or other investment sold, such that the disposition fee was no longer determined based on selling commissions payable to third-party sales brokers.

In addition to the fees payable to the Former Advisor, the Company reimbursed the Former Advisor for all reasonable expenses incurred in connection with services provided to the Company, subject to the limitation that it would not reimburse any amount that would cause the Company's total operating expenses at the end of the four preceding fiscal quarters to exceed the greater of 2% of our average invested assets or 25% of its net income determined (1) without reductions for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and (2) excluding any gain from the sale of our assets for the period. Notwithstanding the above, the Company was permitted to reimburse amounts in excess of the limitation if a majority of its independent directors determined such excess amount was justified based on unusual and non-recurring factors. If such excess expenses were not approved by a majority of the Company's independent directors, the Former Advisor was required to reimburse us at the end of the four fiscal quarters the amount by which the aggregate expenses during the period paid or incurred by us exceeded the limitations provided above. The Company was not permitted to reimburse the Former Advisor for personnel costs in connection with services for which the Former Advisor received acquisition, asset management or disposition fees. Due to the limitation discussed above and because operating expenses incurred directly by the Company exceeded the 2% threshold, the

Board of Directors, including all of its independent directors, reviewed the total operating expenses for the four fiscal quarters ended December 31, 2013 and the Company's total operating expenses for the four fiscal quarters ended March 31, 2014 and unanimously determined the excess amounts to be justified because of the costs of operating a public company in its early stage of operation and the Company's initial difficulties with raising capital, which are expected to be non-recurring. As the Board of Directors has previously approved such expenses, all operating expenses for the year ended 2013 and the three months ended March 31, 2014 have been expensed as incurred.

The Company issued 1,000 shares of convertible stock, par value $0.01 per share, to the Former Advisor. Pursuant to the Advisory Agreement, upon completion of our firmly underwritten public offering, the convertible stock was convertible to shares of common stock if and when: (A) the Company has made total distributions on the then outstanding shares of its common stock equal to the original issue price of those shares plus an 8% cumulative, non-compounded, annual return on the original issue price of those shares or (B) subject to specified conditions, the Company listed its common stock for trading on a national securities exchange. We listed shares of our Class A common stock on the NYSE MKT on March 28, 2014. At that time, the terms for converting the convertible stock would not be achieved and we amended our charter on March 26, 2014 to remove the convertible stock as an authorized class of our capital stock.

In general, the Company contracts property management services for certain properties directly to non-affiliated third parties, in which event it was to pay the Former Advisor an oversight fee equal to 1% of monthly gross revenues of such properties.

All of the Company's executive officers and some of its directors are also executive officers, managers and/or holders of a direct or indirect controlling interest in the Former Advisor and other Bluerock-affiliated entities. As a result, they owe fiduciary duties to each of these entities, their members and limited partners and investors, which fiduciary duties may from time to time conflict with the fiduciary duties that they owe to the Company and its stockholders.

Some of the material conflicts that the Former Advisor or its affiliates face are: 1) the determination of whether an investment opportunity should be recommended to us or another Bluerock-sponsored program or Bluerock-advised investor; 2) the allocation of the time of key executive officers, directors, and other real estate professionals among the Company, other Bluerock-sponsored programs and Bluerock-advised investors, and the activities in which they are involved; 3) the fees received by the Former Advisor and its affiliates in connection with transactions involving the purchase, management and sale of investments regardless of the quality of the asset acquired or the service provided us; and 4) the fees received by the Former Advisor and its affiliates.

During the first quarter of 2014, the Company was reimbursed approximately $508,000 by our Former Advisor for certain organizational and offering costs related to the Company's continuous registered offering on Form S-11 (File No. 333-153135).

Pursuant to the terms of the Advisory Agreement, summarized below are the related party amounts payable to our Former Advisor, as well as other affiliates, as of March 31, 2014 and December 31, 2013.

	March 31, 2014	December 31, 2013
Asset management and oversight fees	$ 1,090,724	$ 966,396
Acquisition fees and disposition fees	892,424	801,169
Financing fees	35,670	35,670
Reimbursable operating expenses	—	295,146
Reimbursable offering costs	161,796	193,112
Reimbursable organizational costs	49,931	49,931
Other	23,058	17,748
Total related-party amounts payable	$ 2,253,603	$ 2,359,172

As of March 31, 2014 and December 31, 2013, we had $5,743 and $8,960, respectively, in receivables due to us from related parties other than our Former Advisor.

Note 9 – Stockholders' Equity

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shareholders, less dividends on restricted stock expected to vest plus gains on redemptions on common stock, by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) attributable to common shareholders by the sum of the weighted average number of common shares outstanding and any potential dilutive shares for the period. Under the two-class method of computing earnings per share, net income (loss) attributable to common shareholders is computed by adjusting net income (loss) for the non-forfeitable dividends paid on non-vested restricted stock.

The following table reconciles the components of basic and diluted net loss per common share:

	Three Months Ended March 31,	
	2014	2013
Net loss from continuing operations attributable to common shareholders[3]	$ (1,110,786)	$ (1,157,149)
Dividends on restricted stock expected to vest[3]	(2,540)	(2,799)
Gain on redemption of common stock[2]	—	1,875
Basic net loss from continuing operations attributable to common shareholders[3]	$ (1,113,326)	$ (1,158,073)
Basic net income (loss) from discontinued operations attributable to common shareholders[3]	$ 64,040	$ (68,983)
Weighted average common shares outstanding[3]	1,060,889	995,154
Potential dilutive shares[1]	—	—
Weighted average common shares outstanding and potential dilutive shares[3]	1,060,889	995,154
Basic loss from continuing operations per share[3]	$ (1.05)	$ (1.16)
Basic income (loss) from discontinued operations per share[3]	$ 0.06	$ (0.07)
Diluted loss from continued operations per share[3]	$ (1.05)	$ (1.16)
Diluted income (loss) from discontinued operations per share[3]	$ 0.06	$ (0.07)

The number of shares and per share amounts for the prior period have been retroactively restated to reflect the two reverse stock splits discussed below.

[1] Excludes 6,468 and 7,128 shares for the three months ended March 31, 2014 and 2013, respectively, related to non-vested restricted stock, as the effect would be anti-dilutive. Also excludes any potential dilution related to the 1,000 shares of convertible stock outstanding as of March 31, 2013, as there would be no conversion into common shares.

[2] Represents the difference between the fair value and carrying amount of the common stock upon redemption.

[3] For 2014, amounts relate to Class B-1, B-2 and B-3 common shares outstanding. For 2013 amounts relate to common shares outstanding

Common Stock

The Company raised capital in a continuous registered offering, carried out in a manner consistent with offerings of non-listed REITs, from its inception until September 9, 2013, when it terminated the offering in connection with the Board of Directors' consideration of strategic alternatives to maximize value to its stockholders. Through September 9, 2013, the Company had raised an aggregate of $22.6 million in gross proceeds through its continuous registered offering, including its distribution reinvestment plan.

On January 23, 2014, the Company's stockholders approved the second articles of amendment and restatement to our charter, or Second Charter Amendment, that provided, among other things, for the designation of a new share class of Class A common stock, and for the change of each existing outstanding share of our common stock into:

- 1/3 of a share of our Class B-1 common stock; plus
- 1/3 of a share of our Class B-2 common stock; plus
- 1/3 of a share of our Class B-3 common stock.

This transaction was effective upon filing the Second Charter Amendment with the State Department of Assessments and Taxation of the State of Maryland on March 26, 2014. Immediately following the filing of the Second Charter Amendment, we effectuated a 2.264881 to 1 reverse stock split of our outstanding shares of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock, and on March 31, 2014, we effected an additional 1.0045878 to 1 reverse stock split of our outstanding shares of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock.

We refer to Class B-1 common stock, Class B-2 common stock and Class B-3 common stock collectively as "Class B" common stock. We listed our Class A common stock on the NYSE MKT on March 28, 2014. Our Class B common stock is identical to our Class A common stock, except that (i) we do not intend to list our Class B common stock on a national securities exchange, and (ii) shares of our Class B common stock will convert automatically into shares of Class A common stock at specified times, as follows:

- March 23, 2015, in the case of our Class B-1 common stock;
- September 19, 2015 in the case of our Class B-2 common stock; and
- March 17, 2016, in the case of our Class B-3 common stock.

Share Repurchase Plan and Redeemable Common Stock

On June 27, 2013, following a meeting of its Board of Directors, the Company decided to explore strategic alternatives to enhance the growth of its portfolio. In anticipation of its review of strategic alternatives, the Board of Directors, including all of the Company's independent directors, voted to suspend the Company's share repurchase plan as of June 27, 2013 through the third quarter of 2013. In addition, the Company's Board of Directors, including all of the Company's independent directors, voted to suspend payment of pending repurchase requests under the share repurchase plan that were queued as of June 27, 2013 for repurchase.

On August 23, 2013, the Company's Board of Directors, including all of the Company's independent directors, voted to terminate the Company's Distribution Reinvestment Plan, or the ("DRP"). The termination of the DRP eliminated the source of proceeds for the repurchase of shares under the share repurchase plan and, therefore, the Company's Board of Directors, including all of the Company's independent directors, voted to terminate the share repurchase plan, effective as of September 9, 2013.

The aggregate amount of any accrued redemptions and redeemable common stock were reclassified back to additional paid-in capital at that time.

Stock-based Compensation for Independent Directors

The Company's independent directors received an automatic grant of 5,000 shares of restricted stock on the initial effective date of the continuous registered offering and will receive an automatic grant of 2,500 shares of restricted stock when such directors are reelected at each annual meeting of the Company's stockholders thereafter. Each person who thereafter is elected or appointed as an independent director will receive an automatic grant of 5,000 shares of restricted stock on the date such person is first elected as an independent director and an automatic grant of 2,500 shares of restricted stock when such director is reelected at each annual meeting of our stockholders thereafter. To the extent allowed by applicable law, the independent directors will not be required to pay any purchase price for these grants of restricted stock. The restricted stock will vest 20% at the time of the grant and 20% on each anniversary thereafter over four years from the date of the grant. All restricted stock may receive distributions, whether vested or unvested. The value of the restricted stock to be granted is not determinable until the date of grant.

A summary of the status of the Company's non-vested shares as of March 31, 2014, and changes during the three months ended March 31, 2014, is as follows:

Non Vested shares	Shares[1]	Weighted average grant-date fair value[1]
Balance at January 1, 2014	6,593	$ 150,000
Granted	—	—
Vested	(659)	(15,000)
Forfeited	—	—
Balance at March 31, 2014	5,934	$ 135,000

[1] The number of shares and per share amounts for the prior period have been retroactively restated to reflect the two reverse stock splits discussed above. For 2014, amounts relate to Class B-1, B-2 and B-3 common shares outstanding. For 2013, amounts relate to common shares outstanding.

At March 31, 2014, there was $105,000 of total unrecognized compensation cost related to unvested stock options granted under the independent director compensation plan. The original cost is expected to be recognized over a period of four years. The total fair value of shares vested during the three months ended March 31, 2014 was $15,000.

The Company currently uses authorized and unissued shares to satisfy share award grants.

Distributions

On December 27, 2013, the Company's Board of Directors authorized and the Company declared distributions on its common stock, for the month of January 2014 at a rate of $0.05945211 per share to stockholders of record at the close of business on January 31, 2014. Distributions payable to each stockholder of record were paid in cash on February 3, 2014.

On March 13, 2014, the Company's Board of Directors authorized and the Company declared distributions on its common stock, for the month of February 2014, at a rate of $0.05369868 per share for stockholders of record at the end of business on February 28, 2014. Distributions payable to each stockholder of record were paid in cash on or before the 15th day of the following month.

Distributions for the three months ended March 31, 2014 were as follows:

	Distributions	
2014	**Declared**	**Paid**
First Quarter	$ 273,028	$ 416,491

Note 10 – Commitments and Contingencies

The Company is subject to various legal actions and claims arising in the ordinary course of business. Although the outcome of any legal matter cannot be predicted with certainty, management does not believe that any of these legal proceedings or matters will have a material adverse effect on the consolidated financial position or results of operations or liquidity of the Company.

Note 11 – Economic Dependency

As of March 31, 2014, the Company was externally managed by the Former Advisor pursuant to the Advisory Agreement. In connection with the completion of the Company's firmly underwritten public offering on April 2, 2014, we engaged BRG Manager, LLC, also an affiliate of Bluerock, or the Manager, to provide external management services to us under a new management agreement, or the Management Agreement, and terminated the Advisory Agreement with the Former Advisor. Prior to the termination of the Advisory Agreement, the Company was dependent on the Former Advisor, and now the Company is dependent on the Manager, for certain services that are essential to the Company, including the identification, evaluation, negotiation, purchase and disposition of properties and other investments; management of the daily operations of its real estate portfolio; and other general and administrative responsibilities. In the event that the Manager or its affiliates are unable to provide the respective services, the Company will be required to obtain such services from other sources.

Note 12 – Subsequent Events

The Company has performed an evaluation of subsequent events through the date the Company's consolidated financial statements were issued. No material subsequent events, other than the items disclosed below, have occurred that required recognition or disclosure in these financial statements.

Initial Firmly Underwritten Public Offering

On April 2, 2014, the Company closed its initial firmly underwritten public offering, or IPO, of 3,448,276 shares of its Class A common stock, par value $0.01 per share, or the IPO Shares. The public offering price of the shares sold was $14.50 per share. The total gross proceeds to the Company were $50.0 million. The net proceeds of the offering are estimated to be approximately $44.4 million after deducting underwriting discounts and commissions and estimated offering proceeds. The IPO Shares were registered with the SEC, pursuant to a registration statement on Form S-11 (File No. 333-192610), as the same may be amended and/or supplemented, or the Registration Statement, under the Securities Act of 1933.

Second Amended and Restated Agreement of Limited Partnership of Bluerock Residential Holdings, L.P.

On April 2, 2014, concurrently with the completion of the IPO, the Company entered into the Second Amended and Restated Agreement of Limited Partnership, or the Partnership Agreement Amendment, of its operating partnership, Bluerock Residential Holdings, L.P., or the Operating Partnership. Pursuant to the Partnership Agreement Amendment, the Company is the sole general partner of the Operating Partnership and may not be removed as general partner by the limited partners with or without cause. The limited partners of the Operating Partnership, which are also parties to the Partnership Agreement Amendment, are Bluerock REIT Holdings, LLC, BRG Manager, LLC, or our Manager, BR-NPT Springing Entity, LLC, or NPT, Bluerock Property Management, LLC, or BPM, and the Company's former advisor, Bluerock Multifamily Advisor, LLC, or our Former Advisor, all of which are affiliates of the Company.

Prior to the completion of the IPO, the Company owned, directly and indirectly, 100% of the limited partnership units in the Operating Partnership. Effective as of the completion of the IPO, limited partners other than the Company now own approximately 9.87% of the Operating Partnership.

The Partnership Agreement Amendment provides, among other things, that the Operating Partnership initially has two classes of limited partnership interests, which are units of limited partnership interest, or OP Units, and the Operating Partnership's long-term incentive plan units, or LTIP Units. In calculating the percentage interests of the partners of the Operating Partnership, holders of LTIP Units are treated as holders of OP Units and LTIP Units are treated as OP Units. In general, LTIP Units will receive the same per-unit distributions as the OP Units. Initially, each LTIP unit will have a capital account balance of zero and, therefore, will not have full parity with OP Units with respect to liquidating distributions. However, the Partnership Agreement Amendment provides that "book gain," or economic appreciation, in the Company's assets realized by the Operating Partnership as a result of the actual sale of all or substantially all of the Operating Partnership's assets or the revaluation of the Operating Partnership's assets as provided by applicable U.S. Department of Treasury regulations will be allocated first to the holders of LTIP Units until the capital account per unit of LTIP unit holders is equal to the average capital account per-unit of the Company's OP Units in the Operating Partnership. We expect that the Operating Partnership will issue OP Units to limited partners, including the Company, in exchange for capital contributions of cash or property, and will issue LTIP Units pursuant to the Company's 2014 Equity Incentive Plan for Individuals and 2014 Equity Incentive Plan for Entities, or collectively the Incentive Plans, to persons who provide services to the Company, including the Company's officers, directors and employees.

Pursuant to the Partnership Agreement Amendment, any holders of OP Units other than the Company or its subsidiaries, will receive redemption rights, which, subject to certain restrictions and limitations, will enable them to cause the Operating Partnership to redeem their OP Units in exchange for cash or, at the Company's option, shares of the Company's Class A common stock. The Company has agreed to file, not earlier than one year after the closing of the IPO, one or more registration statements registering the issuance or resale of shares of its Class A common stock issuable upon redemption of the OP Units issued upon conversion of LTIP Units, which include those issued to the Manager and the Former Advisor. Subject to certain exceptions, the Operating Partnership will pay all expenses in connection with the exercise of registration rights under the Partnership Agreement Amendment.

Management Agreement with the Manager

On April 2, 2014, concurrently with the completion of the IPO, the Company also entered into a Management Agreement with the Operating Partnership and the Manager, which is an affiliate of Bluerock, pursuant to which the Manager will provide for the day-to-day management of the Company's operations. Upon the Company's entry into the Management Agreement, the Company concurrently terminated its Advisory Agreement with the Former Advisor, as further described below.

The Management Agreement requires the Manager to manage the Company's business affairs in conformity with the investment guidelines and other policies that are approved and monitored by the Company's board of directors, or the Board. The Manager's role as manager will be under the supervision and direction of the Board. Specifically, the Manager will be responsible for (1) the selection, purchase and sale of the Company's portfolio investments, (2) the Company's financing activities, and (3) providing the Company with advisory services.

Pursuant to the terms of the Management Agreement, the Manager will provide the Company with a management team, including a chief executive officer, president, chief accounting officer and chief operating officer, along with appropriate support personnel, to provide the management services to be provided by the Manager to the Company. None of the officers or employees of the Manager will be dedicated exclusively to the Company.

We will pay the Manager a base management fee in an amount equal to the sum of: (A) 0.25% of the Company's stockholders' existing and contributed equity, per annum, calculated quarterly based on the Company's stockholders' existing and contributed equity for the most recently completed calendar quarter and payable in quarterly installments in arrears in cash, and (B) 1.5% of the equity per annum of the Company's stockholders who purchase shares of the Company's Class A common stock, calculated quarterly based on their equity for the most recently completed calendar quarter and payable in quarterly installments in arrears. The base management fee is payable independent of the performance of the Company's investments.

The Company will also pay the Manager an incentive fee with respect to each calendar quarter in arrears. The incentive fee will be an amount, not less than zero, equal to the difference between (1) the product of (x) 20% and (y) the difference between (i) the Company's adjusted funds from operations, or AFFO, for the previous 12-month period, and (ii) the product of (A) the weighted average of the issue price of equity securities issued in the IPO and in future offerings and transactions, multiplied by the weighted average number of all shares of the Company's Class A common stock outstanding on a fully-diluted basis (including any restricted stock units, any restricted shares of Class A common stock, LTIP Units, and other shares of common stock underlying awards granted under the Incentive Plans and OP Units) in the previous 12-month period, exclusive of equity securities issued prior to the IPO, and (B) 8%, and (2) the sum of any incentive fee paid to the Manager with respect to the first three calendar quarters of such previous 12-month period; provided, however, that no incentive fee is payable with respect to any calendar quarter unless AFFO is greater than zero for the four most recently completed calendar quarters, or the number of completed calendar quarters since the closing date of the IPO, whichever is less. For purposes of calculating the incentive fee during the first 12 months after completion of the IPO, AFFO will be determined by annualizing the applicable period following completion of the IPO. One half of each quarterly installment of the incentive fee will be payable in LTIP Units, calculated pursuant to the formula above. The remainder of the incentive fee will be payable in cash or in LTIP Units, at the election of the Board, in each case calculated pursuant to the formula above.

The Company will also be required to reimburse the Manager for certain expenses and pay all operating expenses, except those specifically required to be borne by the Manager under the Management Agreement.

The initial term of the Management Agreement expires on the third anniversary of the closing of the IPO and will be automatically renewed for a one-year term on each anniversary date thereafter unless previously terminated in accordance with the terms of the Management Agreement. Following the initial term of the Management Agreement, the Management Agreement may be terminated annually upon the affirmative vote of at least two-thirds of the Company's independent directors, based upon (1) unsatisfactory performance that is materially detrimental to the Company, or (2) the Company's determination that the fees payable to the Manager are not fair, subject to the Manager's right to prevent such termination due to unfair fees by accepting a reduction of the fees agreed to by at least two-thirds of the Company's independent directors. The Company must provide 180 days' prior notice of any such termination. Unless terminated for cause, as further described in the Management Agreement, the Manager will be paid a termination fee equal to three times the sum of the base management fee and incentive fee earned, in each case, by the Manager during the 12-month period immediately preceding such termination, calculated as of the end of the most recently completed fiscal quarter before the date of termination. The Company may also terminate the Management Agreement at any time, including during the initial term, without the payment of any termination fee, for cause with 30 days' prior written notice from the Board.

During the initial three-year term of the Management Agreement, the Company may not terminate the Management Agreement except as described above and in the following circumstance: At the earlier of (i) three years following the completion of the IPO, and (ii) the date on which the value of the Company's stockholders' equity exceeds $250 million, the Board may, but is not obligated to, internalize the Company's management. The Manager may terminate the Management Agreement if it becomes required to register as an investment company under the Investment Company Act, with such termination deemed to occur immediately before such event, in which case the Company would not be required to pay a termination fee. In addition, if the Company defaults in the performance of any material term of the Management Agreement and the default continues for a period of 30 days after written

notice to the Company, the Manager may terminate the Management Agreement upon 60 days' written notice. If the Management Agreement is terminated by the Manager upon a breach by the Company, the Company is required to pay the Manager the termination fee described above.

Grant of LTIP Units to Manager

On April 2, 2014, concurrently with the completion of the IPO, the Company granted to the Manager 179,562 LTIP Units, which will vest ratably on an annual basis over a three-year period which commences on April 30, 2014. Once vested, these awards of LTIP Units may convert to OP Units upon reaching capital account equivalency with the OP Units held by the Company, and may then be settled in shares of the Company's Class A common stock. As a recipient of these initial awards of LTIP Units, the Manager will be entitled to receive "distribution equivalents" with respect to such LTIP Units, whether or not vested, at the same time as distributions are paid to the holders of the Company's Class A common stock.

Investment Allocation Agreement with Bluerock and the Manager

On April 2, 2014, concurrently with the completion of the IPO, the Company also entered into an investment allocation agreement, or the Investment Allocation Agreement, with Bluerock, an affiliate of the Company, and the Manager, whereby none of Fund II, Fund III, or NPT (collectively referred to as the Bluerock Funds), all of which are affiliates of Bluerock, nor any of their affiliates, will acquire institutional-quality apartment properties in the Company's target markets and within the Company's investment strategies without providing the Company with the right (but not the obligation) to contribute, subject to the Company's investment guidelines, its availability of capital and maintaining its qualification as a REIT for federal income tax purposes, and the Company and the Bluerock Funds' exemption from registration under the Investment Company Act, at least 75% of the capital to be funded by such investment vehicles in Class A apartment properties in the Company's target markets, subject to change if agreed upon by a majority of the Company's independent directors. To the extent that the Bluerock Funds elect to invest less than the remaining 25% of the investment amount, the Company will have the right to invest an additional percentage of equity equal to the amount not so invested by the Bluerock Funds. To the extent that the Company does not have sufficient capital to contribute at least 75% of the capital required for any such proposed investment, the Investment Allocation Agreement provides for a fair and equitable allocation of investment opportunities among all such vehicles and the Company, in each case taking into account the suitability of each investment opportunity for the particular vehicle and the Company and the capital available for investment by each such vehicle and by the Company. The Investment Allocation Agreement will apply to any fund that is formed by Bluerock at a later date.

Acquisition of North Park Towers

On April 2, 2014, the Company, through BRG North Park Towers, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Operating Partnership, or BRG North Park Towers, acquired all of NPT's right, title and interest in a 100% fee simple interest in a 313-unit multifamily property located in Southfield, Michigan, or the NPT Property, pursuant to a contribution agreement, or the NPT Contribution Agreement. As consideration for the 100% fee simple interest of NPT in the NPT Property, or the NPT Consideration, the Operating Partnership issued 282,759 OP Units with an approximate value of $4.1 million (net of assumed mortgages) to NPT, which, subsequent to the one-year anniversary after their receipt by NPT, will be redeemable for cash or exchangeable at the Company's option for shares of the Company's Class A common stock on a one-for-one basis, subject to certain adjustments. The NPT Consideration was subject to certain prorations and adjustments typical in a real estate transaction and was based on the value of the equity interest of NPT in the NPT Property, which equity valuation was based on an independent third party appraisal of the NPT Property.

As further consideration for the 100% fee simple interest of NPT in the NPT Property, on April 2, 2014, the Company and the Operating Partnership entered into that certain Joinder By and Agreement of New Indemnitor, or NPT Joinder Agreement, with U.S. Bank National Association, as trustee for the benefit of the holders of COMM 2014-CCRE14 Mortgage Trust Commercial Mortgage Pass-Through Certificates, or the NPT Lender, pursuant to which R. Ramin Kamfar, the Company's Chairman of the Board and Chief Executive Officer, was released from his obligations under that certain Guaranty of Recourse Obligations dated as of December 24, 2013, and that certain Environmental Indemnity Agreement dated as of December 24, 2013, both of which are related to approximately $11.5 million of indebtedness encumbering the NPT Property, and the Company and the Operating Partnership will serve as replacement guarantors and indemnitors.

In conjunction with the consummation of the NPT Contribution Agreement and the purchase and sale of the NPT Property, BPM received a disposition fee of approximately $468,000, which disposition fee was paid in the form of 32,276 OP Units, which OP Units would have otherwise been paid to NPT. Additionally, the Former Advisor received an acquisition fee of approximately $390,000 under the Amended Advisory Agreement, which acquisition fee was paid in the form of 26,897 LTIP Units.

In conjunction with the consummation of the NPT Contribution Agreement, on April 2, 2014, NPT executed and delivered a Pledge Agreement, a Registration Rights Agreement and a Tax Protection Agreement, all as further described below.

Acquisition of Interest in Village Green of Ann Arbor

On April 2, 2014, the Company, through BRG Ann Arbor, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Operating Partnership, or BRG Ann Arbor, acquired all of Fund II's right, title and interest in and to a 58.6084% limited liability company interest, or the Fund II VG Interest, in BR VG Ann Arbor JV Member, LLC, a Delaware limited liability company, or Ann Arbor JV Member, and all of Fund III's right, title and interest in and to a 38.6084% limited liability company interest, or the Fund III VG Interest, in Ann Arbor JV Member, which is the owner and holder of a 50% limited liability company interest in Village Green of Ann Arbor Associates, LLC, a Michigan limited liability company, or VG Ann Arbor, which is the fee simple owner of a 520-unit multifamily property located in Ann Arbor, Michigan, or the Village Green Property. The acquisition of the Fund II VG Interest and the Fund III VG Interest, or collectively, the VG Interests, was made pursuant to a contribution agreement, or the VG Contribution Agreement.

As consideration for the Fund II VG Interest, the Company issued 293,042 unregistered shares of its Class A common stock with an approximate value of $4.2 million to Fund II, and as consideration for the Fund III VG Interest, the Company issued 193,042 unregistered shares of its Class A common stock with an approximate value of $2.8 million to Fund III, or collectively, the VG Consideration. The VG Consideration was subject to certain prorations and adjustments typical in a real estate transaction and was based on the value of the indirect equity interest of Fund II and Fund III in the Village Green Property, which indirect equity valuation was based on an independent third party appraisal of the Village Green Property.

As further consideration for the VG Interests, on April 2, 2014, the Company entered into that certain Consent Agreement with Deutsche Bank Trust Company Americas, as Trustee for the Registered Holders of Wells Fargo Commercial Mortgage Securities Inc. Multifamily Mortgage Pass-Through Certificates, Series 2013-K26, or the VG Lender, VG Ann Arbor, Fund II, Fund III, BRG Ann Arbor, the Operating Partnership and Jonathan Holtzman, which Consent Agreement released Fund II and Fund III from their obligations under that certain Guaranty entered into with the VG Lender, related to an approximate $43.2 million loan originally made by KeyCorp Real Estate Capital Markets, Inc., which loan encumbers the Village Green Property.

In conjunction with the consummation of the VG Contribution Agreement and the purchase and sale of the VG Interests, Fund II Manager received a disposition fee of approximately $300,000 under the management agreement for Fund II, which disposition fee was paid in the form of 23,322 unregistered shares of the Company's Class A common stock, which shares of Class A common stock would otherwise have been issued to Fund II. Further in connection with the VG Contribution Agreement and the purchase and sale of the VG Interests, Fund III Manager received a disposition fee of approximately $200,000 under the management agreement for Fund III, which disposition fee was paid in the form of 11,523 unregistered shares of the Company's Class A common stock, which shares of Class A common stock would otherwise have been issued to Fund III. Additionally, the Former Advisor received an acquisition fee of approximately $700,000 under the Amended Advisory Agreement, which was paid in the form of 48,357 LTIP Units.

In conjunction with the consummation of the VG Contribution Agreement, on April 2, 2014, Fund II and Fund III each executed and delivered a Pledge Agreement, and Fund II, Fund III, Fund II Manager and Fund III Manager entered into a Registration Rights Agreement, all as further described below.

Acquisition of Interest in Villas at Oak Crest

On April 2, 2014, the Company, through BRG Oak Crest, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Operating Partnership, acquired all of Fund II's right, title and interest in and to a 93.432% limited liability company interest, or the Oak Crest Interest, in BR Oak Crest Villas, LLC, a Delaware limited liability company, which is the owner and holder of a 71.9% limited liability company interest in Oak Crest Villas JV, LLC, a Delaware limited liability company, which is the owner and holder of 100% of the limited liability company interests in Villas Partners, LLC, a Delaware limited liability company, which is the fee simple owner of a 209-unit multifamily property located in Chattanooga, Tennessee, or the Oak Crest Property. The acquisition of the Oak Crest Interest was made pursuant to a contribution agreement, or the Oak Crest Contribution Agreement.

As consideration for the Oak Crest Interest, the Company issued 200,143 unregistered shares of its Class A common stock, with an approximate value of $2.9 million, to Fund II, or the Oak Crest Consideration. The Oak Crest Consideration was subject to certain prorations and adjustments typical in a real estate transaction and was based on the value of the indirect equity interest of Fund II in the Oak Crest Property, which indirect equity valuation was based on an independent third party appraisal of the Oak Crest Property.

In conjunction with the consummation of the Oak Crest Contribution Agreement and the purchase and sale of the Oak Crest Interest, Fund II Manager received a disposition fee of approximately $200,000 under the management agreement for Fund II, which disposition fee was paid in the form of 15,474 unregistered shares of the Company's Class A common stock, which shares of Class A common stock would otherwise have been issued to Fund II. Additionally, the Former Advisor received an acquisition fee of approximately $300,000 under the Amended Advisory Agreement, which acquisition fee was paid in the form of 19,343 LTIP Units.

In conjunction with the consummation of the Oak Crest Contribution Agreement, on April 2, 2014, Fund II executed and delivered a Pledge Agreement and entered into a Registration Rights Agreement, all as further described below.

Acquisition of Additional Interest in Springhouse at Newport News

On April 2, 2014, the Company acquired through BEMT Springhouse, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Operating Partnership, all of Bluerock Special Opportunity + Income Fund, LLC's, or Fund I's, right, title and interest in and to a 49% limited liability company interest, or the Springhouse Interest, in BR Springhouse Managing Member, LLC, a Delaware limited liability company, which is the owner and holder of a 75% limited liability company interest in BR Hawthorne Springhouse JV, LLC, a Delaware limited liability company, which is the sole owner and holder of 100% of the limited liability company interests in BR Springhouse, LLC, a Delaware limited liability company, which is the fee simple owner of a 432-unit multifamily property located in Newport News, Virginia, or the Springhouse Property, in which the Company currently own a 38.25% indirect equity interest. The acquisition of the Springhouse Interest was made pursuant to a contribution agreement, or the Springhouse Contribution Agreement.

The Company purchased the Springhouse Interest from Fund I in exchange for approximately $3.5 million in cash, or the Springhouse Consideration. The Springhouse Consideration was subject to certain prorations and adjustments typical in a real estate transaction and was based on the value of the indirect equity interest of Fund I in the Springhouse Property, which indirect equity valuation was based on an independent third party appraisal of the Springhouse Property.

As further consideration for the Springhouse Interest, on April 2, 2014, the Company entered into that certain Indemnity Agreement with James G. Babb, III and R. Ramin Kamfar, pursuant to which, subject to certain exceptions, the Company agreed to indemnify and hold Mr. Babb and Mr. Kamfar, or collectively, the Guarantors, harmless from and against any loss, claim, liability or cost incurred by the Guarantors, or either of them, pursuant to the terms of those certain Guaranties provided by the Guarantors in conjunction with the indebtedness encumbering the Springhouse Property in the original principal amount of $23.4 million, or the Springhouse Loan, and the terms of that certain Backstop Agreement pursuant to which the Guarantors and other guarantors of the Springhouse Loan agreed to allocate amongst themselves liability which they might incur under the Guaranties or other guaranties provided in conjunction with the Springhouse Loan and to which the other guarantors are a party.

In conjunction with the consummation of the Springhouse Contribution Agreement and the purchase and sale of the Springhouse Interest, Bluerock received a disposition fee of approximately $350,000 under the management agreement for Fund I, which disposition fee was paid in cash and deducted from the Springhouse Consideration paid to Fund I. Additionally, the Former Advisor received an acquisition fee of approximately $300,000 under the Amended Advisory Agreement, which acquisition fee was paid in the form of 20,593 LTIP Units.

In conjunction with the consummation of the Springhouse Contribution Agreement, Fund I executed and delivered a Pledge Agreement, all as further described below.

Acquisition of Interest in Grove at Waterford

On April 2, 2014, the Company, through BRG Waterford, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Operating Partnership, acquired all of Fund I's right, title and interest in and to a 10% limited liability company interest, or the Fund I Waterford Interest, in BR Waterford JV Member, LLC, a Delaware limited liability company, or Waterford JV Member, and all of Fund II's right, title and interest in and to a 90% limited liability company interest, or the Fund II Waterford Interest, in Waterford JV Member, which is the owner and holder of a 60% limited liability company interest in Bell BR Waterford Crossing JV, LLC, a Delaware limited liability company, which is the fee simple owner of a 252-unit multifamily property located in Hendersonville, Tennessee, or the Waterford Property. The acquisition of the Fund I Waterford Interest and the Fund II Waterford Interest, or collectively, the Waterford Interests, was made pursuant to a contribution agreement, or the Waterford Contribution Agreement.

As consideration for the Fund I Waterford Interest, the Company paid approximately $600,000 in cash to Fund I, and as consideration for the Fund II Waterford Interest, the Company issued 361,241 unregistered shares of its Class A common stock with an approximate value of $5.2 million to Fund II, collectively, the Waterford Consideration. The Waterford Consideration was subject to certain prorations and adjustments typical in a real estate transaction and was based on the value of the indirect equity interest of Fund I and Fund II in the Waterford Property, which indirect equity valuation was based on an independent third party appraisal of the Waterford Property.

As further consideration for the Waterford Interests, the Company entered into that certain Assumption and Release Agreement, or the Release Agreement, related to approximately $20.1 million of indebtedness encumbering the Waterford Property, which Release Agreement provides for the assumption by the Company of the obligations of Fund I and Fund II under the terms of that certain Guaranty of Non-Recourse Obligations dated April 4, 2012, related to an approximate $20.1 million loan originally made by Walker & Dunlop, LLC, as subsequently assigned to Fannie Mae, which loan encumbers the Waterford Property.

In conjunction with the consummation of the Waterford Contribution Agreement and the purchase and sale of the Waterford Interests, Fund II Manager received a disposition fee of approximately $300,000 under the management agreement for Fund II, which disposition fee was paid in the form of 22,196 unregistered shares of the Company's Class A common stock, which shares of Class A common stock would otherwise have been issued to Fund II. Further in connection with the Waterford Contribution Agreement and the purchase and sale of the Waterford Interests, Bluerock received a disposition fee of approximately $50,000 under the management agreement for Fund I, which disposition fee was paid in cash and deducted from the amount payable by the Company to Fund I. Additionally, the Former Advisor received an acquisition fee of approximately $450,000 under the Amended Advisory Agreement, which acquisition fee was paid in the form of 30,828 LTIP Units.

In conjunction with the consummation of the Waterford Contribution Agreement, Fund I and Fund II each delivered a Pledge Agreement and entered into a Registration Rights Agreement, all as further described above.

Pledge Agreements with Bluerock Special Opportunity + Income Fund, LLC and the Bluerock Funds

On April 2, 2014, in connection with the completion of the IPO and the consummation of certain additional real estate acquisitions, or the Contribution Transactions, from Fund I, and the Bluerock Funds, the Company entered into pledge agreements with Fund I and the Bluerock Funds, or the Pledge Agreements, which Pledge Agreements provide for limited representations and warranties by Fund I, the Bluerock Funds or their nominees regarding the equity interests and assets being contributed in the Contribution Transactions, and entitle the Company and its affiliates to indemnification for breaches of those representations and warranties by Fund I or the Bluerock Funds or their nominees, as applicable, as well as for any losses that the Company may incur related to its ownership of such contributed assets arising prior to the consummation of the Contribution Transactions or the failure of Fund I or the Bluerock Funds, as applicable, to perform under their respective contribution agreements for a one-year period after the closing of the Contribution Transactions.

As credit support for such potential indemnification claims, each of Fund I and the Bluerock Funds have given a lien and security interest to the Company in their shares of Class A common stock of the Company or OP Units, as applicable, having an aggregate value equal to 10% of the total consideration paid by the Company in the Contribution Transactions, based on the price per share of Class A common stock in the IPO for those Pledge Agreements which involve the pledging of shares of Class A common stock of the Company. The pledged collateral will be released on the six-month anniversary of the closing of the IPO to the extent that claims have not been made against the outstanding collateral, after which the Company will require minimum net worth guarantees from each of Fund I and the Bluerock Funds for an additional six months. If any claim for indemnification is made within the initial six-month period, all or a portion of the pledged collateral will be held until resolution of such claim, at which time any amounts not used to satisfy such claim will be returned to Fund I or the Bluerock Funds, as applicable.

Registration Rights Agreement with Fund II, Fund III, BR Fund II Manager, LLC and BR Fund III Manager, LLC

In connection with the completion of the IPO, on April 2, 2014, the Company also entered into a registration rights agreement, or the Fund Registration Rights Agreement, with Fund II and Fund III and their respective managers, BR SOIF II Manager, LLC, or Fund II Manager, and BR SOIF III Manager, LLC, or Fund III Manager, pursuant to which, subject to certain limitations set forth therein, (1) commencing six months after the date of the IPO and upon the one-time demand of such entities, the Company is obligated to file a registration statement for the resale of up to 50%, but not less than 20%, of the shares of Class A common stock held by Fund II, Fund III, Fund II Manager and Fund III Manager as a result of the Contribution Transactions, and (2) commencing not later than nine months after the date of the IPO, the Company is obligated to file a registration statement for the resale of any remaining shares held by Fund II, Fund III, Fund II Manager and Fund III Manager. Additionally, beginning six months after the date of the IPO and only in the event that a registration statement with respect to such securities is not on file and effective, Fund II, Fund III, Fund II Manager and Fund III Manager will also have piggyback registration rights to participate as

selling stockholders in any follow-on public offering of at least $30.0 million, subject to customary underwriter cutbacks and conditions. The Company will pay all of the expenses relating to such securities registrations.

Registration Rights Agreement with NPT and BPM

In connection with the completion of the IPO, on April 2, 2014, the Company also entered into a registration rights agreement, or the NPT Registration Rights Agreement, with NPT and BPM, which is the property manager of the NPT Property, pursuant to which, subject to certain limitations set forth therein, commencing not later than one year after the date of the IPO, the Company is obligated to file a registration statement for the resale of its Class A common stock into which the OP Units held by NPT and BPM as a result of the Contribution Transactions are redeemable. Additionally, NPT and BPM will also have piggyback registration rights to participate as a selling stockholder in any follow-on public offering of at least $30.0 million, subject to customary underwriters' cutbacks and conditions, if the Company fails to file or maintain the effectiveness of the registration statement. The Company will pay all of the expenses relating to such securities registrations.

Tax Protection Agreement with NPT

In connection with the completion of the IPO, on April 2, 2014, the Operating Partnership and the Company also entered into a tax protection agreement with NPT, or the Tax Protection Agreement, pursuant to which the Operating Partnership agreed to indemnify NPT against adverse tax consequences to certain members of NPT until the sixth anniversary of the closing date of the contribution of the NPT Property to the Operating Partnership in connection with the Operating Partnership's failure to provide NPT the opportunity, to the extent necessary to achieve an allocation of at least $4.1 million of the Operating Partnership's liabilities to NPT for federal income tax purposes, to guarantee a portion of the outstanding indebtedness of the Operating Partnership during such period, or following such period, the Operating Partnership's failure to use commercially reasonable efforts to provide such opportunity; provided that, subject to certain exceptions and limitations, the indemnification rights described above will terminate for NPT if it sells, exchanges or otherwise disposes of more than 50% of its OP Units (other than to the then-current owners of NPT). As of April 2, 2014, it was determined that no guarantee was necessary to achieve the allocation described above. However, the Operating Partnership will be obligated to provide the opportunity to make a guarantee, as described above, should the need arise during the remaining term of the Tax Protection Agreement. The estimated amount of indebtedness the Operating Partnership would be required to maintain for this purpose will not exceed $20 million.

Amendment and Termination of Third Amended and Restated Advisory Agreement

On March 26, 2014, the Board, including its independent directors, approved the amendment of the Third Amended and Restated Advisory Agreement dated February 27, 2013, as amended by that certain First Amendment to Third Amended and Restated Advisory Agreement dated October 14, 2013, collectively, the Advisory Agreement, by and among the Company, the Former Advisor and the Operating Partnership. Pursuant to the Advisory Agreement, the Former Advisor is entitled to receive certain acquisition fees in connection with the closing of the Contribution Transactions, or the Acquisition Fees.

The Company, the Former Advisor and the Operating Partnership entered into a Second Amendment to Third Amended and Restated Advisory Agreement, effective March 26, 2014, or the Second Amendment, pursuant to which, in lieu of cash payment, the Acquisition Fees are to be paid to the Former Advisor in the form of LTIP Units in the Operating Partnership. The Board, including its independent directors, authorized and approved the entry by the Company into the Second Amendment and found the terms of the Second Amendment to be fair, competitive and commercially reasonable and no less favorable to the Company than similar agreements between unaffiliated parties under the same circumstances. Except as amended by the Second Amendment, the terms of the Advisory Agreement were identical to those of the Advisory Agreement that was previously in effect.

Pursuant to its terms, the Advisory Agreement, as amended by the Second Amendment, or the Amended Advisory Agreement, automatically terminated on April 2, 2014 upon the completion of the IPO.

Indemnification Agreements with Each of the Company's Directors and Executive Officers

On April 2, 2014, the Company entered into an indemnification agreement, or each, an Indemnification Agreement, with each of its current directors and executive officers, or collectively, the Indemnitees. The Indemnification Agreements clarify and supplement indemnification provisions already contained in the Company's Second Articles of Amendment and Restatement, as subsequently amended, or the Charter, and Second Amended and Restated Bylaws, or the Bylaws, and generally provide that the Company shall indemnify its directors and executive officers to the maximum extent permitted by the Charter, the Bylaws and Maryland law, subject to certain exceptions, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with their service as a director or executive officer and also provide for rights to advancement of expenses and contribution.

Effectiveness of Appointment of Director and Chairman of Investment Committee

Upon the closing of the IPO on April 2, 2014, the appointment of Gary T. Kachadurian as a member of the Board and as chairman of the investment committee of the Board, or the Investment Committee, became effective. Simultaneously, the resignation of James G. Babb, III as a director of the Company and as chairman of the Investment Committee became effective. The resignation of Mr. Babb as a director of the Company and as the chairman of the Investment Committee, and the appointment of Mr. Kachadurian as a director and as the new chairman of the Investment Committee were previously disclosed in that certain Current Report on Form 8-K filed with the SEC on December 3, 2013. Mr. Babb shall serve as Chief Investment Officer of the Manager and Chairman of its investment committee.

Mr. Kachadurian has over 30 years of real estate experience primarily investing in and developing apartment properties on behalf of institutional investors. Since 2007, Mr. Kachadurian has served as Chairman of Apartment Realty Advisors, the nation’s largest privately owned multihousing investment advisory company. From 1990 to 2005, Mr. Kachadurian served in various senior roles at Deutsche Bank Real Estate/RREEF, a leading pension fund advisor, including as a member of RREEF’s Investment Committee for 14 years, as a senior member of the Policy Committee of RREEF, as Senior Managing Director for Global Business Development responsible for raising institutional real estate funds in Japan, Germany, and other countries, and as head of RREEF’s National Acquisitions Group and Value-Added and Development lines of business where he had oversight in the acquisition and management of RREEF’s 24,000 unit apartment investment portfolio. Prior to Deutsche Bank/RREEF, Mr. Kachadurian served as the Midwest Regional Operating Partner for Lincoln Property Company, developing and managing apartment communities in Illinois, Indiana, Wisconsin, Kansas and Pennsylvania. Mr. Kachadurian also serves as President of The Kachadurian Group LLC, (f/k/a The Kach Group), which provides consulting on apartment acquisition and development transactions, including to Waypoint Residential. Mr. Kachadurian is a founding Board Member of the Chicago Apartment Association, and a former Chairman of the National Multi Housing Council. Mr. Kachadurian is Chairman of the Village Foundation of Children’s Memorial Hospital, is a Director of Pangea Real Estate, KBS Legacy Partners Apartment REIT, and Leaders Bank in Oak Brook, Illinois. Mr. Kachadurian received his B.S. in Accounting from the University of Illinois in 1974.

Declaration of Dividends

On April 8, 2014, the Company's Board of Directors declared monthly dividends for the second quarter of 2014 equal to a quarterly rate of $0.29 per share on the Company’s Class A common stock and $0.29 per share on the Company’s Class B common stock, payable to the stockholders of record as of April 25, 2014, May 25, 2014 and June 25, 2014, which will be paid in cash on May 5, 2014, June 5, 2014 and July 5, 2014, respectively. Holders of OP and LTIP units are entitled to receive "distribution equivalents" at the same time as dividends are paid to holders of the Company's Class A common stock.

The declared dividends equal a monthly dividend on the Class A common stock and the Class B common stock as follows: $0.096666 per share for the dividend paid to stockholders of record as of April 25, 2014, $0.096667 per share for the dividend paid to stockholders of record as of May 25, 2014, and $0.096667 per share for the dividend paid to stockholders of record as of June 25, 2014. A portion of each dividend may constitute a return of capital for tax purposes. There is no assurance that the Company will continue to declare dividends or at this rate.

Distributions Paid

The following distributions were paid to the Company's holders of Class A, Class B-1, Class B-2 and B-3 common stock as well as holders of OP and LTIP units subsequent to March 31, 2014.

Shares	Declaration Date	Record Date	Date Paid	Distributions per Share	Total Distribution
Class A Common Stock	April 8, 2014	April 25, 2014	May 5, 2014	$ 0.096666	$ 434,559
Class B-1 Common Stock	April 8, 2014	April 25, 2014	May 5, 2014	$ 0.096666	$ 34,181
Class B-2 Common Stock	April 8, 2014	April 25, 2014	May 5, 2014	$ 0.096666	$ 34,181
Class B-3 Common Stock	April 8, 2014	April 25, 2014	May 5, 2014	$ 0.096666	$ 34,181
OP Units	April 8, 2014	April 25, 2014	May 5, 2014	$ 0.096666	$ 27,333
LTIP Units	April 8, 2014	April 25, 2014	May 5, 2014	$ 0.096666	$ 31,472
Total					$ 595,907

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements of Bluerock Residential Growth REIT, Inc., and the notes thereto. As used herein, the terms "we," "our" and "us" refer to Bluerock Residential Growth REIT, Inc., a Maryland corporation, and, as required by context, Bluerock Residential Holdings, L.P., a Delaware limited partnership, which we refer to as our "Operating Partnership," and to their subsidiaries.

Forward-Looking Statements

Statements included in this Quarterly Report on Form 10-Q 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," within the meaning of the Private Securities Litigation Reform Act of 1995. 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," "estimate," "believe," "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 that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- the factors included in this Quarterly Report on Form 10-Q, including those set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations";
- use of proceeds of our firmly underwritten public offering;
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- our ability to lease units in newly acquired or newly constructed apartment properties;
- potential defaults on or non-renewal of leases by tenants;
- creditworthiness of tenants;
- our ability to obtain financing for and complete acquisitions under contract;
- acquisition risks, including failure of such acquisitions to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- the performance of the Bluerock strategic partners;
- potential natural disasters such as hurricanes;
- national, international, regional and local economic conditions;
- our ability to pay future distributions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;

- lack of or insufficient amounts of insurance;
- our ability to maintain our qualification as a REIT;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us or a subsidiary owned by us or acquired by us.

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 report. All forward-looking statements are made as of the date of this report and the risk that actual results will differ materially from the expectations expressed in this report 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 report, whether as a result of new information, future events, changed circumstances or any other reason. The forward-looking statements should be read in light of the risk factors indicated in the section entitled “Risk Factors” beginning on page 27 of our final prospectus, or Prospectus, to our registration statement on Form S-11, as amended (File No. 333-192610), with respect to our firmly underwritten public offering. Our Prospectus is dated March 28, 2014, and was filed with the U.S. Securities and Exchange Commission, or SEC, on April 1, 2014 pursuant to Rule 424 (b) under the Securities Act of 1933, as amended, or Securities Act, and is accessible on the SEC’s website at www.sec.gov.

Overview

Bluerock Residential Growth REIT, Inc., or the Company, was incorporated as a Maryland corporation on July 25, 2008. The Company’s objective is to maximize long-term stockholder value by acquiring well-located institutional-quality apartment properties in demographically attractive growth markets across the United States. The Company seeks to maximize returns through investments where it believes it can drive substantial growth in its funds from operations and net asset value through one or more of its Core-Plus, Value-Add, Opportunistic and Invest-to-Own investment strategies.

The Company conducts its operations through Bluerock Residential Holdings, L.P., its operating partnership, or Operating Partnership, of which the Company is the sole general partner. The consolidated financial statements include the accounts of the Company and the Operating Partnership.

As of March 31, 2014, the Company was externally managed by Bluerock Multifamily Advisor, LLC, or the Former Advisor, an affiliate of Bluerock Real Estate, L.L.C., the Company’s sponsor, or Bluerock, pursuant to an advisory agreement, or Advisory Agreement. In connection with the completion of the Company's firmly underwritten public offering on April 2, 2014, we engaged BRG Manager, LLC, also an affiliate of Bluerock, or the Manager, to provide external management services to us under a new management agreement, or the Management Agreement, and terminated the Advisory Agreement with the Former Advisor

As of March 31, 2014, our portfolio consisted of interests in five properties, all acquired through joint ventures, located primarily in the Southeastern United States comprised of an aggregate of 1,326 units, including a 266 unit development property that began delivering units for move-ins in November 2013. Following completion of the firmly underwritten public offering on April 2, 2014 and in connection with certain contribution transactions, we acquired interests in four additional properties and an additional interest in an existing property, such that we owned an interest a portfolio of nine apartment properties comprised of an aggregate of 2,620 units. As of March 31, 2014, these properties, exclusive of our development property, were approximately 94% occupied.

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code and have qualified as a REIT commencing with our taxable year ended December 31, 2010. In order to continue to qualify as a REIT, we must distribute to our stockholders each calendar year at least 90% of our taxable income (excluding net capital gains). If we qualify as a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify as a REIT for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income and results of operations. We intend to continue to organize and operate in such a manner as to remain qualified as a REIT.

Our Continuous Registered Offering and Our Firmly Underwritten Public Offering

The Company raised capital in a continuous registered offering, carried out in a manner consistent with offerings of non-listed REITs, from its inception until September 9, 2013, when it terminated the offering in connection with the Board of Directors’ consideration of strategic alternatives to maximize value to its stockholders. Through September 9, 2013, the Company had raised

an aggregate of $22.6 million in gross proceeds through its continuous registered offering, including its distribution reinvestment plan.

We subsequently determined to register shares of newly authorized Class A common stock that were to be offered in an firmly underwritten public offering by filing a registration statement on Form S-11 (File No. 333-192610) with the SEC, on November 27, 2013. On March 28, 2014, the SEC declared the registration statement effective and we announced the pricing of our public offering of 3,448,276 shares of Class A common stock at a public offering price of $14.50 per share for total gross proceeds of $50.0 million. We also granted the underwriters a 30-day option to purchase up to an additional 517,241 shares of Class A common stock at the public offering price, less underwriting discounts and commissions, solely to cover overallotments, if any. The net proceeds of the offering are estimated to be approximately $44.4 million after deducting underwriting discounts and commissions and estimated offering proceeds.

In connection with our firmly underwritten public offering, shares of our Class A common stock were listed on the NYSE MKT for trading under the symbol "BRG." Pursuant to the second articles of amendment and restatement to our charter filed on March 26, 2014, or Second Charter Amendment, each share of our common stock outstanding immediately prior to the listing, including shares sold in our Prior Public Offering and our Follow On Offering, was changed into one-third of a share of each of Class B-1common stock, Class B-2 common stock and Class B-3 common stock. Following the filing of the Second Charter Amendment, we effected a 2.264881-to-1 reverse stock split of our outstanding shares of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock, and on March 31, 2014, we effected an additional 1.0045878-to-1 reverse stock split of our outstanding shares of Class B-1 common stock, Class B-2 common stock and Class B-3 common stock.

Our total stockholders' equity decreased $1.3 million from $12.0 million as of December 31, 2013 to $10.7 million as of March 31, 2014. The decrease in our total stockholders' equity is primarily attributable to our net loss of $1,046,746 for the period as well as distributions declared of approximately $273,028.

Results of Operations

Our management is not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting our targeted portfolio, the multifamily housing industry and real estate generally, which may be reasonably anticipated to have a material impact on the revenues or incomes to be derived from the operation of our assets.

The following is a summary of our stabilized operating investments as of March 31, 2014:

Multifamily Community	Date Acquired	Number of Units	Our Ownership Interest in Property Owner	Occupancy %	Debt Service Coverage Ratio
Springhouse at Newport News	12/3/2009	432	38.25%	92%	1.90
The Estates at Perimeter/Augusta	9/1/2010	240	25.00%	92%	1.40
Enders Place at Baldwin Park	10/2/2012	198	48.40%	96%	2.34
MDA City Apartments	12/17/2012	190	35.31%	93%	1.36
Total		1,060		93%	1.75

In addition, construction of the Berry Hill property is in process, and the property began delivering units for move-ins in November 2013. The Berry Hill property is projected to be stabilized by the third quarter of 2014, and is expected to produce positive cash flow to us once stabilized.

Further, on March 28, 2014, BR Creekside, LLC, a special purpose entity in which the Company holds a 24.706% indirect equity interest, sold The Reserve at Creekside Village property, or the Creekside property, to an unaffiliated third party for $18,875,000. The Creekside property was previously classified as held for sale and discontinued operations.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenues increased $242,121 from $3,018,534 for the three months ended March 31, 2013 to $3,260,655 during the three months ended March 31, 2014. This increase is primarily due to additional revenues from the Berry Hill development property, which began delivering units for move-ins in November 2013.

Expenses decreased $224,308 from $3,607,862 for the three months ended March 31, 2013 to $3,383,554 for the three months ended March 31, 2014. This decrease was primarily attributable to:

- a $607,905 decrease in depreciation and amortization expenses from $1,715,876 for the three months ended March 31, 2013 to $1,107,971 during the three months ended March 31, 2014, related to the full amortization of MDA Apartments and Enders Place at Baldwin Park in-place leases during 2013,

- partially offset by a $312,017 increase in property operating expenses from $776,977 for the three months ended March 31, 2013 to $1,088,994 for the three months ended March 31, 2014, due to additional expenses from the Berry Hill property, which began delivering units for move-ins in November 2013.

There was a $133,023 increase in gain (loss) from discontinued operations from a loss of $68,983 for the three months ended March 31, 2013 to a gain of $64,040 for the three months ended March 31, 2014. This increase was primarily due a $1,006,359 increase in the gain on the sale of rental property, partially offset by a $879,583 increase in the loss on the early extinguishment of debt.

Property Operations

We define “same store” properties as those that we owned and operated for the entirety of both periods being compared, except for properties that are in the construction or lease-up phases, or properties that are undergoing development or significant redevelopment. We move properties previously excluded from our same store portfolio for these reasons into the same store designation once they have stabilized or the development or redevelopment is complete. For newly constructed or lease-up properties or properties undergoing significant redevelopment, we consider a property stabilized upon attainment of 90% physical occupancy, subject loss-to-lease, bad debt and rent concessions. For comparison of our three months ended March 31, 2014 and 2013, the same store properties included properties owned at January 1, 2013, excluding the Berry Hill property, which is under construction. Our same store properties for the three months ended March 31, 2014 and 2013 were Springhouse at Newport News, The Estates at Perimeter/Augusta, Enders Place at Baldwin Park and MDA Apartments. Our non-same store properties for the same periods were The Reserve at Creekside Village, Gardens at Hillsboro Village and 23Hundred@Berry Hill. The Estates at Perimeter/Augusta and Gardens at Hillsboro Village are accounted for under the equity method, but are reflected in our table of net operating income as if they were consolidated. For the three months ended March 31, 2014, the components of same store property revenues, property expenses and net operating income represented by The Estates at Perimeter/Augusta property were $633,767, $264,203 and $369,564, respectively. For the three months ended March 31, 2014, the components of non-same store property revenues, property expenses and net operating income represented by our Gardens at Hillsboro Village property were $1,053, $1,503 and ($450), respectively. For the three months ended March 31, 2013, the components of same store property revenues, property expenses and net operating income represented by our The Estates at Perimeter/Augusta property were $650,909, $190,299 and $460,610, respectively. For the three months ended March 31, 2013, the components of non-same store property revenues, property expenses and net operating income represented by our Gardens at Hillsboro Village property were $918,295, $326,542 and $591,753, respectively. The Estates at Perimeter/Augusta's financial information can be found at Note 5, "Equity Method Investments" in our Notes to Consolidated Financial Statements. The Gardens at Hillsboro Village property was sold on September 30, 2013.

The following table presents the same store and non-same store results from operations for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,		Change	
	2014	2013	$	%
Property Revenues				
Same Store	$ 3,590,756	$ 3,607,225	$ (16,469)	(0.5)%
Non-Same Store	783,514	1,434,424	(650,910)	(45.4)%
Total property revenues	$ 4,374,270	$ 5,041,649	$ (667,379)	(13.2)%
Property Expenses				
Same Store	$ 1,560,859	$ 1,367,448	$ 193,411	14.1 %
Non-Same Store	493,993	635,138	(141,145)	(22.2)%
Total property expenses	$ 2,054,852	$ 2,002,586	$ 52,266	2.6 %
Same Store NOI	$ 2,029,897	$ 2,239,778	$ (209,881)	(9.4)%
Non-Same Store NOI	289,521	799,286	(509,765)	(63.8)%
Total NOI[1]	$ 2,319,418	$ 3,039,064	$ (719,646)	(23.7)%

[1] See "Net Operating Income" below for a reconciliation of Same Store NOI, Non-Same Store NOI and Total NOI to net income (loss) and a discussion of how management uses this non-GAAP financial measure.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

The Company believes that the pre-IPO same store sales information is based on a small sample of four deals, and as a result is disproportionally impacted by one time non-recurring items and/or events at a single property.

Same store property revenues decreased $16,469 or 0.5% compared to the prior year.

A revenue decline in The Estates at Perimeter/Augusta property accounted for 104% of the above decrease. This decline was the result of the impact of the 'sequester' on the nearby air force base, which had caused a drop in occupancy to an average of 91.7% for the quarter. The Company has taken corrective measures and occupancy at our Augusta property stands at 96% as of April 30, 2014.

Revenue was impacted at our MDA Apartments property by weather conditions in Chicago, which suffered one of the worst winters in decades, and new supply in the market, which had caused a drop in occupancy to an average of 90.1% for the quarter. The Company believes that as the market absorbs the new supply, which is coming online at rental rates which are 7% higher than MDA, it will have the ability to drive revenues significantly at this property over time.

Revenue was impacted at our Springhouse property due to the 'sequester' which put numerous naval contracts on temporary hold in late 2013 and early 2014. In April 2014, some contracts have commenced moving forward including a $17.6 billion government contract for 10 nuclear submarines with some of the area's largest employers, General Dynamics and its major subcontractor, Huntington Ingalls Industries. The Company believes the contracts will provide an influx of employment to the area from engineers to skilled laborers and clerical jobs. In addition, the Company implemented a value-add program in 2013 which resulted in increased unit level rental rates of 13%, but which had been limited to 32 units due to capital constraints. Post- IPO, the Company is reinstating the unit renovation value-add program and expects to drive significant unit level revenue increases at this property over time.

Same store property expenses increased $193,411 or 14.1% compared to the prior year.

Non-controllable expenses accounted for $102,668 or 53% of the increase, primarily due to utilities which accounted for $69,970 or 36% of the increase, as a result of severe winter weather conditions, and real estate taxes and insurance which accounted for $32,698 or 17% of the increase.

In addition, the Company incurred expenses related to elevator and fire sprinkler repairs at the MDA Apartments and The Estates at Perimeter/Augusta properties which accounted for $43,000 or 22% of the increase. These figures are non-recurring one-time expenses and the Company does not expect them to recur in the future.

Net Operating Income

We believe that net operating income, or NOI, is a useful measure of our operating performance. We define NOI as total property revenues less total property operating expenses, excluding depreciation and amortization and interest. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs.

We believe that this measure provides an operating perspective not immediately apparent from GAAP operating income or net income. We use NOI to evaluate our performance on a same store and non-same store basis because NOI allows us to evaluate the operating performance of our properties because it measures the core operations of property performance by excluding corporate level expenses and other items not related to property operating performance and captures trends in rental housing and property operating expenses.

However, NOI should only be used as an alternative measure of our financial performance. The following table reflects same store and non-same store contributions to consolidated NOI together with a reconciliation of NOI to net loss as computed in accordance with GAAP for the periods presented (amounts in thousands):

	Three Months Ended March 31,	
	2014	**2013**
Net operating income		
Same store	$ 2,030	$ 2,240
Non-same store	290	799
Total net operating income	2,320	3,039
Less:		
Interest expense	1,272	1,568
Total property income	1,048	1,471
Less:		
Noncontrolling interest pro-rata share of property income	1,723	1,005
Other income (loss) related to JV/MM entities	(10)	19
Pro-rata share of properties' (loss) income	(665)	447
Less:		
Depreciation and amortization[(1)]	535	784
Affiliate loan interest, net[(1)]	187	251
Asset management and oversight fees[(1)]	125	134
Acquisition and disposition costs[(1)]	487	78
Corporate operating expenses[(1)]	529	426
Add:		
Gain on sale of joint venture interest, net of fees	1,481	—
Net loss attributable to common shareholders	$ (1,047)	$ (1,226)

(1) Amounts presented represent our pro-rata share of the individual line item

Of the amounts above, The Estates at Perimeter/Augusta and Gardens at Hillsboro Village, our equity method investments, comprise the following amounts (in thousands):

	Three Months Ended March 31,	
	2014	**2013**
Net operating income		
Same store	$ 370	$ 461
Non-same store	—	592
Total net operating income	370	1,053
Less:		
Interest expense	186	418
Total property income	184	635
Less:		
Noncontrolling interest pro-rata share of property income	140	247
Other income (loss) related to JV/MM entities	(1)	(2)
Pro-rata share of properties' income	45	390
Less:		
Depreciation and amortization[(1)]	50	78
Asset management and oversight fees[(1)]	12	19
Net (loss) income attributable to common shareholders	$ (17)	$ 293

(1) Amounts presented represent our pro-rata share of the total depreciation and amortization.

Organization and Offering Costs

Under our prior Advisory Agreement, our organization and offering costs (other than selling commissions and dealer manager fees) could be paid by our Former Advisor, our dealer manager or their affiliates on our behalf. Other offering costs include all expenses incurred by us in connection with our continuous registered offering. Organization costs include all expenses incurred by us in connection with our formation, including but not limited to legal fees and other costs to incorporate. Organization costs are expensed as incurred and offering costs, which include selling commissions and dealer manager fees, are charged as incurred as a reduction to stockholders' equity.

As of March 31, 2014, $2,396,605 of organizational and offering costs have been incurred on our behalf by our Former Advisor since inception. We are liable to reimburse these costs to our Former Advisor only to the extent selling commissions, the dealer manager fee and other organization and offering costs do not exceed 15% of the gross proceeds of the applicable offering. In 2010, we reimbursed our Former Advisor for approximately $508,000 of these costs. When recorded by us, organizational costs are expensed and third-party offering costs are charged to stockholders' equity. As of March 31, 2014, $3,622,471 of offering costs have been charged to stockholders' equity and, in 2010, $49,931 of organizational costs were expensed. The organizational and offering costs exceed the 15% threshold discussed above, and given the termination of the Prior Public Offering in April 2013 and the Follow-On Offering in September 2013, we have been reimbursed approximately $508,000 by our Former Advisor for these organizational and offering costs during the first quarter of 2014.

Operating Expenses

Under our prior Advisory Agreement with Bluerock Multifamily Advisor, LLC, or our Former Advisor, which was effective through March 31, 2014, our Former Advisor and its affiliates had the right to seek reimbursement from us for all costs and expenses they incurred in connection with their provision of services to us, including our allocable share of our Former Advisor's overhead, such as rent, employee costs, utilities and information technology costs. We did not, however, reimburse our Former Advisor for personnel costs in connection with services for which our Former Advisor received acquisition, asset management or disposition fees or for personnel costs related to the salaries of our executive officers. Prior to the filing of the second articles of amendment and restatement to our charter on March 26, 2014, or Second Charter Amendment, our charter limited our total operating expenses at the end of the four preceding fiscal quarters to the greater of (A) 2% of our average invested assets, or (B) 25% of our net income determined (1) without reductions for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and (2) excluding any gain from the sale of our assets for the period, referred to as the 2%/25% Guidelines. Notwithstanding the above, we could reimburse amounts in excess of the limitation if a majority or our independent directors determined that such excess amounts were justified based on unusual and non-recurring factors. If such excess expenses were not approved by a majority of our independent directors, the Former Advisor was required to reimburse us at the end of the four fiscal quarters the amount by which the aggregate expenses during the period paid or incurred by us exceeded the limitations provided above. As of March 31, 2014 and December 31, 2013, the Board of Directors approved operating expenses to be expensed as incurred. Our charter was amended on March 26, 2014 pursuant to the Second Charter Amendment. The amendments included, among other things, removing the 2%/25% Guidelines.

Under the new Management Agreement with BRG Manager, LLC, which became effective April 2, 2014, and will govern future quarters, expense reimbursements to our Manager are made in cash on a monthly basis following the end of each month. Our reimbursement obligation is not subject to any dollar limitation. Because our Manager's personnel perform certain legal, accounting, due diligence tasks and other services that outside professionals or outside consultants otherwise would perform, our Manager is paid or reimbursed for the documented cost of performing such tasks, provided that such costs and reimbursements are in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis. We also pay all operating expenses, except those specifically required to be borne by our Manager under the Management Agreement. We will not reimburse our Manager for the salaries and other compensation of its personnel. In addition, we may be required to pay our pro-rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our Manager and its affiliates required for our operations.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements. Our primary liquidity requirements relate to (a) our operating expenses and other general business needs, (b) distributions to our stockholders, (c) investments and capital requirements to fund development and renovations at existing properties and (d) ongoing commitments to repay borrowings, including our maturing short-term debt.

We believe the properties underlying the Company's real estate investments are performing well and had a portfolio-wide debt service coverage ratio of 1.75x and occupancy of 93% at March 31, 2014. Historically, however, our cash resources have been inadequate to meet our primary liquidity needs as our corporate operating expenses have exceeded the cash flow received from our investments in real estate joint ventures. Our operating results for the three months ended March 31, 2014, prior to the completion of our firmly underwritten public offering in April 2014, reflect a continuation of this trend. The primary reason for our negative operating cash flow has been the amount of our general and administrative expenses relative to the size of our portfolio. Our general and administrative expenses were $530,241 for the three months ended March 31, 2014. These costs include accounting and related fees to our independent auditors, legal fees, costs of being an SEC reporting company, director compensation and director and officer insurance premiums.

Going forward, we believe that the net proceeds of our recently completed firmly underwritten public offering provides us with the ability to grow our asset base quickly and better service our general and administrative expenses. The new Management Agreement with our Manager should provide an overall lower fee structure than our previous advisory agreement with our Former Advisor, which we believe will help reduce our corporate general and administrative expenses. Furthermore, we completed the purchase of interests in four properties in April 2014 with the proceeds of our IPO and plan to invest the remaining IPO proceeds in multifamily properties in 2014. We believe we are positioning the Company to provide a dividend fully covered by funds of operations once we have fully invested funds and stabilized properties.

In general, we believe our available cash balances, proceeds from the sale of The Reserve at Creekside Village, or the Creekside property, a 192-unit garden-style apartment community located in Chattanooga, Tennessee, the proceeds of our firmly underwritten

public offering, other financing arrangements and cash flows from operations will be sufficient to fund our liquidity requirements with respect to our existing portfolio for the next 12 months. We expect that the capital we have raised in our firmly underwritten public offering and the contribution of additional investments to our portfolio at the initial closing of the offering, together with borrowings we or our subsidiaries may obtain and the future investments and acquisitions we expect to make as a result of the completion of our firmly underwritten public offering will have a significant impact on our future results of operations. In general, we expect that our income and expenses related to our portfolio will increase in future periods as a result of anticipated future investments in and acquisitions of real estate, including our investments in development projects.

We believe we will be able to meet our primary liquidity requirements going forward through:

- $3.1 million in cash available at March 31, 2014;
- cash generated from operating activities;
- proceeds from the sale of our Class A common stock in our firmly underwritten public offering; and
- proceeds from future borrowings and offerings, including offerings of common and preferred stock and issuances of units of limited partnership interest in our Operating Partnership.

We may also selectively harvest assets at appropriate times, which would be expected to generate cash sources for our liquidity needs. In this regard, on March 28, 2014, BR Creekside, LLC, a special-purpose entity in which we hold a 24.706% indirect equity interest sold the Creekside property, to SIR Creekside, LLC, which is an unaffiliated third party for $18,875,000, subject to certain prorations and adjustments typical in such real estate transaction. After deduction for payment of the existing mortgage indebtedness encumbering the Creekside property in the approximate amount of $13.5 million and payment of closing costs and fees, excluding disposition fees of approximately $69,946 deferred by our Former Advisor, the sale of the Creekside property generated net proceeds to the Company of approximately $1.2 million based on its proportionate ownership in the Creekside property.

While we have no present intention to sell assets to meet liquidity requirements, should our liquidity needs exceed our available sources of liquidity, we believe that we could also sell assets to raise additional cash. In past, the Company has sold assets to meet its short-term liquidity requirements, including sales of interests in its 23Hundred@BerryHill development project, or the Berry Hill property, during 2013 to fund working capital, distributions to stockholders and payments of our working capital line of credit provided by Bluerock Special Opportunity + Income Fund, II, LLC, or Fund II, and Bluerock Special Opportunity + Income Fund III, LLC, or Fund III, both of which are affiliates of Bluerock, pursuant to which we could borrow up to $13.5 million, or the Fund LOC.

To date, our funding obligations for the Berry Hill property have been a significant liquidity requirement, with $2.4 million of equity funded by us at March 31, 2014. As of March 31, 2014, we no longer have funding obligations for the Berry Hill property. Construction of the Berry Hill property is in process, and its first Certificates of Occupancy were received and the property began delivering units for move-in in November 2013. The Berry Hill property is projected to be stabilized by the third quarter of 2014, and is expected to produce positive cash flow to us once stabilized.

We intend to use prudent amounts of leverage in making our investments, which we define as having total indebtedness of approximately 65% of the fair market value of all of our investments. However, we are not subject to any limitations on the amount of leverage we may use, and accordingly, the amount of leverage we use may be significantly less or greater than we currently anticipate. We expect our leverage to decline commensurately as we execute our business plan to grow our net asset value.

We may seek to utilize credit facilities or loans from unaffiliated parties when possible. To date, we have relied on borrowing from affiliates to help finance our business activities. On October 2, 2012, we entered into the Fund LOC pursuant to which we were initially entitled to borrow up to $12.5 million. On March 4, 2013, the Fund LOC was amended to increase the commitment amount thereunder from $12.5 million to $13.5 million, and to extend the initial term by six (6) months to October 2, 2013. On August 13, 2013, the Fund LOC was further amended in connection with our sale of the partial interest in the Berry Hill property, to, among other things, remove the revolving feature of the Fund LOC such that we may not borrow any further thereunder. On August 29, 2013, we extended the maturity date of the Fund LOC to April 2, 2014. At both March 31, 2014 and December 31, 2013, the outstanding balance on the Fund LOC was $7,571,223 and no amount was available for borrowing at both March 31, 2014 and December 31, 2013. We did not view the Fund LOC as a source of liquidity for the three months ended March 31, 2014, and on April 2, 2014, the Fund LOC was paid in full with the proceeds of the firmly underwritten public offering and extinguished.

Prior to the Second Charter Amendment, our charter prohibited us from incurring debt that would cause our borrowings to exceed 300% of our net assets unless a majority of our independent directors approves the borrowing. Our charter also required that we disclose the justification for any borrowings in excess of the 300% leverage guideline in the next quarterly report. As of

both March 26, 2014 and March 31, 2014, the percentage of our borrowings to our net assets was below the 300% guideline. The amendments in the Second Charter Amendment included removing the 300% leverage guideline.

If we are unable to obtain financing on favorable terms or at all, we may have to curtail our investment activities, including acquisitions and improvements to and developments of real properties, which could limit our growth prospects. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise capital by issuing more securities or borrowing more money. We also may be forced to dispose of assets at inopportune times in order to maintain our REIT qualification and Investment Company Act exemption.

In prior quarters, including the three months ended March 31, 2014, Bluerock has deferred payment by us as needed of asset management fees, acquisition fees and organizational and offering costs incurred by us and has deferred current year reimbursable operating expenses, to support our continued operations.

For the remainder of 2014, the Company expects to maintain a distribution paid on a monthly basis to all of our stockholders at a quarterly rate of $0.29 per share. To the extent the Company continues to pay distributions at this rate, the Company expects to use cash flows from operations to fund distribution payments. The Company's board of directors will review the distribution rate quarterly, and there can be no assurance that the current distribution level will be maintained. While our policy is generally to pay distributions from cash flow from operations, all of our distributions to date have been paid from proceeds from our continuous registered public offering and sales of assets, and may in the future be paid from additional sources, such as from borrowings. None of our distributions for the three months ended March 31, 2014 were funded with our cash from operations.

Off-Balance Sheet Arrangements

As of March 31, 2014, we did not have any off-balance sheet arrangements that have had or are reasonably likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital resources or capital expenditures. As of March 31, 2014, we own interests in one joint venture that is accounted for under the equity method as we exercise significant influence over, but do not control, the investee.

Cash Flows from Operating Activities

As of March 31, 2014, we owned indirect equity interests in five real estate properties, (four operating properties and one development property), four of which are consolidated for reporting purposes. During the three months ended March 31, 2014, net cash used by operating activities was $1,179,552. After the net loss of $1,188,032 was adjusted for $216,792 in non-cash items, net cash used in operating activities consisted of the following:

- Increase in accounts payable and accrued liabilities of $1,000,043;
- Increase in accounts receivable and other assets of $1,613,662; and
- Increase in our payables due to affiliates of $405,307.

Cash Flows from Investing Activities

During the three months ended March 31, 2014, net cash provided by investing activities was $1,725,615, primarily due to the following:

- $4,895,424 in cash proceeds received for the sale of the Creekside property;
- partially offset by $3,479,973 in asset additions at Berry Hill, related to its construction.

Cash Flows from Financing Activities

During the three months ended March 31, 2014, net cash used in financing activities was $397,666, primarily due to the following:

- $3,955,784 in distributions paid to our joint venture partners, $3,740,866 related to the sale of our Creekside property, for which the gain was paid in the form of a distribution;

- $416,491 paid in cash distribution paid to stockholders;
- partially offset by $3,974,609 in mortgage borrowings.

Capital Expenditures

The following table summarizes our total capital expenditures for the three months ended March 31, 2014 and 2013:

	For the three months ended March 31,	
	2014	**2013**
New development	$ 3,315,863	$ 2,736,387
Redevelopment/renovations	110,651	164,491
Routine capital expenditures	53,459	49,483
Total capital expenditures	$ 3,479,973	$ 2,950,361

The majority of our capital expenditures during the three months ended March 31, 2014 relate to the Berry Hill property, our development project, which was acquired in October 2012. First move-ins began in November 2013 and total projected development cost is expected to be approximately $33.7 million, or $126,579 per unit. As of March 31, 2014, 117 units had been completed, with 98 units occupied. As of March 31, 2014, $31.1 million in development costs had been incurred by the Berry Hill property joint venture, of which we have funded our proportionate share of the equity in the amount of $2.4 million.

We define redevelopment and renovation costs as non-recurring capital expenditures for significant projects that have been specifically budgeted for and, for the three months ended March 31, 2014, relate to projects at our Springhouse, Enders Place at Baldwin Park and MDA properties. We define routine capital expenditures as recurring capital expenditures for items that are incurred at every property and included in each individual budget, and are expected to have no significant additional impact on an individual property's operating budget.

Funds from Operations and Adjusted Funds from Operations

Funds from operations, or FFO, is a non-GAAP financial measure that is widely recognized as a measure of REIT operating performance. We consider FFO to be an appropriate supplemental measure of our operating performance as it is based on a net income analysis of property portfolio performance that excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. We define FFO, consistent with the National Association of Real Estate Investment Trusts, or NAREIT's, definition, as net income, computed in accordance with GAAP, excluding gains (or losses) from sales of property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis.

In addition to FFO, we use adjusted funds from operations, or AFFO. AFFO is a computation made by analysts and investors to measure a real estate company's operating performance by removing the effect of items that do not reflect ongoing property operations.

We further adjust FFO by adding back certain items that are not added to net income in NAREIT's definition of FFO, such as acquisition expenses, equity based compensation expenses, and any other non-recurring or non-cash expenses, which are costs that do not relate to the operating performance of our properties, and subtracting recurring capital expenditures (and when calculating the quarterly incentive fee payable to our Manager only, we further adjust FFO to include any realized gains or losses on our real estate investments).

We have incurred $819,060 and $77,556 of acquisition and disposition expense during the three months ended March 31, 2014 and 2013, respectively.

Our calculation of AFFO differs from the methodology used for calculating AFFO by certain other REITs and, accordingly, our AFFO may not be comparable to AFFO reported by other REITs. Our management utilizes FFO and AFFO as measures of our operating performance after adjustment for certain non-cash items, such as depreciation and amortization expenses, and

acquisition expenses and pursuit costs that are required by GAAP to be expensed but may not necessarily be indicative of current operating performance and that may not accurately compare our operating performance between periods. Furthermore, although FFO, AFFO and other supplemental performance measures are defined in various ways throughout the REIT industry, we also believe that FFO and AFFO may provide us and our stockholders with an additional useful measure to compare our financial performance to certain other REITs. We also use AFFO for purposes of determining the quarterly incentive fee, if any, payable to our Manager.

Neither FFO nor AFFO is equivalent to net income or cash generated from operating activities determined in accordance with GAAP. Furthermore, FFO and AFFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Neither FFO nor AFFO should be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow from operating activities as a measure of our liquidity.

Table 1 presents our calculation of FFO and AFFO for the three months ended March 31, 2014 and 2013.

We made no investments, had one full disposition and two partial dispositions in 2013, and made no additional investments and sold one investment during the three months ended March 31, 2014, the results presented in the table below are not directly comparable and should not be considered an indication of our future operating performance.

	Three Months Ended March 31,	
	2014	**2013**
Net loss attributable to common shareholders	$ (1,046,635)	$ (1,226,132)
Add: Pro-rata share of investments		
depreciation and amortization[(1)]	535,056	784,197
	(511,579)	(441,935)
Less: Pro-rata share of investments		
gain on sale of joint venture interests	(447,549)	—
FFO	$ (959,128)	$ (441,935)
Add: Pro-rata share of investments		
acquisition and disposition costs	487,337	77,721
non-cash equity compensation to directors and officers	13,750	18,750
Less: Pro-rata share of		
normally recurring capital expenditures	(18,566)	(15,433)
AFFO	$ (476,607)	$ (360,897)

(1) The real estate depreciation and amortization amount includes our share of consolidated real estate-related depreciation and amortization of intangibles, less amounts attributable to noncontrolling interests, and our similar estimated share of unconsolidated depreciation and amortization, which is included in earnings of our unconsolidated real estate joint venture investments.

Operating cash flow, FFO and AFFO may also be used to fund all or a portion of certain capitalizable items that are excluded from FFO and AFFO, such as tenant improvements, building improvements and deferred leasing costs.

Presentation of this information is intended to assist the reader in comparing the sustainability of the operating performance of different REITs, although it should be noted that not all REITs calculate FFO or AFFO the same way, so comparisons with other REITs may not be meaningful. FFO or AFFO should not be considered as an alternative to net income (loss), as an indication of our liquidity, nor is either indicative of funds available to fund our cash needs, including our ability to make distributions. Both FFO and AFFO should be reviewed in connection with other GAAP measurements.

Distributions

On December 27, 2013, our Board authorized and we declared distributions on our common stock at a rate of $0.05945211 per share for the month of January 2014 to stockholders of record at the close of business on January 31, 2014. Distributions payable to each stockholder of record were paid in cash on February 3, 2014.

On March 13, 2014, our Board authorized and we declared distributions on our common stock at a rate of $0.05369868 per share for the month of February 2014 to stockholders of record as of the close of business on February 28, 2014. Distributions payable to each stockholder of record were paid in cash on or before the 15th day of the following month.

Our Board of Directors will determine the amount of dividends to be paid to our stockholders. The Board's determination will be based on a number of factors, including funds available from operations, our capital expenditure requirements and the annual distribution requirements necessary to maintain our REIT status under the Internal Revenue Code. As a result, our distribution rate and payment frequency may vary from time to time. However, to qualify as a REIT for tax purposes, we must make distributions equal to at least 90% of our "REIT taxable income" each year. Especially during the early stages of our operations, we may declare distributions in excess of funds from operations.

Significant Accounting Policies and Critical Accounting Estimates

Our significant accounting policies and critical accounting estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 and Note 2 "Basis of Presentation and Summary of Significant Accounting Policies" to the Consolidated Financial Statements.

Subsequent Events

The Company has performed an evaluation of subsequent events through the date the Company's consolidated financial statements were issued. No material subsequent events, other than the items disclosed in Note 12, "Subsequent Events" to our interim Consolidated Financial Statements for the period ended March 31, 2014, have occurred that required recognition or disclosure in these financial statements. See Note 9 to our interim Consolidated Financial Statements for discussion.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have omitted a discussion of quantitative and qualitative disclosures about market risk because, as a smaller reporting company, we are not required to provide such information.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our Chief Executive Officer and Chief Accounting Officer, evaluated, as of March 31, 2014, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e). Based on that evaluation, our Chief Executive Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014, to provide reasonable assurance that information required to be disclosed by us in this report filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including the Chief Executive Officer and Chief Accounting Officer, as appropriate to allow timely decisions regarding required disclosures.

We believe, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

There has been no change in internal control over financial reporting that occurred during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this quarterly report, you should carefully consider the factors identified in the section entitled “Risk Factors” beginning on page 27 of our final prospectus, or Prospectus, to our registration statement on Form S-11, as amended (File No. 333-192610), with respect to our firmly underwritten public offering. Our Prospectus is dated March 28, 2014, and was filed with the U.S. Securities and Exchange Commission, or SEC, on April 1, 2014 pursuant to Rule 424(b) under the Securities Act of 1933, as amended, or Securities Act, and is accessible on the SEC’s website at www.sec.gov. These risk factors could materially affect our business, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds

On October 15, 2009, our Registration Statement on Form S-11 (File No. 333-153135), covering a public offering of up to 130 million shares of common stock, or the Prior Public Offering, was declared effective under the Securities Act of 1933. We commenced our Prior Public Offering on October 15, 2009. We offered 100 million shares of common stock in our Prior Public Offering at an aggregate offering price of up to $1.0 billion, or $10 per share, with a discount available to certain categories of purchasers. The 30 million shares offered under our distribution reinvestment plan were offered at an aggregate offering price of $285.0 million, or $9.50 per share.

On September 20, 2012, the Company filed a registration statement on Form S-11 with the SEC, to register $500.0 million in shares of its common stock (exclusive of shares to be sold pursuant to the Company’s distribution reinvestment program) at a price of $10.00 per share (subject to certain volume discounts described in the prospectus), and $50.0 million in shares of its common stock to be sold pursuant to the Company’s distribution reinvestment plan at $9.50 per share, pursuant to the follow-on offering to the Prior Public Offering, or the Follow-On Offering. As permitted by Rule 415 under the Securities Act, we continued the Prior Public Offering until the date the SEC declared the registration statement for the Follow-On Offering effective. The Follow-On Offering was declared effective April 12, 2013. On August 23, 2013, at the recommendation of its Advisor and following the approval of its Board of Directors, the Company terminated its Follow-On Offering, effective September 9, 2013.

Through September 9, 2013, including shares issued through our distribution reinvestment plan, we had sold approximately 2,459,661 shares of common stock in our Prior Public and Follow-On Offerings and raised gross offering proceeds of approximately $22,561,657. The net proceeds of the offerings, after payment of underwriting compensation and offering and organizational expenses, was $15,678,449. Below is a summary of the sources and uses of capital by the Company, including the use of proceeds from the Prior Public and Follow-On Offerings [(1)]:

		Amount[1]
Sources:		
Capital Raised:	$	22,561,657
Loans from Affiliates:		24,362,351
Less: Repayments of Loans to Affiliates		(16,791,128)
Current Outstanding Loans From Affiliates		7,571,223
Sales Proceeds:		6,885,782
Distributions from Investments:		3,695,711
Total Sources:	$	40,714,373
Uses:		
Investments in Real Estate JV's	$	25,199,652
Less: Disposed Assets (cost basis)		(7,416,013)
Current Investments in Real Estate JV's		17,783,639
Selling Commission, Dealer Manager Fee and Distribution Costs[2]		2,137,994
Offering and Organizational Expenses		6,141,235
Interest on Loans to Affiliates		1,953,085
Fees Paid to Advisor on Investments		2,105,469
Working Capital		6,643,694
Dividends Paid to Investors		3,515,725
Redemptions		433,532
Total Uses:	$	40,714,373

(1) Figures are based on exact amounts excluding Working Capital, which is based on a reasonable estimate.
(2) Paid to Select Capital Corporation, as the Company's dealer manager until July 11, 2011, and Bluerock Capital Markets, LLC, as the Company's dealer manager commencing July 11, 2011. Bluerock Capital Markets, LLC is as an affiliate of the Company's Former Advisor.

Unregistered Sale of Equity Securities

During the three months ended March 31, 2014, we did not sell any equity securities that were not registered under the Securities Act of 1933.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended March 31, 2014, we did not repurchase and shares of any class of our equity securities that were registered pursuant to section 12 of the Securities Exchange Act of 1934.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

1.1	Underwriting Agreement by and among Wunderlich Securities, Inc., as representative of the several underwriters named in Schedule A attached thereto, Bluerock Residential Growth REIT, Inc., Bluerock Residential Holdings, L.P. and BRG Manager, LLC, dated March 28, 2014, incorporated by reference to Exhibit 1.1 to the registrant's Current Report on Form 8-K filed April 1, 2014.
3.1	Articles of Amendment to the Second Articles of Amendment and Restatement, effective as of March 26, 2014, incorporated by reference to Exhibit No. 3.6 to Pre-Effective Amendment No. 5 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
3.2	Articles of Amendment to the Second Articles of Amendment and Restatement, effective as of March 26, 2014, incorporated by reference to Exhibit No. 3.7 to Pre-Effective Amendment No. 5 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
3.3	Articles of Amendment to the Second Articles of Amendment and Restatement, effective as of March 31, 2014, incorporated by reference to Exhibit 1.1 to the registrant's Current Report on Form 8-K filed April 1, 2014.
3.4	Articles of Amendment to the Second Articles of Amendment and Restatement, effective as of March 31, 2014, incorporated by reference to Exhibit 3.4 to the registrant's Current Report on Form 8-K filed on April 1, 2014.
3.5	Second Amended and Restated Bylaws of the registrant, incorporated by reference to Exhibit No. 3.5 to Pre-Effective Amendment No. 5 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
10.1	Contribution Agreement by and between BR-NPT Springing Entity, LLC and Bluerock Residential Holdings, L.P., dated effective as of March 10, 2014 incorporated by reference to Exhibit No. 10.91 to Pre-Effective Amendment No. 5 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
10.2	Contribution Agreement by and among Bluerock Special Opportunity + Income Fund II, LLC, Bluerock Special Opportunity + Income Fund III, LLC, and the registrant, dated effective as of March 10, 2014 incorporated by reference to Exhibit No. 10.92 to Pre-Effective Amendment No. 4 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
10.3	Contribution Agreement by and between Bluerock Special Opportunity + Income Fund II, LLC and the registrant, dated effective as of March 10, 2014 incorporated by reference to Exhibit No. 10.93 to Pre-Effective Amendment No. 4 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
10.4	Contribution Agreement by and among Bluerock Special Opportunity + Income Fund, LLC, Bluerock Special Opportunity + Income Fund II, LLC and the registrant, dated effective as of March 10, 2014 incorporated by reference to Exhibit No. 10.94 to Pre-Effective Amendment No. 4 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
10.5	Bluerock Residential Growth REIT, Inc. 2014 Equity Incentive Plan for Individuals, incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K field on January 29, 2014.
10.6	Bluerock Residential Growth REIT, Inc. 2014 Equity Incentive Plan for Entities, incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K field on January 29, 2014.
10.7	Letter Agreement between Bluerock Real Estate, L.L.C. and the registrant dated February 12, 2014 incorporated by reference to Exhibit No. 10.3 to Pre-Effective Amendment No. 3 to the registrant's Registration Statement on Form S-11 (No. 333-192610).
10.8	Purchase and Sale Agreement and Joint Escrow Instructions by and between BR Creekside, LLC and Steadfast Asset Holdings, Inc., dated February 24, 2014.
10.9	Reinstatement and First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions between BR Creekside, LLC and Steadfast Asset Holdings, Inc., dated March 12, 2014
14.1	Code of Business Conduct and Ethics, effective March 26, 2014, incorporated by reference to Exhibit 14.1 to the registrant's Current Report on Form 8-K filed on April 1, 2014.
14.2	Code of Ethics for Senior Executive and Financial Officers, effective March 26, 2014, incorporated by reference to Exhibit 14.2 to the registrant's Current Report on Form 8-K filed on April 1, 2014.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	The following information from the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets; (ii) Statements of Operations; (iii) Statement of Stockholders' Equity; (iv) Statements of Cash Flows.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLUEROCK RESIDENTIAL GROWTH REIT, INC.

DATE: May 15, 2014

/s/ R. Ramin Kamfar
R. Ramin Kamfar
Chief Executive Officer
(Principal Executive Officer)

DATE: May 15, 2014

/s/ Christopher J. Vohs
Christopher J. Vohs
Chief Accounting Officer
(Principal Financial Officer, Principal Accounting Officer)

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Section 2: EX-10.8 (EXHIBIT 10.8)

PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

by and between

BR CREEKSIDE LLC, a Delaware limited liability company

(“Seller”)

and

STEADFAST ASSET HOLDINGS, INC.,
a California corporation

(“Buyer”)

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PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

This PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS ("**Agreement**") is made and entered into as of the 24th day of February, 2014, by and between BR CREEKSIDE LLC, a Delaware limited liability company ("**Seller**"), and STEADFAST ASSET HOLDINGS, INC., a California corporation ("**Buyer**"), with reference to the following facts:

RECITALS:

A. Seller is the fee owner of that certain land with a multi-family residential project commonly known as Reserve at Creekside Village, consisting of 192 units situated thereon, located at 1340 Reserve Way, Chattanooga, TN 37421 and more particularly described in Exhibit "A" attached hereto, together with all structures, improvements, machinery, fixtures and equipment affixed or attached to such land (collectively referred to herein as the "**Real Property**").

B. Seller desires to sell the Real Property, along with certain related personal and intangible property, to Buyer, and Buyer desires to purchase such Real Property and related personal and intangible property from Seller in accordance with the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto mutually agree as follows:

1. PURCHASE AND SALE.

1.1 Property. Subject to the terms and conditions of this Agreement, and for the consideration herein set forth, Seller agrees to sell and transfer, and Buyer agrees to purchase and acquire, all of Seller's right, title, and interest in and to the following (collectively, the "**Property**"):

1.1.1 The Real Property;

1.1.2 All easements, interests, rights, privileges, tenements, hereditaments and appurtenances on or in any way appertaining to the Real Property, including, without limitation, all water and water rights;

1.1.3 All equipment, tools, machinery, materials, furniture, furnishings, supplies, golf carts and other tangible personal property owned by Seller and located on or used exclusively in connection with or arising out of the ownership, management or operation of the Real Property (collectively, "**Personal Property**"); the Personal Property owned by Seller as of the date hereof is identified on Exhibit "B" attached hereto;

1.1.4 All leases and occupancy agreements relating to the Property in effect on the Date of Closing (as hereinafter defined), including all amendments thereto (collectively, "**Leases**"); the Leases in effect on the date of this Agreement are identified on the rent roll attached hereto as Schedule 1 (the "**Rent Roll**");

1.1.5 Subject to Section 6.6 below, to the extent assignable without a termination fee or penalty, all service, maintenance, supply or other contracts relating to the leasing, advertising, operation, maintenance or repair of the Property in effect as of the date hereof (including without limitation all warranties and guarantees thereunder), which are identified on Schedule 2 attached hereto (collectively, "**Contracts**");

1.1.6 To the extent assignable, all licenses, permits, certificates of occupancy and governmental approvals relating to the Property (collectively, "**Approvals**") and any plans, specifications, studies, reports or surveys relating to the Real Property; and

1.1.7 To the extent assignable, all entitlements and intangible personal property in connection with or arising out of the design, construction, occupancy, use, management, operation, maintenance, repair or ownership of the Real Property, including, without limitation, trade names (including "Reserve at Creekside Village" or derivatives thereof), websites, web domains and internet addresses, all phone number(s) for the Real Property, all fax number(s) for the Real Property and logos (collectively, the "**Intangible Property**").

The foregoing notwithstanding, neither the Personal Property or the Intangible Property shall include (A) any items owned by tenants or leased by Seller or owned by Seller's property manager, Hawthorne Residential Partners, LLC ("**Property Manager**"), and (B) any trademarks, logos, trade colors, service marks and trade names of Seller, Bluerock Real Estate or Property Manager set forth on Schedule 3 hereto (collectively, the "**Seller Trademarks**") and any advertising, promotional and similar materials which contain the Seller Trademarks, all of which shall be removed by Seller prior

to Closing. Within fifteen (15) days after Closing, Buyer will “banner” or otherwise temporarily mask the portion of all signage containing the Seller Trademarks, failing which, upon ten (10) days’ notice, Seller may do so at Buyer's expense. The Property described in Sections 1.1.1 through 1.1.7 shall, however, include any and all the items described therein in which any affiliate of Seller has any right, title or interest, to the extent the same is used solely in connection with the Real Property unless otherwise expressly agreed to by Buyer; it being understood and agreed that Seller shall cause such affiliate to convey the same to Buyer at Closing. Seller hereby confirms to Buyer that no vehicles are included in the Personal Property, and that no material Contracts are held in the name of Property Manager (other than any such contracts entered into by Property Manager as an agent of Seller, all of which are included in the Contracts identified on Schedule 2).

1.2 No Warranty. THE ENTIRE AGREEMENT BETWEEN THE SELLER AND BUYER WITH RESPECT TO THE PROPERTY AND THE SALE THEREOF IS EXPRESSLY SET FORTH IN THIS AGREEMENT. THE PARTIES ARE NOT BOUND BY ANY AGREEMENTS, UNDERSTANDINGS, PROVISIONS, CONDITIONS, REPRESENTATIONS OR WARRANTIES (WHETHER WRITTEN OR ORAL AND WHETHER MADE BY SELLER OR ANY AGENT, EMPLOYEE, MEMBER, OFFICER OR PRINCIPAL OF SELLER OR ANY OTHER PARTY) OTHER THAN AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN THE DEED AND THE OTHER DOCUMENTS DELIVERED AT CLOSING. FOR AVOIDANCE OF DOUBT, TO THE EXTENT THAT SELLER OR PROPERTY MANAGER PROVIDES THE BUYER WITH THE REIT PROPERTY SERVICES QUESTIONAIRE REQUESTED IN THE LIMITED ACCESS AGREEMENT (AS HEREINAFTER DEFINED), THE INFORMATION CONTAINED THEREIN IS NOT INTENDED TO, AND EXPRESSLY WILL NOT, CONSTITUTE A REPRESENTATION OR WARRANTY BY SELLER OR THE PROPERTY MANAGER WITH REGARD TO THE PROPERTY OR THE CONTENTS THEREOF, IT BEING UNDERSTOOD THAT SUCH QUESTIONAIRE IS BEING PROVIDED MERELY AS AN ACCOMMODATION TO BUYER, WITHOUT REPRESENTATION OR WARRANTY REGARDING THE ACCURACY OF SUCH INFORMATION. WITHOUT IN ANY MANNER LIMITING THE GENERALITY OF THE FOREGOING, BUYER ACKNOWLEDGES THAT, EXCEPT FOR THE REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF SELLER EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN THE DEED AND OTHER DOCUMENTS DELIVERED AT CLOSING, THE PROPERTY, THE LEASES AND THE CONTRACTS WILL BE PURCHASED BY BUYER IN AN “AS IS” AND “WHERE IS” CONDITION AND WITH ALL EXISTING DEFECTS (PATENT AND LATENT) AND NOT IN RELIANCE ON ANY AGREEMENT, UNDERSTANDING, CONDITION, WARRANTY (INCLUDING, WITHOUT LIMITATION, WARRANTIES OF HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE) OR REPRESENTATION MADE BY SELLER OR ANY AGENT, EMPLOYEE, MEMBER, OFFICER OR PRINCIPAL OF SELLER OR ANY OTHER PARTY (EXCEPT FOR REPRESENTATIONS EXPRESSLY PROVIDED IN THIS AGREEMENT AND IN THE DEED AND OTHER DOCUMENTS DELIVERED AT CLOSING) AS TO THE FINANCIAL OR PHYSICAL (INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL) CONDITION OF THE PROPERTY OR THE AREAS SURROUNDING THE PROPERTY, OR AS TO ANY OTHER MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, AS TO ANY PERMITTED USE THEREOF, THE ZONING CLASSIFICATION THEREOF OR

COMPLIANCE THEREOF WITH FEDERAL, STATE OR LOCAL LAWS, AS TO THE INCOME OR EXPENSE IN CONNECTION THEREWITH, OR AS TO ANY OTHER MATTER IN CONNECTION THEREWITH. BUYER ACKNOWLEDGES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED ELSEWHERE IN THIS AGREEMENT OR IN THE DEED OR IN THE OTHER DOCUMENTS DELIVERED AT CLOSING, NEITHER SELLER, NOR ANY AGENT, MEMBER, OFFICER, EMPLOYEE OR PRINCIPAL OF SELLER NOR ANY OTHER PARTY ACTING ON BEHALF OF SELLER (INCLUDING PROPERTY MANAGER AND ITS EMPLOYEES) HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY SUCH AGREEMENT, CONDITION, REPRESENTATION OR WARRANTY EITHER EXPRESSED OR IMPLIED.

2. PURCHASE PRICE.

The total purchase price ("**Purchase Price**") to be paid by Buyer to Seller for the Property shall be NINETEEN MILLION ONE HUNDRED THOUSAND AND 00/100 DOLLARS ($19,100,000.00), payable all in cash.

3. PAYMENT OF PURCHASE PRICE.

The Purchase Price shall be paid as follows:

3.1 Deposit. As part of the Opening of Escrow (as defined below), Buyer shall deliver to Madison Title Agency, LLC ("**Escrow Holder**"), which has an address of 1125 Ocean Avenue, Lakewood, New Jersey 08701, Attn: Daniela Graca, the sum of TWO HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS ($250,000.00) ("**Initial Deposit**") in immediately available funds as a good faith deposit. The Initial Deposit and all interest earned on any of the foregoing, shall be collectively referred to in this Agreement as the "**Deposit**". At Buyer's discretion, Escrow Holder shall place the Deposit in one or more government insured interest-bearing accounts satisfactory to Seller and Buyer (which shall have no penalty for early withdrawal), and shall not commingle the Deposit with any funds of Escrow Holder or any other person or entity. If Closing occurs in accordance with this Agreement, the Deposit shall be applied against the Purchase Price. The Deposit shall be returned to Buyer if (y) Buyer elects to terminate this Agreement in accordance with Section 6.5 or Section 12 below or (z) Escrow fails to close due to (i) Seller's breach of this Agreement or (ii) the failure of a condition to close under Section 4.2 (other than a failure of Buyer to deliver funds or instruments under Section 4.2.2 or a breach by Buyer under Section 4.2.4 or the occurrence of an event under Section 4.2.6 with respect to Buyer); otherwise, the Deposit shall be deemed earned by and released to Seller pursuant to Section 3.3 below if the Agreement terminates for any other reason. In the event of a termination of this Agreement by either Seller or Buyer for any reason other than pursuant to Section 6.5, Escrow Holder is authorized to deliver the Deposit to the party hereto entitled to same pursuant to the terms hereof on or before the fifth (5th) Business Day following receipt by Escrow Holder and the non-terminating party of written notice of such termination from the terminating party, unless the other party hereto notifies Escrow Holder, in good faith, that it disputes the right of the other party to receive the Deposit. In such event, Escrow Holder may either disburse the Deposit in accordance with a jointly executed instruction letter from Seller and Buyer or, if no such instruction letter is received within ten (10) Business Days after the Escrow Holder's receipt of the original letter identifying the dispute, interplead the Deposit into a

court of competent jurisdiction in the county in which the Deposit has been deposited. All attorneys' fees and costs and Escrow Holder's costs and expenses incurred in connection with such interpleader shall be assessed against the party that is not awarded the Deposit, or if the Deposit is distributed in part to both parties, then in the inverse proportion of such distribution. As used in this Agreement, "**Business Day**" means any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in the State of California, New York or Tennessee.

3.2 Remainder of Purchase Price. On or before the Closing Date, Buyer shall deposit into Escrow immediately available funds in an amount which, when added to the Deposit, will equal the Purchase Price plus any additional amounts necessary to cover costs and/or prorations under this Agreement.

3.3 Buyer Default; Liquidated Damages**. SELLER AND BUYER AGREE THAT, IF THE PURCHASE AND SALE OF THE PROPERTY IS NOT COMPLETED AND THIS AGREEMENT TERMINATES BECAUSE BUYER DEFAULTS UNDER OR BREACHES THIS AGREEMENT (AND FAILS TO CURE ANY SUCH BREACH OR DEFAULT WITHIN THREE (3) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM SELLER, EXCEPT WITH RESPECT TO BUYER'S OBLIGATION TO DELIVER THE PURCHASE PRICE TO ESCROW HOLDER, FOR WHICH NO NOTICE OR CURE SHALL BE AVAILABLE), THE PORTION OF THE DEPOSIT THEN DEPOSITED WITH ESCROW HOLDER PURSUANT TO THIS AGREEMENT SHALL BE PAID TO SELLER UPON TERMINATION OF THIS AGREEMENT AND RETAINED BY SELLER AS LIQUIDATED DAMAGES AND AS SELLER'S SOLE REMEDY AT LAW OR IN EQUITY. SELLER AND BUYER AGREE THAT, UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT, ACTUAL DAMAGES MAY BE DIFFICULT TO ASCERTAIN AND THE PORTION OF THE DEPOSIT THEN DEPOSITED WITH ESCROW HOLDER PURSUANT TO THIS AGREEMENT IS A REASONABLE ESTIMATE OF THE DAMAGES THAT WILL BE INCURRED BY SELLER IF BUYER DEFAULTS UNDER OR BREACHES THIS AGREEMENT AND FAILS TO PURCHASE THE PROPERTY. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IF BUYER SHALL REMAIN READY, WILLING AND ABLE TO CLOSE ON THE PURCHASE OF THE PROPERTY UNDER THIS AGREEMENT, SELLER SHALL HAVE NO RIGHT TO TERMINATE THIS AGREEMENT FOR ANY BREACH OR DEFAULT BY BUYER THAT (I) IS NOT CAPABLE OF CURE AFTER THE FACT BY BUYER, (II) DOES NOT MATERIALLY ADVERSELY AFFECT SELLER, THE PROPERTY OR ANY TENANT UNDER ANY LEASE, (III) DOES NOT DELAY THE CLOSING BEYOND THE OUTSIDE CLOSING DATE AND (IV) DOES NOT RESULT IN THE SELLER INCURRING ANY ADDITIONAL COSTS OR EXPENSES THAT ARE NOT REIMBURSED BY BUYER UPON DEMAND.**

SELLER'S INITIALS: _____ BUYER'S INITIALS: _____

3.4 Seller Default; Specific Performance. If Seller fails to consummate the sale of the Property pursuant to this Agreement or otherwise materially defaults on its obligations

hereunder at or prior to Closing for any reason except failure by Buyer to perform hereunder, or if prior to Closing any one or more of Seller's representations or warranties are breached in any material respect, and such default or breach is not cured by the earlier of (x) the third (3rd) Business Day after written notice thereof from Buyer or (y) the Closing Date (except no notice or cure period shall apply if Seller fails to consummate the sale of the Property hereunder as of the Closing Date), Buyer may (a) terminate this Agreement by giving Seller timely written notice of such termination prior to or at Closing and recover the Deposit and any and all Buyer's Costs (as hereinafter defined) incurred as of the date of such termination, (b) enforce specific performance to consummate the sale of the Property hereunder, or (c) waive said failure or breach and proceed to Closing without any reduction in the Purchase Price. Buyer specifically waives the right to file any *lis pendens* or any lien against the Property unless and until it has irrevocably elected to seek specific performance of this Agreement and has filed and is diligently pursuing an action seeking such remedy or unless Seller fails to pay, within ten (10) days after receipt of written demand therefor, the amounts due to Buyer hereunder. Notwithstanding anything herein to the contrary, Buyer shall be deemed to have elected to terminate this Agreement if Buyer fails to deliver to Seller written notice of its intent to file a claim or assert a cause of action for specific performance against Seller on or before ten (10) Business Days following the earlier of the Outside Closing Date or the expiration of Seller's cure period or, having given such notice, fails to file a lawsuit asserting such claim or cause of action in the county in which the Property is located within sixty (60) days following the earlier of the Outside Closing Date or the expiration of Seller's cure period. Buyer's remedies shall be limited to those described in this Section 3.4 and Section 13. If, however, the equitable remedy of specific performance is not available, Buyer may seek any other right or remedy available at law or in equity; provided, however, that in no event shall Seller's liability exceed $175,000.00 plus Buyer's Costs and any amounts payable under Section 13. For purposes of this Agreement, "**Buyer's Costs**" shall mean the actual third party out of pocket expenses incurred by Buyer and paid (A) to Buyer's attorneys (and specifically including in-house attorneys of affiliates of Buyer, assuming an hourly rate of $350.00) in connection with the negotiation of this Agreement or the proposed purchase of the Property, and (B) to third party consultants in connection with the performance of examinations, inspections and/or investigations pursuant to Section 6; provided that such Buyer's Costs shall, in all events, be capped at a maximum of $75,000.

4. ESCROW INSTRUCTIONS.

4.1 Opening of Escrow. Within three (3) Business Days after the mutual execution and delivery of this Agreement, the parties shall open an escrow ("**Escrow**") with Escrow Holder in order to consummate the purchase and sale in accordance with the terms and provisions hereof by (i) Buyer delivering to Escrow Holder the Initial Deposit and (ii) Buyer and Seller delivering to Escrow Holder their respective executed counterparts of this Agreement (collectively, the "**Opening of Escrow**"). Escrow Holder shall deliver written confirmation of the date of the Opening of Escrow to the parties in the manner set forth in Section 17 of this Agreement. This Agreement shall be countersigned by Escrow Holder and the provisions hereof shall constitute joint primary escrow instructions to Escrow Holder; provided, however, that the parties shall execute such additional instructions as requested by Escrow Holder not inconsistent with the provisions hereof.

4.2 Conditions to Close. Escrow shall not close unless and until the following conditions precedent and contingencies have been satisfied or waived in writing by the party for whose benefit the conditions have been included (such party being the party that benefits from the actions of the other party in performing or satisfying, or that has the right under this Agreement to require the other party to perform or satisfy, the conditions set forth below):

4.2.1 All contingencies described in Section 6 below have either been satisfied or waived by Buyer.

4.2.2 All funds and instruments described in Sections 3 and 10 have been delivered to Escrow Holder by the applicable party responsible therefor, and Seller and Buyer have, in good faith, approved, executed and delivered a settlement statement reflecting the Purchase Price, all prorations, and all closing costs as required under this Agreement (the "**Settlement Statement"**).

4.2.3 The Title Company has irrevocably committed to Buyer in writing to issue, upon payment of the applicable premiums, an ALTA 2006 extended owner's policy of title insurance, in form and content acceptable to Buyer insuring Buyer's fee simple title to the Real Property in an amount equal to the Purchase Price subject only to the Permitted Exceptions.

4.2.4 Seller and Buyer shall each have materially performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed, observed and/or complied with by such party prior to, or as of, the Closing.

4.2.5 Seller's representations and warranties contained herein shall be true and correct in all material respects as of the date hereof and as of the Closing Date, except for representations and warranties made as of, or limited by, a specific date, which will be true and correct in all material respects as of the specified date or as limited by the specified date.

4.2.6 There shall exist no pending or threatened actions, suits, arbitrations, claims, attachments, proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings, against the other party that would materially and adversely affect that party's ability to perform its obligations under this Agreement.

4.3 Recordation and Transfer. Upon satisfaction of the conditions set forth in Section 4.2 above, Escrow Holder shall transfer the Property as follows:

4.3.1 Subject to the election of the parties to close based on gap coverage provided by the Escrow Holder, in which case the Deed will be recorded after Closing, cause the Deed (as such term is hereinafter defined) to be recorded with the Register's Office of Hamilton County, Tennessee;

4.3.2 Deliver to the parties entitled thereto the other Closing Documents (as hereinafter defined); and

4.3.3 Disburse all funds deposited with Escrow Holder by Buyer in payment of the Purchase Price for the Property (subject to applicable prorations and adjustments

as provided herein) to (i) Seller by wire transfer pursuant to instructions to be delivered by Seller to Escrow Holder, (ii) for closing costs, to the party entitled thereto, and (iii) any remainder to Buyer, all as set forth in the Settlement Statement.

5. CLOSING.

5.1 Generally. Escrow shall close upon the recordation of the Deed (or if the parties elect to close on the basis of gap coverage from the Escrow Holder, then at such time as the Escrow Holder is otherwise prepared to record the Deed and all the conditions associated with the recording of the Deed have been satisfied) in accordance with the provisions of this Agreement ("**Date of Closing**", "**Closing Date**", "**Closing**" or "**Close of Escrow**"). The Close of Escrow shall occur on a date selected by Buyer, and reasonably approved by Seller, but in no event later than the earlier to occur of (a) the date that is thirty (30) days after the date hereof or (b) March 20, 2014 ("**Outside Closing Date**") at the office of Escrow Holder (or such other location as may be mutually agreed upon by Seller and Buyer), unless otherwise extended (i) by operation of Sections 6.3 or 12 below, or (ii) by written agreement between Buyer and Seller. The foregoing notwithstanding, the parties shall not be required to physically attend Closing, it being understood that the Close of Escrow can proceed on the basis of written instructions to the Escrow Holder.

6. BUYER'S REVIEW.

6.1 Delivery of Documents. Buyer and Seller have previously executed and delivered that certain Limited Access Agreement dated as of February 3, 2014 between Buyer and Seller (the "**Limited Access Agreement**"), pursuant to which Seller has delivered (or in the case of the Leases made available) to Buyer all documents pertaining to the Property that have been prepared by, for or at the request of Seller or are in the possession or control of, or are reasonably available to, Seller, including, without limitation, the documents listed on Exhibit "C" attached hereto (collectively with the items previously delivered under the Limited Access Agreement and the Additional Delivery Items (as hereinafter defined), the "**Seller Deliveries**") other than those items specifically identified on the attached Exhibit "C" as having not yet been delivered (the "**Additional Delivery Items**"), which Limited Access Agreement has terminated upon execution of this Agreement. Seller shall, at the sole expense of Seller, deliver to Buyer (in electronic format to the extent feasible) the Additional Delivery Items in accordance with the timeframes set forth on Exhibit "C." The foregoing notwithstanding, the Seller Deliveries expressly exclude, and Seller shall have no obligation to provide, any information constituting the Excluded Documents, as defined in the Limited Access Agreement.

6.2 Access. Commencing upon the execution of this Agreement by Buyer and Seller, Seller shall permit (or cause to be permitted) Buyer or Buyer's agents, employees, contractors, lenders and representatives access to the Property for purposes of any non-intrusive physical or environmental test, study or inspection of the Property and, to the extent copies were not provided to Buyer by Seller pursuant to Section 6.1, review and copying of Seller's books and records relating to the Property and any of the documents described in Section 6.1 above, and other matters necessary in the discretion of Buyer to evaluate and analyze the feasibility of the Property for Buyer's intended use thereof. Such permission described above shall be in addition to the permissions previously provided to Buyer and the associated inspections previously undertaken by Buyer under the Limited

Access Agreement, provided that all inspections occurring prior to the execution of this Agreement shall have been governed by the terms of the Limited Access Agreement. Buyer shall not conduct or authorize any physically intrusive testing of, on, or under the Property without first obtaining Seller's consent (which may be via telephone or electronic mail) as to the timing and scope of work to be performed, which consent shall not be unreasonably withheld, conditioned or delayed. In addition, and notwithstanding anything in this Agreement to the contrary, Seller shall have the right, without limitation, to disapprove any and all surveys, tests (including, without limitation, a Phase II environmental study of the Property), investigations and other matters that in Seller's reasonable judgment could result in any injury to the Property or breach of any contract, or expose Seller to any losses or violation of applicable law, or otherwise adversely affect the Property or Seller's interest therein. Seller's decision with respect to the granting or withholding of Seller's consent shall be communicated to Buyer within 24 hours. No consent by Seller to any such activity shall be deemed to constitute a waiver by Seller of the provisions hereof or assumption of liability or risk by Seller. Prior to any entry Buyer shall provide Seller with at least 24 hours prior notice (which may be via telephonic or electronic mail, but without requirement for concurrent overnight delivery) and Seller shall have the right to have a representative of Seller present during any entry onto the Property by Buyer. All notices to, and requests for Seller's consent hereunder, shall be made to Phil Payonk, telephone # 336-553-1700 and email address ppayonk@hrpliving.com. Buyer shall not contact any tenant of the Property without the prior written approval of Seller. In the event that Seller does consent to Buyer's contact with any tenant of the Property, Seller shall have the right to have a representative of Seller present during any such interview. In all events, Buyer shall use commercially reasonable efforts to minimize disruption to tenants at the Property in connection with Buyer's or its consultants' activities pursuant to this Agreement. Seller hereby acknowledges and agrees that Buyer or Buyer's representatives may communicate with any governmental authority or quasi-governmental authority for the purpose of gathering information in connection with the Property or the Seller, or the transaction contemplated by this Agreement. Buyer shall maintain and cause its agents, contractors, representatives and consultants that will enter the Property prior to the Closing Date to maintain (a) comprehensive general liability insurance ("CGL") with coverages of not less than $1,000,000.00 for injury or death to any one person and $2,000,000.00 for injury or death to more than one person and $1,000,000.00 with respect to property damage, by water or otherwise, and (b) worker's compensation insurance for all of their respective employees that will enter the Property in accordance with the law of the state in which the Property is located. To the extent not previously delivered to Seller pursuant to the Limited Access Agreement, Buyer shall deliver to Seller proof of the insurance coverages required pursuant to this Agreement (in the form of certificate(s) of insurance) prior to Buyer's or its consultants' entry onto the Property. Such insurance shall name Seller and Property Manager (if requested in writing by Seller) as additional insured parties and shall be with companies authorized to issue insurance in the state in which the Real Property is located. Buyer acknowledges that, except as expressly set forth herein and in the documents delivered at the Closing, Seller makes no warranties or representations regarding the adequacy, accuracy or completeness of Seller's environmental reports or other third-party produced materials or other documents relating to the Property made available to Buyer (collectively, the **"Reports"**), and Buyer shall have no claim against Seller based upon the Reports. Further, Buyer shall have no right to rely on any third party reports delivered by Seller to Buyer, unless Buyer has received the third party report provider's express permission to rely thereon, at Buyer's sole expense. At Seller's request, upon termination of this Agreement and payment by Seller to Buyer of the actual

costs thereof, Buyer agrees to provide Seller (without any representation or warranty whatsoever and without any liability with respect to the content thereof, and subject to any confidentiality requirements of the provider thereof) with copies of all environmental and engineering reports obtained by Buyer with respect to the Property.

6.3 Title and Survey.

6.3.1 Within three (3) days after the Opening of Escrow, Seller shall cause Escrow Holder to issue to Buyer a current commitment for an owner's policy of title insurance in the amount of the Purchase Price on an ALTA 2006 policy through First American Title Insurance Company together with copies of all documents of record referenced therein (collectively, the "**Title Commitment**") at Seller's sole cost and expense (as provided in Section 11 below). Buyer shall have until 5:00 PM (east coast time) on February 26, 2014 ("**Title Objection Period**") in which to notify Seller in writing of any objections Buyer has, in Buyer's sole and absolute discretion, to any matters shown on the Title Commitment, the survey provided by Seller and any Survey obtained by Buyer pursuant to Section 6.3.2 below ("**Title Objection Notice**"). All objections raised by Buyer in the manner herein provided are hereafter called "**Objections**." Subject in all events to the limitations set forth in the penultimate sentence of this Section 6.3.1 which shall control, Seller shall make reasonable efforts to remedy or remove all Objections (or agree irrevocably in writing to remedy or remove all such Objections at or prior to Closing) within three (3) Business Days following Buyer's delivery of the Title Objection Notice ("**Seller's Cure Period**"). In the event Seller is unable to remedy or cause the removal of any Objections (or fails during Seller's Cure Period to agree irrevocably to do so at or prior to Closing) within Seller's Cure Period, then Buyer, within three (3) Business Days after the expiration of Seller's Cure Period ("**Buyer's Termination Period**"), shall deliver to Seller written notice electing, in Buyer's sole and absolute discretion, to either (i) terminate this Agreement, or (ii) unconditionally waive any such Objections, failing which Buyer shall conclusively be deemed to have elected (i) above. Any new title information received by Seller or Buyer after the expiration of the Title Objection Period, Seller's Cure Period or Buyer's Termination Period, as applicable, from a supplemental title report which is not the result of the acts or omissions of Buyer or its agents, contractors or invitees (each, a "**New Title Matter**") shall be subject to the same procedure provided in this Section 6.3.1 (and the Date of Closing shall be extended commensurately if the Closing would have occurred but for those procedures being implemented for a New Title Matter), except that Buyer's Title Objection Period, Seller's Cure Period and Buyer's Termination Period for any New Title Matters shall be three (3) Business Days each. Close of Escrow shall be delayed as needed to accommodate such additional time periods. Notwithstanding anything to the contrary contained herein, Seller shall have no obligation to cure any Objections except (i) financing liens of an ascertainable amount created by, under or through Seller, which liens Seller shall cause to be released at or prior to Closing (with Seller having the right to apply the Purchase Price or a portion thereof for such purpose), and Seller shall deliver the Property free and clear of any such financing liens, (ii) any exceptions or encumbrances to title which are created by, under or through Seller after the date hereof without Buyer's consent, and (iii) any Objections which Seller has specifically agreed, in writing, to cure. The term "**Permitted Exceptions**" shall mean: the specific exceptions set forth in or reflected on the Title Commitment or Survey approved by Buyer; other exceptions in the Title Commitment or matters reflected on the Survey to which Buyer has not raised an Objection as provided herein or has subsequently

waived such Objection and that Seller is not required to remove as provided above; real estate taxes not yet due and payable; and rights of tenants (as tenants only) under the Leases, the standard printed exceptions, stipulations and exclusions from coverage contained in the standard ALTA form of owner's policy of title insurance in use in Tennessee which cannot be removed by the performance of Seller's obligations under this Agreement and any laws, regulations or ordinances (including, but not limited to, zoning, building and environmental matters) as to the use, occupancy, subdivision or improvement of the Property adopted or imposed by any governmental agency.

6.3.2 Within three (3) days after the Opening of Escrow, Seller shall provide Buyer with a copy of any existing survey of the Property in Seller's possession or control. Buyer, at its sole cost and expense, may elect to obtain a new survey or revise, modify, or re-certify an existing survey of the Property (either, the "**Survey**") as necessary in order for the title department of Escrow Holder to delete the general survey exception from title or to otherwise satisfy Buyer's objectives.

6.4 Buyer's Due Diligence. Buyer shall have from the date hereof until March 3, 2014 ("**Due Diligence Period**") to evaluate and analyze the feasibility of the Property for Buyer's intended use thereof, including, without limitation, the zoning of the Property, the physical, environmental and geotechnical condition of the Property and the economic feasibility of owning and operating the Property. If, during the Due Diligence Period, Buyer determines in Buyer's sole and absolute discretion that the Property is not acceptable for any reason whatsoever, Buyer shall have the right, by giving written notice to Seller on or before the last day of the Due Diligence Period, to terminate this Agreement. Buyer agrees to indemnify and hold Seller harmless and defend Seller from and against any actual claims, liabilities, liens, cause of action, expenses, costs, or damages (including reasonable attorneys' fees including the cost of in-house counsel and appeals but expressly excluding consequential, special, punitive, speculative or incidental damages) resulting from the inspection of the Property prior to the Closing Date by Buyer or Buyer's contractors, employees, representatives, or agents; provided, however, that Buyer shall not be (i) obligated to provide such indemnity for losses arising because of the gross negligence or willful misconduct of Seller or Seller's affiliates, parent and subsidiary entities, successors, assigns, partners, managers, members, employees, officers, directors, trustees, shareholders, counsel, representatives, agents, and property manager, or (ii) liable to Seller solely as a result of the discovery of a pre-existing condition on the Property to the extent the activities of Buyer or its consultants do not materially exacerbate such condition. If this Agreement is terminated for any reason (or, to the extent any such repair or restoration is necessary (v) to prevent further damage to the Property, (w) avoid manifest danger to life or property, (x) avoid the suspension of any necessary service to the Property, (y) is necessary to comply with any judicial or governmental authority having jurisdiction, as determined by Seller in its reasonable discretion, or (z) otherwise has a material adverse effect on the use or enjoyment of the Property by the tenants under the Leases, then upon written request of Seller), Buyer shall promptly restore the Property to the extent of any physical change or damage made as a result of the conduct of any inspection or investigation of the Property by Buyer or Buyer's agents, representatives or contractors to substantially the same condition that existed immediately prior to Buyer's inspection and investigation, to the extent permitted by applicable law. Any provision to the contrary herein notwithstanding, the provisions of the previous two sentences shall survive termination of this Agreement for any reason for a period of three (3) months and control

over any provisions to the contrary herein; provided however that if Seller shall have provided written notice to Buyer with reasonable detail of a specified repair Buyer is required to make hereunder, then such period shall be extended until such repair is complete.

6.5 Buyer's Termination Right. If Buyer exercises the right to terminate this Agreement in accordance with Sections 6.3 (including without limitation for any New Title Matter) or 6.4 hereof, this Agreement shall terminate as of the date the termination notice is given by Buyer (except as to such matters that are expressly specified to survive the termination of this Agreement), and Escrow Holder shall return the Deposit to Buyer If Buyer does not exercise the right to terminate this Agreement in accordance with Sections 6.3 or Section 6.4 hereof, this Agreement shall continue in full force and effect and the Deposit shall become non-refundable except as provided in Section 3.1 above.

6.6 Contracts. On or before the expiration of the Due Diligence Period, Buyer shall notify Seller in writing as to which of the Contracts Buyer intends to assume and which Contracts Buyer wishes for Seller to terminate at Closing, in Buyer's sole and absolute discretion; provided however that Buyer must assume Contracts that can not be terminated without payment of a termination fee or penalty. Seller shall notify the vendors under those Contract(s) which Buyer has not agreed to assume and, provided that Closing occurs hereunder, such Contracts shall terminate effective as of the Date of Closing. Seller shall cooperate with Buyer, both before and after the Close of Escrow, to obtain any approvals or consents required to assign any Contracts to Buyer, including, without limitation, sending requests for such approvals or consents to the party or parties whose consent or approval is required. If Seller fails to timely send any such request for approval or consent, Buyer may do so in Seller's name. Seller's obligations under this Section 6.6 shall survive the Close of Escrow.

7. REPRESENTATIONS AND WARRANTIES.

7.1 Seller's Representations and Warranties. The representations, warranties and covenants of Seller in this Section 7.1 are a material inducement for Buyer to enter into this Agreement. Buyer would not purchase the Property without such representations, warranties and covenants of Seller. Such representations, warranties and covenants shall survive the Closing for nine (9) months. Seller represents, warrants and covenants to Buyer as of the date of this Agreement and as of the Closing Date as follows:

7.1.1 Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified and in good standing in the State in which the Real Property is located. Seller has full power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all required consents and approvals have been duly obtained (other than the consent of Secretary of Housing and Urban Development as required under the existing Regulatory Agreement for Multifamily Housing Projects affecting the Property). This Agreement is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms. There is no agreement to which Seller is a party or, to Seller's knowledge, that is binding on Seller which is in conflict with this Agreement.

7.1.2 All of the Personal Property is described in Exhibit "B" attached hereto, which is a materially accurate and materially complete list of all tangible personal property owned by Seller relating to the ownership, management, operation, maintenance or repair of the Real Property. All of the Personal Property is located at the Real Property. Seller has (and can convey at Closing) good title to the Personal Property, free and clear of all liens, encumbrances, security interests and adverse claims of any kind or nature whatsoever, other than the Permitted Exceptions and liens, encumbrances and security interests that will be terminated at or prior to Closing.

7.1.3 All of the Leases are described in Schedule 1 attached hereto, and, to Seller's knowledge, there are no persons leasing, using or occupying the Real Property or any part thereof except the tenants under the Leases. All of the Contracts are described in Schedule 2 attached hereto, which is a materially accurate and complete list of all presently effective Contracts.

7.1.4 Each Rent Roll provided by Seller pursuant to the terms of this Agreement will, as of the date thereof, be the Rent Roll prepared for Seller in the ordinary course of its business, is the Rent Roll used and relied upon by Seller in connection with its ownership and operation of the Property and is, to the Seller's knowledge, true and correct in all material aspects. Except as set forth on the Rent Roll or disclosed in the Seller Deliveries, to the knowledge of Seller, the Leases are in full force and effect, have not been amended or modified, and the full current rent is accruing thereunder. Except as set forth on the Rent Roll, no monthly rent has been paid more than one (1) month in advance (except as otherwise expressly permitted or required pursuant to the terms of the Lease) and no security deposit or prepaid rent has been paid. To Seller's knowledge, and except as disclosed in the Rent Roll or the Seller Deliveries, no event has occurred or condition exists which, with or without notice or the passage of time, or both, would constitute a breach or a default by the landlord or by any tenant under the Leases. To Seller's knowledge, Seller has received no notice from any tenant under the Leases claiming any breach or default by Seller under any of the Leases. To the knowledge of Seller, except as set forth on the Rent Roll, no concession, moving or relocation allowance or credit, or other payment or credit of any kind is presently owed, or will or could become due and payable, to any tenant under the Leases. Other than liens, encumbrances and security interests that will be terminated at or prior to Closing, Seller has not assigned, transferred, pledged or encumbered in any manner any of the Leases or any rents or other amount payable by any tenant thereunder.

7.1.5 To Seller's knowledge, any work orders or correspondence regarding the Real Property (including the roof and foundation), or the mechanical, electrical, plumbing and life safety systems, for the last 12 calendar months, were included in the Seller Deliveries.

7.1.6 To Seller's knowledge, Seller has received no written notice from any insurance broker, agent or underwriter that any non-insurable condition exists in, on or about the Real Property or any part thereof. Seller has received no notice, citation or other claim alleging any violation of any applicable building, earthquake, zoning, land use, environmental, antipollution, health, fire, safety, access and accommodations for the physically handicapped, subdivision, energy and resource conservation and similar laws, statutes, rules, regulations and ordinances, and Seller has no actual knowledge of any violation. To Seller's knowledge, Seller has fully performed,

satisfied and discharged all of the obligations, requirements and conditions imposed on the Real Property by the Approvals and/or the Permitted Exceptions.

7.1.7 Seller has not received, from any governmental authority or regulatory agency or, to Seller's knowledge from any other person or entity, any written notice alleging a violation of any law, rule, regulation or order, that has not been cured prior to the date of this Agreement, relating to environmental conditions by reason of the presence of Hazardous Substances (as hereinafter defined) at the Property.

7.1.8 There is no litigation, arbitration or other legal or administrative suit, action, or proceeding of any kind (collectively, an "**Action**") pending (including, without limitation, involving the federal Department of Housing and Urban Development or the Americans with Disabilities Act of 1990, as amended, or any other law, rule or regulation governing access by disabled persons) or, to Seller's knowledge, is there any such Action threatened against or involving Seller or relating to the Property or any part thereof. Further, to Seller's knowledge, there is no current on-going investigation with regard to any such matter. There is no general plan, land use or zoning action or proceeding of any kind, or general or special assessment action or proceeding of any kind, or condemnation or eminent domain action or proceeding of any kind pending or, to Seller's knowledge, threatened or being contemplated with respect to the Real Property or any part thereof; provided, however, that Seller is currently pursuing a signage license/permit for the Property's entrance sign, with respect to which all applications, plans, permits and correspondence has been provided to Buyer as part of the Seller Deliveries. There is no legal or administrative action or proceeding pending to contest or appeal the amount of real property taxes or assessments levied against the Real Property or any part thereof or the assessed value of the Real Property or any part thereof for real property tax purposes.

7.1.9 Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

7.1.10 Seller has not made a general assignment for the benefit of its creditors, and has not admitted in writing its inability to pay its debts as they become due, nor has Seller filed, nor does it contemplate the filing of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or any other proceeding for the relief of debts in general, nor has any such proceeding been instituted by or against Seller.

7.1.11 Except for CBRE ("**Broker**"), Seller has not dealt with any investment adviser, real estate broker or finder, or incurred any liability for any commission or fee to any investment adviser, real estate broker or finder, in connection with the sale of the Property to Buyer or this Agreement.

7.1.12 The transaction contemplated by this Agreement (and any underlying obligations contemplated by this Agreement) does not and shall not constitute a non-exempt prohibited transaction under the Employee Retirement Income Security Act of 1974 ("**ERISA**") or a comparable violation of state law.

7.1.13 Seller is not any of the following: (i) a person or entity that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing (effective September 24, 2001) (herein called the **"Executive Order**"); (ii) a person or entity owned or controlled by, or acting for or on behalf of any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a person or entity that is named as a "specifically designated national" or "blocked person" on the most current list published by the U.S. Treasury Department's Office of Foreign Assets Control (herein called **"OFAC**") at its official website, http://www.treas.gov/offices/enforcement/ofac; (iv) a person or entity that is otherwise the target of any economic sanctions program currently administered by OFAC; or (v) a person or entity that is affiliated with any person or entity identified in the foregoing clauses (i), (ii), (iii), or (iv).

7.1.14 Neither Seller nor, to Seller's knowledge, any previous owner of the Property has sold, transferred, conveyed, or entered into any agreement regarding water or water rights relating to the Property, except as otherwise expressly set forth in the Title Commitment.

7.1.15 To Seller's knowledge, the Seller Deliveries delivered to Buyer are accurate and complete copies of the documents in Seller's or Property Manager's possession.

All references in this Section 7.1 or elsewhere in this Agreement and/or in any other document or instrument executed by Seller in connection with or pursuant to this Agreement, to "Seller's knowledge" or "to the knowledge of Seller" and words of similar import shall refer solely to facts within the actual knowledge (without independent investigation or inquiry) of Phillip M. Payonk, Chief Investment Officer of Property Manager, and shall not be construed to refer to the knowledge of any other employee, officer, director, member, shareholder or agent of Seller, Property Manager or any affiliate of Seller, and shall in no event be deemed to include imputed or constructive knowledge. Seller hereby affirms that Phillip M. Payonk is reasonably familiar with and has substantial knowledge of the facts regarding the Property, its condition, and its historical performance during the period of the Seller's ownership thereof. Nothing in this Section 7.1 or the remainder of this Agreement shall give rise to any personal liability to the foregoing named individual.

7.2 Buyer's Representations and Warranties. Buyer represents and warrants to Seller as follows (which representations, warranties and covenants shall survive the Closing for nine (9) months):

7.2.3 Buyer is a corporation, duly organized, validly existing, and in good standing under the laws of the State of California.

7.2.4 Buyer has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby. This Agreement has been, and the documents contemplated hereby will be, duly executed and delivered by Buyer and constitute its legal, valid, and binding obligation enforceable against it in accordance with its terms.

7.2.5 Buyer is not any of the following: (i) a person or entity that is listed in the annex to, or is otherwise subject to the provisions of the Executive Order; (ii) a person or entity owned or controlled by, or acting for or on behalf of any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a person or entity that is named as a "specifically designated national" or "blocked person" on the most current list published by OFAC at its official website, http://www.treas.gov/offices/enforcement/ofac; (iv) a person or entity that is otherwise the target of any economic sanctions program currently administered by OFAC; or (v) a person or entity that is affiliated with any person or entity identified in the foregoing clauses (i), (ii), (iii), or (iv).

7.2.6 Except for Broker, Buyer has not dealt with any investment adviser, real estate broker or finder, or incurred any liability for any commission or fee to any investment adviser, real estate broker or finder, in connection with the purchase of the Property or this Agreement.

8. COVENANTS.

8.1 Seller. Seller covenants and agrees with Buyer as follows:

8.1.7 Between the end of the Due Diligence Period and the Closing Date, Seller shall not execute any new lease, contract, approval or encumbrance affecting the Real Property or amend, modify, renew, extend or terminate any of the existing Leases, Contracts, Approvals or Permitted Encumbrances in any respect without the prior approval of Buyer, which approval may be withheld in Buyer's reasonable discretion; provided, however, that any existing Leases or any new leases that are either renewed on a month-to-month basis or are consistent with Seller's ordinary course leasing practices in effect as of the date of expiration of the Due Diligence Period shall not require Buyer's consent. Notwithstanding anything herein to the contrary, Buyer shall be deemed to have approved a proposed lease that is not consistent with Seller's ordinary course leasing practices if Buyer has not made an objection to such lease within two (2) Business Days after Buyer's receipt of such proposed lease and a written request for approval. Further, Seller may enter into Contracts for goods and services without the approval of Buyer, provided that such Contracts must be terminable upon no more than thirty (30) days' notice without payment of any penalty or fee. Notwithstanding anything herein to the contrary, Buyer shall be deemed to have approved a proposed Contract that does not comply with the immediately preceding sentence if Buyer has not made an objection to such Contract within two (2) Business Days after Buyer's receipt of such proposed Contract and a written request for approval.

8.1.8 Between the date of this Agreement and the Closing Date, Seller shall manage, operate, maintain and repair the Real Property and the Personal Property in the ordinary course of business in accordance with Seller's ordinary course management, operating, maintenance and repair practices as in effect as of the date hereof, comply with the Approvals, Permitted Exceptions, and all covenants, conditions, restrictions, laws, statutes, rules, regulations and ordinances applicable to the Real Property or the Personal Property, keep the Contracts (unless replaced by new Contracts in accordance with the terms of this Agreement), the Approvals and Permitted Exceptions in force, immediately give Buyer copies of all notices received by Seller asserting any material breach or default under the Contracts or any violation of the Approvals,

Permitted Exceptions or any covenants, conditions, restrictions, laws, statutes, rules, regulations or ordinances applicable to the Real Property or the Personal Property, and perform when due all of Seller's material obligations under the Leases, Contracts, Approvals and Permitted Exceptions in accordance with the terms thereof and all applicable laws.

8.1.9 Seller shall not (i) create or agree to any easements, liens, mortgages, encumbrances or other interests that would adversely affect the Property or Seller's ability to comply with this Agreement; (ii) initiate or consent to, approve or otherwise take any action with respect to zoning or any other governmental rules or regulations presently applicable to all or any part of the Real Property (other than actions in connection with the entry signage license or permit described above; it being understood and agreed that such action may continue but shall not require any action or payment by Buyer after Closing without Buyer's prior written consent, other than with respect to the acquisition and installation of any signage allowed under such license or permit that Buyer elects to install, the cost of which shall, as between Seller and Buyer, be borne by Buyer); (iii) fail to pay when due and payable all taxes and other public charges assessed against the Real Property or Seller; (iv) fail to keep current and free from monetary or material non-monetary default any and all secured financing against the Real Property; or (v) subject to resolution of any reasonable objections thereto, fail to pay in a timely fashion all proper bills for labor or services for work performed for or on behalf of Seller with respect to the Property. Between the date of this Agreement and the Closing Date, Seller shall keep in force its current property insurance for the Property in effect as of the date hereof covering all buildings, structures, improvements, machinery, fixtures and equipment included in the Real Property.

8.1.10 Seller shall immediately furnish to Buyer copies of all written communications received by Seller from any person (including notices, complaints, claims or citations that any Release or threatened Release of any Hazardous Substances or any violation of any Environmental Laws has actually or allegedly occurred) or given by Seller to any person concerning any past or present Release or threatened Release of any Hazardous Substances in, on or under the Real Property (or any nearby real property which could migrate to the Real Property) or any past or present violation of any Environmental Laws at the Real Property. Seller shall not be deemed to have breached the foregoing covenants with respect to Lawful Substances. As used in this Agreement, the following definitions shall apply: "**Environmental Laws**" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., the Clean Water Act, 33 U.S.C. § 1251, et seq., and the Hazardous Substance Account Act. "**Hazardous Substances**" shall mean any substance or material that is described as a toxic or hazardous substance waste or material or a pollutant or contaminant, or words of similar import, in any of the Environmental Laws, and includes, without limitation, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum products, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity. "**Release**" shall mean any spilling,

leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, including continuing migration, of Hazardous Substances into or through soil, surface water or groundwater. "**Lawful Substances**" shall mean the safe and lawful use and storage by Seller, any tenant or any other person of quantities of (i) pre-packaged supplies, cleaning materials and petroleum products customarily used in the operation and maintenance of comparable multifamily properties, (ii) cleaning materials, personal grooming items and other items sold in pre-packaged containers for consumer use and used by tenants and occupants of residential dwelling units in the Property, and (iii) petroleum products used in the operation and maintenance of motor vehicles from time to time located on the Property's parking areas, so long as all of the foregoing are used, stored, handled, transported and disposed of in compliance with Environmental Laws.

8.1.11 Seller shall promptly (i) notify Buyer in writing of any litigation, arbitration, condemnation or administrative hearing before any court or governmental agency concerning Seller or the Property that is instituted after the date hereof, (ii) provide to Buyer copies of any Leases or Contracts entered into after the date hereof (subject to the terms of Section 8.1.1 above) and, upon Buyer's request, and any other documents or materials received by Seller from and after the date hereof that would have been included in Seller Deliveries if received by Seller prior to such date, and (iii) within two (2) Business Days after Seller's receipt of a request therefor, provide to Buyer an updated Rent Roll with all information concerning the Leases updated through the date that is one (1) Business Day before the date that the updated Rent Roll is delivered to Buyer.

8.1.12 Seller shall indemnify and defend Buyer against and hold Buyer harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements (i) that may be suffered or incurred by Buyer if any representation or warranty made by Seller in Section 7.1 hereof was untrue or incorrect in any material respect when made or that may be caused by any breach by Seller of any such representation or warranty, or (ii) arising from or based on any personal injury occurring in, on or about the Property before the Closing Date; provided, however that with respect to a claim for indemnification under this subsection (ii), Seller or Seller's insurer shall be entitled to select counsel and control the disposition of the personal injury claim each in its reasonable and good faith discretion, subject to the prior approval of Buyer of such counsel (not to be withheld unless a conflict of interest exists) and provided that no disposition shall include any liability or admission of Buyer without Buyer's prior written consent in Buyer's sole and absolute discretion. Any claim made by Buyer in connection with said indemnities shall be (x) contingent upon the Closing of the sale and (y) made within nine (9) months after the Closing or shall automatically be null, void and of no force or effect whatsoever. Buyer's right to recover hereunder for any such indemnity claim shall not be available unless the total amount of all claims exceeds $25,000.00 and further shall be limited to recovery of damages not to exceed $350,000.00. Further, Buyer shall not be entitled to indemnification from Seller with respect to a breach by Seller of a representation or warranty of which Buyer had actual knowledge prior to Closing.

8.1.13 Between the date of this Agreement and the Closing Date, Seller shall not (i) in any manner sell, convey, assign, transfer, encumber or otherwise dispose of the Property or any part thereof or interest therein, or (ii) market, initiate, solicit, continue or respond to any

offers or negotiations related to the sale of the Property or any material portion thereof or interests therein; it being understood and agreed that Seller shall work exclusively with Purchaser until the expiration of the Due Diligence Period, and thereafter until the Closing Date unless this Agreement is terminated in accordance with its terms.

8.1.14 Seller shall pay all commissions, fees and expenses due to Broker in respect of the sale of the Property to Buyer or this Agreement. Seller hereby agrees to indemnify and hold Buyer harmless from and against any and all claims for brokerage or finder's fees or other similar commissions or compensation made by any and all other brokers or finders claiming to have dealt with Seller in connection with this Agreement or the consummation of the transaction contemplated hereby. The terms of this Section 8.1.8 shall survive Closing.

8.2 Buyer. Buyer covenants and agrees with Seller as follows:

8.2.1 Buyer shall use commercially reasonable efforts, in good faith and with diligence, to cause all of the representations and warranties made by Buyer in Section 7.2 above to be true and correct on and as of the Closing Date. Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements (i) that may be suffered or incurred by Seller if any representation or warranty made by Buyer in Section 7.2 above was untrue or incorrect in any material respect when made or that may be caused by any breach by Buyer of any such representation or warranty, or (ii) arising from or based on any personal injury occurring in, on or about the Property after the Closing Date; provided, however that with respect to a claim for indemnification under this subsection (ii), Buyer shall be entitled to select counsel and control the disposition of the personal injury claim each in its reasonable and good faith discretion, subject to the prior approval of Seller of such counsel (not to be withheld unless a conflict of interest exists) and provided that no disposition shall include any liability or admission of Seller without Seller's prior written consent in Seller's sole and absolute discretion. Any claim made by Seller in connection with said indemnities shall be (x) contingent upon the Closing of the sale and (y) made within nine (9) months after the Closing or shall automatically be null, void and of no force or effect whatsoever. Seller's right to recover hereunder for any such indemnity claim shall not be available unless the total amount of all claims exceeds $25,000.00 and further shall be limited to recovery of damages not to exceed $350,000.00. Further, Seller shall not be entitled to indemnification from Buyer with respect to a breach by Buyer of a representation or warranty of which Seller had actual knowledge prior to Closing.

8.2.2 Intentionally omitted.

8.2.3 Buyer hereby agrees to indemnify and hold Seller harmless from and against any and all claims for brokerage or finder's fees or other similar commissions or compensation made by any and all other brokers or finders claiming to have dealt with Buyer in connection with this Agreement or the consummation of the transaction contemplated hereby, other than Broker. The terms of this Section 8.2.3 shall survive Closing.

9. ADJUSTMENTS AND PRORATIONS.

9.1 Generally. All taxes (including, without limitation, real estate taxes and personal property taxes), collected rents, laundry income, fees, rents and other income paid under any cable contracts Buyer elects to assume pursuant to Section 6.6 above (excluding any amounts paid on or about execution of the applicable contract for rights and privileges provided over the term of the applicable contract), parking income, furniture rental, charges for utilities (including water, sewer, gas, and fuel oil) and for utility services, maintenance services, maintenance and service contracts, all operating costs and expenses, and all other income, costs, and charges of every kind which in any manner relate to the operation of the Property (but not including insurance premiums) shall be prorated as of 11:59 p.m. the day immediately preceding the Date of Closing (the "**Proration Date**"). On the Date of Closing, Seller shall deliver to Buyer all inventories of supplies on hand at the Property owned by Seller, if any, at no additional cost to Buyer. The parties acknowledge and agree that any referral fees due to apartment locators for any Leases executed after the date of this Agreement shall be paid by the party that owns the Property when such referral fee obligation is incurred; provided, however that with respect to any such fee to be paid by Buyer, the fee is pursuant to a Contract previously provided to Buyer or Seller shall have, to the extent Buyer's approval of any such Lease is required, provided written notice to Buyer prior to the execution of the Lease that such fee will be due and payable. Seller may request from the applicable utility company(ies) that all utility meters be read on the day before the Closing Date and Seller shall credit against the Purchase Price (or furnish evidence of prior payment) an amount equal to all unpaid utility charges incurred or accrued to the reading of such utility meters. At its election, Seller shall be entitled to notify any service provider of its election to terminate any utility service accounts and to receive the return of any utility deposits held by any utility provider, in which event Buyer shall be responsible for establishing its own replacement arrangements for such services.

9.2 Rental Income. Rental income from the Property (including, without limitation, laundry income, late fees and charges, and all other payments received from tenants under or in connection with the Leases) shall be prorated as of the Proration Date. Non-delinquent rents shall be prorated as of the Proration Date. Rents delinquent as of the Proration Date (i.e., rents that are due and owing after the expiration of any applicable grace period or, if no grace period is provided, after the date such rents are due), but collected later, shall be prorated as of the Proration Date when collected. Rents collected after the Proration Date from tenants whose rental was delinquent at the Proration Date shall be deemed to apply first to the current rental due at the time of payment and second to rentals which were delinquent as of the Proration Date. Rents collected after the Proration Date to which Seller is entitled shall be promptly paid to Seller. For a period of sixty (60) days after the Closing Date, Buyer shall in good faith use reasonable efforts to collect all rents which are delinquent as of the Proration Date with no obligation to incur any expenses or commence litigation to collect such rents. Seller may use reasonable efforts (commencing as of sixty-one (61) days after the Closing Date with respect to any tenants that remain in occupancy at the Property), including litigation, to collect any rents delinquent as of the Proration Date which are uncollected; provided, however, in exercising its remedies against tenants as outlined in this Section, Seller shall not evict any tenant of the Property or otherwise unreasonably interfere with Buyer's operation of the Property. With respect to unapplied security deposits, if any, made by tenants at the Property, Buyer shall receive credit therefor at Closing. Any leasing commissions with respect to the Leases shall be the sole responsibility of Seller, and shall be paid or discharged fully at or prior to Closing.

9.3 Proration Period. If any of the items subject to proration hereunder cannot be prorated as of the Proration Date because the information necessary to compute such proration is unavailable, or if any errors or omissions in computing prorations as of the Proration Date are discovered subsequent to the Close of Escrow, then such item shall be reapportioned and such errors and omissions corrected as soon as practicable after the Close of Escrow and the proper party reimbursed within thirty (30) days after such party's receipt of written demand therefor. This covenant shall survive the Closing of the sale contemplated hereby for a period of one (1) year with respect to tax prorations and ninety (90) days with respect to all other prorations, and shall then terminate.

9.4 Rent Ready Adjustments. Not more than forty-eight (48) hours prior to Close of Escrow ("**Walk Though Date**"), a representative of Buyer and a representative of Seller shall conduct an onsite walk-through of the then unoccupied rental units on the Property to determine whether such unoccupied rental units are in "rent ready" condition. With respect to any rental unit that is vacated on or before five (5) days prior to Close of Escrow that Seller has not placed in a "rent ready" condition before the Walk Through Date, Buyer shall receive a credit against the Purchase Price at Closing in the amount of $750.00 per unit. As used herein, "'rent ready' condition" means Seller's practice and procedures, as of the date of this Agreement, for placing units in "rent ready" condition. Nothing contained in this Section 9.4 shall be construed as limiting Buyer's rights and Seller's obligations under the other provisions of this Agreement.

10. CLOSING DOCUMENTS.

10.1 Seller's Deliveries. Conditioned upon performance by Buyer hereunder, Seller shall execute and deliver to Escrow Holder prior to Closing the following:

10.1.1 Deed. A special warranty deed with respect to the Real Property, in the form of attached Exhibit "D" (the "**Deed**"), subject only to the Permitted Exceptions;

10.1.2 Assignment and Assumption of Leases, Contracts and Approvals. An assignment of all of Seller's right, title and interest in and to the Leases, Contracts, Approvals and Intangible Property in the form of attached Exhibit "E" ("**General Assignment**");

10.1.3 Bill of Sale. A bill of sale in the form of attached Exhibit "F", assigning and transferring to Buyer all of the right, title, and interest of Seller in and to the Personal Property;

10.1.4 Non-Foreign Certificate. A certification that Seller is not a non-resident alien (a foreign corporation, partnership, trust, or estate as defined in the Internal Revenue Code and Treasury Regulations promulgated thereunder), in the form of attached Exhibit "G"; and

10.1.5 Tenant Notices. Notices to the tenants under all Leases of the occurrence of the sale of the Property in the form of attached Exhibit "H", as may be modified at the reasonable request of Buyer to conform to the requirements of applicable law.

10.1.6 Affidavit(s). An affidavit(s) as to construction, debts, liens and parties in possession in the form customarily used by Escrow Holder, certified to Buyer and Escrow Holder, identifying no construction, debts, liens or parties in possession (other than residential tenants disclosed to Buyer) that may affect the Property after the Closing Date.

10.1.7 Rent Roll. An updated Rent Roll, in the same form and with the same categories of information as on the initial Rent Roll, with all information concerning the Leases updated through the Proration Date.

10.2 Buyer's Deliveries. Conditioned upon performance by Seller hereunder, Buyer shall execute and deliver to Escrow Holder prior to Closing the General Assignment and the Deed.

10.3 Other Closing Documents. Each party shall deliver to the other party or Escrow Holder such duly executed and acknowledged or verified certificates, affidavits, and other usual and customary closing documents respecting the power and authority to perform the obligations hereunder and as to the due authorization thereof by the appropriate corporate, partnership, or other representatives acting for it, as counsel for the other party or Escrow Holder may reasonably request, and such conveyancing or transfer tax forms or returns, if any, as are required to be delivered by Seller or Buyer under applicable state or local law in connection with the conveyance of the Real Property. Each party shall deliver any additional documents that the other party or Escrow Holder may reasonably require for the proper consummation of the transaction contemplated by this Agreement; provided, however, that no such additional document shall expand any obligation, covenant, representation or warranty of such party or result in any new or additional obligation, covenant, representation or warranty of such party under this Agreement beyond those expressly set forth in this Agreement.

10.4 Closing Documents. All documents to be delivered to Escrow Holder pursuant to this Section 10 shall hereinafter be referred to as "**Closing Documents**".

10.5 Possession. Upon Closing, Seller shall deliver to Buyer sole possession of the Property, subject to the rights of tenants in possession (as residential tenants only) under the Leases.

11. COSTS. Seller shall pay the cost of the Title Commitment and any updates thereto, the cost of a standard ALTA Owner's Policy of Title Insurance (the "**Title Policy**"), the costs of any endorsements to the Title Policy to the extent that such endorsements are necessary to cure any Objections that Seller has elected or is required to cure, the cost of preparation of Seller's Closing Documents, and all costs relating to the proposed signage license/permit for the Property's entrance sign described above. Buyer shall pay all real estate transfer taxes and documentary stamps, the cost for any extended ALTA title insurance coverage, if desired, the cost of any endorsements to the title policy (if requested by Buyer), the cost of preparation of Buyer's Closing Documents, and the cost of any updated survey, if desired. Seller and Buyer shall each pay one-half (1/2) of (i) Escrow Holder's escrow fee (excluding charges assessed by Escrow Holder for special services, which shall be paid by the party requesting or using such special services), and (ii) recording fees for the Deed. Each party shall pay its own attorney's fees and closing costs.

12. CASUALTY OR CONDEMNATION. During the period from the Opening of Escrow through Closing, all risk of loss from fire or other casualty or condemnation shall be borne by Seller. If, before the Closing Date, (i) the improvements on the Real Property are materially damaged by any casualty, or (ii) proceedings are commenced for the taking by exercise of the power of eminent domain of all or a material part of the Property, Buyer shall have the right, by giving notice to Seller within twenty (20) days after Seller gives written notice of the casualty or condemnation to Buyer, to terminate this Agreement, in which event this Agreement shall automatically terminate and the Deposit shall be returned to Buyer. If, before the Closing Date, (a) the improvements on the Real Property are damaged by any casualty, but not in a material manner, (b) proceedings are commenced for the taking by exercise of the power of eminent domain of less than such a material part of the Property, or (c) Buyer has the right to terminate this Agreement pursuant to the preceding sentence but Buyer does not exercise such right, then this Agreement shall remain in full force and effect and, on the Closing Date, one of the following shall occur, as applicable: (1) in the event of a casualty, Buyer shall receive (w) a credit against the cash balance of the Purchase Price payable at Closing to the extent of payments received by or on behalf of Seller prior to the Closing Date under any applicable insurance policy or policies in effect with respect to the Property (to the extent that such payments have not been reasonably expended in connection with the repair of any such casualty and do not exceed $50,000 in the aggregate unless otherwise agreed by Buyer or unless such repairs are, in Seller's reasonable judgment, necessary to preserve the Property or protect the health, safety or welfare of Tenants under any Leases or of any visitors or invitees on the Property), (x) an assignment of Seller's rights to any payments which may be payable subsequent to the Closing Date under any applicable insurance policy or policies in effect with respect to the Property (or, if Seller's insurer does not permit such policy and/or payments to be assigned to Buyer, Seller shall promptly remit such funds to Buyer after receipt of any such amounts), (y) an assignment of Seller's rights to payments with respect to rents due subsequent to the Closing Date under any rental insurance policy or policies with respect to the Property (or, if Seller's insurer does not permit such policy and/or payments to be assigned to Buyer, Seller shall promptly remit such funds to Buyer after receipt of any such amounts), and (z) a credit against the cash balance of the Purchase Price payable at the Closing in an amount equal to the aggregate amount of the deductibles with respect to all such insurance policies, but there shall be no other credit against or reduction in the Purchase Price attributable to such casualty; or (2) the condemnation award (or, if not theretofore received, the right to receive such award) payable on account of the taking shall be transferred to Buyer. Seller shall give notice to Buyer immediately after the occurrence of any damage to the improvements on the Real Property by any casualty or the commencement of any eminent domain proceedings. Buyer shall have a period of twenty (20) days after Seller has given the notice to Buyer required by this Section 12 to make the determination as to whether to terminate this Agreement. If necessary, the Closing Date shall be postponed until Seller has given the notice to Buyer required by this Section 12 and the period of twenty (20) days described in this Section 12 has expired. For purposes hereof, material shall mean, in the event of a casualty, the cost of repair of such damage to a condition substantially equivalent to that immediately prior to such casualty equals or exceeds two percent (2%) of the Purchase Price and in the event of a condemnation, such taking shall have a materially adverse effect on the use or value of, access to, or parking at, the Property or otherwise affects more than five percent (5%) of the square footage of the improvements located on the Real Property or ten (10) or more apartment

units. Seller's obligation to remit any funds collected by Seller that are to be remitted to Buyer pursuant to this Section 12 shall survive Closing.

13. ATTORNEYS' FEES. In any action to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to an award of its attorneys' fees and costs.

14. ASSIGNMENT. Buyer may not assign Buyer's rights and obligations under this Agreement (which shall include its rights in and to the Deposit) to a third party ("**Assignee**") without Seller's prior written consent. Notwithstanding the foregoing to the contrary, Buyer shall have the one-time right to transfer all of its rights under this Agreement to an Assignee without Seller's prior consent (but with notice to Seller of such assignment) so long as Buyer or an affiliate of Buyer controls, or is under control with, such Assignee entity. Any permitted assignment shall be on the further condition that the Assignee expressly assumes the obligations of Buyer hereunder in a written agreement, which agreement will also set forth the Assignee's taxpayer identification number. Buyer shall promptly provide Seller with a copy of any such written assignment. Any attempt to assign the Agreement other than in accordance with this Section 14 shall be null and void and considered a default hereunder. Notwithstanding any such permitted assignment, Buyer shall remain liable for the performance of its obligations hereunder to the extent of any default of Assignee thereof. Subject to the foregoing provisions of this Section 14, this Agreement shall inure to the benefit of and be binding on the parties hereto and their respective heirs, legal representatives, successors, and assigns. This Agreement is for the sole benefit of Seller and Buyer (including a permitted Assignee), and no third party (including, without limitation, subsequent owners of the Property) is intended to be a beneficiary of or have the right to enforce this Agreement.

15. WAIVER. No waiver of any breach of any agreement or provision contained herein shall be deemed a waiver of any preceding or succeeding breach of any other agreement or provision herein contained. No extension of time for the performance of any obligation or act shall be deemed an extension of time for the performance of any other obligation or act.

16. GOVERNING LAW; TIME. This Agreement shall be construed under the laws of the State in which the Real Property is located (without regard to the principles thereof governing conflicts of laws). All periods of time referred to in this Agreement shall include all business and non-business days unless such period of time specifies business days; provided, however, that if the date or last date to perform any act or give a notice with respect to the Agreement shall fall on a day that is not a business day, such act or notice may be timely performed or given on the next succeeding business day.

17. 1031 PROVISIONS. Upon Seller's request to Buyer, subject to the terms and conditions of this Section 17, Buyer agrees to reasonably cooperate with Seller so that Seller's transfer of the Property to Buyer shall, at Seller's election, be accomplished in a manner enabling the transfer to qualify as part of a like-kind exchange of property by Seller within the meaning of Section 1031 of the Internal Revenue Code (a "**Like-Kind Exchange**"). Seller may enter into a like-kind exchange agreement with a third party exchange accommodation titleholder or qualified intermediary and, in connection therewith, assign its rights (but not its obligations) under this Agreement to said third party. Notwithstanding anything herein to the contrary, Buyer's reasonable cooperation with Seller in the Like-Kind Exchange shall be without any cost, expense or liability

to Buyer and without reduction or alteration of the rights of Buyer under this Agreement and with respect to Seller, and Buyer shall not be required to undertake any liability or obligation. Such Like-Kind Exchange shall in no event extend the Closing Date or be a condition to Closing. As part of such Like-Kind Exchange, Seller shall convey the Property directly to Buyer and Buyer shall not be obligated to acquire any other property or interests as part of such Like-Kind Exchange. Seller hereby agrees to indemnify and hold Buyer harmless and defend Buyer from any and all claims, demands, causes of action, liabilities, losses, costs, damages and expenses (including reasonable attorneys' fees and expenses and court costs) of any kind and nature in connection with the Like-Kind Exchange, including without limitation Buyer's cooperation with Seller to accomplish the Like-Kind Exchange for benefit of Seller. Nothing herein shall release Seller of any of the obligations or liabilities under this Agreement. The terms of this Section 17 shall survive Closing or any earlier termination of this Agreement.

18. CONFIDENTIALITY. Prior to the Closing, the parties shall use commercially reasonable efforts to ensure that no disclosure of information not already in the public domain occurs regarding this transaction or the "**Information**" (as defined below); provided, however, such disclosures may be made (a) to the parties' respective members, consultants, contractors, engineers, partners, investors, employees, agents, representatives, brokers, advisors and attorneys (individually, a "**Representative**" and, collectively, "**Representatives**"), provided each Representative shall be instructed to maintain the confidentiality of the Information (and Buyer hereby indemnifies and holds harmless Seller from any failure of such Representatives to comply with such terms), or (b) as required by applicable law. As used in this Agreement, the term "**Information**" shall mean any of the following: (i) all information and documents in any way relating to the Property, the operation thereof or the sale thereof, including, without limitation, the terms of sale, the contractual terms set forth in this Agreement, all Leases and Contracts furnished to, or otherwise made available for review by, Buyer or Buyer's Representatives, or by Seller or Seller's Representatives, and (ii) all analyses, compilations, data, studies, reports or other information or documents prepared or obtained by Buyer or Buyer's Representatives containing or based on, in whole or in part, the information or documents described in the preceding clause (i), or otherwise reflecting their review or investigation of the Property. Notwithstanding any provision of law to the contrary, if either party asserts a claim of breach alleging a violation of this Section 18, the party asserting such claim shall carry the burden of proof. Notwithstanding anything herein to the contrary, Seller hereby acknowledges and agrees that Buyer and its Representatives may communicate with any governmental authority or quasi-governmental authority for the purpose of gathering information in connection with the Property or Seller, or the transaction contemplated by this Agreement.

19. NOTICES. All notices required or permitted to be given hereunder shall be in writing and sent by overnight delivery service (such as Federal Express), in which case notice shall be deemed given on the day after the date sent, or by personal delivery, in which case notice shall be deemed given on the date received, or by certified mail, in which case notice shall be deemed given three (3) days after the date sent, or by electronic mail (with copy by overnight delivery service), in which case notice shall be deemed given on the date sent, to the appropriate address set forth below or at such other place or places as either Buyer or Seller may, from time to time, respectively, designate in a written notice given to the other in the manner described above.

To Seller:	c/o Bluerock Real Estate, L.L.C. 712 Fifth Avenue, 9th Floor New York, NY 10019 Attention: Jordan Ruddy and Mike Konig Telephone No.: (646) 278-4223 Email: jruddy@bluerockre.com or mkonig@bluerockre.com
With Copy To:	Hirschler Fleischer PC 2100 East Cary Street Richmond, VA 23223 Attention: S. Edward Flanagan Telephone No.: (804) 771-9592 Email: eflanagan@hf-law.com
To Buyer:	Steadfast Asset Holdings, Inc. 18100 Von Karman Ave., Suite 500 Irvine, CA 92612 Attn: Ana Marie del Rio, Esq. E-mail: adelrio@steadfastcompanies.com Telephone No.: (949) 852-0700
With Copy To:	Garrett DeFrenza Stiepel Ryder LLP 3200 Bristol Street, Suite 850 Costa Mesa, CA 92626 Attn: Marcello F. De Frenza, Esq. Telephone No. (714) 384-4300 Email: mdefrenza@gdsrlaw.com

20. ENTIRE AGREEMENT; NO RECORDING. This instrument, executed in duplicate, sets forth the entire agreement between the parties and may not be canceled, modified, or amended except by a written instrument executed by both Seller and Buyer. Buyer shall not cause or allow this Agreement, nor any memorandum or other evidence hereof, to be recorded or become a public record without Seller's prior written consent, which consent may be withheld at Seller's sole discretion; provided however that Buyer shall be entitled to record any *lis pendens* or any lien against the Property as and when expressly permitted under Section 3.4 above. If Buyer records this Agreement or any other memorandum or evidence thereof, Buyer shall be in default of its obligations under this Agreement.

21. COUNTERPARTS; COPIES. This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. Electronic, photocopy and facsimile copies of signatures may be used in place and stead of original signatures with the same force and effect as originals.

22. AUTHORITY. The individual(s) executing this Agreement on behalf of each party hereto hereby represent and warrant that he/she has the capacity, with full power and authority, to bind such party to the terms and provisions of this Agreement.

23. RECORD ACCESS AND RETENTION. At Buyer's request, Seller shall promptly provide to Buyer (at Buyer's expense) copies of, or shall provide Buyer reasonable access to, such factual information as may be reasonably requested by Buyer, and in the possession or control of Seller, or its property manager or accountants, to enable Buyer's auditor to conduct an audit, in accordance with Rule 3-14 of Securities and Exchange Commission Regulation S-X, of the income statements of the Property for the year to date of the year in which Closing occurs plus the two (2) immediately preceding calendar years (provided, however, that other than fees paid or payable to Seller, a Seller affiliate or a third party for on-site property management, such audit shall not include an audit of asset management fees internally allocated by Seller (as opposed to paid to a third party) or interest expenses attributable to the Seller). Buyer shall be responsible for all out-of-pocket costs associated with any such audit. Seller shall reasonably cooperate (at no cost to Seller) with Buyer's auditor in the conduct of such audit. In addition, to the extent available Seller agrees to provide to Buyer or any affiliate of Buyer, if requested by such auditor, historical financial statements for the Property, including (without limitation) income and balance sheet data for the Property, whether required before or after Closing. Without limiting the foregoing, (i) Buyer or its designated independent or other auditor may audit Seller's operating statements of the Property, at Buyer's expense, and, to the extent available, Seller shall provide such documentation as Buyer or its auditor may reasonably request in order to complete such audit, and (ii) Seller shall, to the extent available, furnish to Buyer such financial and other information as may be reasonably required by Buyer or any affiliate of Buyer to make any required filings with the Securities and Exchange Commission or other governmental authority. Seller shall maintain its records for use under this Section 23 for a period of not less than nine (9) months after the Closing Date. The provisions of this Section shall survive Closing.

24. CONTRACT CONSIDERATION. The parties have bargained for and expressly agree that the rights and obligations of each party contained in this Agreement, including, without limitation, Buyer's obligation to deliver the Independent Contract Consideration (as hereinafter defined) to Escrow Holder, constitute sufficient consideration for the other party's execution, delivery and performance of this Agreement in accordance with its terms, including without limitation, Buyer's exclusive right to inspect and purchase the Property pursuant to this Agreement and all contingencies and conditions of Closing for the benefit of Buyer set forth in this Agreement. Buyer shall deliver to Escrow Holder, in addition to and together with Buyer's delivery to Escrow Holder of the Initial Deposit, the sum of ONE HUNDRED AND 00/100 DOLLARS ($100.00) ("**Independent Contract Consideration**"). Escrow Holder shall release

and deliver the Independent Contract Consideration to Seller immediately following receipt from Buyer without the need for further instruction from any party. The Independent Contract Consideration is in addition to and independent of any other consideration or payment provided in this Agreement, is non-refundable, is fully earned, and shall be retained by Seller notwithstanding any other provision of this Agreement.

25. JURY TRIAL WAIVER. EACH OF THE PARTIES HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH SELLER AND/OR BUYER MAY BE PARTIES ARISING OUT OF, IN CONNECTION WITH, OR IN ANY WAY PERTAINING TO, THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY THE PARTIES AND EACH HEREBY REPRESENTS AND WARRANTS TO THE OTHER THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH PARTY FURTHER REPRESENTS AND WARRANTS TO THE OTHER THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OF ITS OWN FREE WILL, AND HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. THE PROVISIONS OF THIS SECTION SHALL SURVIVE CLOSING OR THE TERMINATION OF THIS AGREEMENT.

26. COUNSEL**.** Each party hereto warrants and represents that each party has been afforded the opportunity to be represented by counsel of its choice in connection with the execution of this Agreement and has had ample opportunity to read, review, and understand the provisions of this Agreement.

27. EQUAL PARTICIPATION. Seller and Buyer have participated equally in the preparation of this Agreement, and, therefore, this Agreement and each provision hereof shall not be construed in favor of or against any party to this Agreement by reason of one party's being deemed to have prepared this Agreement or imposed such provision.

28. TIME IS OF THE ESSENCE. Time is of the essence under this Agreement.

29. SURVIVAL. Except for (a) any other provisions in this Agreement that by their express terms survive the termination or Closing; (b) any payment obligation of Buyer under this Agreement; and (c) any payment obligation of Seller under this Agreement (the foregoing (a), (b) and (c) referred to herein as the "**Survival Provisions**"), none of the terms and provisions of this Agreement shall survive the termination of this Agreement, and if the Agreement is not so terminated, all of the terms and provisions of this Agreement (other than the Survival Provisions, which shall survive the Closing) shall be merged into the Closing documents and shall not survive Closing.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

SELLER:

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By: /s/ R. Ramin Kamfar
R. Ramin Kamfar, Chief Executive Officer and President

BUYER:

STEADFAST ASSET HOLDINGS, INC.,
a California corporation

By: /s/ Ana Marie del Rio
Name: Ana Marie del Rio
Its: Vice President

THE UNDERSIGNED HEREBY ACCEPTS THE FOREGOING PURCHASE AND SALE AGREEMENT AS OF FEBRUARY 24, 2014, AND AGREES TO ACT AS ESCROW HOLDER IN ACCORDANCE THEREWITH.

MADISON TITLE AGENCY, LLC

By: /s/ Daniela Graca
Escrow Officer

EXHIBIT “A”

Description of Real Property

EXHIBIT "B"

Personal Property Description

[Attached]

EXHIBIT "C"

Due Diligence Documents

	CONSTRUCTION / REHABILITATION
1	N/A
2	Construction contracts, if any
3	Current capital improvements with schedule (past 3 years) and Capital expenditure budget for next 3 years **2011 and 2012 MAJOR EXPENSES REPORT TO BE PROVIDED WITHIN THREE BUSINESS DAYS**
4	Detailed unit-by-unit list of upgraded vs. non-upgraded units (if applicable)
5	Warranties in effect, if any (construction, roof, mechanical equipment, etc.)
6	Copies of all licenses and permits, including business license (with expiration date & annual costs), fictitious business name statements and building permits (showing placed in service dates)
7	Certificate(s) of Occupancy for all buildings
8	List and description of tenant work in progress, if any
9	Copies of all governmental correspondence or notices pertaining to the property, including but not limited to building code, health code, zoning and fire code
10	Maintenance records/work orders, including water intrusion log, for past 12 months
11	Operation & Maintenance (O&M) Manuals, if any, for maintenance of equipment
	FINANCIAL
1	Monthly operating statements, YTD & 3-year historical (cash flow and income statements, balance sheets) **JANUARY OPERATING STATEMENT TO BE PROVIDED WITHIN THREE BUSINESS DAYS**
2	Year-end financial statements: Trailing-12 and audited statements, past 3 years
3	Operating budget, current year and/or next available
4	Property tax bills and Assessment, current and past 3 years, with proof of payment (including special assessments or districts and appeals)
5	Utility bills for any master-metered utility expenses and any resident unit utilities paid by the Property, monthly YTD and past calendar year
6	List of utilities paid by Owner/Residents and list of account numbers
7	List of meters and required deposits (if any / typically for gas, electric, water, phone)
8	Security deposit/resident ledgers, current
9	Name and version of accounting software
10	Tax returns, past 3 years - *For company purchases only*
11	Loan documents (full closing binder) - *For loan assumptions only*
12	REIT Property Services Questionnaire (form for completion to be provided)
13	General Ledger, prior year, most recent quarter-end and YTD (in Excel format)
14	Trial Balance, prior year, most recent quarter-end and YTD (in Excel format)
15	Bank Statements and Reconciliations, prior year, most recent quarter-end and YTD (monthly) **BANK RECONCILIATIONS FOR JANUARY THROUGH MARCH 2013 TO BE PROVIDED WITHIN THREE BUSINESS DAYS**
16	Cash Disbursement Journal, prior year, most recent quarter-end and YTD
17	N/A

18	Accounts Payable Aging Detail, prior year, most recent quarter-end and YTD
19	Aged Delinquency Report (showing total rent outstanding) with status of any files placed for eviction or collection
20	Rent and expense selections, prior year, most recent quarter-end and YTD (25 respective selections to be made by Buyer's independent REIT 3-14 auditors based upon items received for #12-16 above)
21	Payroll selections, prior year, most recent quarter-end and YTD (2-months of selections with detailed support to be made by Buyer's independent REIT 3-14 auditors; detailed support to be requested may include inputs, timecards, reimbursement calculations, agreements or contracts as necessary, to support and recalculate the payroll amounts shown in the financial statements)
	MANAGEMENT/LEASING/OPERATIONS
1	Monthly rent rolls, prior year and YTD, in Excel (with all lease charges broken out, to include unit square footage, monthly rent, deposits, financial concessions, other concessions, lease term, extension options, defaults (financial or otherwise), and such other information as Buyer may require)
2	Market rent survey (comparison of subject w/other properties)
3	Occupancy history, monthly for past 3 years and current YTD
4	Current leases for all tenants with all available tenant correspondence files (including amendments/letters/agreements/default notices given or received)
5	Current or former lease selections, as the case may be, with copies of back-up for rents received (for both resident and any housing authority portion paid, as applicable), prior year and YTD (25 selections to be made by Buyer's independent REIT 3-14 auditors)
6	Current form of lease with all addenda
7	List of leases under negotiation or currently out for signature
8	Current tenant contact sheet (name, address, phone number)
9	Current staff list (names, titles, hire dates, salary, unit info, hours per week, list of benefits, commissions offered, if any)
10	Job descriptions for staff positions
11	Inventory of personal property on site, including items such as furniture, supplies, appliances
12	Property brochure
13	List of all **active** vendors utilized at the property (name, function, contact information) **TO BE PROVIDED WITHIN THREE BUSINESS DAYS**
14	Copies of all operating and management service contracts, including but not limited to:
	a. Advertising (including any apt. locator services & pay-per-lease agreements)
	b. Alarm monitoring (including any firm alarm & security cameras)
	c. Cable/TV (including any revenue sharing programs); if none, please indicate so in writing
	d. Elevator
	e. Equipment leases (such as copier, postage machines, key control systems)
	f. Fire extinguisher (including any fire sprinkler systems)
	g. Furniture rental
	h. HVAC
	i. Internet (including any leased equipment such as modems and firewalls)
	j. Janitorial services (including any uniform cleaning services)
	k. Landscaping (including any pond/lake maintenance and snow removal)
	l. Laundry
	m. N/A
	n. Phone (landlines, cell phones, pagers, answering service)
	o. Pool (maintenance, emergency phone, etc.)

	p. Property management agreement; indicate whether entity is related party for disclosure purposes
	q. Security (including any on-site courtesy officer arrangements)
	r. Trash (including recycling programs); Also a copy of the most recent invoice
	s. Revenue Sharing (such as vending machines, pay phones)
	t. Collection Recovery
	u. Credit/application verification
	v. Training programs
	w. Software (including any property management software such as OneSite, Yardi, etc.)
	x. Common Area Services (such as office cleaning, dog waste removal, etc.)
	y. Utility Billing by Third Party
	z. Gate/Access Systems (including software for programming access cards/remotes)
	aa. Towing/Parking Services
	bb. Website Domain (including any website hosting)
	cc. Boiler Maintenance and Water Treatment
	PHYSICAL ITEMS
1	Property information, including number of pools, spas, dumpsters (with size), buildings, storage units, laundry rooms
2	Marketing photos, including aerial photos if available
3	Parking: indicate carport, garages, or open spaces and how many of each
4	Unit floor plans with sq. footage
5	List of model units, if any (apt. #, bedrooms, rent loss)
6	List of fire safety equipment, such as smoke sensors, suppression devices, etc. (including system type, rating, map of locations, etc.) **TO BE PROVIDED WITHIN THREE BUSINESS DAYS**
7	Current insurance certificates: Evidence of Commercial Property Insurance and Certificate of Insurance
8	Insurance loss run history, past 3 years and YTD
9	Copies of insurance policies, past 3 years
10	All existing third party reports, including, but not limited to:
	a. Certified, as-built ALTA Survey
	b. Appraisal (if dated w/n 24 months)
	c. Asbestos
	d. Lead-Based Paint Report
	e. Engineering study or inspection (structural or otherwise)
	f. Mold
	g. Phase I Environmental
	h. Physical Needs Assessment
	i. Operations & Maintenance (O&M) Plans, if any
	j. Radon
	k. Soils/Geotechnical
	l. N/A
	m. Fire/Life Safety Inspection Report (current)
	TITLE AND AGREEMENTS
1	Title Insurance Commitment and all recorded documents referenced therein
2	Zoning: any reports, compliance letters, maps, ordinances, amendments, CC&R’s, special use permits, etc.

3	Pending litigation information, if applicable
4	Any agreements impacting the property: city or county development agreements, bonds, etc.
5	Condo / Association documents, if applicable (articles of incorporation, bylaws, CC&R's, Declaration of Horizontal Regime, budgets, material notices, rules and regulations, etc.)

EXHIBIT "D"

Form of Deed

THIS INSTRUMENT PREPARED BY:

_____
_____
_____

AFTER RECORDING RETURN TO:

c/o Steadfast Asset Holdings, Inc.
18100 Von Karman Ave., Suite 500
Irvine, California 92612
Attn: Ana Marie del Rio, Esq.

[This space reserved for recording data.]

SPECIAL WARRANTY DEED

THIS SPECIAL WARRANTY DEED (the **"Deed"**), is made as of this _____ day of _____, 2014, by BR CREEKSIDE LLC, a Delaware limited liability company (the **"Grantor"**), having an office at c/o Bluerock Real Estate, L.L.C., 712 Fifth Avenue, 9th Floor, New York, New York 10019, to _____, a Delaware limited liability company (the **"Grantee"**), having an office at 18100 Von Karman Avenue, Suite 500, Irvine, California 92612.

WITNESSETH:

That the Grantor for and in consideration of the sum of TEN AND 00/100THS DOLLARS ($10.00) and other good and valuable consideration in hand paid by the Grantee, the receipt and sufficiency of which is hereby acknowledged, by these presents does ***GRANT, REMISE, RELEASE, ALIEN, SELL AND CONVEY*** unto the Grantee and its successors and assigns ***FOREVER***, all of the real estate, situated in the County of Hamilton and State of Tennessee and legally described on **Exhibit A** attached hereto and made a part hereof together with the building structures, fixtures, and other improvements located on said real estate (the **"Property"**), subject only to those matters described on **Exhibit B** attached hereto and made a part hereof (the "**Permitted Exceptions**").

This is improved property known as Reserve at Creekside Village, 1340 Reserve Way, Chattanooga, Hamilton County, Tennessee.

TO HAVE AND TO HOLD the Property, subject only to the Permitted Exceptions, unto the Grantee and its successors and assigns forever.

Grantor does covenant, promise and agree, to and with the Grantee and its successors and assigns, that it has not done, or suffered to be done, anything whereby the Property is, or may be,

in any manner encumbered or charged, except as herein recited, and that it ***WILL WARRANT AND FOREVER DEFEND*** the Property against persons lawfully claiming, or to claim the same, by, through or under Grantor but not otherwise, except for claims arising under or by virtue of the Permitted Exceptions.

IN WITNESS WHEREOF, the Grantor has caused its name to be signed to these presents on the date first set forth above.

GRANTOR:

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By:_____
R. Ramin Kamfar, Chief Executive Officer and President

STATE OF _____
COUNTY OF _____

On this ____ day of _____ in the year 2014, before me _____, a Notary Public in and for said state, personally appeared R. Ramin Kamfar, as Chief Executive Officer and President, of Bluerock Residential Growth REIT, Inc., a Maryland corporation, the general partner of Bluerock Residential Holdings, L.P., a Delaware limited partnership, the sole member of BEMT Creekside, LLC, a Delaware limited liability company, the manager of BR Creekside Managing Member LLC, a Delaware limited liability company, the manager of BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, the sole member of BR Creekside LLC, a Delaware limited liability company, known by me to be the person who executed the within instrument, on behalf of said limited liability companies and acknowledged to me that he or she executed the same for the purposes therein stated.

_____

Notary Public

_____

Print Name

My Commission Expires: _____

****

(FOR RECORDING DATA ONLY)

Property Address:
1340 Reserve Way
Chattanooga, TN 37421,

New Property Owner:
_____

Parcel ID Nos.:
_____

Mail tax bills to: (Person or Agency
responsible for payment of taxes)
18100 Von Karman Avenue, Suite 500
Irvine, California 92612
Attn: Ana Marie del Rio, Esq.

I, or we, hereby swear or affirm that to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater is $_____, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

_____
Affiant

State of CALIFORNIA)
) ss
County of _____)

On _____, 2014, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature of Notary Public

[SEAL]

EXHIBIT "E"

Form of General Assignment

ASSIGNMENT AND ASSUMPTION
OF LEASES, CONTRACTS AND APPROVALS

THIS ASSIGNMENT AND ASSUMPTION OF LEASES, CONTRACTS AND APPROVALS (this "**Assignment**") is made as of the _____ day of _____, 2014, by and between BR CREEKSIDE LLC, a Delaware limited liability company ("**Assignor**"), and _____, a _____ ("**Assignee**").

W I T N E S S E T H:

For good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Assignor hereby sells, transfers, assigns and conveys to Assignee the following:

(a) All right, title and interest of Assignor in and to all leases and occupancy agreements relating to the Property, including, without limitation, those certain leases described on Exhibit A attached hereto and made a part hereof (collectively, the "**Leases**"), relating to the leasing of space in or on that certain land and improvements located in the County of Hamilton, State of Tennessee, more particularly described in Exhibit B attached hereto (the "**Property**"), and all of the rights, interests, benefits and privileges of the lessor thereunder, and all prepaid rents and security and other deposits held by Assignor under the Leases and not credited to Assignee under the Purchase Agreement (defined below) or credited or returned to tenants; but subject to all terms, conditions, reservations and limitations set forth in the Leases.

(b) To the extent assignable, all right, title and interest of Assignor in and to those certain contracts set forth on Exhibit C attached hereto and made a part hereof, and all warranties and guarantees thereunder (collectively, the "**Contracts**").

(c) To the extent assignable, all right, title and interest of Assignor in and to all building permits, certificates of occupancy, and other certificates, permits, licenses and governmental approvals relating to the design, construction, ownership, occupancy, use, management, operation, maintenance or repair of the Property (collectively, the "**Approvals**") and any plans, specifications, studies, reports or surveys relating to the Property.

(d) To the extent assignable, all entitlements and intangible personal property in connection with or arising out of the design, construction, occupancy, use, management, operation, maintenance, repair or ownership of the Property, including, without limitation, trade names (including "Reserve at Creekside Village" or derivatives thereof), websites, web domains and internet addresses, all phone number(s) for the Property, all fax number(s) for the Property and logos (collectively, the "**Intangible Property**").

The foregoing notwithstanding, the Intangible Property shall not include (A) any items owned by tenants or leased by Assignor or owned by Assignor's property manager, Hawthorne Residential Partners, LLC ("**Property Manager**"), and (B) any trademarks, logos, trade colors, service marks and trade names of Assignor, Bluerock Real Estate or Property Manager set forth on Exhibit D hereto (collectively, the "**Assignor Trademarks**") and any advertising, promotional and similar materials which contain the Assignor Trademarks, all of which shall be removed by Assignor prior to Closing. Within fifteen (15) days after Closing, Assignee will "banner" or otherwise temporarily mask the portion of all signage containing the Assignor Trademarks, failing which, upon ten (10) days' notice, Assignor may do so at Assignee's expense.

2. This Assignment is given pursuant to that certain Purchase and Sale Agreement and Joint Escrow Instructions (as amended, the "**Purchase Agreement**") dated as of February _____, 2014, between Assignor and Assignee's predecessor-in-interest, **STEADFAST ASSET HOLDINGS, INC.**, a California corporation, providing for, among other things, the conveyance of the Leases, the Contracts and the Approvals.

3. Assignee hereby accepts the assignment of the Leases, the Contracts, the Intangible Property and the Approvals and agrees to assume and discharge, in accordance with the terms thereof, all of the obligations of Assignor thereunder arising from and after the date hereof.

4. Assignor agrees to indemnify, defend and hold harmless Assignee from and against any and all claims, demands, liabilities, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) asserted against or suffered or incurred by Assignee as a result of or in connection with any liabilities or obligations under all leases and occupancy agreements relating to the Property that were entered into at any time before the date hereof, including, without limitation, the Leases, all contracts and agreements relating to the Property that were entered into at any time before the date hereof, including, without limitation, the Contracts, the Intangible Property and the Approvals; provided, however, that Assignor's indemnification obligations under this Paragraph 4 shall be limited to liabilities or obligations thereunder relating to periods before the date hereof. The indemnification obligation of Assignor set forth herein shall automatically expire nine (9) months after the date of this Agreement.

5. Assignee agrees to indemnify, defend and hold harmless Assignor from and against any and all claims, demands, liabilities, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) asserted against or suffered or incurred by Assignor as a result of or in connection with any liabilities or obligations under all leases and occupancy agreements relating to the Property that were entered into at any time from and after the date hereof, including, without limitation, the Leases, all contracts and agreements relating to the Property that were entered into at any time from and after the date hereof, including, without limitation, the Contracts, the Intangible Property and the Approvals; provided, however, that Assignee's indemnification obligations under this Paragraph 5 shall be limited to liabilities or obligations thereunder relating to periods from and after the date hereof. The indemnification obligation of Assignor set forth herein shall automatically expire nine (9) months after the date of this Agreement.

6. In any action to enforce the provisions of this Assignment, the prevailing party shall be entitled to an award of its reasonable attorneys' fees and costs. This Assignment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Assignment. The terms, covenants and conditions hereof shall inure to the benefit of and be binding upon the respective parties hereto, their heirs, executors, administrators, successors and assigns. Any alteration, change or modification of or to this Assignment, in order to become effective, must be made in writing and in each instance signed on behalf of each party to be charged. No provision of this Assignment that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all provisions of this Agreement shall be severable. This Assignment shall be governed by the laws of the State of Tennessee.

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IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first above written.

ASSIGNOR:

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By:_____
R. Ramin Kamfar, Chief Executive Officer and President

ASSIGNEE:

_____,
a _____

By: _____
Name: _____
Title: _____

Exhibit A Leases
Exhibit B Description of the Property
Exhibit C Contracts
Exhibit D Assignor Trademarks

EXHIBIT "F"

Form of Bill of Sale

BILL OF SALE

Know all men by these presents, that BR CREEKSIDE LLC, a Delaware limited liability company ("**Grantor**"), for and in consideration of the sum of ten dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does bargain, sell, grant, transfer, assign, and convey to _____, a Delaware limited liability company ("**Grantee**") all of its right, title, and interest, if any, in and to any and all tangible personal property owned by Grantor and now at, in or upon or used exclusively in connection with the property commonly known as Reserve at Creekside Village, located in the City of Chattanooga, County of Hamilton and State of Tennessee ("**Property**"), and more particularly described on Exhibit A attached hereto, including without limitation the tangible personal property listed on Schedule 1 attached hereto.

Grantor is selling and Grantee is purchasing the Property "AS IS WHERE IS" with all faults except as provided in that certain Purchase and Sale Agreement and Joint Escrow Instructions dated as of February ____, 2014 between Grantor and Grantee's predecessor-in-interest, **STEADFAST ASSET HOLDINGS, INC.**, a California corporation.

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IN WITNESS WHEREOF, Grantor has executed this Bill of Sale as of the ____ day of _____, 2014.

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By:_____
R. Ramin Kamfar, Chief Executive Officer and President

EXHIBITS:

A - Legal Description

SCHEDULES:

1 – Tangible Personal Property

Exhibit A

Legal Description

EXHIBIT “F”

EXHIBIT "G"

Form of Non-Foreign Certificate

CERTIFICATE OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform _____, a Delaware limited liability company ("**Transferee**"), that withholding of tax is not required upon the disposition of a U.S. real property interest by BR CREEKSIDE LLC, a Delaware limited liability company ("**Transferor**"), the undersigned hereby certifies to Transferee the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Transferor's U.S. employer identification number is _____; and

3. Transferor's office address is _____.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury, the undersigned declares that the undersigned has examined this certification and to the best of the undersigned's knowledge and belief it is true, correct and complete, and the undersigned further declares that the undersigned has authority to sign this document on behalf of Transferor.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Dated as of _____, 2014.

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By:_____
R. Ramin Kamfar, Chief Executive Officer and President

EXHIBIT "E"

STATE OF _____
COUNTY OF _____

On this ____ day of _____ in the year 2014, before me _____, a Notary Public in and for said state, personally appeared R. Ramin Kamfar, as Chief Executive Officer and President, of Bluerock Residential Growth REIT, Inc., a Maryland corporation, the general partner of Bluerock Residential Holdings, L.P., a Delaware limited partnership, the sole member of BEMT Creekside, LLC, a Delaware limited liability company, the manager of BR Creekside Managing Member LLC, a Delaware limited liability company, the manager of BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, the sole member of BR Creekside LLC, a Delaware limited liability company, known by me to be the person who executed the within instrument, on behalf of said limited liability companies and acknowledged to me that he or she executed the same for the purposes therein stated.

_____

Notary Public

_____

Print Name

My Commission Expires: _____

EXHIBIT "E"

EXHIBIT "H"

Form of Tenant Notice

[**DATE**]

TO: All Valued Residents of Reserve at Creekside Village

Re: Notice of Lease Assignment and Transfer of Security Deposit

This letter is to notify you that the property commonly known as Reserve at Creekside Village, 1340 Reserve Way, Chattanooga, TN 37421 ("**Property**") has this date been sold and the ownership transferred.

In connection with this sale, all of the interest of the lessor under your lease of space in the Property, together with your security deposit, have been transferred to the new owner. You are hereby notified that, from and after the date hereof and until further notice, all future payments under your lease should be made payable to Reserve at Creekside Village and mailed to [**COMMUNITY LEASING OFFICE ADDRESS**]. In addition, all questions or other matters regarding your lease should be directed to the property manager at [**COMMUNITY LEASING OFFICE PHONE NUMBER**].

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Thank you for your cooperation.

Very truly yours,

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By:_____
R. Ramin Kamfar, Chief Executive Officer and President

SCHEDULE 1

LEASES

[Attached]

SCHEDULE 1

SCHEDULE 2

CONTRACTS

[Attached]

SCHEDULE 2

SCHEDULE 3

SELLER TRADEMARKS

Bluerock Real Estate and any derivative thereof

Hawthorne and any derivative thereof

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Section 3: EX-10.9 (EXHIBIT 10.9)

REINSTATMENT AND FIRST AMENDMENT
TO PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

THIS REINSTATEMENT AND FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS ("**First Amendment**") is made as of the __ day of March, 2014 by and between **BR CREEKSIDE LLC**, a Delaware limited liability company ("**Seller**") and **STEADFAST ASSET HOLDINGS, INC.,** a California corporation ("**Buyer**").

W H E R E A S:

A. Seller and Buyer are the parties to that certain Purchase and Sale Agreement and Joint Escrow Instructions dated February 24, 2014 (the "**Agreement**") with respect to the Property (as more particularly described in Article 1 of the Agreement); and

C. The Buyer terminated the Agreement by written correspondence dated March 3, 2014, in accordance with the terms of Section 6.4 of the Agreement; and

B. Seller and Buyer now desire to reinstate and amend the Agreement in certain respects as more particularly set forth below. All initial capitalized terms used in this First Amendment shall have the same meaning as set forth in the Agreement unless otherwise provided.

NOW, THEREFORE, in consideration of the execution and delivery of the Agreement, this First Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein in their entirety.

2. Reinstatement. Seller and Buyer hereby reinstate the Agreement in full and both Seller and Buyer shall hereafter be bound by the terms of the Agreement, as herein modified.

3. Purchase Price. The Purchase Price set forth in Section 2 of the Agreement is hereby modified and amended to be Eighteen Million Eight Hundred Seventy Five Thousand and No/100 Dollars ($18,875,000.00).

4. Due Diligence Period. Buyer's Termination Period under Section 6.3.1 of the Agreement and the Due Diligence Period under Section 6.4 of the Agreement are hereby extended to March 14, 2014.

5. Deposit. Buyer shall re-deposit the Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) Initial Deposit required under Section 3.1 of the Agreement with Escrow Holder within one (1) day following the date of this First Amendment. Such funds shall, for all purposes, constitute the Initial Deposit under the Agreement.

6. Closing. The Outside Closing Date set forth in Section 5.1 of the Agreement is hereby amended to be March 28, 2014. Closing shall occur on a mutually agreeable date on or before the Outside Closing Date.

7. Additional Conditions to Buyer's Obligation to Close. The following are added at the end of Section 4.2 of the Agreement as additional conditions precedent to the closing of escrow:

"4.2.7 On or before the Closing Date, Seller shall deliver to the Title Company an Estoppel Certificate from Seller ("**Estoppel**") regarding the Reciprocal Easement Agreement between Reserve at Creekside Limited Partnership and KBC Partners dated December 9, 2003 and recorded December 10, 2003 in Book 6958, Page 60 of the Official Records of Hamilton, County, Tennessee, as amended and supplemented (collectively, "**REA**"), in such form as may be reasonably agreed to by Buyer and Seller, provided that, among other things, the Estoppel shall contain certifications by Seller that (a) other than the failure of Seller to invoice, and the applicable parties to reimburse Seller for, any reimbursable expenses otherwise collectible by Seller under the REA, there are no existing defaults under the REA by Seller or, to Seller's knowledge, any other party to the REA, and that, to Seller's knowledge, there are no facts or circumstances existing that, with the giving of notice or the passage of time, would ripen into such a default and (b) except as previously delivered to Buyer under the Agreement, neither Seller, nor to Seller's knowledge any prior owner of fee title to the Property, has given, granted or received any consents, approvals, requests for consent or approval, or material notices under, in connection with, or pursuant to the REA; provided, however, that Buyer and Seller acknowledge and agree that certain consents, approvals or notices were given or obtained (or should have been given or obtained) by parties other than the Seller with respect to the construction, maintenance or use of the improvements contemplated by the REA, but Seller does not have copies of any such consents, approvals or notices.

"4.2.8 On or before the Closing Date, Seller shall deliver to the Title Company an Owner's Affidavit in substantially the form attached hereto as Exhibit A.

"4.2.9 On or before the Closing Date, Seller shall provide Buyer or the Title Company with a copy of the Services Agreement (as defined below) in order for the Title Company to make its determination about the removal of that certain Installation and Services Agreement dated as of September 23, 2004 between Reserve at Creekside, L.P., predecessor-in-interest to Seller, and Comcast Cablevision of the South, as an exception to the Title Commitment; provided, however, that, in connection therewith, Buyer assumes the risk that the Title Company excepts to the Services Agreement. In the event that receipt of the Services Agreement is insufficient to permit the Title Company to remove the September 23, 2004 agreement as an exception to title, Seller will use good faith efforts to obtain and deliver to the Title Company any such additional documentation that Title Company reasonably requires in connection with such removal.

"4.2.10 In satisfaction of the requirements set forth in Section 17.b of that certain Services Agreement ("**Services Agreement**") dated September 19, 2011 between Seller and Comcast of the South ("**Comcast**"), within two (2) business days after the end of the Due Diligence Period, Seller shall deliver to Comcast written notice that the sale of the Property to Buyer is

imminent. Further, for avoidance of doubt, the Services Agreement shall be assigned by Seller to Buyer pursuant to that certain Assignment and Assumption of Lease, Contracts and Approvals set forth as Exhibit E to the Agreement.

"4.2.11 In satisfaction of the requirements set forth in Section 6 of that certain Compensation Agreement ("**Compensation Agreement**") dated September 19, 2011 between Seller and Comcast, on or before the Closing Date, Seller shall use good faith efforts to obtain and deliver to Escrow Holder the written consent of Comcast ("**Comcast Consent**") to the assignment of the Compensation Agreement by Seller to Buyer. Further, the remaining rights and obligations under the Compensation Agreement shall be assigned by Seller to Buyer pursuant to that certain Assignment and Assumption of Lease, Contracts and Approvals set forth as Exhibit E to the Agreement.

8. Indemnity. In addition to the terms of any applicable indemnities contained in the Assignment and Assumption of Lease, Contracts and Approvals set forth as Exhibit E to the Agreement, Seller shall specifically indemnify, defend and hold Buyer harmless from and against any claim, loss, liability, penalty or fee raised by Comcast pursuant to Section 5 of the Compensation Agreement, other than with respect to a claim, loss, liability, penalty or fee arising as a result of any act or omission of Buyer that results in a default under, and/or termination of, the Services Agreement.

9. Miscellaneous. Except as specifically modified hereby, all of the provisions of the Agreement which are not in conflict with the terms of this First Amendment shall remain in full force and effect and are hereby reinstated, ratified and confirmed. This First Amendment may be executed and delivered in any number of counterparts and by the separate parties hereto in separate counterparts, each of which when taken together shall be deemed an original and shall constitute one and the same instrument. Signatures of the parties hereto on copies of this First Amendment transmitted by facsimile or electronic copy shall be deemed originals for all purposes hereunder, and shall be binding upon the parties hereto.

[*Remainder of page intentionally left blank; signatures appear on following pages*]

IN WITNESS WHEREOF, Seller and Buyer have executed this First Amendment under seal as of the date first written above.

SELLER:

BR CREEKSIDE LLC,
a Delaware limited liability company

By: BR Hawthorne Creekside JV, LLC, a Delaware limited liability company, its sole Member

By: BR Creekside Managing Member, LLC, a Delaware limited liability company, its Manager

By: BEMT Creekside, LLC, a Delaware limited liability company, its Manager

By: Bluerock Residential Holdings, L.P., a Delaware limited partnership, its sole member

By: Bluerock Residential Growth REIT, Inc., a Maryland corporation, its general partner

By: /s/ Michael L. Konig
Michael L. Konig, Chief Operating Officer

BUYER:

STEADFAST ASSET HOLDINGS, INC.,
a California corporation

By: _/s/ Dinesh Davar_____
Name: _Dinesh Davar _____
Its: _Treasurer/CFO _____

EXHIBIT A

FORM OF TITLE AFFIDAVIT

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Section 4: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, R. Ramin Kamfar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bluerock Residential Growth REIT, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosures controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2014

/s/ R. Ramin Kamfar
R. Ramin Kamfar
Chief Executive Officer
(Principal Executive Officer)

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Section 5: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Christopher J. Vohs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bluerock Residential Growth REIT, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the

circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosures controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2014

/s/ Christopher J. Vohs
Christopher J. Vohs
Chief Accounting Officer
(Principal Financial Officer)

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Section 6: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THESARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as created by Section § 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Bluerock Residential Growth REIT, Inc. (the "Company") hereby certify, to such officers' knowledge, that:

(i) The accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2014

/s/ R. Ramin Kamfar
R. Ramin Kamfar
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2014

/s/ Christopher J. Vohs
Christopher J. Vohs
Chief Accounting Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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