

SECURITIES AND EXCHANGE COMMISSION

FORM S-11/A

Registration statement for securities to be issued by real estate companies [amend]

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SECURITY CAPITAL ATLANTIC INC

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7777 MARKET CENTER AVE
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO
FORM S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SECURITY CAPITAL ATLANTIC INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS GOVERNING INSTRUMENTS)

SIX PIEDMONT CENTER
ATLANTA, GEORGIA 30305
(404) 237-9292
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

JEFFREY A. KLOPF, SECRETARY
SECURITY CAPITAL ATLANTIC INCORPORATED
SIX PIEDMONT CENTER
ATLANTA, GEORGIA 30305
(404) 237-9292
(NAME AND ADDRESS OF AGENT FOR SERVICE)

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APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
+ANY SUCH STATE. +
+*****+

SUBJECT TO COMPLETION, DATED AUGUST 26, 1996

SHARES

LOGO
COMMON STOCK
(PAR VALUE \$.01 PER SHARE)

Security Capital Atlantic Incorporated ("ATLANTIC") is a highly focused real estate operating company which engages in the development, acquisition, operation and long-term ownership of multifamily properties in the southeastern United States. ATLANTIC has elected to be taxed as a real estate investment trust (a "REIT") for federal income tax purposes and expects to continue to pay regular quarterly distributions to its shareholders.

All of the shares of ATLANTIC's common stock, par value \$.01 per share (the "Shares"), offered hereby are being sold by ATLANTIC. Prior to this offering (the "Offering"), there has been no public market for the Shares. It is currently estimated that the initial public offering price will be between \$ and \$ per Share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price.

Each purchaser of Shares in the Offering (or each subsequent transferee who is the holder of such Shares on the record date for the Homestead transaction described herein) will also receive a distribution per Share of at least shares of common stock, par value \$.01 per share, of Homestead Village Incorporated ("Homestead") and warrants to purchase at least shares of Homestead common stock. See "Homestead Transaction".

SEE "RISK FACTORS" BEGINNING ON PAGE 16 FOR A DISCUSSION OF CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE SHARES.

The risk factors include:

- . The value of ATLANTIC's assets is not based on third-party appraisals; therefore, the value of the Shares may be greater than the fair market value of ATLANTIC's portfolio.
- . The ability of Security Capital Group Incorporated ("SCG"), which owns 64.1% of the outstanding Shares (% after giving effect to the Offering), to exercise significant influence over the business and policies of ATLANTIC.
- . Conflicts of interest between ATLANTIC and the REIT Manager, which is owned by SCG, and other affiliates of SCG, which could result in decisions that do not fully represent the interests of all shareholders.
- . Possible inability of ATLANTIC to pay fourth quarter 1996 and 1997 distributions as proposed.
- . General real estate investment considerations, such as the effect of local economic and other conditions on real estate values and the possible inability to refinance revolving credit and mortgage indebtedness.
- . Concentration of properties representing 37.4% of pro forma revenues for the six-month period ended June 30, 1996 in the Atlanta, Georgia metropolitan area.
- . The distribution of Homestead common stock and warrants will result in a taxable dividend to shareholders of ATLANTIC, whether or not ATLANTIC shareholders sell the Homestead common stock and warrants received in the distribution.
- . Taxation of ATLANTIC as a corporation if it fails to continue to qualify as a REIT for federal income tax purposes.
- . The possibility that ATLANTIC's being externally managed by an affiliate of its principal shareholder may adversely affect the market price of the Shares.

In addition, there are certain other risks associated with securities of Homestead and the Homestead transaction which prospective investors should consider, as described under the caption "Risk Factors" in the Prospectus of Homestead attached hereto.

Application will be made to list the Shares on the New York Stock Exchange

(the "NYSE") under the symbol "SCA".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

<TABLE>
<CAPTION>

	INITIAL PUBLIC UNDERWRITING PROCEEDS TO OFFERING PRICE DISCOUNT (1) ATLANTIC(2)		
	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

</TABLE>

- (1) ATLANTIC and Homestead have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting".
- (2) Before deducting estimated expenses of \$ payable by ATLANTIC.
- (3) ATLANTIC has granted the Underwriters an option for 30 days to purchase up to an additional Shares at the initial public offering price per Share, less the underwriting discount, solely to cover over-allotments. If such option is exercised in full, the total initial public offering price, underwriting discount and proceeds to ATLANTIC will be \$, \$ and \$, respectively. See "Underwriting".

The Shares offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the Shares will be ready for delivery in New York, New York on or about , 1996, against payment therefor in immediately available funds.

GOLDMAN, SACHS & CO.

The date of this Prospectus is , 1996.

(MAP TO COME)

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SHARES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

This summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus. Unless otherwise indicated, the information contained in this Prospectus assumes (i) an estimated initial public offering price of \$ per Share (the midpoint of the range of estimated initial public offering prices set forth on the cover page of this Prospectus) and (ii) no exercise of the Underwriters' over-allotment option. Pro forma information regarding properties owned at June 30,

1996 includes all properties acquired through July 31, 1996 and the property to be acquired at their cost or expected purchase price plus budgeted renovations, and excludes ATLANTIC's Homestead Village(R) properties, which will be contributed to Homestead at the closing of the Homestead transaction (which is expected to occur prior to the closing of the Offering) (see "Homestead Transaction"). All references to Homestead's operations include ATLANTIC, SCG and Security Capital Pacific Trust operations with respect to Homestead Village(R) properties. For a complete description of the Homestead transaction, prospective investors should carefully review the Prospectus of Homestead which is attached hereto and is hereby incorporated by reference into this Prospectus. All information contained in this Prospectus assumes that the Homestead transaction has been completed. Homestead Village(R) is a registered trademark of SCG, which will be assigned to Homestead as part of the Homestead transaction. The term "Homestead Village" as used herein shall include a reference to such registered trademark. See "Glossary" for the definitions of certain other terms used in this Prospectus.

SECURITY CAPITAL ATLANTIC INCORPORATED

ATLANTIC, through its research-based investment strategy, engages in the development, acquisition, operation and long-term ownership of multifamily properties in the southeastern United States. ATLANTIC's objective is to be the preeminent real estate operating company focusing on moderate income multifamily properties in its primary target market. ATLANTIC, through its REIT manager, Security Capital (Atlantic) Incorporated (the "REIT Manager" or "REIT Management"), is an Atlanta-based, fully integrated operating company with 76 professionals dedicated to implementing its highly focused operating strategy. At July 31, 1996, ATLANTIC's portfolio consisted of 24,123 multifamily units, including 6,406 units under construction and in planning, in 16 metropolitan areas and 44 submarkets in premier growth areas of the southeastern United States. The aggregate investment cost of these 86 properties, including planned renovations and total budgeted development expenditures, is approximately \$1.27 billion.

Purchasers of Shares in the Offering will also have the opportunity to receive an ownership interest in Homestead. Specifically, each purchaser of Shares in the Offering (or each subsequent transferee who is the holder of such Shares on the Distribution Record Date (as defined below)) will also receive a distribution per Share of at least shares of Homestead common stock and warrants to purchase at least shares of Homestead common stock. Homestead will develop, own and manage moderate priced, purpose-built, extended-stay lodging facilities designed to appeal to value-conscious customers on temporary assignment, undergoing relocation or in training. The first Homestead Village property was opened in 1992 by Security Capital Pacific Trust ("PTR"). Since then, PTR has developed and placed into operation 27 additional Homestead Village properties and ATLANTIC has developed and placed into operation one Homestead Village property. Homestead expects to have a total of 31 facilities operational and 41 facilities under construction by the end of 1996 and plans to continue an active development program thereafter.

ATLANTIC seeks to achieve long-term sustainable growth in cash flow by maximizing the operating performance of its core portfolio through value-added operating systems, developing industry-leading, multifamily product in targeted submarkets that exhibit strong job growth prospects and demographic trends and implementing its asset optimization strategy of redeploying capital into assets that meet ATLANTIC's long-term investment criteria and have significant long-term cash flow growth prospects.

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REIT Management believes that ATLANTIC's future growth will be driven by (1) its research-based investment strategy which focuses on a primary target market exhibiting strong demographic trends and job growth prospects; (2) an experienced management team which provides ATLANTIC with several senior officers with the leadership, operational, investment and financial skills and experience to oversee the entire operations of ATLANTIC; (3) ongoing research and development focused on identifying those submarkets and product types that will offer continued opportunities for long-term cash flow growth; (4) a development strategy targeted to moderate income households which ATLANTIC believes represent the largest and most underserved segment of the renter population; (5) a high quality portfolio providing an internal source of long-term cash flow growth; (6) the substantial resources available to ATLANTIC through its affiliation with SCG and SCG's experience in managing two publicly traded REITs; and (7) a conservative balance sheet strategy that is expected to provide ATLANTIC with significant incremental debt capacity and allow ATLANTIC to take advantage of future investment opportunities on a non-dilutive basis.

RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER "RISK FACTORS" PRIOR TO MAKING AN INVESTMENT DECISION REGARDING THE SHARES OFFERED HEREBY. THESE RISKS INCLUDE:

- . The value of ATLANTIC's assets is not based on third-party appraisals; therefore, the value of the Shares may be greater than the fair market value of ATLANTIC's portfolio.
- . The ability of SCG to exercise significant influence over the business and policies of ATLANTIC due to its ownership of 64.1% of the outstanding Shares (% after giving effect to the Offering), its right to nominate up to three Directors and its right to prior approval over certain matters, including ATLANTIC's operating budget and substantial deviations therefrom.
- . Conflicts of interest between ATLANTIC and the REIT Manager, which is owned by SCG, and other affiliates of SCG as to management agreements and fees (which must be reviewed and approved at least annually by ATLANTIC's Independent Directors (as defined below)), which could result in decisions that do not fully represent the interests of all shareholders.
- . ATLANTIC's Board of Directors (the "Board") has based proposed fourth quarter 1996 and 1997 distributions on a number of assumptions, any change in which could affect ATLANTIC's ability to pay such distributions as proposed.
- . General real estate investment considerations, such as (i) the effect of local economic and other conditions on real estate values and the ability of residents to make rental payments, along with the general illiquidity of equity real estate investments, which may limit the ability of ATLANTIC to change its asset base; (ii) possible inability to refinance revolving credit and mortgage indebtedness; (iii) the risks inherent in development activities, including the risk that construction may not be completed on schedule; and (iv) competition in seeking residents for properties owned, properties for acquisition and land for development.
- . Concentration of properties representing 37.4% of ATLANTIC's pro forma revenues for the six-month period ended June 30, 1996 in the Atlanta, Georgia metropolitan area, which thus may be affected by changes in the economic conditions of that area.
- . There are certain conditions to the consummation of the Homestead transaction and a delay in the satisfaction of any of these conditions or the failure of any of these conditions to be satisfied could cause the consummation of the Homestead transaction to be delayed or not to occur.
- . The distribution of Homestead common stock and warrants will result in a taxable dividend to shareholders of ATLANTIC, whether or not ATLANTIC shareholders sell the Homestead common stock and warrants received in the distribution.

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- . Taxation of ATLANTIC as a corporation if it fails to continue to qualify as a REIT for federal income tax purposes, and ATLANTIC's liability for certain federal, state and local taxes on its income and property.
- . The possibility that ATLANTIC's being externally managed by an affiliate of its principal shareholder may adversely affect the market price of the Shares.
- . Ability of the Board, which will be comprised of a majority of Independent Directors prior to the consummation of the Offering, to change certain policies of ATLANTIC, including investment, financing and distribution policies, without a vote of the shareholders, which could result in policies that do not fully reflect the interests of all shareholders.
- . Limitations on the shareholders' ability to change control of ATLANTIC due to (i) restrictions on ownership of more than 9.8% of the outstanding shares of ATLANTIC's stock and possible redemption of shares acquired or avoidance of the transfer of shares acquired in excess of 9.8% of the outstanding shares of ATLANTIC's stock; (ii) ATLANTIC's shareholder rights plan; (iii) ATLANTIC's classified Board; (iv) the Board's ability to reclassify unissued shares of ATLANTIC's stock and (v) advance notice requirements to nominate Directors or bring other business before annual shareholders' meetings.
- . Possible adverse effects of increases in market interest rates on Share prices.
- . Potential liability of ATLANTIC for unanticipated or future environmental liabilities and the potential expense of compliance with the Fair Housing Amendments Act of 1988 and the Americans with Disabilities Act of 1990.

. Lack of a prior market for the Shares, the possibility that the initial public offering price of the Shares will not accurately reflect the market prices of the Shares and the Homestead common stock and warrants which will be distributed to holders of Shares and the possible effect on the market price of the future sale of a substantial number of Shares.

. Dilution of net tangible book value of the Shares.

In addition, purchasers of Shares in the Offering (or subsequent transferees who are holders of such Shares on the Distribution Record Date) will receive shares of common stock and warrants to purchase shares of common stock of Homestead. There are certain other risks associated with securities of Homestead and the Homestead transaction which prospective investors should consider, as described under the caption "Risk Factors" in the Prospectus of Homestead attached hereto.

For a discussion of ATLANTIC's transactions with related parties and the compensation therefor, see "Certain Relationships and Transactions".

OPERATING CHARACTERISTICS

REIT Management believes that ATLANTIC's future growth will be driven by the following operating characteristics:

. **STRONG PRIMARY TARGET MARKET.** ATLANTIC believes the southeastern United States is geographically and economically diverse and, therefore, ATLANTIC has a strong primary target market in which to seek future growth. Although 37.4% of ATLANTIC's pro forma revenues for the six-month period ended June 30, 1996 are derived from the Atlanta, Georgia metropolitan area, as ATLANTIC continues to develop and acquire new properties, it expects the percentage of properties it owns in Atlanta to decline. ATLANTIC's primary target market cities are Atlanta, Georgia; Birmingham, Alabama; Charlotte, North Carolina; Jacksonville, Florida; Memphis, Tennessee; Nashville, Tennessee; Raleigh, North Carolina; Richmond, Virginia; Southeast Florida (which includes Ft. Lauderdale and West Palm Beach); and Tampa, Florida. Based on forecasts published by Woods & Poole Economics, Inc., the projected population growth in ATLANTIC's primary target market is 34.4% for the years 1995 through 2015, whereas the

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projected population growth of the United States as a whole for the same period is 16.9%. For the same period, job growth is projected to be 28.1% in ATLANTIC's primary target market, compared to 19.7% for the United States as a whole.

. **EXPERIENCED MANAGEMENT TEAM.** The REIT Manager provides ATLANTIC with both strategic and day-to-day management, including research, investment analysis, acquisition and due diligence, development, asset management, capital markets, accounting and legal services. ATLANTIC's five senior executives have an average of 23 years of industry experience developing and managing multifamily properties, thus providing ATLANTIC with several senior officers with the leadership, operational, investment and financial skills and experience to oversee the entire operations of ATLANTIC. Through the REIT Manager, ATLANTIC functions as a fully integrated operating company.

. **RESEARCH AND DEVELOPMENT.** ATLANTIC is dedicated to ongoing research and development. ATLANTIC utilizes Security Capital Investment Research Incorporated ("Security Capital Investment Research"), which is owned by SCG, to conduct comprehensive evaluations of its target market on a submarket-by-submarket basis to identify those submarkets that will offer continued opportunities for long-term cash flow growth. In addition to market research, considerable resources are devoted to product research. This research is fully integrated into the operations of ATLANTIC's existing portfolio which enables ATLANTIC to adjust its operating strategies to reflect market conditions in an effort to achieve sustained growth in cash flow. REIT Management believes that ATLANTIC's research-based investment strategy differs from other multifamily REITs operating in ATLANTIC's primary target market in that the REIT Manager and its affiliates have dedicated personnel who conduct comprehensive proprietary evaluations of ATLANTIC's target market on a submarket-by-submarket basis taking into account 24 factors, including market demand analysis, detailed supply evaluations of each submarket and other economic and demographic data.

. **MODERATE INCOME DEVELOPMENTS.** At July 31, 1996, ATLANTIC's existing properties and properties under construction consisted of eight upper middle income properties with a total expected investment cost of \$143.7 million, 31 middle income properties with a total expected investment cost of \$487.5 million and 38 moderate income properties with a total

expected investment cost of \$509.6 million. ATLANTIC's strategy is to become a company that focuses primarily on moderate income multifamily properties. ATLANTIC believes that moderate income households (those earning 65% to 90% of a submarket's median household income) represent the most underserved segment of the renter population. Despite the fact that moderate income residents make up the largest segment of the renter population, ATLANTIC believes that less than 10% of the 1995 multifamily construction starts in ATLANTIC's primary target market cities were targeted to moderate income residents. ATLANTIC believes that its strategy of providing this underserved market with well built communities in convenient locations will provide a significant source of long-term sustainable cash flow growth. In ATLANTIC's experience, moderate income residents are typically longer-term renters due, in part, to the financial resources required to purchase single family homes. As a result, moderate income communities benefit from a significant reduction in turnover expenses as compared to upper middle or middle income product. Because turnover costs are a significant component of a property's operating expenses, a measurable reduction in turnover can result in meaningful increases in operating income.

At July 31, 1996, ATLANTIC had 21 properties under construction or in planning comprising 6,406 units at a total budgeted investment cost of \$379.9 million. Of such properties, ATLANTIC expects to start construction on 1,261 units with an expected investment cost of approximately \$72.0 million between August 1, 1996 and December 31, 1996. In 1997, ATLANTIC expects to start between \$175 million and \$225 million of multifamily property developments. In 1996 and 1997, approximately 62% of ATLANTIC's total development activities are expected to constitute moderate income product, based on expected investment cost.

. HIGH QUALITY PORTFOLIO. Net operating income on a "same store" basis increased 5.21% from the six-month period ended June 30, 1995 to the six-month period ended June 30, 1996 for the

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38 properties that were operating during both of such periods. At July 31, 1996, ATLANTIC's stabilized properties were 95.5% occupied. See "Business--Investment Analysis". ATLANTIC believes that this strong performance reflects the quality of its portfolio and strength of its primary target market. In addition, at July 31, 1996, ATLANTIC's portfolio of multifamily properties consisted of 46.5% of stabilized operating properties, 23.4% of pre-stabilized operating properties and 30.1% of properties under development, based on expected investment cost. As the development properties are completed and the pre-stabilized properties achieve stabilization, they are expected to contribute significantly to ATLANTIC's objective of long-term growth in cash flow.

. PORTFOLIO AND ASSET OPTIMIZATION. ATLANTIC develops and acquires properties with a long-term ownership perspective. Each year, REIT Management, with the support of Security Capital Investment Research, reviews ATLANTIC's asset base and generates operating and capital plans. In an effort to optimize the performance of its portfolio, ATLANTIC may from time to time seek to dispose of assets that in management's view do not meet ATLANTIC's long-term investment criteria. As of July 31, 1996, ATLANTIC disposed of or exchanged three properties.

. RESOURCES AND EXPERIENCE OF PRINCIPAL SHAREHOLDER. SCG, ATLANTIC's largest shareholder and the owner of the REIT Manager, owns 64.1% of ATLANTIC's outstanding Shares (% after giving effect to the Offering). ATLANTIC benefits from the substantial resources available to it through its affiliation with SCG, including capital markets, research, accounting and legal services.

. CONSERVATIVE BALANCE SHEET STRATEGY. ATLANTIC employs a conservative balance sheet strategy. Long-term debt as a percentage of long-term undepreciated book capitalization was 15.6% at June 30, 1996 on an historical basis and 15.5% at June 30, 1996 on a pro forma basis as adjusted to give effect to the Offering and the application of the proceeds therefrom and to the Homestead transaction. In the future, ATLANTIC intends to access the public equity and debt markets. ATLANTIC's objective is to achieve an investment-grade debt rating and to access the debt markets through issuing long-term, fixed rate, fully amortizing unsecured corporate debt in order to limit ATLANTIC's exposure to floating rate or balloon financing. This conservative balance sheet strategy is expected to provide ATLANTIC with significant incremental debt capacity and allow ATLANTIC to take advantage of future investment opportunities on a non-dilutive basis which will contribute to ATLANTIC's objective of long-term growth in cash flow.

HOMESTEAD TRANSACTION

Homestead was organized to continue the operations of ATLANTIC, PTR and SCG with respect to their respective moderate priced, purpose-built, extended-stay lodging facilities. Homestead will develop, own and manage moderate priced, purpose-built, extended-stay lodging facilities designed to appeal to value-conscious customers on temporary assignment, undergoing relocation or in training. The first Homestead Village property was opened in 1992 by PTR. Since then, PTR has developed and placed into operation 27 additional Homestead Village properties and ATLANTIC has developed and placed into operation one Homestead Village property.

The objective of Homestead is to be the preeminent developer, owner and national operator focused on the moderate priced, purpose-built, extended-stay lodging business. Homestead expects to achieve this objective by:

- . participating in high growth markets;
- . exercising investment discipline based on research; and
- . employing a consistent high quality service standard to property operations.

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Homestead's facilities are designed and built to uniform plans developed by Homestead. Homestead expects to have a total of 31 facilities operational and 41 facilities under construction by the end of 1996 and plans to continue an active development program thereafter. Homestead's plans call for the average facility to have approximately 136 extended-stay rooms and take approximately eight to ten months to construct. The average length of stay for a customer in Homestead's facilities is in excess of four weeks. For the six months ended June 30, 1996, average physical occupancy and average weekly rate for PTR's 20 stabilized Homestead Village properties were 84% and \$219 per week, respectively and, for the same period, average physical occupancy and average weekly rate for PTR's six pre-stabilized properties were 67% and \$223 per week, respectively.

In March 1996, the Board began considering ways for ATLANTIC to maximize shareholder value with respect to its Homestead Village properties. In May 1996, ATLANTIC, PTR, SCG and Homestead entered into the Merger Agreement (as defined below). Pursuant to the Merger Agreement, each of ATLANTIC, PTR and SCG will contribute, through a series of merger transactions (the "Mergers"), all of their respective assets related to Homestead Village properties to Homestead, and ATLANTIC and PTR will enter into the Funding Commitment Agreements (as defined below), which will result in ATLANTIC (a) owning 4,201,220 shares of Homestead common stock, (b) owning 2,818,517 warrants to purchase one share of Homestead common stock at \$10.00 per share which will expire one year after the Distribution Record Date, (c) owning up to \$98,028,471 in convertible mortgage notes which will have a term of approximately ten years, will bear interest at 9% per year, will not be callable for five years and will be convertible into shares of Homestead common stock after March 31, 1997 on the basis of one share of Homestead common stock for every \$11.50 of principal amount outstanding, subject to antidilution adjustments, and (d) providing a cash payment estimated to be \$18.6 million to Homestead at the date of closing of the Mergers (the "Merger Closing Date"). The \$18.6 million payment is required because ATLANTIC's Homestead Village properties, only one of which is currently operating, are in earlier stages of development than PTR's Homestead Village properties, therefore, ATLANTIC has not funded the same percentage of total costs as PTR. This payment also assures that ATLANTIC receives all of its shares of Homestead common stock at the Merger Closing Date rather than being received in smaller increments over time as funds are expended for Homestead Village properties contributed by ATLANTIC.

The Homestead common stock and warrants received by ATLANTIC will be distributed, pro rata, to ATLANTIC shareholders (the "Distribution"). The Distribution will be made to holders of Shares of record at the close of business on the record date established by ATLANTIC for the Distribution (the "Distribution Record Date"). The amount of Homestead common stock and warrants to be received by each ATLANTIC shareholder in the Distribution will depend on the number of Shares outstanding on the Distribution Record Date. Based on the number of Shares expected to be outstanding on the Distribution Record Date assuming that the Underwriters fully exercise their over-allotment option in the Offering, each ATLANTIC shareholder will receive shares of Homestead common stock and warrants to purchase shares of Homestead common stock for each Share held on the Distribution Record Date. If the Underwriters do not fully exercise their over-allotment option, it will result in a proportionate increase in the amount of Homestead common stock and warrants to be received by each ATLANTIC shareholder and, if the over-allotment option is not exercised in whole or in part, each ATLANTIC shareholder will receive shares of Homestead common stock and warrants to purchase shares of Homestead common stock for each Share held on the Distribution Record Date. No certificates or scrip representing fractional shares of Homestead common stock or warrants will be issued directly to ATLANTIC shareholders as a part of the Distribution.

Prospective investors are advised that the Distribution will result in a taxable dividend to shareholders of ATLANTIC, whether or not ATLANTIC shareholders sell the Homestead common stock and warrants received in the Distribution. See "Risk Factors--Taxability of Distribution of Homestead Common Stock and

Warrants", and "Federal Income Tax Considerations--Tax Consequences of the Homestead Transaction".

ATLANTIC's and PTR's respective shareholders will meet to approve the Homestead transaction on September 13, 1996 and September 12, 1996, respectively. It is currently anticipated that the Homestead transaction will close prior to the closing of the Offering, with the Distribution occurring after the closing of the Offering and the expiration of the Underwriters' over-allotment option. For a more complete description of the Homestead transaction, see "Homestead Transaction" herein and the Prospectus of Homestead attached hereto.

TAX STATUS OF ATLANTIC

ATLANTIC has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), effective for the taxable year ended December 31, 1994. As a REIT, ATLANTIC generally will not be taxed on income it currently distributes to its shareholders so long as it distributes at least 95% of its taxable income currently. REITs are subject to a number of organizational and operational requirements. Even if ATLANTIC continues to qualify for taxation as a REIT, ATLANTIC will be subject to certain federal, state and local taxes on its income and property. See "Federal Income Tax Considerations" and "Risk Factors--Taxation of ATLANTIC".

PROPERTIES

The following table sets forth certain information with respect to ATLANTIC's properties owned, under control or to be acquired at July 31, 1996. The information is as of June 30, 1996 for properties owned or under control at June 30, 1996. For the property to be acquired subsequent to June 30, 1996, the information is as of July 31, 1996. The table excludes ATLANTIC's Homestead Village properties, which will be contributed to Homestead on the Merger Closing Date.

<TABLE>

<CAPTION>

	YEAR ACQUIRED OR COMPLETED (1)	PERCENTAGE LEASED	UNITS	ATLANTIC INVESTMENT	TOTAL EXPECTED INVESTMENT (2)
(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>
PROPERTIES OWNED AT JUNE 30, 1996:					
PROPERTIES STABILIZED AT JUNE 30, 1996(3):					
Atlanta, Georgia:					
Camden at Ashford(4).....	1994	97.3%	365	\$24,868	\$24,886
Camden at Briarcliff(5).....	1994	100.0	220	14,219	14,261
Camden at Dunwoody(4).....	1994	95.8	238	16,819	16,842
Camden Creek I(4)...	1994	94.8	404	24,451	24,596
Camden Crest(4).....	1994	96.6	377	23,768	23,833
Cameron Brook(6)(7).	1994	97.7	440	22,410	22,447
Clairmont Crest(6)(8).....	1994	93.0	213	10,968	11,009
The Greens(6)(9)....	1994	97.0	304	13,729	13,751
Lenox Villa(4).....	1994	94.3	176	11,836	11,956
Morgan's Landing(4).	1993	97.0	165	8,514	8,631
Oaks at Sandy Springs(4).....	1993	96.8	250	9,477	9,646
Old Salem(4).....	1994	98.8	172	7,997	8,136
Trolley Square.....	1994	95.9	270	13,866	13,954
Vinings Landing(4)..	1994	98.0	200	9,835	10,036
Birmingham, Alabama:					
Cameron on the Cahaba(10).....	1995	94.5	400	18,730	18,887
Morning Sun Villas(4).....	1994	99.5	184	9,262	9,275
Charlotte, North Carolina:					
Cameron Oaks(4).....	1994	95.8	264	15,349	15,392

</TABLE>

<TABLE>
<CAPTION>

	YEAR	PERCENTAGE	UNITS	ATLANTIC	TOTAL
	ACQUIRED OR COMPLETED (1)	LEASED		INVESTMENT	EXPECTED INVESTMENT (2)
				(DOLLARS	IN THOUSANDS)
<S>	<C>	<C>	<C>	<C>	<C>
Ft. Lauderdale/W. Palm Beach, Florida:					
Parrot's Landing					
I (6) (11).....	1994	94.1%	408	\$ 18,584	\$ 18,686
Spencer Run (5).....	1994	92.7	384	19,466	19,483
Sun Pointe					
Cove (6) (12).....	1994	95.0	221	9,358	9,365
Ft. Myers, Florida:					
Forestwood (6) (13)...	1994	93.2	397	13,760	13,769
Jacksonville, Florida:					
Bay Club (4).....	1994	95.0	220	12,212	12,217
Memphis, Tennessee:					
Cameron at Kirby					
Parkway (4).....	1994	95.4	324	10,061	10,064
Stonegate (4).....	1994	97.1	208	6,956	6,987
Miami, Florida:					
Park Hill (4).....	1994	96.2	264	11,303	11,353
Nashville, Tennessee:					
Arbor Creek (4).....	1994	93.3	360	18,122	18,197
The Enclave at					
Brentwood (4).....	1995	95.0	380	16,065	16,270
Orlando, Florida:					
Camden Springs (4)...	1994	92.1	340	17,288	17,350
Cameron Villas					
I (14).....	1994	94.8	192	7,996	8,008
Wellington (5).....	1994	94.8	192	7,991	8,005
Raleigh, North Carolina:					
Cameron Square (4)...	1994	93.7	268	15,939	15,972
Richmond, Virginia:					
Camden at					
Wellesley (4).....	1994	92.1	340	19,397	19,418
Potomac Hunt (5).....	1994	94.6	220	10,107	10,156
Sarasota, Florida:					
Camden at Palmer					
Ranch (4).....	1994	95.4	432	24,022	24,095
Tampa, Florida:					
Camden Downs (4).....	1994	96.8	250	12,527	12,551
Cameron Lakes (4)....	1995	94.7	207	8,595	8,598
Foxbridge (6) (15)....	1994	95.5	358	10,931	10,959
Summer Chase (5).....	1994	93.8	96	3,724	3,748
Washington, D.C.:					
Arbors at					
Landmark (4).....	1994	95.0	400	23,857	23,909
Camden at Kendall					
Ridge (4).....	1994	95.1	184	11,659	11,700
Camden at					
Saybrooke (4).....	1994	90.5	252	18,865	18,927
Subtotals/Average.		95.2%	11,539	\$584,883	\$587,325

PROPERTIES PRE-STABILIZED AT JUNE 30,
1996(3):

Atlanta, Georgia:					
Azalea Park (16).....	1995	94.0%	447	\$ 25,588	\$ 25,588
Cameron Forest.....	1995	92.8	152	6,071	6,241
Cameron Place.....	1995	96.2	212	7,732	7,977
Cameron Pointe.....	1996	93.0	214	14,489	14,682
Cameron					
Station (6) (17).....	1995	91.4	348	15,819	16,152
Lake Ridge (4).....	1993	92.2	268	17,111	17,122
WintersCreek (6) (18).	1995	98.0	200	7,765	7,792
Woodlands (4).....	1995	94.1	644	25,559	25,741

</TABLE>

<TABLE>
<CAPTION>

	YEAR	PERCENTAGE	ATLANTIC	TOTAL
	ACQUIRED OR		INVESTMENT	EXPECTED
	COMPLETED (1)	LEASED		

	COMPLETED (1)	LEASED	UNITS	INVESTMENT	INVESTMENT (2)
				(DOLLARS	IN THOUSANDS)
<S>	<C>	<C>	<C>	<C>	<C>
Birmingham, Alabama:					
Colony Woods I(4)...	1994	94.0%	216	\$ 10,618	\$ 10,618
Colony Woods II*....	1995	(19)	198	10,524	11,028
Charlotte, North Carolina:					
Cameron at Hickory Grove(20).....	1996	97.5	202	8,088	8,293
Waterford Hills*....	1995	(19)	270	12,637	14,062
Ft. Lauderdale/W. Palm Beach, Florida:					
Cypress Lakes(4)...	1995	92.6	176	8,467	8,467
Park Place at Turtle Run.....	1996	91.4	350	14,655	15,627
Pointe at Bayberry Lake.....	1996	90.6	308	16,756	17,075
Trails at Meadow Lakes(4).....	1995	97.4	189	8,792	8,851
Greenville, South Carolina:					
Cameron Court.....	1996	90.6	234	11,048	11,374
Orlando, Florida:					
Cameron Villas II(5).....	1995	90.5	42	1,763	1,766
Kingston Village(4).	1995	95.8	120	5,952	5,986
Raleigh, North Carolina:					
Waterford Point*....	1996	(19)	336	15,830	17,542
Tampa, Florida:					
Country Place Village(21).....	1995	94.1	188	8,267	8,309
Washington, D.C.:					
Sheffield Forest....	1995	94.9	256	15,297	15,618
		----	----	-----	-----
Subtotals/Average.		93.6%	5,570	\$268,828	\$275,911

DEVELOPMENTS UNDER CONSTRUCTION AT JUNE 30, 1996:

Atlanta, Georgia:					
Camden Creek II*....	1996	N/A	260	\$ 16,085	\$ 18,289
Birmingham, Alabama:					
Cameron at the Summit I*.....	1997	N/A	372	3,599	20,256
Charlotte, North Carolina:					
Waterford Square I*(22).....	1996	N/A	408	19,529	21,051
Waterford Square II*.....	1998	N/A	286	2,425	17,181
Ft. Lauderdale/W. Palm Beach, Florida:					
Parrot's Landing II*.....	1997	N/A	152	2,333	9,598
Jacksonville, Florida:					
Cameron Deerwood*...	1997	N/A	336	6,181	17,521
Cameron Lakes*.....	1996	N/A	302	16,324	16,570
Cameron Timberlin Parc I*.....	1997	N/A	320	9,738	16,704
Nashville, Tennessee:					
Hickory Hollow Overlook*.....	1998	N/A	442	3,057	23,848
Raleigh, North Carolina:					
Cameron Brook*.....	1997	N/A	228	4,159	11,986
Waterford Forest*...	1997	N/A	384	14,912	19,839
Richmond, Virginia:					
Cameron Crossing I*.	1997	N/A	280	3,123	17,155

</TABLE>

<TABLE>

<CAPTION>

	YEAR	PERCENTAGE	UNITS	ATLANTIC	TOTAL
	ACQUIRED OR	LEASED		INVESTMENT	EXPECTED
	COMPLETED (1)				INVESTMENT (2)
				(DOLLARS	IN THOUSANDS)
<S>	<C>	<C>	<C>	<C>	<C>
Washington, D.C.:					

Milestone*.....	1997	N/A	444	\$ 23,735	\$ 29,778
Woodway at Trinity Center*.....	1997	N/A	504	26,402	37,835
			-----	-----	-----
Subtotals.....		N/A	4,718	\$ 151,602	\$ 277,611
			-----	-----	-----

DEVELOPMENTS IN PLANNING--OWNED AT JUNE 30, 1996(3):

Jacksonville, Florida:

Cameron Timberlin Parc II*.....	1998	N/A	200	\$ 1,331	\$ 10,500
Richmond, Virginia:					
Cameron at Wyndham*.	1997	N/A	312	2,730	18,339
Cameron Crossing II*.....	1997	N/A	144	1,215	8,947
			-----	-----	-----
Subtotals.....		N/A	656	\$ 5,276	\$ 37,786
			-----	-----	-----

LAND HELD FOR FUTURE MULTIFAMILY DEVELOPMENT AT JUNE 30, 1996:

Birmingham, Alabama:

Cameron at the Summit II(23).....	N/A	N/A	--	\$ 2,083	--
			-----	-----	-----
Total Properties Owned at June 30, 1996.....		94.7%	22,483	\$1,012,672	\$1,178,633
			-----	-----	-----

DEVELOPMENTS IN PLANNING--UNDER CONTROL (BUT NOT OWNED) AT JUNE 30, 1996(3):

Atlanta, Georgia:

Cameron Park*.....	N/A	N/A	288	(24)	\$ 16,088
Northpoint Mall*....	N/A	N/A	264	(24)	20,270
Stockbridge*.....	N/A	N/A	360	(24)	19,433
Nashville, Tennessee:					
Breckenridge*.....	N/A	N/A	264	(24)	14,136
Richmond, Virginia:					
Cameron at Virginia Center*.....	N/A	N/A	264	(24)	15,642
			-----	-----	-----

Total Properties Under Control (But Not Owned) at June 30, 1996(3).....

		N/A	1,440	N/A	\$ 85,569
			-----	-----	-----

Total Properties Owned or Under Control at June 30, 1996(3).

		94.7%	23,923	\$1,012,672	\$1,264,202
			=====	=====	=====

PROPERTY TO BE ACQUIRED:

Memphis, Tennessee:

Country Oaks(25)....	1996	N/A	200	N/A	\$ 8,430
			-----	-----	-----
Total Properties Owned, Under Control or To Be Acquired at July 31, 1996(3).....		94.7%	24,123	\$1,012,672	\$1,272,632
			=====	=====	=====

</TABLE>

* Property developed by ATLANTIC.

- (1) With respect to developments under construction and developments in planning and owned, represents expected completion date. With respect to properties likely to be acquired, represents expected acquisition date.
- (2) For operating properties, represents cost, including planned renovations. For properties under construction and in planning, represents budgeted development cost, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during the construction period. For properties to be acquired, represents expected purchase price plus planned renovations.
- (3) The term "stabilized" means that renovation, repositioning, new management and new marketing programs (or development and marketing in the case of

- newly-developed properties) have been completed and in effect for a sufficient period of time (but in no event longer than 12 months, except for major rehabilitations) to achieve 93% occupancy at market rents. Prior to being "stabilized", a property is considered "pre-stabilized". The term "in planning" means developments owned or under control (meaning that ATLANTIC has a contingent contract or a letter of intent to purchase the land, but does not own the land) with construction anticipated to commence within 12 months.
- (4) Property is pledged as collateral for ATLANTIC's \$350 million line of credit. For a discussion of the line of credit, see "Business--Building ATLANTIC's Operating System--Capital Markets/Finance/ Legal".
 - (5) Property is pledged as additional security under ATLANTIC's thirty-year credit enhancement agreement with FNMA. For a discussion of the FNMA credit enhancement agreement, see "Business--Building ATLANTIC's Operating System--Capital Markets/Finance/Legal".
 - (6) The tax-exempt bond issue associated with this property is included in ATLANTIC's credit enhancement agreement with FNMA.
 - (7) The Cameron Brook Apartments are subject to a deed of trust securing a mortgage note related to \$19.5 million of tax-exempt bonds.
 - (8) The Clairmont Crest Apartments are subject to a deed of trust securing a mortgage note related to \$11.6 million of tax-exempt bonds.
 - (9) The Greens Apartments are subject to a deed of trust securing a mortgage note related to \$10.4 million of tax-exempt bonds.
 - (10) Phase I consists of 150 units and is pledged as collateral for ATLANTIC's \$350 million line of credit. Phase II consists of 250 units and is subject to a deed of trust securing long-term mortgage debt of \$8.0 million.
 - (11) The Parrot's Landing Phase I Apartments are subject to a deed of trust securing a mortgage note related to \$15.8 million of tax-exempt bonds.
 - (12) The Sun Pointe Cove Apartments are subject to a deed of trust securing a mortgage note related to \$8.5 million of tax-exempt bonds.
 - (13) The Forestwood Apartments are subject to a deed of trust securing a mortgage note related to \$11.5 million of tax-exempt bonds.
 - (14) The Cameron Villas I Apartments are subject to a deed of trust securing long-term mortgage debt of \$6.4 million.
 - (15) The Foxbridge Apartments are subject to a deed of trust securing a mortgage note related to \$10.4 million of tax-exempt bonds.
 - (16) In July 1996, the Azalea Park Apartments became subject to a deed of trust securing a mortgage note related to \$15.5 million of tax-exempt bonds.

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- (17) The Cameron Station Apartments are subject to a deed of trust securing a mortgage note related to \$14.5 million of tax-exempt bonds.
- (18) The WintersCreek Apartments are subject to a deed of trust securing a mortgage note related to \$5.0 million of tax-exempt bonds.
- (19) Property is in lease-up, therefore percentage leased is not given because it is not representative of a fully-operating property.
- (20) The Cameron at Hickory Grove Apartments are subject to a deed of trust securing long-term mortgage debt of \$6.0 million.
- (21) Phase I consists of 88 units and is subject to a deed of trust securing long-term mortgage debt of \$2.0 million. Phase II consists of 100 units and is pledged as collateral for ATLANTIC's \$350 million line of credit.
- (22) Construction on this property was completed in July 1996.
- (23) Consists of 25.2 acres of undeveloped land.
- (24) As of June 30, 1996, ATLANTIC's investment in these developments was \$0.6 million. This amount is reflected in the "Other assets" caption of ATLANTIC's balance sheet as of June 30, 1996.
- (25) The Country Oaks Apartments are under contract and are expected to be acquired in August 1996. This property is subject to a deed of trust securing long-term mortgage debt of \$6.0 million which will be assumed by ATLANTIC.

THE OFFERING

<TABLE>

<C> Shares offered hereby.....<S>
 Shares to be outstanding after the Offering.
 Use of proceeds..... To retire revolving credit debt.
 See "Use of Proceeds".
 Proposed NYSE Symbol..... SCA
 </TABLE>

DISTRIBUTIONS

ATLANTIC expects to continue to pay regular quarterly distributions to its shareholders. ATLANTIC's policy is to propose distributions for the following year during the preceding year, subject to declaration by the Board, after a review of the operating plan for the following year. At its December 19, 1995 meeting, the Board proposed 1996 distributions of \$0.84 per Share, subject to declaration by the Board and payable in quarterly installments. On March 28, 1996, ATLANTIC paid a quarterly distribution of \$0.21 per Share for Shares outstanding throughout the first quarter, on June 27, 1996, ATLANTIC paid a quarterly distribution of \$0.21 per Share for Shares outstanding throughout the second quarter and on September 4, 1996, the Board declared a quarterly distribution of \$ per Share payable on September , 1996 for Shares outstanding throughout the third quarter. In addition, on September 4, 1996, after taking into account the Homestead Distribution, the Board proposed a fourth quarter 1996 distribution of \$ per Share and 1997 distributions of \$ per Share, subject to declaration by the Board and payable in quarterly installments. The proposed distributions are subject to declaration by the Board and actual distributions may be less than the proposed distributions. ATLANTIC's operating results may be adversely affected if occupancy levels decrease, if revolving credit borrowing costs increase or if any other adverse changes occur, and therefore the actual distributions may differ. See "Risk Factors--Risk of Inability to Sustain Distribution Level" and "Distributions".

SUMMARY SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information on a pro forma basis for ATLANTIC (the "Pro Forma Financial Results") as of June 30, 1996 and for the six months ended June 30, 1996 and the year ended December 31, 1995 and on an historical basis for ATLANTIC (the "Historical Financial Results") as of and for the six months ended June 30, 1996 and 1995 and as of and for the years ended December 31, 1995 and 1994 and the period from October 26, 1993 (the date of ATLANTIC's inception) through December 31, 1993. The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements and notes thereto included in this Prospectus. The Pro Forma Financial Results are not necessarily indicative of what the actual financial position and results of operations of ATLANTIC would have been as of and for the periods indicated, nor do they purport to represent the financial position and results of operations for future periods.

<TABLE>
 <CAPTION>

	PRO FORMA		HISTORICAL				
	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30,		PERIOD ENDED DECEMBER 31,		
			1996	1995	1995	1994	1993 (1)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS SUMMARY:							
Rental income.....	\$ 67,504	\$126,378	\$ 63,685	\$ 47,282	\$103,634	\$ 55,071	\$ 156
Property management fees paid to affiliate.....	2,034	4,369	1,893	1,556	3,475	1,536	--
General and administrative expenses.....	309	583	347	206	646	266	1
REIT management fee paid to affiliate....	5,194	9,181	4,704	3,227	6,923	3,671	12
Net earnings.....	17,837	28,813	16,397	9,131	19,639	9,926	38
Net earnings per Share. \$	\$		0.28	0.23	0.45	0.41	0.07
Distributions declared and paid.....	N/A	N/A	24,447	16,103	35,119	14,648	--
Distributions declared and paid per Share....	N/A	N/A	\$ 0.42	\$ 0.40	\$ 0.80	\$ 0.60	\$ --
Weighted average Shares outstanding.....			58,171	40,226	43,889	24,454	572

<CAPTION>

HISTORICAL

	PRO FORMA	JUNE 30,		DECEMBER 31,		
	JUNE 30, 1996	1996	1995	1995	1994	1993
(IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
FINANCIAL POSITION:						
Real estate owned, at cost.....	\$1,020,922	\$1,031,256	\$718,453	\$888,928	\$631,260	\$31,005
Total assets.....	1,007,184	1,021,355	717,418	885,824	637,846	31,850
Line of credit(3).....	130,834	194,000	118,000	190,000	153,000	--
Mortgages payable.....	135,054	129,044	115,280	118,524	107,347	--
Total liabilities.....	300,865	353,377	252,867	328,886	271,216	178
Total shareholders' equity.....	\$ 706,319	\$ 667,978	\$464,551	\$556,938	\$366,630	\$31,672
Number of Shares outstanding.....		65,903	46,679	55,526	37,133	3,163

</TABLE>
<CAPTION>

	PRO FORMA		HISTORICAL				
	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1996	1995	1995	1994	1993 (1)
(IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OTHER DATA:							
Net Earnings.....	\$ 17,837	\$ 28,813	\$ 16,397	\$ 9,131	\$ 19,639	\$ 9,926	\$ 38
Add (Deduct):							
Depreciation.....	10,116	18,847	9,597	7,359	15,925	8,770	28
(Gain) loss on disposition of investments.....	--	--	(662)	--	--	--	--
Funds from Operations(2).....	\$ 27,953	\$ 47,660	\$ 25,332	\$ 16,490	\$ 35,564	\$ 18,696	\$ 66
Net Cash Provided (Used) by Operating Activities.....	\$ 35,901	\$ 56,669	\$ 32,618	\$ 27,078	\$ 45,235	\$ 26,205	\$ (492)
Net Cash Used by Investing Activities..	(92,575)	(315,277)	(136,366)	(79,066)	(240,652)	(392,718)	(31,005)
Net Cash Provided (Used) by Financing Activities.....	(17,311)	344,048	101,779	52,483	195,649	372,638	31,634

- </TABLE>
- (1) For the period from October 26, 1993 (the date of ATLANTIC's inception) to December 31, 1993.
- (2) ATLANTIC believes that funds from operations is helpful in understanding a property portfolio in that such calculation reflects cash flow from operating activities and the properties' ability to support interest payments and general operating expenses. For an explanation of funds from operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources". Funds from operations should not be considered as an alternative to net income or any other generally accepted accounting principles ("GAAP") measurement of performance as an indicator of ATLANTIC's operating performance or as an alternative to cash flows from operating, investing or financing activities as a measure of liquidity. On January 1, 1996, ATLANTIC adopted the National Association of Real Estate Investment Trusts' ("NAREIT") new definition of funds from operations. Under this new definition, loan cost amortization is not added back to net earnings in determining funds from operations. For comparability, funds from operations for the periods prior to January 1, 1996 give effect to this new definition. The funds from operations measure presented by ATLANTIC may not be comparable to other similarly titled measures of other REITs.
- (3) At August 20, 1996, ATLANTIC had \$197 million of debt outstanding under its \$350 million line of credit.

RISK FACTORS

Prospective investors should carefully consider, among other factors, the matters described below. Each of these factors could adversely affect the ability of ATLANTIC to make expected distributions to shareholders. In addition, purchasers of Shares in the Offering (or subsequent transferees who are holders of such Shares on the Distribution Record Date) will receive shares of common stock and warrants to purchase shares of common stock of

Homestead. There are certain other risks associated with securities of Homestead and the Homestead transaction which prospective investors should consider, as described under the caption "Risk Factors" in the Prospectus of Homestead attached hereto.

LACK OF INDEPENDENT VALUATION OF ASSETS

The value of ATLANTIC has not been determined on a property-by-property basis because ATLANTIC is an ongoing business enterprise. Accordingly, no appraisals, independent valuations or fairness opinions from a financial point of view of the properties have been obtained in connection with the valuation of ATLANTIC. Furthermore, the valuation of ATLANTIC is not based upon the historical cost of assets or the current market value thereof. Therefore, the value of the Shares (based on the initial public offering price) may be greater than the fair market value of ATLANTIC's portfolio.

INFLUENCE OF OFFICERS, DIRECTORS AND SIGNIFICANT SHAREHOLDER

SCG beneficially owns approximately 64.1% of the outstanding Shares (% after giving effect to the Offering). See "Principal Shareholders". Through its ownership of Shares, SCG controls approximately 64.1% (% after giving effect to the Offering) of the vote on matters submitted for shareholder action, including the election of Directors, and no other shareholder may hold more than 9.8% of ATLANTIC's outstanding shares of stock. See "Description of Stock--Restriction on Size of Holdings of Shares". SCG has the right to nominate up to three Directors, depending on its level of ownership of Shares. See "Certain Relationships and Transactions--SCG Investor Agreement". The Directors so elected are in a position to exercise significant influence over the affairs of ATLANTIC. Additionally, SCG has the right to approve (i) ATLANTIC's annual operating budget and substantial deviations therefrom, (ii) acquisitions or dispositions in a single transaction or group of related transactions where the purchase price exceeds \$5 million and (iii) property management arrangements. Accordingly, due to the foregoing, for so long as it continues to own at least 10% of the outstanding Shares, SCG will retain significant influence over the business and policies of ATLANTIC which may result in decisions that do not fully represent the interests of all shareholders of ATLANTIC. SCG is also the owner of the REIT Manager and therefore will have the ability to influence significantly the operations of ATLANTIC.

CONFLICTS OF INTEREST

ATLANTIC does not have any employees and relies on the REIT Manager for all strategic and management services. An affiliate of the REIT Manager also provides property management services for approximately 84% of ATLANTIC's properties.

Four officers of the REIT Manager and its affiliates (Jeffrey A. Klopff, Senior Vice President of SCG, ATLANTIC and the REIT Manager (securities offerings, corporate acquisitions and legal), Ariel Amir, Vice President of SCG (securities offerings, corporate acquisitions and legal), John H. Gardner, Jr., Senior Vice President of ATLANTIC and the REIT Manager (multifamily dispositions) and Kathy B. Farr, Vice President of ATLANTIC and the REIT Manager (multifamily dispositions)) may have conflicts of interest in allocating their time and efforts between activities on behalf of ATLANTIC and other activities of the REIT Manager's affiliates. Affiliates of the REIT Manager also provide management services to PTR, a NYSE listed REIT which focuses on multifamily residential properties in the western United States, and Security Capital Industrial Trust ("SCI"), a NYSE listed REIT which focuses on

industrial real estate in the United States. Security Capital Markets Group Incorporated ("Capital Markets Group"), the REIT Manager's capital markets affiliate, devotes a substantial portion of its time to these other REITs and SCG. Messrs. Klopff and Amir provide centralized securities offering, corporate acquisition and legal services to ATLANTIC and other affiliated real estate companies, including PTR, SCI and SCG, and, as a result, do not focus their full efforts and attention on ATLANTIC. Mr. Gardner and Ms. Farr provide multifamily disposition services to ATLANTIC and PTR. In addition, the REIT Manager and its affiliates share a common senior investment committee, which approves all acquisition and development proposals before they are submitted to the respective REIT boards for approval. C. Ronald Blankenship, a Director of ATLANTIC and the REIT Manager and the Chairman of PTR and a Director of Homestead, spends about ten hours per month on this senior investment committee evaluating investment opportunities for ATLANTIC and other REITs which are managed by affiliates of the REIT Manager. PTR acquires multifamily properties but operates in a different market than ATLANTIC. See "Policies With Respect to Certain Activities--Conflict of Interest Policies" and "--Policies Applicable to the REIT Manager and Officers and Directors of ATLANTIC".

The officers of ATLANTIC may also be subject to certain conflicts of interest arising out of their positions with ATLANTIC and the REIT Manager and its affiliates. These relationships may create conflicts between the promotion of ATLANTIC's investment policies and those of the REIT Manager and its affiliates. See "Policies With Respect to Certain Activities--Conflict of Interest Policies".

Ned S. Holmes, a Director of ATLANTIC, is also Chairman and President of Parkway Investments/Texas Inc., President and Chief Executive Officer of Laing Properties, Inc. ("Laing") and an executive officer of certain of Laing's affiliates. Laing and its affiliates engage in the acquisition, development and management of multifamily properties and Mr. Holmes may therefore have conflicts of interest in presenting acquisition or development opportunities to ATLANTIC.

The owner of the REIT Manager, SCG, is ATLANTIC's principal shareholder and could influence decisions regarding the REIT Management Agreement, property management agreements between ATLANTIC and affiliates of the REIT Manager and fees relating to such agreements. Although all agreements with the REIT Manager and its affiliates must be reviewed and approved at least annually by ATLANTIC's Independent Directors, no assurance of arm's-length negotiations can be given.

RISK OF INABILITY TO SUSTAIN DISTRIBUTION LEVEL

The Board based proposed fourth quarter 1996 and 1997 distributions on a number of assumptions, including assumptions relating to the future operations of ATLANTIC. These assumptions encompass, among other matters, continued property occupancy, capital expenditures and other costs relating to ATLANTIC's properties, the level of leasing activity and decisions by ATLANTIC to reinvest rather than distribute cash available for distribution. Some of the assumptions described above are beyond the control of ATLANTIC, and a change in any such assumption could affect ATLANTIC's ability to pay such distributions as proposed. Hence, no assurance can be given that ATLANTIC will be able to pay such distributions as proposed. See "Distributions".

GENERAL REAL ESTATE INVESTMENT RISKS

GENERAL

Real property investments are subject to varying degrees of risk. Real estate cash flows and values are affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of multifamily properties or a reduction in rental demand in an area), the quality and philosophy of management, competition from other available multifamily properties and the ability of the owner to provide adequate maintenance and insurance and to control operating costs. Although ATLANTIC seeks to minimize these risks through the REIT Manager's market research and

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asset management capabilities, these risks cannot be eliminated entirely. Real estate cash flows and values are also affected by such factors as government regulations, including zoning and tax laws, interest rate levels, the availability of financing and potential liability under, and changes in, environmental and other laws. Since a significant portion of ATLANTIC's income will be derived from rental income from real property, ATLANTIC's income and distributable cash flow would be adversely affected if a significant number of ATLANTIC's residents were unable to meet their obligations to ATLANTIC, or if ATLANTIC were unable to lease, on economically favorable terms, a significant number of units in its multifamily properties.

Equity real estate investments are relatively illiquid and therefore may tend to limit the ability of ATLANTIC to react promptly to changes in economic or other conditions. In addition, certain significant expenditures associated with equity investments (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investments. Like other REITs, ATLANTIC must comply with safe harbor rules which enable a REIT to avoid punitive taxation. Thus, ATLANTIC's ability to sell assets to change its asset base is restricted by tax rules which impose holding periods for assets and potential disqualification as a REIT upon certain asset sales.

DEBT FINANCING

To the extent it or its subsidiaries incur debt, ATLANTIC will be subject to the risks associated with debt financing, including the risks that ATLANTIC's cash flow from operations will be insufficient to meet required payments of principal and interest, that ATLANTIC will be unable to refinance the revolving line of credit secured by many of ATLANTIC's properties or current or future mortgage indebtedness on its properties, that the terms of such refinancings

will not be as favorable as the terms of existing indebtedness and that ATLANTIC will be unable to make necessary capital expenditures for such purposes as renovations and releasing units due to lack of available funds. If a property is mortgaged to secure payment of indebtedness and ATLANTIC is unable to meet mortgage payments, the property could be transferred to the mortgagee with a consequent loss of income and asset value to ATLANTIC. Nevertheless, it will be ATLANTIC's policy generally to arrange fully amortizing, fixed rate long-term debt. See "Policies With Respect to Certain Activities--Financing Policies".

RISKS OF REAL ESTATE DEVELOPMENT

ATLANTIC has developed or commenced development of, or has executed contracts or non-binding letters of intent where acquisition of development land is likely for, 7,618 multifamily units and expects to develop additional multifamily units in the future. Real estate development involves significant risks in addition to those involved in the ownership and operation of established multifamily properties, including the risks that financing, if needed, may not be available on favorable terms for development projects, that construction may not be completed on schedule (resulting in increased debt service expense and construction costs) and that properties may not be leased on profitable terms. Timely construction may be adversely affected by local weather, local or national strikes and by local or national shortages in materials, insulation, building supplies and energy and fuel for equipment. ATLANTIC intends to finance future development with cash on hand or revolving credit borrowings (which ATLANTIC expects to repay with long-term debt or sales of equity securities); however, until such properties are developed and leased, they will not generate any cash flow to ATLANTIC.

LAND USE AND ZONING CONSIDERATIONS

Governmental authorities at the federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. The establishment

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of such regulations could have the effect of increasing the expenses and lowering the profitability of any of the properties affected thereby.

CHANGES IN LAWS

Increased costs resulting from increases in real estate, income or transfer taxes or other governmental requirements generally may not be passed through directly to residents, inhibiting ATLANTIC's ability to recover such increased costs. Substantial increases in rents, as a result of such increased costs, may affect residents' ability to pay rent, causing increased vacancy. In addition, changes in laws increasing potential liability for environmental conditions or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures.

RISKS OF INVESTMENTS IN MORTGAGES

Although ATLANTIC's current policy is not to invest in mortgages unrelated to its properties, ATLANTIC may invest in mortgages in connection with the construction and development of new multifamily properties for ATLANTIC by third parties. See "Policies With Respect to Certain Activities--Financing Policies". In connection with the Homestead transaction, ATLANTIC will invest in convertible mortgage notes issued by Homestead. See "Homestead Transaction". In addition, ATLANTIC from time to time will invest in mortgage loans to ATLANTIC Development Services Incorporated ("ATLANTIC Development Services"), an entity in which ATLANTIC owns substantially all of the economic interest, to fund the acquisition and development of certain properties that meet ATLANTIC's investment criteria. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--REIT Management Agreement". Mortgage investments are subject to certain risks, including that borrowers may not be able to make debt service payments or pay principal when due, that the value of mortgaged property may be less than the amounts owed, and that interest rates payable on the mortgages may be lower than ATLANTIC's cost of funds. If ATLANTIC invested in mortgages and if any of the above occurred, cash flows could be adversely affected.

UNINSURED LOSS

ATLANTIC will initially carry comprehensive liability, fire, flood, earthquake, extended coverage and rental loss insurance with respect to its properties with policy specifications and insured limits customarily carried for similar properties. There are, however, certain types of losses (such as from wars) that may be either uninsurable or not economically insurable. Should an uninsured loss occur, ATLANTIC could lose both its capital invested

in and anticipated profits from one or more properties.

COMPETITION

There are numerous commercial developers, real estate companies and other owners of real estate, including those that operate in the regions in which ATLANTIC's properties are located, that compete with ATLANTIC in seeking land for development, properties for acquisition and disposition and residents for properties. All of ATLANTIC's multifamily properties are located in developed areas that include other multifamily properties. The number of competitive multifamily properties in a particular area could have a material adverse effect on ATLANTIC's ability to lease apartment units and on the rents charged. In addition, other forms of single family and multifamily residential properties provide housing alternatives to residents and potential residents of ATLANTIC's multifamily properties.

CONCENTRATION OF PROPERTIES IN ATLANTA

At July 31, 1996, ATLANTIC owned \$351.2 million of properties, based on cost, that are located in the Atlanta, Georgia metropolitan area, representing 37.4% of pro forma revenues for the six-month period ended June 30, 1996, and thus may be affected by changes in the economic conditions of that area. Conditions in the Atlanta market, including the possibility of an economic downturn, could adversely affect cash flows.

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TAXABILITY OF DISTRIBUTION OF HOMESTEAD COMMON STOCK AND WARRANTS

The Distribution of Homestead common stock and warrants will result in a taxable dividend to shareholders of ATLANTIC, whether or not ATLANTIC shareholders sell the Homestead common stock and warrants received in the Distribution. See "Federal Income Tax Considerations--Tax Consequences of the Homestead Transaction".

TAXATION OF ATLANTIC

TAX LIABILITIES AS A CONSEQUENCE OF THE FAILURE TO QUALIFY AS A REIT

ATLANTIC has elected to be taxed as a REIT under the Code, commencing with its taxable year ending December 31, 1994. A qualified REIT generally is not taxed on income it distributes to its shareholders as long as it distributes at least 95% of its taxable income currently. ATLANTIC has qualified as a REIT initially, but no assurance can be given that it will be able to remain so qualified. No assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the rules applicable to ATLANTIC with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If ATLANTIC fails to continue to qualify as a REIT, it will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. In addition, unless entitled to relief under certain statutory provisions, ATLANTIC will be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. The additional tax could significantly reduce cash flows.

OTHER TAX LIABILITIES

Even if ATLANTIC continues to qualify as a REIT, it is subject to certain federal, state and local taxes on its income and property. See "Federal Income Tax Considerations--Other Tax Considerations".

EXTERNAL MANAGEMENT

ATLANTIC is externally managed by the REIT Manager, which is owned by SCG, which also owns approximately 64.1% of the outstanding Shares (% after giving effect to the Offering). The REIT Manager's indirect Share ownership provides it with economic interests comparable to other shareholders, but ATLANTIC's being externally managed may adversely affect the market price of the Shares.

CHANGES IN POLICIES

The major policies of ATLANTIC, including its policies with respect to investments, financing, growth, debt capitalization, REIT qualification and distributions, are determined by the Board. Although it has no present intention to do so, the Board may amend or revise these and other policies from time to time without a vote of the shareholders of ATLANTIC. See "Policies With Respect to Certain Activities". Accordingly, shareholders will have limited control over changes in policies of ATLANTIC.

LIMITATIONS ON ACQUISITION OF SHARES AND CHANGE IN CONTROL

OWNERSHIP LIMIT

In order to maintain its qualification as a REIT, not more than 50% in value of the outstanding shares of ATLANTIC's stock may be owned, directly or indirectly, by five or fewer individuals (as

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defined in the Code to include certain entities). Pursuant to the constructive ownership rules, SCG's ownership of Shares is attributed to its shareholders for purposes of the 50% test. ATLANTIC's 9.8% share ownership limit for shareholders other than SCG, as well as the ability of ATLANTIC to issue additional Shares or other classes or series of stock (which may have rights and preferences senior to the Shares), may have the effect of delaying or preventing a change in control of ATLANTIC without the consent of the Board even if a change in control were in the shareholders' interests and may also (i) deter tender offers for the Shares, which offers may be advantageous to shareholders, and (ii) limit the opportunity for shareholders to receive a premium for their Shares that might otherwise exist if an investor were attempting to acquire in excess of 9.8% of the outstanding shares of ATLANTIC's stock or otherwise effect a change in control of ATLANTIC.

SHAREHOLDER PURCHASE RIGHTS

On March 12, 1996, the Board declared a dividend of one preferred share purchase right (a "Purchase Right") for each Share outstanding. Each purchaser of a Share subsequent to March 12, 1996 (including purchasers of Shares in the Offering) will also receive a Purchase Right with each Share purchased. Each Purchase Right entitles the holder under certain circumstances to purchase from ATLANTIC one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Participating Preferred Shares"), at a price of \$40 per one one-hundredth of a Participating Preferred Share, subject to adjustment. Purchase Rights are exercisable when a person or group of persons (other than certain affiliates of ATLANTIC) acquires 20% or more of the outstanding Shares or announces a tender offer for 25% or more of the outstanding Shares. Under certain circumstances, each Purchase Right entitles the holder to purchase, at the Purchase Right's then current exercise price, a number of Shares having a market value of twice the Purchase Right's exercise price. The acquisition of ATLANTIC pursuant to certain mergers or other business transactions would entitle each holder to purchase, at the Purchase Right's then current exercise price, a number of the acquiring company's common shares having a market value at that time equal to twice the Purchase Right's exercise price. The Purchase Rights held by certain 20% shareholders (other than certain affiliates of ATLANTIC) would not be exercisable.

The Purchase Rights may have the effect of delaying or preventing a change in control of ATLANTIC without the consent of the Board even if a change in control were in the shareholders' interests and may also adversely affect the voting and other rights of shareholders. See "Description of Stock--Purchase Rights".

CLASSIFIED BOARD

The Board has been divided into three classes of Directors. The terms of the classes will expire in 1997, 1998 and 1999, respectively. Beginning in 1997, as the term of a class expires, Directors for that class will be elected for a three-year term and the Directors in the other two classes will continue in office.

PREFERRED STOCK

ATLANTIC's charter (the "Charter") authorizes the Board to reclassify any unissued shares of ATLANTIC's stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption. See "Description of Stock--General" and "--Preferred Stock". No such Shares have been so reclassified to date.

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ADVANCE NOTICE PROVISIONS

For nominations or other business to be properly brought before an annual meeting of shareholders by a shareholder, ATLANTIC's Bylaws require such shareholder to deliver a notice to the Secretary, absent specified circumstances, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting setting forth: (i) as to each person whom the shareholder proposes to nominate for election or

reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors pursuant to Regulation 14A of the Securities Exchange Act of 1934 (the "Exchange Act"); (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such shareholder as it appears on ATLANTIC's books and of such beneficial owner and (y) the number of Shares which are owned beneficially and of record by such shareholder and such beneficial owner, if any.

The classified Board, the issuance of preferred stock and the advance notice provisions discussed in the preceding paragraphs each could have the effect of delaying or preventing a change in control of ATLANTIC even if a change in control were in the shareholders' interests.

POSSIBLE ADVERSE CONSEQUENCE OF LIMITS ON OWNERSHIP OF SHARES

As noted above under "--Limitations on Acquisition of Shares and Change in Control", under the REIT tax rules, not more than 50% in value of the outstanding shares of ATLANTIC's stock may be owned, directly or indirectly, by five or fewer individuals. The Charter restricts the ownership of more than 9.8% of the number or value of the outstanding shares of ATLANTIC's stock by any single shareholder. The ownership limitation does not apply to SCG. See "Certain Relationships and Transactions--SCG Investor Agreement". The Board, in its sole discretion, may waive this restriction if it is satisfied that ownership in excess of this limit will not jeopardize ATLANTIC's status as a REIT. See "Description of Stock--Restriction on Size of Holdings of Shares" for additional information regarding the ownership limit.

EFFECT OF MARKET INTEREST RATES ON SHARE PRICES

One of the factors that may influence the price of the Shares in public markets will be the annual yield on the price paid for Shares from distributions by ATLANTIC. Thus, an increase in market interest rates may lead purchasers of Shares to demand a higher annual yield, which could adversely affect the market price of the Shares.

REGULATORY COMPLIANCE

POSSIBLE LIABILITY RELATING TO ENVIRONMENTAL LAWS

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of such removal or remediation of such substances could be substantial. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous or toxic substances. The presence of such substances may adversely affect the owner's ability to sell or rent such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances also may be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for the

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release of asbestos containing materials into the air, pursuant to which third parties may seek recovery from owners or operators of real properties for personal injuries associated with such materials, and prescribe specific methods for the removal and disposal of such materials, which may result in increased costs in connection with renovations at ATLANTIC's properties.

ATLANTIC has not been notified by any governmental authority of any non-compliance, liability or other claim in connection with any of the properties currently owned or being acquired by ATLANTIC, and ATLANTIC is not aware of any environmental condition with respect to any of such properties, which is likely to be material. ATLANTIC has subjected each of its properties to a Phase I environmental assessment (which does not involve invasive procedures such as soil sampling or ground water analysis) by independent consultants. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed, nor is ATLANTIC aware of, any environmental liability (including asbestos related liability) that the REIT Manager believes would have a material adverse effect on ATLANTIC's business, financial condition or results of operations. No assurance can be given, however, that these assessments and investigations reveal all potential environmental liabilities, that no prior owner or operator created any material environmental condition not known to ATLANTIC or

the independent consultants or that future uses and conditions (including, without limitation, resident actions or changes in applicable environmental laws and regulations) will not result in the imposition of environmental liabilities.

COMPLIANCE WITH THE FAIR HOUSING AMENDMENTS ACT OF 1988

The Fair Housing Amendments Act of 1988 (the "FHA") requires apartment communities first occupied after March 13, 1990 to be accessible to the handicapped. Noncompliance with the FHA could result in the imposition of fines or an award of damages to private litigants. ATLANTIC believes that its properties that are subject to the FHA are in compliance with such law.

COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1990

ATLANTIC's properties and any newly developed or acquired multifamily properties must comply with Title III of the Americans with Disabilities Act of 1990 (the "ADA") to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requirements requires that public accommodations "reasonably accommodate" individuals with disabilities, which includes removal of structural barriers to handicapped access in certain public areas of ATLANTIC's properties, where such removal is readily achievable and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction, or in excess of 20% of the cost of the alteration for existing structures. The ADA does not, however, consider multifamily residential properties, such as ATLANTIC's properties, to be public accommodations or commercial facilities except to the extent portions of such properties, such as a leasing office, are open to the public. ATLANTIC believes that its properties comply with all present requirements under the ADA and applicable state laws. Noncompliance with the ADA could result in the imposition of injunctive relief, fines or an award of damages.

RESTRICTIONS ASSOCIATED WITH TAX-EXEMPT BOND FINANCINGS

ATLANTIC's portfolio includes properties which require that 20% of their units be occupied by households whose income does not exceed 80% of the median household income of the submarket in which the property is located; over 50% of the households in such properties currently meet such requirements. There can be no assurance that each property will continue to meet such requirements in the future, in which case ATLANTIC may be required to refinance the tax-exempt bonds used to finance such property.

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NO PRIOR MARKET FOR SHARES

Prior to the Offering, there has been no public market for the Shares. Although application will be made to list the Shares on the NYSE, there can be no assurance that an active trading market will develop or that the Shares will be so listed. In addition, the initial public offering price may not accurately reflect the market prices of the Shares and the Homestead common stock and warrants which will be distributed to holders of Shares in the Distribution after the Offering. See "Underwriting".

EFFECT ON SHARE PRICE OF SHARES AVAILABLE FOR FUTURE SALE

Sales of a substantial number of Shares, or the perception that such sales could occur, could adversely affect the prevailing market price for the Shares. At August 20, 1996, ATLANTIC had 65,903,161 Shares issued and outstanding. All such Shares may be sold in the public market in the future pursuant to registration rights or available exemptions from registration. See "Shares Available for Future Sale". No prediction can be made regarding the effect of future sales of Shares on the market prices of Shares. See "Underwriting".

DILUTION

The pro forma net tangible book value per Share of ATLANTIC's assets after the Offering will be lower than the initial public offering price per Share in the Offering. Accordingly, persons acquiring Shares in the Offering will experience immediate dilution of \$ per Share in the net tangible book value of Shares acquired in the Offering. See "Dilution". Purchasers of Shares sold in the Offering will receive shares of Homestead common stock and warrants to purchase shares of Homestead common stock in the Distribution for no additional consideration, assuming that they continue to hold such Shares on the Distribution Record Date.

SECURITY CAPITAL ATLANTIC INCORPORATED

ATLANTIC, through its research-based investment strategy, engages in the development, acquisition, operation and long-term ownership of multifamily properties in the southeastern United States. ATLANTIC's objective is to be the

preeminent real estate operating company focusing on moderate income multifamily properties in its primary target market. ATLANTIC, through the REIT Manager, is an Atlanta-based, fully integrated operating company with 76 professionals dedicated to implementing its highly focused operating strategy. At July 31, 1996, ATLANTIC's portfolio consisted of 24,123 multifamily units, including 6,406 units under construction and in planning, in 16 metropolitan areas and 44 submarkets in premier growth areas of the southeastern United States. The aggregate investment cost of these 86 properties, including planned renovations and total budgeted development expenditures, is approximately \$1.27 billion.

ATLANTIC seeks to achieve long-term sustainable growth in cash flow by maximizing the operating performance of its core portfolio through value-added operating systems, developing industry-leading, multifamily product in targeted submarkets that exhibit strong job growth prospects and demographic trends and implementing its asset optimization strategy of redeploying capital into assets that meet ATLANTIC's long-term investment criteria and have significant long-term cash flow growth prospects. See "Business--Key Components Driving ATLANTIC's Growth".

ATLANTIC's REIT Manager believes that the southeastern United States presents attractive investment opportunities because of the region's growing population and job market. ATLANTIC's investment activity is focused primarily on the following metropolitan areas: Atlanta, Georgia; Birmingham, Alabama; Charlotte, North Carolina; Jacksonville, Florida; Memphis, Tennessee; Nashville, Tennessee; Raleigh, North Carolina; Richmond, Virginia; Southeast Florida (which includes Ft. Lauderdale and West Palm Beach); and Tampa, Florida.

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REIT Management believes that growth in cash flow requires an intensive focus on resident service, marketing and the operation and development of functional and cost effective multifamily properties in growing cities. To enhance ATLANTIC's cash flow growth, REIT Management believes ATLANTIC should achieve significant market presence and enjoy the benefits that typically accrue to the major owners of multifamily properties in its markets. The REIT Manager provides a fully integrated company with expertise in market research, multifamily property acquisitions and due diligence, development of multifamily properties, leasing and asset management, capital markets and financial operations.

REIT Management believes that the multifamily real estate industry has traditionally attracted developers and operators who decentralized decision making and developed properties based upon the availability and preferences of external sources of capital rather than on market demand, as discussed more fully below. The REIT Manager has organized itself differently from many traditional multifamily real estate companies, as follows:

- . Each operating professional specializes in a particular discipline (such as research, marketing, development, acquisitions, due diligence, asset management, capital markets or financial operations) rather than being responsible for all functions on a project-by-project basis;
- . Local investments must be approved by the REIT Manager's senior investment committee, using uniform criteria, rather than being subject to autonomous decisions by local market representatives;
- . Capital markets and financing decisions are centrally made and executed, enabling ATLANTIC to lower its cost of capital, optimize its financial structure and focus on the needs of residents, rather than the preferences of capital sources or the restrictions imposed by lenders, and thereby increase financial control; and
- . ATLANTIC officers who own an interest in ATLANTIC own Shares, not carried interests in specific assets, meaning that their incentive is for the entire company to do well.

See "REIT Management".

ATLANTIC's executive offices are located at Six Piedmont Center, Atlanta, Georgia 30305, and its telephone number is (404) 237-9292. ATLANTIC is a Maryland corporation. Its predecessor was formed in October 1993 as a Delaware corporation, and ATLANTIC was re-formed as a Maryland corporation in April 1994.

USE OF PROCEEDS

The proceeds to ATLANTIC from the sale of the Shares offered hereby, net of all expenses of the Offering, are expected to be approximately \$ million. The net proceeds will be used to retire revolving credit debt which was incurred for (i) the acquisition and development of multifamily properties, (ii) capital improvements to properties, (iii) general corporate purposes and (iv) the purchase of shares of Homestead common stock on the Merger Closing

Date. If the Underwriters' over-allotment option to purchase Shares is exercised in full, the additional net proceeds of approximately \$ million will be used for the same purpose. At August 20, 1996, ATLANTIC had \$197 million in outstanding borrowings under its \$350 million revolving line of credit with Morgan Guaranty Trust Company of New York, as agent for a syndicate of banks, and such outstanding borrowings are expected to be approximately \$ million at the time of the closing of the Offering. Borrowings under the line of credit bear interest at prime (8.25% at August 20, 1996) or, at ATLANTIC's option, LIBOR plus 1.5% (6.875% at August 20, 1996) or the certificate of deposit rate plus 1.625% (6.965% at August 20, 1996). See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

CAPITALIZATION

The following table sets forth the capitalization of ATLANTIC as of June 30, 1996 and as adjusted to give effect to the Offering and the application of the proceeds therefrom and to the Homestead transaction. The table should be read in conjunction with the financial statements of ATLANTIC included herein.

<TABLE>
<CAPTION>

	JUNE 30, 1996	
	----- HISTORICAL AS ADJUSTED -----	
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Mortgage notes.....	\$129,044	\$129,044
Shareholders' Equity:		
Shares of common stock, par value \$.01 per share; 250,000,000 Shares authorized; 65,903,161 Shares issued; Shares issued as adjusted.....	659	
Additional paid-in capital.....	695,533	
Distributions in excess of net earnings.....	(28,214)	(1)
	-----	-----
Total Shareholders' Equity.....	\$667,978	\$
	-----	-----
Total Capitalization(2).....	\$797,022	\$
	=====	=====

</TABLE>

(1) The increase in distributions in excess of net earnings on an as adjusted basis will result primarily from the Distribution.

(2) Does not include borrowings under ATLANTIC's \$350 million line of credit. At June 30, 1996, \$194.0 million of borrowings were outstanding under the line of credit (\$130.1 million on an as adjusted basis).

DISTRIBUTIONS

ATLANTIC expects to continue to pay regular quarterly distributions to its shareholders. In 1995, ATLANTIC paid quarterly cash distributions of \$0.20 per Share outstanding throughout each quarter, equaling an annualized distribution of \$0.80 per Share. ATLANTIC's policy is to propose distributions for the following year during the preceding year, subject to declaration by the Board, after a review of the operating plan for the following year. At its December 19, 1995 meeting, the Board proposed 1996 distributions of \$0.84 per Share, subject to declaration by the Board and payable in quarterly installments. On March 28, 1996, ATLANTIC paid a quarterly distribution of \$0.21 per Share for Shares outstanding throughout the first quarter, on June 27, 1996, ATLANTIC paid a quarterly distribution of \$0.21 per Share for Shares outstanding throughout the second quarter and on September 4, 1996, the Board declared a quarterly distribution of \$ per Share payable on September , 1996 for Shares outstanding throughout the third quarter. In addition, on September 4, 1996, after taking into account the Homestead Distribution, the Board proposed a fourth quarter 1996 distribution of \$ per Share and 1997 distributions of \$ per Share, subject to declaration by the Board and payable in quarterly installments. The proposed distributions are subject to declaration by the Board and actual distributions may be less than the proposed distributions. ATLANTIC's operating results may be adversely affected if occupancy levels decrease, if revolving credit borrowing costs increase or if any other adverse changes occur, and therefore the actual distributions may differ. See "Risk Factors--Risk of Inability to Sustain Distribution Level".

Cash available for distribution will be affected by a number of factors, including rental revenues from existing and new residents, the level of acquisition and new leasing activity, ATLANTIC's

operating expenses, the interest expense and other debt service costs of ATLANTIC, the ability of residents to meet their obligations, taxes payable by ATLANTIC and unanticipated capital expenditures. ATLANTIC's policy is to expense, rather than capitalize, repairs and maintenance, in determining net earnings and cash available for distribution. Only major renovations, replacements or improvements with a substantial expected economic life (such as roofs, parking lots and additions) are capitalized. ATLANTIC has budgeted \$4.6 million for such purposes for the remainder of 1996. No assurances can be given that cash available for distribution will be sufficient to pay fourth quarter 1996 and 1997 distributions as proposed. Although ATLANTIC does not expect any future cash shortfalls, any such shortfalls which do arise could result in reductions in ATLANTIC's cash available for distribution which could result in lower than expected distributions.

In addition to the \$4.6 million of budgeted capital expenditures, ATLANTIC has \$126.2 million of unfunded construction commitments and \$35.4 million of prospective acquisitions (not included in pro forma properties owned) under letters of intent or contingent contracts. Additionally, at July 31, 1996, ATLANTIC had \$123.4 million of developments in planning (owned and under control) of which \$117.8 million had not been funded. In addition, pursuant to its Funding Commitment Agreement, ATLANTIC has agreed to provide secured financing of up to approximately \$111 million to Homestead in exchange for convertible mortgage notes. See "Homestead Transaction" and "Certain Relationships and Transactions--Funding Commitment Agreements". ATLANTIC expects to finance its renovation, acquisition and development investments and its funding commitment under its Funding Commitment Agreement with borrowings under its \$350 million line of credit (which matures in June 1998) and future offerings of debt and equity securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

Future distributions (including fourth quarter 1996 and 1997 distributions) by ATLANTIC will be at the discretion of the Board and will depend on the actual cash available for distribution of ATLANTIC, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code (see "Federal Income Tax Considerations--Taxation of ATLANTIC") and such other factors as the Board deems relevant. For a discussion of the tax treatment of distributions to shareholders, see "Federal Income Tax Considerations--Taxation of Shareholders". Of the \$ total cash distribution per Share expected to be paid for Shares outstanding throughout 1996 (not including the Distribution), ATLANTIC estimates that approximately % of such distribution will constitute a non-taxable return of capital for federal income tax purposes with the remaining % being taxable as ordinary income.

DILUTION

The initial public offering price per Share exceeds the net tangible book value per Share. Therefore, the holders of Shares subscribed for or issued prior to the Offering will realize an immediate increase in the net tangible book value of their Shares, while purchasers of Shares sold in the Offering will realize an immediate dilution in the net tangible book value of their Shares. Net tangible book value per Share is determined by subtracting total liabilities from total tangible assets and dividing the remainder by the number of Shares that will be outstanding after the Offering. The following table illustrates the dilution to purchasers of Shares sold in the Offering and the effect of the Distribution.

<TABLE>	
<S>	<C>
Initial Public Offering Price(1).....	\$
Net pro forma tangible book value per Share issued prior to the Offering, before giving effect to the Distribution(2).....	
Increase in net pro forma tangible book value per Share attributable to payments by purchasers of Shares sold in the Offering.....	
Net pro forma tangible book value per Share after the Offering, before giving effect to the Distribution(2).....	
Dilution per Share sold in the Offering, before giving effect to the Distribution(2).....	-----
Decrease in net pro forma tangible book value per Share due to the Distribution.....	
Net pro forma tangible book value per Share after the Offering, after giving effect to the Distribution(2).....	-----
Dilution per Share sold in the Offering, after giving effect to the Distribution(2).....	\$

</TABLE>

-
- (1) Before deducting estimated expenses of the Offering.
 (2) Based on the Pro Forma Financial Results contained elsewhere in this Prospectus. Assumes no exercise of outstanding options to acquire Shares.

The following table compares the number of Shares purchased, the total consideration paid and the average price paid per Share by existing holders of Shares (as a group) and purchasers of Shares in the Offering (as a group).

<TABLE>

<CAPTION>

	EXISTING HOLDERS OF SHARES	PURCHASERS OF SHARES IN THE OFFERING
<S>	<C>	<C>
Number of Shares Purchased.....	65,903,161	
Total Consideration Paid.....	\$697,413,896	
	-----	-----
Average Price Paid Per Share.....	\$10.58	
	=====	=====

</TABLE>

Purchasers of Shares sold in the Offering will receive shares of Homestead common stock and warrants to purchase shares of Homestead common stock in the Distribution for no additional consideration, assuming that they continue to hold such Shares on the Distribution Record Date, as described under "Homestead Transaction". Therefore, management of ATLANTIC does not believe that the amount of dilution which will be experienced by purchasers of Shares in the Offering is meaningful in evaluating a purchase of the Shares.

HOMESTEAD TRANSACTION

Homestead was organized to continue the operations of ATLANTIC, PTR and SCG with respect to their respective moderate priced, purpose-built, extended-stay lodging facilities. Homestead will develop, own and manage moderate priced, purpose-built, extended-stay lodging facilities designed to appeal to value-conscious customers on temporary assignment, undergoing relocation or in training. The first Homestead Village property was opened in 1992 by PTR. Since then, PTR has developed and placed into operation 27 additional Homestead Village properties and ATLANTIC has developed and placed into operation one Homestead Village property.

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The objective of Homestead is to be the preeminent developer, owner and national operator focused on the moderate priced, purpose-built, extended-stay lodging business. Homestead expects to achieve this objective by:

- . participating in high growth markets;
- . exercising investment discipline based on research; and
- . employing a consistent high quality service standard to property operations.

Homestead's facilities are designed and built to uniform plans developed by Homestead. Homestead expects to have a total of 31 facilities operational and 41 facilities under construction by the end of 1996 and plans to continue an active development program thereafter. Homestead's plans call for the average facility to have approximately 136 extended-stay rooms and take approximately eight to ten months to construct. The average length of stay for a customer in Homestead's facilities is in excess of four weeks. For the six months ended June 30, 1996, average physical occupancy and average weekly rate for PTR's 20 stabilized Homestead Village properties were 84% and \$219 per week, respectively and, for the same period, average physical occupancy and average weekly rate for PTR's six pre-stabilized properties were 67% and \$223 per week, respectively.

In March 1996, the Board began considering ways for ATLANTIC to maximize shareholder value with respect to its Homestead Village properties. In May 1996, ATLANTIC, PTR, SCG and Homestead entered into the Merger Agreement. Pursuant to the Merger Agreement, each of ATLANTIC, PTR and SCG will contribute, through the Mergers, all of their respective assets related to Homestead Village properties to Homestead as follows:

- . ATLANTIC will contribute 26 properties (or the rights to acquire such properties) to Homestead in exchange for 4,201,220 shares of Homestead common stock. Pursuant to the Merger and Distribution Agreement, dated as of May 21, 1996 (the "Merger Agreement"), ATLANTIC will provide a cash payment estimated to be \$18.6 million to Homestead at the Merger Closing

Date. This payment is required because ATLANTIC's Homestead Village properties, only one of which is currently operating, are in earlier stages of development than PTR's Homestead Village properties, therefore ATLANTIC has not funded the same percentage of total costs as PTR. This payment also assures that ATLANTIC receives all of its shares of Homestead common stock at the Merger Closing Date rather than being received in smaller increments over time as funds are expended for Homestead Village properties contributed by ATLANTIC.

- . PTR will contribute 54 properties (or the rights to acquire such properties) to Homestead in exchange for 9,485,727 shares of Homestead common stock.
- . SCG will contribute to Homestead its anticipated future cash flows from the ATLANTIC REIT Management Agreement and a similar management agreement with PTR and property management agreements relating to the Homestead Village properties in exchange for 1,819,750 shares of Homestead common stock, not including 2,243,038 shares which will be placed in escrow and released as funds are advanced under the Funding Commitment Agreements as described below. In addition, SCG will contribute the Homestead Village trademark and the operating system. No separate consideration was attributed to the Homestead Village trademark or the operating system, as the trademark and operating system would be necessary to achieve the anticipated fees. There are additional Homestead Village facilities which are in early stages of planning, but which are not owned or under control and are not included in the 80 facilities which will be contributed in the Homestead transaction, and are being planned and developed outside the target markets of ATLANTIC and PTR by SCG with its own funds. SCG will contribute the rights to certain properties to Homestead for no additional consideration.
- . Simultaneous with the transactions described above, ATLANTIC and PTR will receive 2,818,517 and 6,363,789 warrants, respectively, each to purchase one share of Homestead common stock, in exchange for their entering into the Funding Commitment Agreements as described below. Each Homestead warrant will be exercisable at \$10.00 per share and will expire one year after the Distribution Record Date.

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- . Pursuant to the applicable Funding Commitment Agreement, ATLANTIC and PTR will agree to provide secured financing to Homestead of up to approximately \$111 million and \$129 million, respectively, which amounts are anticipated to be sufficient to complete the development of the respective Homestead Village facilities contributed by them. ATLANTIC and PTR will receive convertible mortgage notes in respect of such fundings in stated amounts of up to approximately \$98 million and \$144 million, respectively. The effect of these provisions of the Funding Commitment Agreement is that ATLANTIC will fund \$1,133,535 for each \$1,000,000 principal amount of convertible mortgage loans. The convertible mortgage loans will be recorded for financial reporting purposes at a premium of approximately \$13 million which will be amortized and recorded as an adjustment to interest income over the ten-year term of the mortgage loans using the effective interest method. The relative ownership percentages of ATLANTIC, PTR and SCG in Homestead were determined based upon the relative value of the contributed assets assuming that all of the properties to be contributed have been developed and are fully operating. ATLANTIC and PTR have agreed to fund convertible mortgages to provide for the development of the Homestead Village properties and to achieve their respective ownership allocations. The funded amounts of ATLANTIC and PTR under the convertible mortgages therefore are in amounts that are anticipated, pursuant to currently existing development budgets, to be sufficient to complete the development of the respective Homestead Village properties being contributed by them. The differences between the funded amounts and the stated amounts of the convertible mortgage loans arise because the rate of return on the existing Homestead Village facilities contributed by PTR is projected to exceed the rate of return on the Homestead Village facilities contributed by PTR and ATLANTIC to Homestead which are under construction or in pre-development planning. This expected difference in the rates of return arises because, as of July 1, 1996, PTR was expected to have 28 Homestead Village facilities in operation and generating income, while ATLANTIC was expected to have none and the average property development costs for the existing PTR Homestead Village properties, on balance, was expected to be less than those for the PTR and ATLANTIC Homestead Village properties projected to be built in the future because a large portion of the existing PTR Homestead Village properties were in planning or under development during 1992 and 1993 when land prices and construction costs were less than they are now and are anticipated to be over the next 18 months. The convertible mortgage notes will have a term of approximately ten years, will bear interest at 9% per year, will not be callable for five years and will be convertible at the option of the holder into shares of Homestead common

stock after March 31, 1997 on the basis of one share of Homestead common stock for every \$11.50 of principal amount outstanding, subject to antidilution adjustments. The ATLANTIC mortgage loans and PTR mortgage loans will be used to finance the acquisition and development of properties contributed by ATLANTIC and PTR, respectively. In addition, PTR subsidiaries currently have \$77,289,000 in convertible mortgage loans from PTR which will be assumed by Homestead at the Merger Closing Date. These loans have substantially the same terms as the mortgage loans described above. If all such mortgage loans were made and converted, an additional 8,524,215 and 19,246,402 shares of Homestead common stock would be issued to ATLANTIC and PTR, respectively.

- . SCG will receive 817,694 warrants to purchase one share of Homestead common stock (on the same terms as ATLANTIC's and PTR's warrants) in exchange for providing funding to Homestead during the time between the execution of the Merger Agreement and the Merger Closing Date and the use of office facilities for one year.
- . The relative percentage ownership interests of ATLANTIC, PTR and SCG in Homestead, giving effect to the issuance of the Homestead common stock at the Merger Closing Date, the exercise of all warrants and the conversion of all mortgage loans outstanding and which could be made under the Funding Commitment Agreements, would be 28.0%, 63.2% and 8.8%, respectively (before giving effect to the distribution of the Homestead common stock and warrants by ATLANTIC and PTR), and such percentages would be 25.3%, 57.1% and 17.6%, respectively, assuming all of the foregoing except the conversion of any of the mortgage loans.

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- . After giving effect to the Offering and the distribution of all Homestead common stock and warrants by ATLANTIC and PTR, the exercise of all Homestead warrants, the release of all shares of Homestead common stock to SCG from escrow and the conversion of all mortgage loans and the subsequent distribution of the Homestead common stock issuable upon such conversion to the shareholders of ATLANTIC and PTR, SCG would own approximately % of the outstanding Homestead common stock.

The Homestead common stock and warrants received by ATLANTIC will be distributed, pro rata, to ATLANTIC shareholders in the Distribution. The Distribution will be made to holders of Shares of record at the close of business on the Distribution Record Date. The amount of Homestead common stock and warrants to be received by each ATLANTIC shareholder in the Distribution will depend on the number of Shares outstanding on the Distribution Record Date. Based on the number of Shares expected to be outstanding on the Distribution Record Date assuming that the Underwriters fully exercise their over-allotment option in the Offering, each ATLANTIC shareholder will receive _____ shares of Homestead common stock and warrants to purchase _____ shares of Homestead common stock for each Share held on the Distribution Record Date. If the Underwriters do not fully exercise their over-allotment option, it will result in a proportionate increase in the amount of Homestead common stock and warrants to be received by each ATLANTIC shareholder and, if the over-allotment option is not exercised in whole or in part, each ATLANTIC shareholder will receive _____ shares of Homestead common stock and warrants to purchase _____ shares of Homestead common stock for each Share held on the Distribution Record Date.

No certificates or scrip representing fractional shares of Homestead common stock or warrants to purchase shares of Homestead common stock will be issued directly to ATLANTIC shareholders as a part of the Distribution. The agent for the Distribution will, as soon as practicable after the Distribution Record Date, aggregate and sell all fractional shares of Homestead common stock and warrants to purchase shares of Homestead common stock on the American Stock Exchange or otherwise at then prevailing market prices and remit the net proceeds (after deduction of brokerage fees) to ATLANTIC shareholders who would otherwise be entitled to receive fractional shares or warrants. No assurance can be given as to the price at which such securities can be sold or the proceeds to shareholders from such sales.

No ATLANTIC shareholder will be required to pay any cash or other consideration for the Homestead common stock and warrants received in the Distribution or to surrender or exchange Shares in order to receive Homestead common stock and warrants, except as provided in the following paragraph. The Distribution will not affect the number of, or the rights attaching to, outstanding shares of ATLANTIC's stock.

In the Distribution, Homestead common stock and warrants will not be mailed immediately to ATLANTIC shareholders of record whose mailing addresses are outside the United States ("Foreign Shareholders") but instead will be held by the agent for the Distribution for such shareholders' accounts. As described under the heading "Federal Income Tax Considerations--Tax Consequences of the Homestead Transaction--Tax Consequences to ATLANTIC Shareholders--Foreign

Withholding", ATLANTIC is subject to a withholding obligation with respect to the Homestead common stock and warrants to be distributed to Foreign Shareholders. On the Distribution Record Date, the agent for the Distribution will mail a notice to each Foreign Shareholder announcing the Distribution as well as seeking instructions from the Foreign Shareholder electing between the following options: (i) providing a check to the agent for the Distribution in the amount to be withheld and receiving his or her full share of Homestead common stock and warrants or (ii) having the agent for the Distribution sell that amount of Homestead common stock and warrants necessary to satisfy the withholding obligations and receiving his or her remaining share of Homestead common stock and warrants. Within ten business days after the Distribution Record Date, the agent for the Distribution will mail an additional notice to each Foreign Shareholder setting forth the amount of the withholding obligation. A

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Foreign Shareholder must deliver to the agent for the Distribution his or her instructions and, if option (i) is elected, a check in the proper amount of the withholding must be received by the agent for the Distribution within 20 business days of the Distribution Record Date. If no instructions are received from a Foreign Shareholder by the end of such period, the agent for the Distribution will take the actions specified in option (ii) in satisfying the withholding obligations with respect to such shareholder.

The Distribution of the Homestead common stock and warrants will constitute a taxable dividend to ATLANTIC shareholders, taxable as ordinary income to the extent of the earnings and profits of ATLANTIC allocable to such Homestead common stock and warrants, whether or not ATLANTIC shareholders sell the Homestead common stock and warrants received in the Distribution. The amount of the Distribution which exceeds the allocated earnings and profits of ATLANTIC will be treated as a nontaxable reduction (although not below zero) of a shareholder's tax basis in its Shares. To the extent that the Distribution exceeds such shareholder's adjusted tax basis in its Shares, the Distribution will be taxed as gain to such shareholder. See "Federal Income Tax Considerations--Tax Consequences of the Homestead Transaction".

The Homestead transaction has been initiated and structured by individuals who are executive officers or directors of ATLANTIC and PTR, the REIT Manager and PTR's REIT manager and are affiliated with SCG. As a result, the terms of the transaction have not been negotiated at arms' length. No independent representatives have been retained to negotiate the terms of the transaction on behalf of ATLANTIC. If such representatives had been retained, the terms of the transaction might have been more favorable to the shareholders of ATLANTIC. Although independent representatives were not retained by ATLANTIC, the Board established a special committee of Independent Directors consisting of Messrs. Ned S. Holmes and Manuel A. Garcia III. The special committee engaged King & Spalding as its legal counsel and J.P. Morgan Securities Inc. to advise it in analyzing and evaluating the fairness of the Homestead transaction. Neither of the members of the special committee is an officer of ATLANTIC or a director or officer of the REIT Manager. Mr. Holmes beneficially owns 120,000 Shares, 1,055 common shares of beneficial interest of PTR and 67 shares of common stock of SCG. Mr. Garcia owns 20,000 Shares and does not own any common shares of beneficial interest of PTR or shares of common stock of SCG. Directors of ATLANTIC other than members of the special committee beneficially own, in the aggregate, 48,839 Shares, 57,745 common shares of beneficial interest of PTR and 6,449 shares of common stock of SCG.

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BUSINESS

HIGHLY FOCUSED BUSINESS STRATEGY GROUNDED IN RESEARCH

Since its inception in 1993, ATLANTIC has employed a research-driven investment approach, deploying its capital in markets and submarkets which exhibit strong market fundamentals. REIT Management believes that population and employment growth are the primary demand generators for multifamily product. The following chart indicates the expected population and job growth in ATLANTIC's primary target market cities versus the United States as a whole from 1995 to 2015. The chart is based on forecasts published by Woods & Poole Economics, Inc., which bases its historical information on U.S. Census Bureau information. There can be no assurances that the forecasted population and job growth shown below will in fact occur.

[CHART APPEARS HERE]

At July 31, 1996, ATLANTIC owned properties in 44 of the 149 submarkets within its target market. REIT Management is continuously researching additional submarkets and cities and may expand ATLANTIC's primary target market in the future; however, ATLANTIC intends to remain regionally focused

in the southeastern United States.

At July 31, 1996, ATLANTIC's existing properties and properties under construction consisted of eight upper middle income properties with a total expected investment cost of \$143.7 million, 31 middle income properties with a total expected investment cost of \$487.5 million and 38 moderate income properties with a total expected investment cost of \$509.6 million.

Multifamily products are differentiated by the income levels of their residents. In ascending order, the full multifamily spectrum includes government subsidized housing, mobile home parks and moderate income, middle income and upper middle income apartments. ATLANTIC deploys capital into the latter three categories. ATLANTIC's upper middle income product appeals to residents whose incomes, which equal 115% to 140% of submarket median household income, are often sufficient to

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purchase homes. These properties typically feature large luxurious units and numerous amenities, including large exercise facilities and attached garages. ATLANTIC's middle income product appeals to residents whose incomes equal 90% to 115% of submarket median household income. Middle income properties have smaller units and fewer amenities than upper middle income properties. ATLANTIC's moderate income product accommodates residents with incomes ranging from 65% to 90% of submarket median household income. Residents in this category, which typically include couples, single parents and families with one or two children, are value-driven and focus on unit livability and more practical amenities such as washer/dryer hookups, storage space and playgrounds.

ATLANTIC's initial investment strategy focused on two components: the acquisition of a substantial base of established multifamily properties to provide operating cash flow and the creation of an internal development process focused primarily on the development of moderate income multifamily properties. ATLANTIC's initial acquisitions were comprised principally of upper middle and middle income properties as a result of the difficulty in acquiring moderate income properties due to existing moderate income inventory in the southeastern United States consisting primarily of older properties (15-30 years old) which have been poorly managed, are either dilapidated or approaching obsolescence and would not compete effectively in ATLANTIC's market. Accordingly, ATLANTIC's existing portfolio includes a larger percentage of upper middle and middle income properties than moderate income properties.

In the future, ATLANTIC will focus primarily on the moderate income category, which comprises the largest segment of the renter population. This product comprised 36% of ATLANTIC's 1995 development starts and by 1997 is expected to make up approximately 65% of total starts, based on expected investment cost. The balance of development starts are expected to consist of middle income properties.

Few other real estate companies currently focus on the moderate income segment within ATLANTIC's primary target market. Moreover, the REIT Manager believes that less than 10% of the 1995 multifamily starts in ATLANTIC's primary target market cities comprised moderate income product, the category which ATLANTIC has targeted for future investment. Consequently, REIT Management believes that the moderate income segment is a significantly underserved market with limited competition.

Moderate income residents are typically longer-term residents due, in part, to the financial resources required to purchase single-family homes. As a result, resident turnover is often significantly lower in moderate income properties than upper middle income or middle income properties. The total cost of refurbishing and re-leasing a unit ranges from \$700 to \$1,500; therefore, reducing resident turnover can have a material impact on an asset's profitability. Due to market fundamentals and the operating characteristics of moderate income properties, REIT Management believes that this product category offers greater sustainable cash flow growth.

ATLANTIC expects to continue to selectively acquire upper middle income assets and acquire and develop middle income assets; however, its future primary investment activities will concentrate on developing moderate income properties.

BUILDING ATLANTIC'S OPERATING SYSTEM

ATLANTIC, through the REIT Manager, is a fully integrated operating company with 76 professionals dedicated to implementing its highly focused business strategy. ATLANTIC's "Operating System" consists of six functional areas: research, acquisitions, development, due diligence, property management and capital markets/finance/legal. By focusing on a single discipline, professionals within each of these areas develop substantial expertise. Interaction and communication among these

functional areas remain fluid; but separation promotes certain checks and balances. For example, all acquisition and development investments must be approved by a six-member investment committee, a four-member senior investment committee and ultimately by the investment committee of the Board.

RESEARCH

ATLANTIC is dedicated to ongoing research and development. ATLANTIC utilizes Security Capital Investment Research to conduct comprehensive evaluations of its target market on a submarket-by-submarket basis to identify those submarkets and product types that present above average prospects for long-term cash flow growth. These evaluations, combined with ATLANTIC's experience in development and ATLANTIC's position as one of the largest multifamily property owners in the southeastern United States, enable ATLANTIC to identify submarkets that will offer continued opportunities for long-term cash flow growth. In addition to market research, considerable resources are devoted to product research. The REIT Manager along with SCG Realty Services continually evaluates and refines ATLANTIC's multifamily product to incorporate technologies and designs that will enhance long-term livability for its residents.

ACQUISITIONS

Since its inception in 1993, ATLANTIC has selectively acquired multifamily properties where land costs, demographic trends and market trends indicate a high likelihood of achieving expected operating results. This system has resulted in multifamily property acquisitions on favorable terms. As of July 31, 1996, ATLANTIC's portfolio of properties acquired, net of dispositions, aggregated 16,305 operating units representing a total cost, including planned renovations, of \$820.4 million. At July 31, 1996, ATLANTIC had letters of intent or contingent contracts, subject to ATLANTIC's final due diligence (excluding the property included in pro forma properties owned), for the acquisition of 838 units with an aggregate investment cost of \$35.4 million, including planned renovations.

DEVELOPMENTS

ATLANTIC has selectively developed multifamily properties where land costs and demographic and market trends indicate a high likelihood of achieving expected operating results. This system has resulted in multifamily property developments on favorable terms. At July 31, 1996, ATLANTIC's completed developments and properties under development aggregated 34.9% of its multifamily portfolio, based on expected investment cost. As of July 31, 1996, the development multifamily portfolio consisted of the following:

<TABLE>

<CAPTION>

	NUMBER OF UNITS	TOTAL EXPECTED INVESTMENT (1)
	-----	-----
		(DOLLARS IN THOUSANDS)
<S>	<C>	<C>
Developments Completed(2).....	1,212	\$ 63,683
Developments Under Construction.....	4,310	256,560
Developments in Planning(3).....	2,096	123,355
	----	-----
Totals.....	7,618	\$443,598
	=====	=====

</TABLE>

- (1) Represents budgeted development cost, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during the construction period, for properties in development. Does not include land held for future development, which is less than 1% of assets based on cost.
- (2) These properties are classified as pre-stabilized operating properties at July 31, 1996.
- (3) The term "in planning" means developments owned or under control (meaning that ATLANTIC has a contingent contract or letter of intent to purchase the land, but does not own the land) with construction anticipated to commence within 12 months.

ATLANTIC carefully manages development risks by obtaining zoning and public approvals prior to purchasing land. ATLANTIC does not take construction risk, but instead uses qualified third party general contractors to build its properties, using guaranteed maximum price contracts. To enhance its flexibility in developing and acquiring properties, ATLANTIC may also from time to time enter into pre-sale agreements with third party owner-developers to acquire properties developed by such owner-developers when the developments meet ATLANTIC's investment criteria. ATLANTIC targets development for markets with high occupancy rates where population and job growth trends indicate increasing future demand. ATLANTIC cannot eliminate all development risk, but believes that the opportunities to better control product and realize higher returns from development properties compensate for the retained risk.

ATLANTIC traditionally has commenced development immediately after acquiring a tract of land. However, in cases where land prices are favorable, ATLANTIC has acquired and will acquire, on an unleveraged basis, prudent amounts of zoned land for multifamily developments in the foreseeable future. In addition, to provide for growth, ATLANTIC may utilize options and rights of first refusal in order to control land for future developments.

DUE DILIGENCE

The REIT Manager believes that a REIT should have experienced personnel dedicated to performing intelligent and thorough due diligence. The REIT Manager has three full-time due diligence professionals. The REIT Manager's professionals utilize due diligence information systems and procedures in screening potential acquisitions and developments.

PROPERTY MANAGEMENT

The REIT Manager believes that a successful REIT must actively manage its properties in order to increase cash flow and enhance the long-term economic performance of the properties. Approximately 84% of ATLANTIC's operating multifamily units are managed by SCG Realty Services, a property management firm headquartered in Atlanta, Georgia, with the balance in various stages of transition to SCG Realty Services' management. SCG Realty Services' address is the same as ATLANTIC's. For a description of fees paid to SCG Realty Services, see "Certain Relationships and Transactions--Property Management Company".

SCG Realty Services has over 450 employees. SCG Realty Services emphasizes locally-based management of ATLANTIC's properties and has opened seven local offices to serve ATLANTIC's target market. This network improves SCG Realty Services' ability to respond to changes in local market conditions and resident needs. The REIT Manager believes that SCG Realty Services has developed superior operating procedures, financial controls, information systems and training programs, which it expects to positively affect rental returns and occupancy rates. In addition, incentive compensation programs have been implemented for on-site property managers to further improve the performance of the properties.

The REIT Manager has taken an active role in overseeing SCG Realty Services' management of ATLANTIC's multifamily properties. The owner of the REIT Manager, SCG, also owns SCG Realty Services.

CAPITAL MARKETS/FINANCE/LEGAL

REIT Management believes that a successful REIT must have the ability to access the equity and debt markets efficiently, expeditiously and cost effectively. ATLANTIC's capital markets ability permits it to capitalize on the development and acquisition opportunities which ATLANTIC believes exist in its target market. In order to maximize this function and enhance relationships with major institutional

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sources of capital, SCG, the REIT Manager's owner, formed Capital Markets Group, a registered broker-dealer affiliate. Capital Markets Group's services are included in the REIT Manager's fee and do not result in a separate charge to ATLANTIC. Capital Markets Group and the REIT Manager have arranged private offerings for ATLANTIC, including:

- . In August 1994, ATLANTIC received approximately \$10 million in gross proceeds from a private offering of Shares at a price of \$10 per Share;
- . During the period March 1995 through June 1995, ATLANTIC received approximately \$160 million in gross proceeds from a private offering of Shares at a price of \$11.00 per Share; and
- . During the period November 1995 through May 1996, ATLANTIC received approximately \$250 million in gross proceeds (at a commission cost of less than 1% paid to an unaffiliated third party) from a private offering of Shares at a price of \$11.50 per Share (including approximately \$28.9

million of Shares sold to SCG at a price of \$11.568 per Share).

In June 1994, the REIT Manager arranged a three-year, \$200 million revolving credit facility for ATLANTIC (increased to \$225 million in September 1994), at an interest rate of prime or, at ATLANTIC's option, LIBOR plus 2% or the certificate of deposit rate plus 2.125%. In August 1995, the REIT Manager arranged for an increase in this line to \$300 million and for a reduction in the interest rates to LIBOR plus 1.75% and the certificate of deposit rate plus 1.875%. In March 1996, the REIT Manager arranged for a further reduction in the line of credit's interest rates to LIBOR plus 1.50% and the certificate of deposit rate plus 1.625%. In June 1996, the REIT Manager arranged for an increase in the line of credit to \$350 million and an extension of the term to June 1998. ATLANTIC's increased borrowing capacity enables it to acquire properties prior to equity and long-term debt offerings and to eliminate or minimize the amount of cash it must invest in short-term investments at low yields. REIT Management believes ATLANTIC's current leverage provides considerable flexibility to prudently utilize long-term debt as a financing tool in the future. After it has achieved a substantial equity base, ATLANTIC expects to arrange fully amortizing, fixed rate 15 year to 25 year unsecured debt, the proceeds of which will be used for revolving credit repayments related to multifamily acquisition and development. This long-term financing strategy is expected to allow ATLANTIC to prudently increase its capital base with debt and equity.

In July 1995, the REIT Manager negotiated a credit enhancement agreement with FNMA which covers all of ATLANTIC's tax-exempt bond issues (\$107.2 million at June 30, 1996). Under the agreement with FNMA, ATLANTIC makes monthly principal payments, based upon a thirty-year amortization, into a principal reserve account. Of these bond issues, \$92.7 million have variable interest rates. To mitigate the variable interest rate exposure, ATLANTIC entered into swap agreements. Under these swap agreements, ATLANTIC pays and receives interest on the aggregate principal amount of the underlying bonds outstanding, net of the amount held in the principal reserve account. These swap agreements effectively mitigate ATLANTIC's variable interest rate exposure by ensuring that ATLANTIC pays interest on a fixed rate as provided in such agreements. ATLANTIC has three swap agreements: (i) an agreement expiring in June 2002 on approximately \$23.1 million of bonds that fixes the interest rate at 5.18% (excluding the cost of the credit enhancement agreement); (ii) an agreement expiring in June 2005 on approximately \$64.6 million of bonds that fixes the interest rate at 5.42% (excluding the cost of the credit enhancement agreement); and (iii) an agreement expiring in March 2006 on \$5.0 million of bonds that fixes the interest rate at 4.82% (excluding the cost of the credit enhancement agreement). To the extent the deposits in the principal reserve account with FNMA have not been used to redeem any of the outstanding bonds, ATLANTIC pays interest at the variable rates as provided by the mortgage agreements on that portion of bonds outstanding which is equivalent to the balance in the principal reserve fund.

KEY COMPONENTS DRIVING ATLANTIC'S GROWTH

In addition to ATLANTIC's strong primary target market, REIT Management believes that the following key factors will drive ATLANTIC's future growth: continued research and development,

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moderate income developments, "same store" net operating income growth, portfolio and asset optimization and a conservative balance sheet.

RESEARCH AND DEVELOPMENT

ATLANTIC is dedicated to ongoing research and development. ATLANTIC utilizes Security Capital Investment Research to conduct comprehensive evaluations of its target market on a submarket-by-submarket basis to identify those submarkets and product types that present above average prospects for long-term cash flow growth. These evaluations, combined with ATLANTIC's experience in development and ATLANTIC's position as one of the largest multifamily property owners in the southeastern United States, enable ATLANTIC to identify submarkets that will offer continued opportunities for long-term cash flow growth. In addition to market research, considerable resources are devoted to product research. The REIT Manager along with SCG Realty Services continually evaluates and refines ATLANTIC's multifamily product to incorporate technologies and designs that will enhance long-term livability for its residents. REIT Management believes that ATLANTIC's research-based investment strategy differs from other multifamily REITs operating in ATLANTIC's primary target market in that the REIT Manager and its affiliates have dedicated personnel who conduct comprehensive proprietary evaluations of ATLANTIC's target market on a submarket-by-submarket basis taking into account 24 factors, including market demand analysis, detailed supply evaluations of each submarket and other economic and demographic data.

MODERATE INCOME DEVELOPMENT

ATLANTIC's research-driven development strategy is to focus on developing state of the art product in attractive submarkets to meet renter preferences and demographic trends. ATLANTIC believes that developing communities designed for long-term appeal to the largest portion of the renter population (moderate income households) will allow ATLANTIC to achieve more consistent rental increases and higher occupancies over the long term and, thereby, realize cash flow growth. Development, principally of moderate income product, is a critical factor driving ATLANTIC's long-term growth. By year-end 1997, REIT Management anticipates that approximately 39% of ATLANTIC's total portfolio will consist of properties ATLANTIC has developed or is in the process of developing and approximately 55% of these development properties will be moderate income product, based on expected investment cost. Over an extended period, management believes that operating results from ATLANTIC's development starts will contribute significantly to ATLANTIC's cash flow growth.

Development opportunities also permit ATLANTIC to incorporate into multifamily communities proprietary technologies and designs aimed at enhancing long-term rental growth while reducing ongoing maintenance costs. ATLANTIC has had the opportunity to evaluate and refine its multifamily product through its history of development. ATLANTIC, unlike a typical merchant builder, intends to own long term the properties which it develops. Hence, ATLANTIC emphasizes long-term durability by using materials and designs with an added view towards minimizing long-term operation and maintenance costs.

"SAME STORE" GROWTH

"Same store" comparisons of a portfolio's net operating income are generally utilized as a measurement tool in evaluating growth. However, considering ATLANTIC's short operating history and the significant acquisitions made since its inception in October 1993, "same store" comparisons are not as meaningful in measuring ATLANTIC's portfolio performance as they would be in measuring a stabilized portfolio. For example, ATLANTIC had only three properties aggregating 683 units in operation for both 1994 and 1995. In particular, comparisons of rental expenses between these periods is not meaningful because properties that have been operating in both periods being compared may have been classified as both pre-stabilized and stabilized in the periods being compared. Due to the more conservative accounting treatment for stabilized properties, costs that may have been capitalized during the pre-stabilized period would be expensed in the stabilized period.

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ATLANTIC has 38 properties that were fully operational throughout both the six-month period ended June 30, 1995 and the six-month period ended June 30, 1996. Net operating income on a "same store" basis for these properties increased by 5.21% from the six-month period ended June 30, 1995 to the six-month period ended June 30, 1996. The underlying conditions of ATLANTIC's primary target market, a function of its strong job growth and restricted supply of new product, should continue to support high occupancy levels and allow for consistent increases in rental income. In addition, REIT Management believes that operating efficiencies and lower resident turnover resulting from ATLANTIC's increasing focus on moderate income product are expected to reduce operating costs and improve profit margins.

PORTFOLIO AND ASSET OPTIMIZATION

ATLANTIC acquires and develops properties with a view to effective long-term operation and ownership. REIT Management actively reviews ATLANTIC's asset base. These reviews generate operating and capital plans and, with guidance from its affiliate Security Capital Investment Research, identify submarkets and product types that ATLANTIC believes will generate above average long-term growth opportunities. In evaluating each multifamily community owned or being considered for acquisition or development, the REIT Manager focuses on those components which it believes provide the greatest opportunity for consistent rental increases and high occupancies over the long term. Submarket locations and demographics, unit mix, density and amenities of each community are important contributors to long-term income growth. ATLANTIC may from time to time dispose of assets that in management's view are not consistent with ATLANTIC's long-term investment objectives and redeploy the invested capital, preferably through like-kind exchanges, into assets that it believes meet ATLANTIC's long-term investment objectives. ATLANTIC's asset optimization strategy is based on the premise that it has a finite amount of investment capital and that this capital should be deployed where it can produce maximum cash flow growth. REIT Management believes that many of its existing upper middle income properties will be candidates for exchange or disposition as development of this product type by third parties continues. Consistent with its current strategy, ATLANTIC expects to redeploy the proceeds into moderate income assets with superior growth prospects. For example, ATLANTIC may dispose of an upper middle or middle income property and reinvest the proceeds through a tax-deferred exchange into a moderate income property. ATLANTIC consummated a tax-deferred exchange of a middle income property for a moderate income

property in April 1996 and REIT Management believes that such exchanges will contribute to growth in the future.

CONSERVATIVE BALANCE SHEET STRATEGY

ATLANTIC employs a conservative balance sheet strategy. Long-term debt as a percentage of long-term undepreciated book capitalization was 15.6% at June 30, 1996 on an historical basis and 15.5% at June 30, 1996 on a pro forma basis as adjusted to give effect to the Offering and the application of the proceeds therefrom and to the Homestead transaction. In the future, ATLANTIC intends to access the public equity and debt markets. ATLANTIC's objective is to achieve an investment-grade debt rating and to access the debt markets through issuing long-term, fixed rate, fully amortizing unsecured corporate debt, which will limit ATLANTIC's exposure to floating rate or balloon financing. ATLANTIC's \$350 million line of credit enables ATLANTIC to take advantage of investment opportunities in its target market without investing significant funds in short-term investments by providing a short-term source of funding between securities offerings. As of August 20, 1996, \$197 million of borrowings were outstanding under the line of credit (and approximately \$ million in borrowings are expected to be outstanding at the time of the closing of the Offering). This conservative balance sheet strategy is expected to provide ATLANTIC with significant incremental debt capacity and allow ATLANTIC to take advantage of future investment opportunities on a non-dilutive basis which will contribute to ATLANTIC's objective of long-term growth in cash flow.

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INVESTMENT ANALYSIS

Prospective property investments are analyzed pursuant to several underwriting criteria, including purchase price, competition and other market factors, and prospects for long-term growth in cash flow. ATLANTIC's investment decision is based upon the expected contribution of the property to long-term cash flow growth on an unleveraged basis. The expected cash flow contribution is based on an estimate of all cash revenues from leases and other revenue sources, minus expenses incurred in operating the property (generally, real estate taxes, insurance, maintenance, personnel costs and utility charges, but excluding depreciation, debt service and amortization of loan costs) and a reserve for capital expenditures.

ATLANTIC categorizes operating multifamily properties (which include all properties not under development) as either "stabilized" or "pre-stabilized". The term "stabilized" means that renovation, repositioning, new management and new marketing programs (or development and marketing in the case of newly-developed properties) have been completed and in effect for a sufficient period of time (but in no event longer than 12 months, except for major rehabilitations) to achieve 93% occupancy at market rents. Prior to being "stabilized", a property is considered "pre-stabilized". Due to its active investment program since inception, 23.4% of ATLANTIC's multifamily portfolio (\$296.7 million) was classified by ATLANTIC as pre-stabilized as of July 31, 1996, based on expected investment cost. By September 30, 1996, an additional \$105.6 million of these pre-stabilized properties are expected to be classified as stabilized. At July 31, 1996, ATLANTIC's operating multifamily properties (excluding properties in lease-up) were 95.5% leased. For operating properties which ATLANTIC has acquired, stabilized operations generally have been achieved six to 12 months after acquisition. For properties which ATLANTIC is developing, REIT Management expects stabilized operations generally to be achieved 12 to 18 months after construction commences.

The cash flow contribution of properties cannot be predicted with certainty, and no assurance can be given that developed or acquired properties will contribute to increased cash flow, or that development and acquisitions will be available on comparable terms in the future.

EMPLOYEES

ATLANTIC has no employees. The REIT Manager, whose sole activity is advising ATLANTIC, manages the day-to-day operations of ATLANTIC. The REIT Manager has assembled a team of 76 operating professionals in the REIT Manager and its affiliates, collectively possessing extensive experience in multifamily real estate. The majority of these persons are employed directly by and focused entirely on the services provided by the REIT Manager, with the balance providing centralized research, senior investment committee, capital markets, legal and accounting services.

LEGAL PROCEEDINGS

ATLANTIC is, from time to time, a party to a variety of legal proceedings arising in the ordinary course of its business. Existing matters are not expected to have a material adverse impact on ATLANTIC.

COMPETITION

There are numerous commercial developers, real estate companies and other owners of real estate, including those that operate in the regions in which ATLANTIC's properties are located, that compete with ATLANTIC in seeking land for development, properties for acquisition and disposition and residents for properties. All of ATLANTIC's multifamily properties are located in developed areas that include other multifamily properties. The number of competitive multifamily properties in a particular area could have a material adverse effect on ATLANTIC's ability to lease apartment units and on the rents charged. In addition, other forms of single family and multifamily residential properties provide housing alternatives to residents and potential residents of ATLANTIC's multifamily properties.

REIT MANAGEMENT

GENERAL

The REIT Manager provides ATLANTIC with strategic and day-to-day management, research, investment analysis, acquisition, development, marketing, disposition of assets, asset management and due diligence, capital markets, and legal and accounting services, all of which are included in the REIT Management fee. Hence, ATLANTIC depends upon the quality of the management provided by the REIT Manager. ATLANTIC believes that its relationship with the REIT Manager provides ATLANTIC with access to high quality and depth of management personnel and resources, savings from a dedicated capital markets group, and access to centralized research, accounting and legal support. As of August 20, 1996, 76 operating professionals were employed by the REIT Manager and its specialized service affiliates. The REIT Manager also provides office and other facilities for ATLANTIC's needs. The REIT Manager's address is the same as ATLANTIC's.

The owner of the REIT Manager has a substantial shareholder interest in ATLANTIC, creating commonality of interest with ATLANTIC's shareholders, and the REIT Management Agreement prohibits self-dealing principal transactions between ATLANTIC and the REIT Manager and its affiliates. The Homestead transaction would be prohibited by the terms of the REIT Management Agreement; the REIT Manager and ATLANTIC have waived this prohibition. Furthermore, the REIT Manager provides all its services for one fee, and an affiliate provides property management services at market rates in a competitive environment. The REIT Manager does not receive additional fees for investment banking, financing, asset sales or similar services. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--REIT Management Agreement".

REIT Management believes that the quality of management should be assessed in light of the following factors:

MANAGEMENT DEPTH/SUCCESSION

REIT Management believes that management should have several senior executives with the leadership, operational, investment and financial skills and experience to oversee the entire operations of the REIT. The REIT Manager believes that several of its senior officers could serve as the principal executive officer and continue ATLANTIC's performance. See "--Directors and Officers of ATLANTIC, the REIT Manager and Relevant Affiliates" below.

STRATEGIC VISION

REIT Management believes that management should have the strategic vision to determine an investment focus which provides favorable initial yields and long-term growth prospects. The REIT Manager has demonstrated its strategic vision by focusing ATLANTIC on multifamily properties in the southeastern United States, where demographic and supply factors have permitted high occupancies at increasing rents, conditions which are consistent with the long-term demographic forecast for the target market cities.

RESEARCH CAPABILITY

REIT Management believes that management should have the means for researching markets to determine appropriate investment opportunities. ATLANTIC divides its target market cities into numerous submarkets for analysis purposes. The REIT Manager and its affiliates have several persons devoting substantial time to research, on a submarket-by-submarket basis, who are closely supervised by senior officers of the REIT Manager; hence, the REIT Manager's research has supplemented ATLANTIC's strategic focus and investment program.

INVESTMENT COMMITTEE PROCESS

REIT Management believes that investment committees should provide discipline and guidance to the investment activities of the REIT in order to achieve its investment goals. The six members of the REIT Manager's investment committee have a combined 120 years experience in the real estate industry. See "--Directors and Officers of ATLANTIC, the REIT Manager and Relevant Affiliates" below. The investment committee receives detailed written analyses and research, in a standardized format, from the REIT Manager's personnel and evaluates all prospective investments pursuant to uniform underwriting criteria prior to submission of investment recommendations to the investment committee of the Board. The quality of the REIT Manager's investment committee process is evident from the ability of ATLANTIC to achieve its investment goals, generally realizing its projected initial returns and growth from multifamily investments.

DEVELOPMENT/REDEVELOPMENT AND ACQUISITION CAPABILITY

REIT Management believes that by internally developing projects and redeveloping well located operating properties, management can capture for the REIT the value which normally escapes through sales premiums paid to successful developers. The REIT Manager's personnel have substantial development and redevelopment experience, as described in "--Directors and Officers of ATLANTIC, the REIT Manager and Relevant Affiliates" below. The REIT Manager has 22 full-time professionals committed to development and acquisition activities. The REIT Manager has arranged for over \$820.4 million of successful acquisitions (net of dispositions) for ATLANTIC. The REIT Manager is developing 6,406 multifamily units for ATLANTIC as of July 31, 1996, with a total budgeted cost of \$379.9 million. REIT Management has engaged in substantial development on behalf of ATLANTIC at attractive yields which have exceeded projections and believes that development will provide growth when the market for acquisitions becomes less favorable. See "Business--Building ATLANTIC's Operating System".

DUE DILIGENCE PROCESS

REIT Management believes that management should have experienced senior personnel dedicated to performing intelligent and thorough due diligence. The REIT Manager has three full time due diligence professionals and has developed uniform systems and procedures for due diligence. The REIT Manager's due diligence personnel have screened and selected a large volume of investments.

CAPITAL MARKETS CAPABILITY

REIT Management believes that management must be able to effectively raise equity and debt capital for the REIT in order for the REIT to achieve growth through investment. As set forth under "Business--Building ATLANTIC's Operating System", REIT Management has successfully arranged funding for ATLANTIC's investment program.

OPERATING CAPABILITY

REIT Management believes that management can substantially improve funds from operations by actively and effectively managing assets. As described under "Business--Building ATLANTIC's Operating System", the REIT Manager and its affiliates have devoted substantial personnel and financial resources to control and effectively administer the management of ATLANTIC's multifamily portfolio.

COMMUNICATIONS/SHAREHOLDER RELATIONS CAPABILITY

REIT Management believes that a REIT's success in capital markets and investment activities can be enhanced by management's ability to effectively communicate the REIT's strategy and performance to investors, sellers of property and the financial media. The REIT Manager provides at its expense full time personnel who prepare informational materials for and conduct periodic meetings with the investment community and analysts.

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REIT Management believes that successfully combining the foregoing attributes significantly enhances a REIT's ability to increase cash flow and the market valuation of the REIT's portfolio. ATLANTIC's cash flow from operating activities and market valuation have increased under the REIT Manager's administration.

REIT MANAGER COMPENSATION

The REIT Management Agreement requires ATLANTIC to pay an annual fee of approximately 16% of cash flow as defined in the REIT Management Agreement, payable monthly. Cash flow is calculated by reference to ATLANTIC's cash flow from operations, plus (i) fees paid to the REIT Manager, (ii) extraordinary expenses incurred at the request of the Independent Directors of ATLANTIC (of which there were none in the periods reported) and (iii) 33% of any interest

paid by ATLANTIC on convertible subordinated debentures (of which there were none in the periods reported); and after deducting (i) regularly scheduled principal payments (excluding prepayments or balloon payments) for debt with commercially reasonable amortization schedules, (ii) assumed principal and interest payments on senior unsecured debt treated as having regularly scheduled principal and interest payments like a 20-year level-payment, fully amortizing mortgage (of which there were none in the periods reported) and (iii) distributions actually paid with respect to any non-convertible preferred stock of ATLANTIC (of which there were none in the periods reported). Cash flow does not include dividend and interest income from Atlantic Development Services Incorporated, interest income from the convertible Homestead mortgage notes, realized gains or losses from dispositions of investments or income from cash equivalent investments. The REIT Manager also receives a fee of 0.20% per year on the average daily balance of cash equivalent investments. The REIT Management fee aggregated \$4,704,000 for the six-month period ended June 30, 1996 and \$6,923,000, \$3,671,000 and \$12,000 for the years ended December 31, 1995 and 1994 and the period ended December 31, 1993, respectively.

DIRECTORS AND OFFICERS OF ATLANTIC, THE REIT MANAGER AND RELEVANT AFFILIATES

DIRECTORS AND SENIOR OFFICERS OF ATLANTIC AND THE REIT MANAGER

Members of the REIT Manager's Investment Committee are designated by an asterisk.

C. RONALD BLANKENSHIP--46--Director of ATLANTIC and the REIT Manager since April 1996, Chairman of PTR and PTR's REIT manager and Managing Director of SCG since March 1991; from June 1988 to March 1991, Regional Partner, Trammell Crow Residential, Chicago, Illinois (multifamily real estate development and property management); prior thereto, Executive Vice President and Chief Financial Officer, The Mischer Corporation, Houston, Texas (multibusiness holding company with investments primarily in real estate). While with Trammell Crow Residential, Mr. Blankenship was on the Management Board for Trammell Crow Residential Services, a property management company that managed approximately 90,000 multifamily units nationwide, and was chief executive officer of Trammell Crow Residential Services-North, which managed 10,000 multifamily units in the Midwest and Northeast. In his various positions prior to his affiliation with the REIT Manager, Mr. Blankenship supervised the development of approximately 9,300 multifamily units. Mr. Blankenship supervises the overall operations of PTR and PTR's REIT manager.

MANUEL A. GARCIA III--52--Director of ATLANTIC since December 1995; Chief Executive Officer of Davgar Restaurants, Inc. where he is the owner/operator of ten Burger King Restaurants in central Florida, five Pebbles Restaurants, Harvey's Bistro and Manuel's on the 28th Restaurant in Orlando, Florida; Director of Sprint/United Telephone, The Foundation for Orange County Public Schools, Florida State University Seminole Boosters' Association, a Director and Member of the Executive Committee of the Florida Citrus Sports Association and National Director of Cities in Schools. Mr. Garcia is also on the Board of the National Conference of Christians and Jews and an Honorary

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Director of the Boys' Clubs and Boy Scouts of Central Florida. In addition, Mr. Garcia is a former member of former President Bush's Drug Advisory Council.

NED S. HOLMES--51--Director of ATLANTIC since May 1994; President and Chief Executive Officer of Laing; member of the Board of Directors of Pall Mall Properties, Ltd., United Kingdom, and Chairman and President of Parkway Investment/Texas Inc., a Houston-based real estate investment and development company which specializes in residential (apartment and townhouse), commercial (office and warehouse) and subdivision projects. Mr. Holmes is also Senior Chairman of the Board of Heritage Bank and Chairman of the Port Commission of the Port of Houston Authority.

*CONSTANCE B. MOORE--41--Co-Chairman, Chief Operating Officer and Director of ATLANTIC and the REIT Manager since January 1996, where she has overall responsibility for operations of ATLANTIC; from May 1994 to December 1995, Managing Director of PTR, Director and Managing Director of PTR's REIT manager from March 1994 to December 1995; Senior Vice President of SCG from March 1993 to May 1994; from January 1990 to December 1992, President and Director of Kingswood Realty Advisors, Inc., investment advisor to ICM Property Investors, a NYSE listed REIT, and from March 1991 to December 1992, President and Director of ICM Property Investors; from April 1989 to December 1989, consultant to Bedford Properties, a real estate development and management firm where Ms. Moore was responsible for acquiring a controlling interest in ICM Property Investors and Kingswood for Bedford; from January 1983 to November 1988, Senior Vice President and Director of Consolidated Capital Equities Corporation, where she was in charge of portfolio and asset management for Consolidated Capital's \$3.0 billion diversified debt and equity portfolio.

*JAMES C. POTTS--49--Co-Chairman and Chief Investment Officer of ATLANTIC and the REIT Manager since January 1996 and Director of ATLANTIC and the REIT Manager since October 1993, where he has overall responsibility for investments of ATLANTIC; Chairman of ATLANTIC and the REIT Manager from May 1994 to January 1996; from December 1992 to April 1994, Managing Director of PTR's REIT manager, where he supervised the asset management of all of PTR's multifamily properties and oversaw the relationship of PTR's REIT manager with SCG Realty Services Incorporated, which provides on-site management for these properties; from April 1984 to December 1992, Chief Executive Officer of four regional multifamily management companies of Trammell Crow Residential Services, which collectively managed approximately 52,000 units and employed 1,600 associates. Under Mr. Potts' direction, Trammell Crow Residential Services supervised the lease-up of over 25,000 units, the assumption of management of over 15,000 acquired units, and the increase in its third-party asset management business from 14,000 to 30,000 units. Mr. Potts was also on the Management Board of Trammell Crow Residential Services (managing 90,000 units nationwide).

*J. LINDSAY FREEMAN--50--Senior Vice President of ATLANTIC and the REIT Manager since May 1994 and Director of the REIT Manager since March 1995, where he has overall responsibility for investments and operations in the mid-Atlantic region; from June 1980 to March 1994, Senior Vice President and Operating Partner of Lincoln Property Company in Atlanta, Georgia, where he was responsible for acquisitions, financing, construction and management of multifamily properties within the Atlantic region and oversaw operations of 16,000 multifamily units.

JEFFREY A. KLOPF--48--Senior Vice President and Secretary of ATLANTIC, the REIT Manager and SCG since January 1996, where he provides securities offerings and corporate acquisition services and oversees the provisions of legal services for affiliates of the firm; from January 1988 to December 1995, partner of Mayer, Brown & Platt where he practiced corporate and securities law.

*ROBERT J. HILDEBRAND--53--Senior Vice President of ATLANTIC and the REIT Manager since December 1994 and Director of the REIT Manager since March 1995, where he is responsible for multifamily development activities; from October 1977 to October 1994, Executive Vice President of Operations of The Casden Company, one of the largest apartment and for-sale housing developers in

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Southern California with sales in excess of \$300 million per annum; prior thereto, Senior Project Manager with Management Data Corp. for 10 years, a firm specializing in management information systems and construction management for large government institutions and private clients.

STEVEN R. LEBLANC--38--Senior Vice President of ATLANTIC and the REIT Manager since July 1995, where he is responsible for special projects directed at new market and product opportunities; from March 1992 to June 1995, Vice President of PTR, where he was a member of its development group; from 1984 to 1992, Operating Partner and Senior Vice President of Lincoln Property Company, Dallas, where he was responsible for the development of more than 2,000 multifamily units and the management of more than 17,000 multifamily units in five states.

*BRADLEY C. MILLER--49--Senior Vice President of ATLANTIC and the REIT Manager since June 1996, where he has overall responsibility for investments and operations in the south-Atlantic region; from October 1979 to May 1996, Senior Vice President and Operating Partner of Lincoln Property Company in Tampa, Florida, where he was responsible for acquisitions, financing, construction and management of multifamily properties within the Atlantic region and oversaw the development of over 6,500 new multifamily units and operations of 11,000 multifamily units.

OTHER OFFICERS

ARIEL AMIR--36--Vice President of SCG since June 1994; from September 1985 to April 1994, an attorney with the law firm of Weil, Gotshal & Manges, New York, New York, where he practiced securities and corporate law for eight years. Mr. Amir provides securities offerings and corporate acquisition services to ATLANTIC and affiliated entities.

*RAYMOND D. BARROWS--34--Vice President of ATLANTIC and the REIT Manager since May 1994, where he supervises the due diligence group; from January 1994 to December 1995, a member of ATLANTIC's asset management group and prior thereto, a member of PTR's asset management group; from May 1990 to August 1993, Portfolio Manager with The First National Bank of Chicago where he was responsible for underwriting and structuring transactions for both project and corporate facilities.

LESLIE L. BIVINS--42--Vice President of ATLANTIC and the REIT Manager since

June 1996, where she is responsible for asset and property management for the States of Georgia and Alabama and with SCG Realty Services since May 1994; from January 1992 to May 1994, Senior Regional Manager of Laing Management Company in Atlanta, Georgia, where she was responsible for management of over 2,000 units throughout the southeastern United States; from November 1987 through December 1991, District Manager of Trammell Crow Residential, Atlanta, Georgia, where she supervised the management of approximately 2,000 multifamily units in the Atlanta market.

DARCY B. BORIS--33--Vice President of Security Capital Investment Research since June 1995, and an associate from December 1994 to June 1995, where she conducts strategic market analysis for ATLANTIC and affiliated companies; from August 1993 to November 1994, Ms. Boris worked for Capital Markets Group; in May 1993, she obtained her M.B.A. from the University of California at Berkeley; from January 1987 to September 1991, she was with Marcus & Millichap Incorporated, most recently as Project Manager for Summerhill Development Company, the multifamily development subsidiary of Marcus & Millichap Incorporated, where she managed the development of multifamily housing, and prior thereto, she was an analyst for its property investment subsidiary.

NEIL T. BROWN--39--Vice President of ATLANTIC and the REIT Manager since April 1996, where he is responsible for directing the development of new multifamily properties in the mid-Atlantic region; from July 1992 to December 1995, Regional Vice President/Regional Partner of JPI Development Partners, Inc. where he was responsible for all development activity in Florida; prior thereto, Partner of

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Trammell Crow Residential where he was responsible for development of residential projects in Dade and Broward Counties, Florida.

RICHARD O. CAMPBELL--33--Vice President of ATLANTIC and the REIT Manager since May 1994, where he is a member of the development group; from June 1993 to April 1994, Vice President of PTR, and an associate since June 1991, where he was a member of the acquisitions group; prior thereto, Development Associate with the Chicago and Denver divisions of Trammell Crow Residential.

MARK J. CHAPMAN--39--Vice President of Security Capital Investment Research since November 1995, where he is the director of the group and conducts strategic market analysis for ATLANTIC and affiliated companies; from March 1995 to November 1995, Vice President of PTR, with asset management responsibilities in five major markets; from November 1994 to March 1995, Vice President of Security Capital Pacific Incorporated ("PACIFIC"); from July 1989 to November 1994, Vice President at Copley Real Estate Advisors, Inc., where he directed asset management for Copley assets located from Connecticut to Virginia, valued in excess of \$1.5 billion; prior thereto, Director of Asset Management for Liberty Real Estate, with responsibility for assets east of the Mississippi River, including multifamily, office and retail properties.

JOSEPH J. DOMINGUEZ--36--Vice President of ATLANTIC and the REIT Manager since April 1996, where he is a member of the development group, prior thereto, he was an associate in the development group; from November 1984 to August 1995, Vice President of Operations for The Casden Company, where he had overall responsibility for the start-up and operations of a general contracting subsidiary; prior thereto, Project Manager with Pacific Southwest Construction Company where he oversaw the construction of various residential projects.

KATHY B. FARR--41--Vice President of ATLANTIC and the REIT Manager since June 1995, where she is responsible for multifamily dispositions; from January 1994 to April 1995, Vice President of Corporate Finance with Irvine Apartment Communities, where she was responsible for all aspects of financing, including the company's working capital line of credit and construction financings for all new development activity; from 1984 to 1993 with the Irvine Company, most recently as Senior Director Project Finance, where she was responsible for negotiating and closing construction and permanent financings on residential and commercial properties. Ms. Farr is also a Vice President of PTR and PTR's REIT manager where she is responsible for multifamily dispositions.

JOHN H. GARDNER JR.--42--Senior Vice President of ATLANTIC and the REIT Manager since September 1994, where he is responsible for overall multifamily dispositions; Director of PTR's REIT manager since February 1995; Senior Vice President of PTR and its REIT manager since September 1994, where he has overall responsibility for multifamily dispositions; from December 1984 to September 1994, Managing Director and Principal of Copley Real Estate Advisors in Boston, where he had overall responsibility for the portfolio management function for eight accounts valued at \$7.5 billion.

GARRET C. HOUSE--31--Vice President of ATLANTIC and the REIT Manager since September 1995, and a member of Capital Markets Group since August 1995, where he provides capital markets services for affiliates of SCG; from May 1994 to July 1995, he assisted with financing activities for affiliates of SCG, and

prior thereto, he was in the Management Development Program with SCG, working in six-month rotational assignments with Managing Directors of SCG and its affiliates; in May 1993, he obtained his M.B.A. from Harvard Graduate School of Business Administration; from July 1987 to July 1989, he was with Merrill Lynch Capital Markets in New York; prior thereto, he was with Nansay USA, Incorporated.

WILLIAM KELL--40--Vice President and Controller of ATLANTIC and the REIT Manager since January 1996, where he supervises accounting and financial reporting for ATLANTIC; from June 1991

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to December 1995, Vice President of PTR, where he had overall responsibility for multifamily accounting and financial reporting; from 1987 to 1991, Vice President and Treasurer, Bohanon Development Corporation, El Paso, Texas (multifamily development); prior thereto, Manager with KPMG Peat Marwick in its El Paso, Texas office.

MARY CAPERTON LESTER--41--Vice President of ATLANTIC and the REIT Manager since July 1995, where she is involved in the investment and asset management functions; prior thereto, she was a member of the asset management group; from May 1993 to May 1994, she was with Summit Management Company, where she specialized in new business development; from April 1984 to May 1993, with Trammell Crow Residential Services, most recently as a Vice President, where she was responsible for property operations, marketing and new business development.

RONALD C. MAYHEW--53--Vice President of ATLANTIC and the REIT Manager since July 1995, where he is a member of the development group, prior thereto, he was an associate in the development group; from January 1984 to January 1995, Director of Community Development and Senior Project Manager for The Casden Company/Casden Properties, where he had sole responsibility for project management and coordination of consultant teams; prior thereto, project manager at Psomas & Associates, where he managed civil engineering and land planning.

JEFFREY G. MEGRUE--34--Vice President of ATLANTIC and the REIT Manager since July 1995, where he is a member of the development group, prior thereto, he was an associate in the development group; from March 1993 to May 1994, he was a member of the acquisitions group of PTR; from June 1988 to February 1993, Vice President of Trammell Crow Residential Services North; prior thereto, Development Associate for the New Jersey/Pennsylvania division of Trammell Crow Residential.

CHRISTOPHER T. NOLAN--32--Vice President of ATLANTIC and the REIT Manager since December 1995, where he manages the acquisition group, prior thereto, he was a member of the asset management group; from February 1989 to May 1994, member of USF&G Corporation's real estate division; from May 1986 to February 1989, Assistant Vice President and Acquisitions Officer of Perpetual Mortgage Services; prior thereto a Mortgage Analyst for Reilly Mortgage Group.

KENT K. POULSEN--62--Vice President of ATLANTIC and the REIT Manager since September 1995, where he is a member of the development group, prior thereto, he was an associate in the development group; from April 1986 to May 1995, Divisional Vice President for Construction of Trammell Crow Residential Illinois Division; prior thereto, he held positions with responsibilities ranging from design management through delivery of the final product. During his career Mr. Poulsen has overseen the construction of over 9,000 residential units as well as several commercial projects.

GLENN T. RAND--35--Vice President of ATLANTIC and of the REIT Manager since June 1996, where he is responsible for asset and property management for the State of Florida, and with SCG Realty Services since May 1995; from August 1987 to April 1995, Vice President of Trammell Crow Residential and Avalon Properties, where he was responsible for operations and third party management solicitation in southern Florida and the northeastern United States.

ANN L. SCHUMACHER--37--Vice President of ATLANTIC and the REIT Manager since July 1995 and a member of the accounting group since January 1994, where she is responsible for accounting and financial reporting; from September 1988 to October 1993, she was with Trammell Crow Company, most recently as Regional Controller, where she managed the accounting department for the company's 26 million-square-foot industrial portfolio in Southern California and Arizona; prior thereto, Senior Accountant for Price Waterhouse.

L. DOUGLAS SNIDER--42--Vice President of ATLANTIC and the REIT Manager since July 1995, where he is responsible for directing the development of new multifamily properties in the South

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Atlantic region, prior thereto, he was an associate in the development group; from July 1993 to March 1995, Vice President of Operations with American Constructors, where he was responsible for all design/build activities; from June 1990 to July 1993, Vice President of Robert L. Mayer Corporation, where he was responsible for residential and commercial development activities.

MICHELLE TOUPS--42--Vice President of ATLANTIC and the REIT Manager since June 1996 where she is responsible for asset and property management for the mid-Atlantic region and with SCG Realty Services since May 1994; from September 1989 to May 1994, Vice President of Laing Management Company in Atlanta, Georgia, where she was responsible for asset and property management of over 7,000 multifamily units throughout the southeastern United States; from October 1985 through December 1988, Director of Real Estate Research and Valuation with Johnstown American Companies, where she was responsible for underwriting and appraisal of investment opportunities. Also served as Portfolio Manager responsible for asset management of 25,000 apartment units nationwide.

C. MELVIN WHITE--57--Vice President of ATLANTIC and the REIT Manager since April 1996, where he is a member of the development group and a member of the development group from August 1995; from September 1991 to August 1995, Founder/Partner of Sherrill and Associates, an interior specialty contracting firm; from 1985 to 1991, Construction Manager of Laing where he was responsible for construction of garden apartments, personal care retirement facilities and mid-rise office space.

SHAREHOLDER RELATIONS AND CAPITAL MARKETS

The following persons provide shareholder relations and capital markets services to ATLANTIC:

K. SCOTT CANON--34--President of Capital Markets Group since January 1996; Vice President of Capital Markets Group from August 1993 to January 1996 and a member of Capital Markets Group since March 1992, where he participates in capital markets and institutional investor relations; from September 1991 to March 1992, a personal account director for Chase Manhattan Investment Services; from August 1987 to September 1991, a member of private client services for Goldman, Sachs & Co. Mr. Canon is registered with the National Association of Securities Dealers, Inc.

JEFFREY A. COZAD--31--Senior Vice President of Capital Markets Group since December 1994, Vice President from September 1992 to November 1994 (in its New York office since June 1993) and a member of Capital Markets Group since March 1992; from August 1991 to August 1992, a member of SCG; in June 1991, Mr. Cozad obtained an M.B.A. from The University of Chicago; prior thereto, an analyst with LaSalle Partners Limited, where he provided corporate real estate services to major institutions from 1986 to 1989. Mr. Cozad is registered with the National Association of Securities Dealers, Inc.

JAMES J. EVANS, JR.--42--Senior Vice President of Capital Markets Group since December 1994, where he provides capital markets services for affiliates of the firm; from December 1992 to November 1994, Managing Director of Copley Real Estate Advisors, where he was responsible for all acquisitions in the western United States, and worked on new business initiatives (designing and marketing business products), capital raising and asset management, and from December 1988 to December 1992, Vice President and Principal of Copley, where he was responsible for new investments in Southern California, and prior thereto, Associate at Copley. Mr. Evans is registered with the National Association of Securities Dealers, Inc.

ROBERT H. FIPPINGER--53--Vice President of Capital Markets Group since June 1995 and with SCG since October 1994, where he directs corporate communications services for affiliates of the firm; from November 1991 to October 1994, with Grubb & Ellis, where he represented corporate clients and

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provided tenant advisory services; from October 1988 to January 1991, Executive Director of Techmart in Santa Clara, California; prior thereto, Principal of Affiliated Capital Corp., a real estate development company.

GERARD DE GUNZBURG--48--Vice President of Capital Markets Group in its New York office since January 1993; from June 1988 to December 1992, a consultant to American and European companies; prior thereto, Director and Partner of Lincoln Property Company, Europe, where he arranged real estate financing from 1976 to 1988. Mr. de Gunzburg is registered with the National Association of Securities Dealers, Inc.

ALISON C. HEFELE--37--Vice President of Capital Markets Group since February 1994, where she provides capital markets services for affiliates of the firm; from January 1990 to February 1994, Vice President with Prudential Real Estate

Investors (strategic planning and business development for institutional real estate investment management services); from September 1985 to January 1990, a management consultant with McKinsey & Company; prior thereto, a financial analyst with Morgan Stanley Realty Inc. Ms. Hefele is registered with the National Association of Securities Dealers, Inc.

BRADFORD W. HOWE--31--Vice President of Capital Markets Group since January 1996, where he provides capital markets services for affiliates of the firm and where he has been an associate since December 1994; from March 1993 to December 1994, Assistant Vice President in the real estate investment banking group of Kidder, Peabody & Co. Incorporated; from May 1992 to March 1993, real estate consultant at Coopers & Lybrand LLP. Mr. Howe is registered with the National Association of Securities Dealers, Inc.

JAMES H. POLK, III--53--Trustee of PTR since 1976; Managing Director of Capital Markets Group since August 1992, where he provides capital markets services for affiliates of the firm. Mr. Polk has been affiliated with PTR's REIT manager since March 1991; prior thereto, he was President and Chief Executive Officer of PTR for sixteen years. He is registered with the National Association of Securities Dealers, Inc. and is a past President and Trustee of NAREIT.

CLASSIFICATION OF DIRECTORS

Pursuant to the terms of ATLANTIC's Charter, the Directors are divided into three classes. One class (consisting of Mr. Potts) will hold office for a term expiring at the annual meeting of shareholders to be held in 1997, a second class (consisting of Messrs. Garcia and Holmes) will hold office for a term expiring at the annual meeting of shareholders to be held in 1998 and a third class (consisting of Mr. Blankenship and Ms. Moore) will hold office for a term expiring at the annual meeting of shareholders to be held in 1999. Each Director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. At each annual meeting of shareholders of ATLANTIC, the successors to the class of Directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election. See "Certain Provisions of Maryland Law and of ATLANTIC's Charter and Bylaws". SCG has a right to nominate up to three Directors, depending upon its level of ownership of Shares, as described under "Certain Relationships and Transactions". Messrs. Blankenship and Potts and Ms. Moore are deemed to be the nominees of SCG.

COMMITTEES OF THE BOARD

The Board will establish an Audit Committee consisting solely of Independent Directors prior to the consummation of the Offering. The Audit Committee will be responsible for making recommendations concerning the engagement of independent public accountants, reviewing the plans and results of the audit engagement with the independent public accountants, approving professional services provided by the independent public accountants, reviewing the independence of the independent public

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accountants, considering the range of audit and non-audit fees and reviewing the adequacy of ATLANTIC's internal accounting controls.

The Board has established an Investment Committee consisting of Messrs. Potts, Holmes and Blankenship. The Investment Committee is responsible for reviewing and approving all asset acquisitions and other investment decisions between meetings of the full Board. Any decisions made by the Investment Committee are reported to the full Board at its next quarterly meeting. The Investment Committee receives recommendations from the REIT Manager's investment committee.

COMPENSATION OF DIRECTORS

ATLANTIC pays an annual retainer of \$14,000 to Directors who are not officers or employees of ATLANTIC, the REIT Manager or its affiliates. These fees are currently paid to Directors in cash (quarterly on each meeting date) and will be paid to the Directors in Shares (quarterly on each dividend payment date) based on the then current market price of the Shares following the adoption by ATLANTIC of a dividend reinvestment and share purchase plan as described below. Such Directors also receive \$1,000 for each meeting attended (other than telephonic meetings), which is also paid in cash. Non-employee chairpersons of Board committees (other than the Investment Committee) receive an additional annual retainer of \$1,000 payable in cash and non-employee members of the Investment Committee receive an additional annual retainer of \$4,000 payable in cash. In the event that ATLANTIC adopts a dividend reinvestment and share purchase plan, both the retainer and fees will be paid directly into such plan. Officers of ATLANTIC, the REIT Manager or its affiliates who are Directors are not paid any Director fees.

In addition, pursuant to the Outside Directors Plan (as defined below), each Director who is not an employee of ATLANTIC, the REIT Manager or its affiliates will be entitled to receive, on the effective date of the registration statement relating to the Offering and on the date of each subsequent annual meeting of shareholders, an option to purchase 2,000 Shares at a price per Share equal to the closing price of one Share on such annual meeting date. See "--Outside Directors Plan".

Directors are reimbursed for any out-of-town travel expenses incurred in connection with attendance at Board meetings. Messrs. Blankenship and Potts and Ms. Moore are not separately compensated for serving as Directors.

OUTSIDE DIRECTORS PLAN

On March 12, 1996, the Board approved the Security Capital Atlantic Incorporated Share Option Plan for Outside Directors (the "Outside Directors Plan"). The Outside Directors Plan has been filed as an exhibit to the registration statement of which this Prospectus forms a part and the following summary of the material terms of the Outside Directors Plan is qualified in its entirety by reference to the actual terms thereof.

The purpose of the Outside Directors Plan is to enable the Directors of ATLANTIC who are not employees or officers of ATLANTIC or SCG or any of its affiliates ("Outside Directors") to increase their ownership of ATLANTIC and thereby further the identity of their interests with those of ATLANTIC's other shareholders.

To achieve the foregoing objective, the Outside Directors Plan provides for grants of options ("Options") to purchase Shares. The Secretary of ATLANTIC (the "Administrator") administers the Outside Directors Plan with a view to ATLANTIC's best interests and the Outside Directors Plan's objectives. The Administrator has authority to adopt administrative guidelines, rules and regulations relating to the Outside Directors Plan and to make all determinations necessary or advisable for the implementation and administration of the Outside Directors Plan.

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The number of Shares reserved for issuance upon exercise of Options granted under the Outside Directors Plan is 200,000. Shares that are forfeited will again become available for awards under the Outside Directors Plan. The Shares subject to the Outside Directors Plan may be currently authorized but unissued Shares or treasury Shares held or subsequently purchased by ATLANTIC, including Shares purchased in the open market or in private transactions.

In the event of changes in the outstanding Shares by reason of any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares or the payment of a dividend in Shares, or any other increase or decrease in the number of Shares, or merger or consolidation, or other similar event, the Administrator shall make appropriate adjustments to the aggregate number of Shares available under the Outside Directors Plan.

On the date of each annual meeting of shareholders of ATLANTIC for the years 1997 through and including 2006, each Outside Director serving on such date (after the election of Directors in the meeting) will be granted an Option to purchase 2,000 Shares at an exercise price equal to the fair market value of the Shares on such date. Also, on the effective date of the Offering, each Outside Director serving on such date will be granted an option to purchase 2,000 Shares at the initial public offering price.

Each Option will be immediately exercisable, but must be exercised before the earliest of the following events to occur: the date that is three months after the date that the optionee's position as a Director terminates, the date that is twelve months after the date the Director becomes disabled or dies or the date that is five years after the date the Option is granted.

If fifty percent or more of the outstanding Shares are acquired by a cash tender offer or exchange offer, each optionee shall have the right to exercise his or her Option in full or surrender his or her outstanding Option in exchange for a cash payment from ATLANTIC in an amount equal to the excess of the offer price or value over the Option price. If ATLANTIC dissolves, each optionee shall have the right to exercise his or her Option in full before the date of the dissolution.

The Outside Directors Plan may be amended or terminated at any time by the Board. The provisions relating to the amount, price and timing of grants under the Outside Directors Plan may not be amended more than once every six months, other than to comport with changes in the Code or the rules thereunder, unless such amendment would not affect the exemption provided by Rule 16b-3 promulgated under Section 16 of the Exchange Act.

INDEMNIFICATION

ATLANTIC's officers and Directors are and will be indemnified under ATLANTIC's Charter against certain liabilities. ATLANTIC's Charter provides that ATLANTIC will, to the maximum extent permitted by Maryland law in effect from time to time, indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former Director or officer of ATLANTIC or (b) any individual who, while a Director of ATLANTIC and at the request of ATLANTIC, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, partnership, joint venture, employee benefit plan or other enterprise. ATLANTIC has the power, with the approval of the Board, to provide such indemnification and advancement of expenses to a person who served a predecessor of ATLANTIC in any of the capacities described in (a) or (b) above and to any employee or agent of ATLANTIC or its predecessors.

Maryland law requires a corporation (unless its charter provides otherwise, which ATLANTIC's Charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or

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her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation. In addition, Maryland law requires ATLANTIC, as a condition to advancing expenses, to obtain (a) a written affirmation by the Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by ATLANTIC as authorized by ATLANTIC's Bylaws and (b) a written statement by or on his or her behalf to repay the amount paid or reimbursed by ATLANTIC if it shall ultimately be determined that the standard of conduct was not met.

Additionally, ATLANTIC has entered into indemnity agreements with each of its officers and Directors which provide for reimbursement of all expenses and liabilities of such officer or Director, arising out of any lawsuit or claim against such officer or Director due to the fact that he or she was or is serving as an officer or Director, except for such liabilities and expenses (a) the payment of which is judicially determined to be unlawful, (b) relating to claims under Section 16(b) of the Exchange Act or (c) relating to judicially determined criminal violations.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to Directors, officers or persons controlling ATLANTIC pursuant to the foregoing provisions, ATLANTIC has been informed that in the opinion of the Securities and Exchange Commission (the "Commission") such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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PROPERTIES

PROPERTIES OWNED

The following table sets forth certain information with respect to ATLANTIC's properties owned, under control or to be acquired at July 31, 1996. The information is as of June 30, 1996 for properties owned or under control at June 30, 1996. For the property to be acquired subsequent to June 30, 1996, the information is as of July 31, 1996. The table excludes ATLANTIC's Homestead Village properties, which will be contributed to Homestead on the Merger Closing Date. No individual property, or group of properties operated as a single business unit, amounts to 10% or more of ATLANTIC's pro forma total assets nor does the gross revenue from any such properties amount to 10% or more of ATLANTIC's pro forma gross revenues for the fiscal year ended December 31, 1995.

<TABLE>

<CAPTION>

YEAR

TOTAL

ACQUIRED OR PERCENTAGE ATLANTIC EXPECTED
 COMPLETED (1) LEASED UNITS INVESTMENT INVESTMENT (2)

(DOLLARS IN THOUSANDS)

<S>	<C>	<C>	<C>	<C>	<C>
PROPERTIES OWNED AT JUNE 30, 1996:					
PROPERTIES STABILIZED AT JUNE 30, 1996(3):					
Atlanta, Georgia:					
Camden at					
Ashford(4).....	1994	97.3%	365	\$24,868	\$24,886
Camden at					
Briarcliff(5).....	1994	100.0	220	14,219	14,261
Camden at					
Dunwoody(4).....	1994	95.8	238	16,819	16,842
Camden Creek I(4)...	1994	94.8	404	24,451	24,596
Camden Crest(4).....	1994	96.6	377	23,768	23,833
Cameron Brook(6)(7).	1994	97.7	440	22,410	22,447
Clairmont					
Crest(6)(8).....	1994	93.0	213	10,968	11,009
The Greens(6)(9)...	1994	97.0	304	13,729	13,751
Lenox Villa(4).....	1994	94.3	176	11,836	11,956
Morgan's Landing(4).	1993	97.0	165	8,514	8,631
Oaks at Sandy					
Springs(4).....	1993	96.8	250	9,477	9,646
Old Salem(4).....	1994	98.8	172	7,997	8,136
Trolley Square.....	1994	95.9	270	13,866	13,954
Vinings Landing(4)..	1994	98.0	200	9,835	10,036
Birmingham, Alabama:					
Cameron on the					
Cahaba(10).....	1995	94.5	400	18,730	18,887
Morning Sun					
Villas(4).....	1994	99.5	184	9,262	9,275
Charlotte, North Carolina:					
Cameron Oaks(4).....	1994	95.8	264	15,349	15,392
Ft. Lauderdale/W. Palm Beach, Florida:					
Parrot's Landing					
I(6)(11).....	1994	94.1	408	18,584	18,686
Spencer Run(5).....	1994	92.7	384	19,466	19,483
Sun Pointe					
Cove(6)(12).....	1994	95.0	221	9,358	9,365
Ft. Myers, Florida:					
Forestwood(6)(13)...	1994	93.2	397	13,760	13,769
Jacksonville, Florida:					
Bay Club(4).....	1994	95.0	220	12,212	12,217
Memphis, Tennessee:					
Cameron at Kirby					
Parkway(4).....	1994	95.4	324	10,061	10,064
Stonegate(4).....	1994	97.1	208	6,956	6,987
Miami, Florida:					
Park Hill(4).....	1994	96.2	264	11,303	11,353
Nashville, Tennessee:					
Arbor Creek(4).....	1994	93.3	360	18,122	18,197
The Enclave at					
Brentwood(4).....	1995	95.0	380	16,065	16,270

</TABLE>

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 <CAPTION>

YEAR TOTAL
 ACQUIRED OR PERCENTAGE ATLANTIC EXPECTED
 COMPLETED (1) LEASED UNITS INVESTMENT INVESTMENT (2)

(DOLLARS IN THOUSANDS)

<S>	<C>	<C>	<C>	<C>	<C>
Orlando, Florida:					
Camden Springs(4)...	1994	92.1%	340	\$ 17,288	\$ 17,350
Cameron Villas					
I(14).....	1994	94.8	192	7,996	8,008
Wellington(5).....	1994	94.8	192	7,991	8,005
Raleigh, North Carolina:					
Cameron Square(4)...	1994	93.7	268	15,939	15,972
Richmond, Virginia:					
Camden at					
Wellesley(4).....	1994	92.1	340	19,397	19,418
Potomac Hunt(5).....	1994	94.6	220	10,107	10,156
Sarasota, Florida:					
Camden at Palmer					

Ranch(4).....	1994	95.4	432	24,022	24,095
Tampa, Florida:					
Camden Downs(4).....	1994	96.8	250	12,527	12,551
Cameron Lakes(4)....	1995	94.7	207	8,595	8,598
Foxbridge(6)(15)....	1994	95.5	358	10,931	10,959
Summer Chase(5).....	1994	93.8	96	3,724	3,748
Washington, D.C.:					
Arbors at					
Landmark(4).....	1994	95.0	400	23,857	23,909
Camden at Kendall					
Ridge(4).....	1994	95.1	184	11,659	11,700
Camden at					
Saybrooke(4).....	1994	90.5	252	18,865	18,927

Subtotals/Average.		95.2%	11,539	\$584,883	\$587,325

PROPERTIES PRE-STABILIZED AT JUNE 30,
1996(3):

Atlanta, Georgia:					
Azalea Park(16).....	1995	94.0%	447	\$ 25,588	\$ 25,588
Cameron Forest.....	1995	92.8	152	6,071	6,241
Cameron Place.....	1995	96.2	212	7,732	7,977
Cameron Pointe.....	1996	93.0	214	14,489	14,682
Cameron					
Station(6)(17).....	1995	91.4	348	15,819	16,152
Lake Ridge(4).....	1993	92.2	268	17,111	17,122
WintersCreek(6)(18).	1995	98.0	200	7,765	7,792
Woodlands(4).....	1995	94.1	644	25,559	25,741
Birmingham, Alabama:					
Colony Woods I(4)...	1994	94.0	216	10,618	10,618
Colony Woods II*....	1995	(19)	198	10,524	11,028
Charlotte, North					
Carolina:					
Cameron at Hickory					
Grove(20).....	1996	97.5	202	8,088	8,293
Waterford Hills*....	1995	(19)	270	12,637	14,062
Ft. Lauderdale/W. Palm					
Beach, Florida:					
Cypress Lakes(4)....	1995	92.6	176	8,467	8,467
Park Place at Turtle					
Run.....	1996	91.4	350	14,655	15,627
Pointe at Bayberry					
Lake.....	1996	90.6	308	16,756	17,075
Trails at Meadow					
Lakes(4).....	1995	97.4	189	8,792	8,851
Greenville, South					
Carolina:					
Cameron Court.....	1996	90.6	234	11,048	11,374
Orlando, Florida:					
Cameron Villas					
II(5).....	1995	90.5	42	1,763	1,766
Kingston Village(4).	1995	95.8	120	5,952	5,986

</TABLE>

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<TABLE>

<CAPTION>

	YEAR		UNITS	TOTAL	
	ACQUIRED OR COMPLETED (1)	PERCENTAGE LEASED		ATLANTIC INVESTMENT	EXPECTED INVESTMENT (2)
(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>
Raleigh, North					
Carolina:					
Waterford Point*....	1996	(19)	336	\$ 15,830	\$ 17,542
Tampa, Florida:					
Country Place					
Village(21).....	1995	94.1%	188	8,267	8,309
Washington, D.C.:					
Sheffield Forest....	1995	94.9	256	15,297	15,618

Subtotals/Average.		93.6%	5,570	\$ 268,828	\$ 275,911

DEVELOPMENTS UNDER CONSTRUCTION AT JUNE 30,
1996:

Atlanta, Georgia:					
Camden Creek II*....	1996	N/A	260	\$ 16,085	\$ 18,289
Birmingham, Alabama:					
Cameron at the					
Summit I*.....	1997	N/A	372	3,599	20,256
Charlotte, North					

Carolina:					
Waterford Square I*.	1996	N/A	408	19,529	21,051
Waterford Square					
II(22)*.....	1998	N/A	286	2,425	17,181
Ft. Lauderdale/W. Palm Beach, Florida:					
Parrot's Landing					
II*.....	1997	N/A	152	2,333	9,598
Jacksonville, Florida:					
Cameron Deerwood*...	1997	N/A	336	6,181	17,521
Cameron Lakes*.....	1996	N/A	302	16,324	16,570
Cameron Timberlin					
Parc I*.....	1997	N/A	320	9,738	16,704
Nashville, Tennessee:					
Hickory Hollow					
Overlook*.....	1998	N/A	442	3,057	23,848
Raleigh, North Carolina:					
Cameron Brook*.....	1997	N/A	228	4,159	11,986
Waterford Forest*...	1997	N/A	384	14,912	19,839
Richmond, Virginia:					
Cameron Crossing I*.	1997	N/A	280	3,123	17,155
Washington, D.C.:					
Milestone*.....	1997	N/A	444	23,735	29,778
Woodway at Trinity					
Center*.....	1997	N/A	504	26,402	37,835
Subtotals.....		N/A	4,718	\$ 151,602	\$ 277,611

DEVELOPMENTS IN PLANNING--OWNED AT JUNE 30, 1996(3):

Jacksonville, Florida:					
Cameron Timberlin					
Parc II*.....	1998	N/A	200	\$ 1,331	\$ 10,500
Richmond, Virginia:					
Cameron at Wyndham*.					
Cameron Crossing	1997	N/A	312	2,730	18,339
II*.....	1997	N/A	144	1,215	8,947
Subtotals.....		N/A	656	\$ 5,276	\$ 37,786

LAND HELD FOR FUTURE MULTIFAMILY DEVELOPMENT AT JUNE 30, 1996:

Birmingham, Alabama:					
Cameron at the Summit II(23).....					
	N/A	N/A	--	\$ 2,083	--
Total Properties Owned at June 30, 1996.....					
	94.7%		22,483	\$1,012,672	\$1,178,633

</TABLE>

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<TABLE>
<CAPTION>

	YEAR ACQUIRED OR COMPLETED (1)	PERCENTAGE LEASED	UNITS	TOTAL EXPECTED INVESTMENT (2)	
				ATLANTIC INVESTMENT	(DOLLARS IN THOUSANDS)
<S>	<C>	<C>	<C>	<C>	<C>
DEVELOPMENTS IN PLANNING--UNDER CONTROL (BUT NOT OWNED) AT JUNE 30, 1996(3):					
Atlanta, Georgia:					
Cameron Park*.....	N/A	N/A	288	(24)	\$ 16,088
Northpoint Mall*...	N/A	N/A	264	(24)	20,270
Stockbridge*.....	N/A	N/A	360	(24)	19,433
Nashville, Tennessee:					
Breckenridge*.....	N/A	N/A	264	(24)	14,136
Richmond, Virginia:					
Cameron at Virginia Center*.....	N/A	N/A	264	(24)	15,642
Total Properties Under Control (But Not Owned) at June 30, 1996(3).....					
		N/A	1,440	N/A	\$ 85,569
Total Properties					

Owned or Under Control at					
June 30, 1996(3).....		94.7%	23,923	\$1,012,672	\$1,264,202
		====	=====	=====	=====
PROPERTY TO BE ACQUIRED:					
Memphis, Tennessee:					
Country Oaks (25) ..	1996	N/A	200	N/A	\$ 8,430
		----	-----	-----	-----
Total Properties Owned, Under Control or To Be Acquired at July 31, 1996(3).....					
		94.7%	24,123	\$1,012,672	\$1,272,632
		====	=====	=====	=====

</TABLE>

* Property developed by ATLANTIC.

- (1) With respect to developments under construction and developments in planning and owned, represents expected completion date. With respect to properties likely to be acquired, represents expected acquisition date.
- (2) For operating properties, represents cost, including planned renovations. For properties under construction and in planning, represents budgeted development cost, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during the construction period. For properties to be acquired, represents expected purchase price plus planned renovations.
- (3) The term "stabilized" means that renovation, repositioning, new management and new marketing programs (or development and marketing in the case of newly-developed properties) have been completed and in effect for a sufficient period of time (but in no event longer than 12 months, except for major rehabilitations) to achieve 93% occupancy at market rents. Prior to being "stabilized", a property is considered "pre-stabilized". The term "in planning" means developments owned or under control (meaning that ATLANTIC has a contingent contract or letter of intent to purchase the land, but does not own the land) with construction anticipated to commence within 12 months.
- (4) Property is pledged as collateral for ATLANTIC's \$350 million line of credit. For a discussion of the line of credit, see "Business--Building ATLANTIC's Operating System--Capital Markets/Finance/ Legal".

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- (5) Property is pledged as additional security under ATLANTIC's thirty-year credit enhancement agreement with FNMA. For a discussion of the FNMA credit enhancement agreement, see "Business--Building ATLANTIC's Operating System--Capital Markets/Finance/Legal".
- (6) The tax-exempt bond issue associated with this property is included in ATLANTIC's credit enhancement agreement with FNMA.
- (7) The Cameron Brook Apartments are subject to a deed of trust securing a mortgage note related to \$19.5 million of tax-exempt bonds.
- (8) The Clairmont Crest Apartments are subject to a deed of trust securing a mortgage note related to \$11.6 million of tax-exempt bonds.
- (9) The Greens Apartments are subject to a deed of trust securing a mortgage note related to \$10.4 million of tax-exempt bonds.
- (10) Phase I consists of 150 units and is pledged as collateral for ATLANTIC's \$350 million line of credit. Phase II consists of 250 units and is subject to a deed of trust securing long-term mortgage debt of \$8.0 million.
- (11) The Parrot's Landing Phase I Apartments are subject to a deed of trust securing a mortgage note related to \$15.8 million of tax-exempt bonds.
- (12) The Sun Pointe Cove Apartments are subject to a deed of trust securing a mortgage note related to \$8.5 million of tax-exempt bonds.
- (13) The Forestwood Apartments are subject to a deed of trust securing a mortgage note related to \$11.5 million of tax-exempt bonds.
- (14) The Cameron Villas I Apartments are subject to a deed of trust securing long-term mortgage debt of \$6.4 million.
- (15) The Foxbridge Apartments are subject to a deed of trust securing a mortgage note related to \$10.4 million of tax-exempt bonds.

- (16) In July 1996, the Azalea Park Apartments became subject to a deed of trust securing a mortgage note related to \$15.5 million of tax-exempt bonds.
- (17) The Cameron Station Apartments are subject to a deed of trust securing a mortgage note related to \$14.5 million of tax-exempt bonds.
- (18) The WintersCreek Apartments are subject to a deed of trust securing a mortgage note related to \$5.0 million of tax-exempt bonds.
- (19) Property is in lease-up, therefore percentage leased is not given because it is not representative of a fully-operating property.
- (20) The Cameron at Hickory Grove Apartments are subject to a deed of trust securing long-term mortgage debt of \$6.0 million.
- (21) Phase I consists of 88 units and is subject to a deed of trust securing long-term mortgage debt of \$2.0 million. Phase II consists of 100 units and is pledged as collateral for ATLANTIC's \$350 million line of credit.
- (22) Construction on this property was completed in July 1996.
- (23) Consists of 25.2 acres of undeveloped land.
- (24) As of June 30, 1996, ATLANTIC's investment in these developments was \$0.6 million. This amount is reflected in the "Other assets" caption of ATLANTIC's balance sheet as of June 30, 1996.
- (25) The Country Oaks Apartments are under contract and are expected to be acquired in August 1996. This property is subject to a deed of trust securing long-term mortgage debt of \$6.0 million which will be assumed by ATLANTIC.

GEOGRAPHIC DISTRIBUTION

ATLANTIC's multifamily properties are located in 16 metropolitan areas in 7 states. The table below demonstrates the geographic distribution of ATLANTIC's equity real estate investments at July 31, 1996, excluding ATLANTIC's Homestead Village properties, which will be contributed to Homestead on the Merger Closing Date.

<TABLE>
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<S>	PRO FORMA PERCENTAGE NUMBER OF OF ASSETS PROPERTIES BASED ON COST(1)	
	<C>	<C>
Atlanta, Georgia.....	26	32%
Birmingham, Alabama.....	5	6
Charlotte, North Carolina.....	5	6
Ft. Lauderdale/West Palm Beach, Florida.....	8	8
Ft. Myers, Florida.....	1	1
Greenville, South Carolina.....	1	1
Jacksonville, Florida.....	5	6
Memphis, Tennessee.....	3	2
Miami, Florida.....	1	1
Nashville, Tennessee.....	4	6
Orlando, Florida.....	5	3
Raleigh, North Carolina.....	4	5
Richmond, Virginia.....	6	7
Sarasota, Florida.....	1	2
Tampa, Florida.....	5	3
Washington, D.C.....	6	11
	---	---
Total.....	86	100%
	===	===

</TABLE>

- (1) For operating properties, represents cost, including planned renovations. For properties under construction and in planning, represents budgeted development cost, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during the construction period.

ENVIRONMENTAL ASSESSMENTS

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable

for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of such removal or remediation of such substances could be substantial. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous or toxic substances. The presence of such substances may adversely affect the owner's ability to sell or rent such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances also may be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for the release of asbestos containing materials into the air, pursuant to which third parties may seek recovery from owners or operators of real properties for personal injuries associated with such materials, and prescribe specific methods for the removal and disposal of such materials, which may result in increased costs in connection with renovations at ATLANTIC's properties.

ATLANTIC has not been notified by any governmental authority of any non-compliance, liability, or other claim in connection with any of the properties currently owned or being acquired, and ATLANTIC is not aware of any environmental condition with respect to any of the properties, which is likely to be material. ATLANTIC has subjected each of its properties to a Phase I environmental

assessment (which does not involve invasive procedures such as soil sampling or ground water analysis) by independent consultants. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed, nor is ATLANTIC aware of, any environmental liability (including asbestos related liability) that the REIT Manager believes would have a material adverse effect on ATLANTIC's business, financial condition or results of operations. No assurance can be given, however, that these assessments and investigations reveal all potential environmental liabilities, that no prior owner or operator created any material environmental condition not known to ATLANTIC or the independent consultants or that future uses and conditions (including, without limitation, resident actions or changes in applicable environmental laws and regulations) will not result in the imposition of environmental liabilities. See "Risk Factors--Regulatory Compliance--Possible Liability Relating to Environmental Laws".

INSURANCE COVERAGE

REIT Management believes that all of ATLANTIC's properties are adequately insured; however, an uninsured loss could result in loss of capital investment and anticipated profits. See "Risk Factors--General Real Estate Investment Risks".

SELECTED FINANCIAL INFORMATION

The following table sets forth the Pro Forma Financial Results as of June 30, 1996 and for the six months ended June 30, 1996 and the year ended December 31, 1995, and the Historical Financial Results as of and for the six months ended June 30, 1996 and 1995 and as of and for the years ended December 31, 1995 and 1994 and the period from October 26, 1993 (the date of ATLANTIC's inception) through December 31, 1993. The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", and with the financial statements and notes thereto included in this Prospectus. The Pro Forma Financial Results are not necessarily indicative of what the actual financial position and results of operations of ATLANTIC would have been as of and for the periods indicated, nor do they purport to represent the financial position and results of operations for future periods.

<TABLE>
<CAPTION>

PRO FORMA		HISTORICAL				
SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30,		PERIOD ENDED DECEMBER 31,		
		1996	1995	1995	1994	1993 (1)
(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS SUMMARY:						
Rental income.....	\$67,504	\$126,378	\$63,685	\$47,282	\$103,634	\$55,071
Property management					\$156	

fees paid to affiliate.....	2,034	4,369	1,893	1,556	3,475	1,536	--
General and administrative expenses.....	309	583	347	206	646	266	1
REIT management fee paid to affiliates....	5,194	9,181	4,704	3,227	6,923	3,671	12
Net earnings.....	17,837	28,813	16,397	9,131	19,639	9,926	38
Net earnings per Share.	\$	\$	0.28	0.23	0.45	0.41	0.07
Distributions declared and paid.....	N/A	N/A	24,447	16,103	35,119	14,648	--
Distributions declared and paid per Share....	N/A	N/A	\$ 0.42	\$ 0.40	\$ 0.80	\$ 0.60	\$--
Weighted average Shares outstanding.....			58,171	40,226	43,889	24,454	572

</TABLE>

<TABLE>
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	PRO FORMA JUNE 30, 1996	HISTORICAL				
		JUNE 30,		DECEMBER 31,		
		1996	1995	1995	1994	1993

(IN THOUSANDS)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FINANCIAL POSITION:							
Real estate owned, at cost.....	\$1,020,922	\$1,031,256	\$718,453	\$888,928	\$631,260	\$31,005	
Total assets.....	1,007,184	1,021,355	717,418	885,824	637,846	31,850	
Line of credit(3).....	130,834	194,000	118,000	190,000	153,000	--	
Mortgages payable.....	135,054	129,044	115,280	118,524	107,347	--	
Total liabilities.....	300,865	353,377	252,867	328,886	271,216	178	
Total shareholders' equity.....	\$ 706,319	\$ 667,978	\$464,551	\$556,938	\$366,630	\$31,672	
Number of Shares outstanding.....		65,903	46,679	55,526	37,133	3,163	

</TABLE>

<TABLE>
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	PRO FORMA		HISTORICAL				
	SIX MONTHS ENDED	YEAR ENDED	SIX MONTHS ENDED		YEAR ENDED		
	JUNE 30, 1996	DECEMBER 31, 1995	JUNE 30, 1996	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1993 (1)

(IN THOUSANDS)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OTHER DATA:							
Net Earnings.....	\$ 17,837	\$ 28,813	\$ 16,397	\$ 9,131	\$ 19,639	\$ 9,926	\$ 38
Add (Deduct):							
Depreciation.....	10,116	18,847	9,597	7,359	15,925	8,770	28
(Gain) loss on disposition of investments.....	--	--	(662)	--	--	--	--
Funds from Operations(2).....	\$ 27,953	\$ 47,660	\$ 25,332	\$ 16,490	\$ 35,564	\$ 18,696	\$ 66
Net Cash Provided (Used) by Operating Activities.....	\$ 35,901	\$ 56,669	\$ 32,618	\$ 27,078	\$ 45,235	\$ 26,205	\$ (492)
Net Cash Used by Investing Activities..	(92,575)	(315,277)	(136,366)	(79,066)	(240,652)	(392,718)	(31,005)
Net Cash Provided (Used) by Financing Activities.....	(17,311)	344,048	101,779	52,483	195,649	372,638	31,634

</TABLE>

(1) For the period from October 26, 1993 (the date of ATLANTIC's inception) to December 31, 1993.

(2) ATLANTIC believes that funds from operations is helpful in understanding a property portfolio in that such calculation reflects cash flow from operating activities and the properties' ability to support interest payments and general operating expenses. For an explanation of funds from operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources". Funds from operations should not be considered as an alternative to net income or any other GAAP measurement of performance as an indicator of ATLANTIC's operating performance or as an alternative to cash flows from

operating, investing or financing activities as a measure of liquidity. On January 1, 1996, ATLANTIC adopted NAREIT's new definition of funds from operations. Under this new definition, loan cost amortization is not added back to net earnings in determining funds from operations. For comparability, funds from operations for the periods prior to January 1, 1996 give effect to this new definition. The funds from operations measure presented by ATLANTIC may not be comparable to other similarly titled measures of other REITs.

- (3) At August 20, 1996, ATLANTIC had \$197 million of debt outstanding under its \$350 million line of credit.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Financial Information" and all of the financial statements appearing elsewhere in this Prospectus. Historical results and percentage relationships set forth in "Selected Financial Information", the Financial Statements of ATLANTIC, and the Pro Forma Balance Sheet and Statements of Earnings for ATLANTIC are not indicative of future operations of ATLANTIC. ATLANTIC's historical financial information and historical financial statements do not give effect to the Homestead transaction. Consequently, the discussion below includes the Homestead Village properties owned by ATLANTIC.

OVERVIEW

Since its inception on October 26, 1993, ATLANTIC has amassed a portfolio of 27,392 multifamily units located in the southeastern United States. ATLANTIC acquired existing properties aggregating 16,305 units, has completed developments aggregating 804 units and has developments under construction and in planning aggregating 10,283 units. At June 30, 1996, ATLANTIC's investment in real estate aggregated \$1.03 billion. This investment in real estate has been financed through both debt and equity. Since inception ATLANTIC has raised approximately \$696 million in net equity, primarily through the private placement of Shares. Additionally, ATLANTIC assumed approximately \$129 million in long-term debt in connection with certain of its property acquisitions. ATLANTIC's \$350 million line of credit provided the remaining investment capital.

ATLANTIC's operating results depend primarily upon income from multifamily properties, which is substantially influenced by (i) the demand for and supply of multifamily units in ATLANTIC's primary target market and submarkets, (ii) operating expense levels, (iii) the effectiveness of property level operations, and (iv) the pace and price at which ATLANTIC can acquire and develop additional multifamily properties. Capital and credit market conditions which affect ATLANTIC's cost of capital also influence operating results.

ATLANTIC's target market cities and submarkets have benefitted substantially in recent periods from demographic trends (including population and job growth) which increase the demand for multifamily units. Consequently, rental rates for multifamily units have increased more than the inflation rate for the last two years and are expected to continue to experience such increases throughout 1996. Expense levels also influence operating results, and rental expenses (other than real estate taxes) as a percentage of rental revenues for multifamily properties have generally increased at approximately the same rate as rents for the past year and are expected to increase at a comparable rate throughout 1996.

The REIT Manager believes that development of multifamily properties from the ground up, which are built for long-term ownership and are designed to meet broad renter preferences and demographic trends, will provide a greater source of long-term cash flow growth in the future. Therefore, while land prices are favorable, ATLANTIC has acquired and will continue to acquire, on an unleveraged basis, prudent amounts of land zoned for multifamily development. The REIT Manager believes ATLANTIC's ability to compete is significantly enhanced relative to other companies because of the REIT Manager's depth of development and acquisition personnel and presence in local markets combined with ATLANTIC's access to investment capital.

ATLANTIC's strategy is to build its asset base through the development and acquisition of multifamily properties that will provide long-term growth in cash flow. ATLANTIC's real estate investments have been made with a view to effective long-term operation and ownership. Based upon ATLANTIC's market research and in an effort to optimize its portfolio composition, ATLANTIC may from time to time seek to dispose of assets that in management's view do not meet ATLANTIC's long-term investment criteria and redeploy the proceeds therefrom, preferably through tax-deferred exchanges, into assets that are more consistent with ATLANTIC's investment objectives.

RESULTS OF OPERATIONS

INTERIM PERIOD RESULTS

Net earnings for the six-month period ended June 30, 1996 were \$16.4 million (\$0.28 per Share) as compared to \$9.1 million (\$0.23 per Share) for the same period in 1995. In the first six months of 1996, ATLANTIC had 63 operating properties as compared to 46 operating properties in the first six months of 1995. The additional operating properties resulted in increases in rental revenues (\$16.4 million), rental expenses (\$5.1 million), real estate taxes (\$1.3 million), property management fees paid to an affiliate (\$0.3 million), depreciation (\$2.2 million) and REIT Management fee (\$1.5 million) in the six-month period ended June 30, 1996 as compared to the same period in 1995. The increase in rental expenses is attributable to the larger number of pre-stabilized properties during the first six months of 1995, as compared to the same period in 1996. After stabilization, consistent with ATLANTIC's conservative accounting policies, ATLANTIC expenses all make-ready costs, including carpet and appliance replacements.

Interest expense in the six-month period ended June 30, 1996 was \$8.1 million as compared to \$8.8 million for the six-month period ended June 30, 1995. The decrease in interest expense of \$0.7 million is primarily a result of lower short-term interest rates in 1996 which offset the effect of ATLANTIC's higher outstanding debt balances. ATLANTIC's weighted average short-term interest rate for the first six months of 1996 was 7.44% as compared to 8.06% in the first six months of 1995.

Rental revenues were negatively impacted by the severe winter in the mid-Atlantic region, resulting in reduced leasing activity. For ATLANTIC's 38 properties at June 30, 1996 that were fully operational throughout both the first six months of 1995 and the first six months of 1996, rental revenues grew 2.95%. All of these properties were pre-stabilized in 1995 and stabilized in 1996. Due to the more conservative accounting treatment for stabilized properties, expense comparisons between periods are not meaningful. These properties represent 62.2% of ATLANTIC's operating properties at June 30, 1996, based on cost.

ATLANTIC adopted Statement of Financial Accounting Standards No. 121, Accounting For The Impairment Of Long-Lived Assets And For Long-Lived Assets To Be Disposed Of, on January 1, 1996. As a result of adopting this new accounting standard, ATLANTIC did not recognize any provisions for possible losses.

1995 COMPARED TO 1994

Net earnings in 1995 were \$19.6 million (\$0.45 per Share), an increase of \$9.7 million from net earnings in 1994 of \$9.9 million (\$0.41 per Share).

PROPERTY OPERATIONS. Rental revenues for 1995 increased \$48.6 million over revenues for 1994. The increase in rental revenues from 1994 to 1995 is attributable to (i) inclusion of a full year of operations for the 40 properties acquired in 1994; (ii) the acquisition of 15 existing properties in 1995; and (iii) the leasing of units in five of ATLANTIC's developments, two of which were completed at December 31, 1995.

Because ATLANTIC will be completing construction on its current development portfolio and acquiring additional existing properties in its target market, ATLANTIC anticipates increases in rental revenues in subsequent periods. Additionally, revenues in subsequent periods will reflect a full year of operations for the 1995 acquisitions.

In 1995, rental expenses, property management fees paid to an affiliate and real estate taxes increased over the 1994 levels by \$12.5 million, \$1.9 million and \$4.0 million, respectively. These increases are attributable to the larger number of properties in operation in 1995. On a combined basis, rental expenses, property management fees paid to an affiliate and real estate taxes as a percentage of rental revenues decreased to 40.0% in 1995 from 41.9% in 1994.

Including the newly acquired and developed assets, income from property operations (which is defined as rental income plus other real estate income, less rental expenses, real estate taxes, property management fees paid to an affiliate and depreciation) increased \$23.0 million for 1995 over 1994. Depreciation expense increased \$7.2 million for 1995 over 1994. These increases are almost entirely related to the increased number of assets in operation.

Cash provided by operating activities was \$45.2 million in 1995, an increase of \$19.0 million from the 1994 level. This increase is primarily the result of the increased number of properties in operation in 1995 as compared to 1994.

PROPERTIES FULLY OPERATING THROUGHOUT BOTH PERIODS. In building its portfolio, ATLANTIC made significant investments in multifamily properties in each year since its inception. Accordingly, the size of its portfolio changed significantly from 1993 to 1994 and from 1994 to 1995. ATLANTIC's portfolio included only three properties aggregating 683 units that were fully operating throughout both 1995 and 1994. Property level net operating income from these three properties increased by 10.1% in 1995 over 1994. These three properties represent 4.3% of ATLANTIC's operating properties at December 31, 1995, based on cost.

INTEREST EXPENSE. Interest expense for 1995 was \$9.8 million higher than for 1994. ATLANTIC had no debt outstanding until the second quarter of 1994, which resulted in higher average outstanding debt balances and higher interest expense in 1995. Total interest capitalized amounted to \$4.4 million and \$0.8 million for 1995 and 1994, respectively. This increase is a function of the higher interest expense incurred in 1995 and the increased development activity in 1995 as compared to 1994.

REIT MANAGEMENT FEE PAID TO AFFILIATE. The REIT Management fee paid by ATLANTIC increased by \$3.3 million from 1994 to 1995. Because the REIT Management fee fluctuates with the level of ATLANTIC's cash flow calculated before the REIT Management fee, this increase is expected and is proportionate to the increases in other revenue and expense items experienced by ATLANTIC in 1995. As ATLANTIC arranges fully amortizing, fixed rate, long-term debt, which it intends to arrange after achieving a substantial equity base, the REIT Management fee will effectively decline in proportion to ATLANTIC's cash flow because regularly scheduled principal payments or their assumed equivalent are deducted from the cash flow amount on which the REIT Management fee is based. Currently, principal and principal reserve account payments on long-term mortgage debt are deducted in arriving at cash flow for purposes of calculating the REIT Management fee, thus reducing REIT Management fee expense.

1994 COMPARED TO 1993

In 1994, net earnings increased by \$9.9 million over 1993; \$9.9 million (\$0.41 per Share) in 1994 as compared to \$38,000 (\$0.07 per Share) in 1993.

Rental revenues were \$55.1 million in 1994 as compared to \$0.2 million in 1993. This increase of \$54.9 million is primarily the result of the acquisition of 40 multifamily properties during 1994. Rental revenues for 1993 are not reflective of a full year of operations since ATLANTIC was formed in October of that year. Additionally during 1993, ATLANTIC earned revenues from only three income producing properties acquired in December 1993. These factors also result in increases in rental expenses, real estate taxes, property management fee paid to an affiliate and depreciation in 1994 as compared to 1993.

The increased number of operating properties in operation generated more cash in 1994 as compared to 1993. Cash provided by operating activities was \$26.2 million in 1994. In 1993, operations used \$0.5 million of cash. As discussed above, the increase in cash flow affects the calculation of the REIT Management fee. The REIT Management fee increased by \$3.7 million for 1994 as compared to 1993.

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In 1994, ATLANTIC obtained its line of credit facility. Also in 1994, ATLANTIC assumed mortgage obligations in connection with the acquisition of certain properties. These debt obligations generated interest expense of \$9.2 million in 1994. ATLANTIC had no outstanding debt and incurred no interest expense in 1993.

ENVIRONMENTAL MATTERS

ATLANTIC is subject to environmental regulations related to the ownership, operation, development and acquisition of real estate. As part of its due diligence procedures, ATLANTIC has conducted Phase I environmental assessments on each property prior to acquisition. The cost of complying with environmental regulations was not material to ATLANTIC's results of operations. ATLANTIC is not aware of any environmental condition on any of its properties which is likely to have a material adverse effect on ATLANTIC's financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

The REIT Manager considers ATLANTIC's liquidity and ability to generate cash from operations and financings to be adequate and expects it to continue to be

adequate to meet ATLANTIC's development, acquisition, operating, debt service and shareholder distribution requirements.

INVESTING AND FINANCING ACTIVITIES

OVERVIEW. ATLANTIC's investment activities, which consisted primarily of acquiring and developing multifamily properties, used approximately \$136.4 million, \$240.7 million, \$392.7 million and \$31.0 million of cash for the six-month period ended June 30, 1996, the years ended December 31, 1995 and 1994 and the period ended December 31, 1993, respectively.

ATLANTIC's financing activities provided net cash flow of \$101.8 million, \$195.6 million, \$372.6 million and \$31.6 million for the six-month period ended June 30, 1996, the years ended December 31, 1995 and 1994 and the period ended December 31, 1993, respectively. Combined proceeds from equity offerings of \$119.1 million in the six-month period ended June 30, 1996, \$205.8 million in 1995, net of Share repurchases, \$239.7 million in 1994, and \$31.6 million in 1993 were the primary source of financing funds. Proceeds from line of credit borrowings, net of repayments, were \$4.0 million in the six-month period ended June 30, 1996, \$37.0 million in 1995 and \$153.0 million in 1994.

ATLANTIC expects to finance construction, development and acquisitions primarily with cash on hand, borrowings under its line of credit and cash from future securities offerings. After building a substantial equity base, ATLANTIC intends to arrange fully amortizing, fixed rate, 15 year to 25 year debt to finance additional acquisitions and developments. ATLANTIC believes that its current conservative ratio of long-term debt to total long-term undepreciated book capitalization (which was 15.6% at June 30, 1996 on an historical basis and 15.5% at June 30, 1996 on a pro forma basis as adjusted to give effect to the Offering and application of the proceeds therefrom and to the Homestead transaction, which are discussed below) provides considerable flexibility to prudently increase its capital base by utilizing long-term debt as a financing tool in the future. Long-term undepreciated book capitalization is defined as the sum of long-term debt and shareholders' equity after adding back accumulated depreciation.

1993 INVESTING AND FINANCING ACTIVITIES. ATLANTIC's initial portfolio investment consisted of the acquisition of three operating properties (683 units) located in Atlanta, Georgia. Additionally, ATLANTIC purchased a land parcel in Charlotte, North Carolina for the development of a 270-unit property.

ATLANTIC's investment in real estate at December 31, 1993 aggregated \$31 million, all of which was financed by the sale of Shares.

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1994 INVESTING AND FINANCING ACTIVITIES. ATLANTIC's investment strategy in 1994 focused on two components: the acquisition of a substantial base of existing operating properties to provide operating cash flow and the creation of an internal development process. During 1994, ATLANTIC acquired 40 operating properties, 31 of which were obtained in two large portfolio acquisitions. These 40 properties, located in 14 metropolitan areas, added 11,307 units to the portfolio for a total of 11,990 operating units. At December 31, 1994, ATLANTIC had a total of 15,060 units in its portfolio, 3,070 of which were in development (1,212 units in construction and 1,858 units in planning). The nine projects under development had an estimated completion cost of \$190.7 million.

ATLANTIC's investment in real estate at December 31, 1994 aggregated \$631.3 million. The additional investment of approximately \$600 million in 1994 was financed through a combination of debt and equity. As partial payment for the largest of the portfolio acquisitions, ATLANTIC issued \$100 million in Shares to the seller of the portfolio. Sales of Shares through a private placement raised an additional \$240 million. Existing debt of \$107.5 million associated with certain of the properties acquired was assumed by ATLANTIC. Additionally, ATLANTIC had net borrowings on its line of credit during 1994 of \$153 million.

1995 INVESTING AND FINANCING ACTIVITIES. In 1995, ATLANTIC acquired existing properties aggregating 3,961 units and disposed of two properties aggregating 596 units. The cost of the 15 operating properties acquired in 1995 was \$177.6 million. Also in 1995, ATLANTIC began development on 5,051 units. In the fourth quarter ATLANTIC completed construction on its first two internally developed multifamily communities, a 270-unit property in Charlotte, North Carolina and a 198-unit property in Birmingham, Alabama. At December 31, 1995, ATLANTIC's operating property portfolio aggregated 15,823 units. ATLANTIC's development portfolio at the end of 1995 included 3,095 units under construction and 4,558 units in planning with an estimated cost upon completion of \$401.3 million. Three properties under construction began leasing completed units in the fourth quarter of 1995. At December 31, 1995, Homestead Village properties, ATLANTIC's moderate priced, purpose-built, extended-stay lodging properties, comprised 2,515 units of the development portfolio with 137 units under construction and the remaining units in

planning.

During 1995, ATLANTIC's net additional investment in real estate was \$257.7 million bringing its total real estate investment at December 31, 1995 to \$888.9 million. Sales of Shares generated the largest source of capital in 1995. ATLANTIC sold \$205.8 million of Shares, net of Share repurchases, through two private placements. In connection with the acquisition of certain properties in 1995, ATLANTIC assumed \$24.7 million in existing debt. Additional borrowings on its line of credit during 1995 aggregated \$37 million. At December 31, 1995, ATLANTIC's outstanding balance on its line of credit was \$190 million.

FIRST SIX MONTHS OF 1996 INVESTING AND FINANCING ACTIVITIES. During the first six months of 1996, ATLANTIC's additional investment in real estate aggregated \$142.3 million. This investment included the acquisition of operating properties aggregating 1,308 units and the acquisition of land parcels for the development of 2,966 units and progress payments on properties under development. These additional units brought ATLANTIC's total portfolio to 27,392 units at June 30, 1996 (17,109 operating units and 10,283 units of developments under construction and in planning). The additional investment during the first six months of 1996 was financed primarily through borrowings on the line of credit and additional mortgage debt. Also during this period, ATLANTIC completed construction on a 336-unit multifamily community in Raleigh, North Carolina, bringing its internally developed operating units to 804. ATLANTIC began construction on 2,596 units during the first six months of 1996.

At June 30, 1996, ATLANTIC had \$304.2 million of budgeted development costs for projects under construction, including \$26.6 million associated with Homestead Village properties. Of the total budgeted development cost, \$142.4 million was unfunded at June 30, 1996. In addition, ATLANTIC

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had developments in planning at June 30, 1996 aggregating 4,928 units in various target market cities (2,832 units of Homestead Village properties) with an aggregate budgeted development cost of \$248.4 million, including \$125.0 million associated with Homestead Village properties. The foregoing developments are subject to a number of conditions, and ATLANTIC cannot predict with certainty that any of them will be consummated.

On April 9, 1996, ATLANTIC disposed of a 358-unit, middle income property as part of a tax-deferred exchange. This property accounted for \$255,000 of net operating income during the six-month period ended June 30, 1996. A gain of \$662,000 was recognized in the second quarter of 1996 on this disposition. The proceeds from this disposition were held in escrow until April 22, 1996 when these funds were used to acquire a 350-unit, moderate income property. Including this property, ATLANTIC acquired a total of five operating properties aggregating 1,308 units at a cost of \$64.5 million in the first six months of 1996.

In the first six months of 1996, ATLANTIC sold 10,377,526 Shares at \$11.50 per share, raising \$119.3 million. The sale of these Shares completed ATLANTIC's private placement which was begun in November 1995. The private placement raised a total of \$250 million through the sale of 21,724,556 Shares (19,224,556 Shares sold at \$11.50 per Share and 2,500,000 Shares sold at \$11.568 per Share).

HOMESTEAD TRANSACTION

ATLANTIC has traditionally focused on multifamily assets, which since the first quarter of 1995 has included certain purpose-built, extended-stay lodging properties known as Homestead Village. In March 1996 the Board began considering ways to maximize shareholder value with respect to the Homestead Village properties. In May 1996, ATLANTIC entered into the Merger Agreement, as more fully described under "Homestead Transaction", whereby ATLANTIC will contribute its Homestead Village properties to Homestead in exchange for Homestead common stock. The Homestead transaction is expected to (i) result in the Homestead Village properties being more effectively and profitably utilized and developed due to the elimination of certain restrictions applicable to REITs and (ii) enhance the ability of Homestead to access external capital markets necessary to carry out its plans.

In exchange for ATLANTIC's contribution of the Homestead Village properties and for ATLANTIC entering into the Funding Commitment Agreement, as more fully described under "Certain Relationships and Transactions--Funding Commitment Agreements", ATLANTIC will receive shares of Homestead common stock, convertible mortgages and warrants to purchase shares of Homestead common stock. Following the consummation of the transaction, ATLANTIC will distribute the Homestead common stock and warrants to its shareholders of record on the Distribution Record Date. Each mortgage loan issued by Homestead pursuant to the Funding Commitment Agreement bears interest at 9% per annum and will be

convertible into Homestead common stock on the basis of one share of Homestead common stock for every \$11.50 of principal outstanding on the mortgage loan.

ATLANTIC's contribution to Homestead will consist of cash, one operating Homestead Village property and twenty-five Homestead Village land parcels, which are either owned or under ATLANTIC's control. ATLANTIC's contribution, including budgeted completion cost for the 26 properties, is approximately \$158.7 million. On the Merger Closing Date, ATLANTIC will contribute assets with an expected book value of approximately \$29 million and cash of approximately \$18.6 million (subject to adjustment as provided in the Merger Agreement). The remaining cost to complete the properties of \$111.1 million will constitute the funding commitment amount. ATLANTIC intends to fund this commitment through cash on hand, borrowings on its line of credit and sales of Shares. See "Homestead Transaction".

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LINE OF CREDIT

ATLANTIC obtained a \$200 million secured line of credit agented by Morgan Guaranty Trust Company of New York in June 1994 (increased to \$225 million in September 1994). In August 1995, the line of credit was increased to \$300 million, and in June 1996, the line of credit was increased to \$350 million. The line of credit is scheduled to mature in June 1998 and may be extended for an additional year with the approval of Morgan Guaranty Trust Company of New York and the other participating lenders. The line of credit provides for interest at prime or, at ATLANTIC's option, LIBOR plus 1.50% or the certificate of deposit rate plus 1.625%. ATLANTIC obtained a fixed rate of interest of 7.46% through February 5, 1997 on \$100 million of its borrowings on the line of credit through a swap agreement with Goldman Sachs Capital Markets, L.P. A commitment fee of .1875% per annum on the average unfunded line of credit balance is payable quarterly.

All debt incurrences are subject to certain covenants. Primarily these covenants address tangible net worth, interest payment coverage and distributions. ATLANTIC must maintain a debt to tangible net worth ratio of not greater than 2 to 1 and an adjusted net worth (as defined) of at least \$325 million. ATLANTIC's interest payment coverage (as defined) is required to be not less than 2 to 1. Restricted payments or distributions (as defined) may not exceed 95% of ATLANTIC's funds from operations (as defined) for the preceding four quarters. The lenders have agreed to exclude the Distribution from the restricted payments covenant and have granted ATLANTIC a waiver of the restricted payments covenant. This waiver allows for restricted payments not to exceed 97% of funds from operations through the third quarter of 1997. ATLANTIC is currently in compliance with all covenants.

As of August 20, 1996, \$197 million of borrowings were outstanding (and \$ million of borrowings are expected to be outstanding at the time of closing of the Offering) and multifamily properties with an undepreciated cost of approximately \$477.5 million were pledged as collateral, which allows ATLANTIC to borrow up to \$285 million on the line of credit. ATLANTIC has additional assets which could be pledged as security on the line of credit which would allow ATLANTIC to borrow up to \$350 million.

MORTGAGE DEBT

At June 30, 1996, ATLANTIC had approximately \$129 million of mortgages payable consisting of approximately \$22 million of fixed rate conventional mortgage debt and approximately \$107 million of mortgages which secure nine tax-exempt bond issues. As further discussed below, this long-term mortgage debt, which is substantially fully amortizing, has a weighted average interest rate of 6.76% and an average maturity of 24.1 years, thus providing ATLANTIC with favorable and conservative financial leverage on the investment in the properties associated with such debt.

Eight of ATLANTIC's nine tax-exempt bond issues have variable interest rates. The tax-exempt bond issues are included in a credit enhancement agreement with FNMA. Under the agreement with FNMA, ATLANTIC makes monthly principal payments, based upon a thirty-year amortization, into a principal reserve account. To mitigate the variable interest rate exposure associated with these bond issues, ATLANTIC has entered into swap agreements. Under these swap agreements, ATLANTIC pays and receives interest on the aggregate principal amount of the underlying bonds outstanding, net of the amount held in the principal reserve account. These swap agreements effectively mitigate ATLANTIC's variable interest rate exposure by ensuring that ATLANTIC pays interest on a fixed rate as provided in such agreements.

ATLANTIC has three swap agreements: (i) an agreement expiring in June 2002 on approximately \$23 million of bonds that fixes the interest rate at 5.18% (excluding the cost of the credit enhancement agreement); (ii) an agreement expiring in June 2005 on approximately \$65 million of bonds that fixes the interest rate at 5.42% (excluding the cost of the credit enhancement agreement); and (iii) an agreement expiring in March 2006 on \$5 million of

bonds that fixes the interest rate at 4.82%, (excluding the cost of the credit enhancement agreement). To the extent the deposits in the principal reserve account with FNMA have not been used to redeem any of the outstanding bonds, ATLANTIC

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pays interest at the variable rates as provided by the mortgage agreements on that portion of bonds outstanding which is equivalent to the balance in the principal reserve fund.

DISTRIBUTIONS AND FUNDS FROM OPERATIONS

ATLANTIC's current distribution policy is to pay quarterly distributions to shareholders based upon what REIT Management considers to be a reasonable percentage of cash flow. Because depreciation is a non-cash expense, cash flow typically will be greater than earnings from operations and net earnings. Therefore, quarterly distributions will be higher than quarterly earnings.

Distributions paid on Shares in 1995 and 1994 aggregated \$35.1 million (\$0.80 per Share) and \$14.6 million (\$0.60 per Share), respectively. No distributions were paid in 1993. The distributions paid were in excess of net earnings in both 1995 and 1994 resulting in decreases in shareholders' equity of \$15.5 million in 1995 and \$4.7 million in 1994.

ATLANTIC announces the following year's proposed distributions after the Board's annual budget review and approval during the preceding year. At its December 19, 1995 meeting, the Board proposed 1996 distributions of \$0.84 per Share. The payment of distributions is subject to the discretion of the Board and is dependent upon the financial condition and operating results of ATLANTIC. On March 28, 1996, ATLANTIC paid a quarterly distribution of \$0.21 per Share for Shares outstanding throughout the first quarter, and on June 27, 1996, ATLANTIC paid a quarterly distribution of \$0.21 per Share for Shares outstanding throughout the second quarter. The distributions paid aggregated \$11.7 million and \$12.8 million for the first and second quarters, respectively. On September 4, 1996, the Board declared a quarterly distribution of \$ per Share payable on September , 1996 for Shares outstanding through the third quarter.

Funds from operations represents ATLANTIC's net earnings computed in accordance with GAAP, excluding gains (or losses) plus depreciation. ATLANTIC believes that funds from operations is helpful in understanding a property portfolio's ability to support interest payments and general operating expenses. On January 1, 1996, ATLANTIC adopted NAREIT's new definition of funds from operations. Under this new definition, loan cost amortization is not added back to net earnings in determining funds from operations. For comparability, funds from operations for the periods prior to January 1, 1996 give effect to this new definition.

Funds from operations were \$25.3 million and \$16.5 million for the six-month periods ended June 30, 1996 and 1995, respectively. Funds from operations were \$35.6 million, \$18.7 million and \$0.1 million for the years ended December 31, 1995 and 1994 and the period ended December 31, 1993, respectively. The aggregate increases corresponded with the increased number of properties in operation in each year. For a reconciliation of net earnings to funds from operations, see "Selected Financial Information".

Funds from operations should not be considered as an alternative to net income or any other GAAP measurement of performance as an indicator of ATLANTIC's operating performance nor as an alternative to cash flows from operating, investing or financing activities as a measure of liquidity. Cash flow from financing activities is expected to be substantially equivalent to cash used in investing activities, as ATLANTIC utilizes revolving credit borrowings, to be refunded with sales of equity and long-term, fully amortizing debt securities, to fund its investment activities. ATLANTIC's policy is to expense, rather than capitalize, repairs and maintenance, in determining net income and funds from operations. Only major renovations, replacements or improvements with a substantial expected economic life (such as roofs, parking lots and additions) are capitalized. The funds from operations measure presented by ATLANTIC may not be comparable to other similarly titled measures of other REITs.

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REIT MANAGEMENT AGREEMENT

Effective October 28, 1993, ATLANTIC entered into the REIT Management Agreement, as amended and restated, pursuant to which the REIT Manager assumed the day-to-day management of ATLANTIC (the "REIT Management Agreement").

The REIT Management Agreement requires ATLANTIC to pay an annual fee of approximately 16% of cash flow as defined in the REIT Management Agreement,

payable monthly. Cash flow is calculated by reference to ATLANTIC's cash flow from operations, plus (i) fees paid to the REIT Manager, (ii) extraordinary expenses incurred at the request of the Independent Directors of ATLANTIC (of which there were none in the periods reported) and (iii) 33% of any interest paid by ATLANTIC on convertible subordinated debentures (of which there were none in the periods reported); and after deducting (i) regularly scheduled principal payments (excluding prepayments or balloon payments) for debt with commercially reasonable amortization schedules, (ii) assumed principal and interest payments on senior unsecured debt treated as having regularly scheduled principal and interest payments like a 20-year level-payment, fully amortizing mortgage (of which there were none in the periods reported) and (iii) distributions actually paid with respect to any non-convertible preferred stock of ATLANTIC (of which there were none in the periods reported). Cash flow does not include dividend and interest income from Atlantic Development Services Incorporated, interest income from the Homestead convertible mortgage notes, realized gains or losses from dispositions of investments or income from cash equivalent investments. The REIT Manager also receives a fee of 0.20% per year on the average daily balance of cash equivalent investments. The REIT Management fee aggregated \$4,704,000 for the six-month period ended June 30, 1996 and \$6,923,000, \$3,671,000 and \$12,000 for the years ended December 31, 1995 and 1994 and the period ended December 31, 1993, respectively.

Total real estate operating, interest, general and administrative costs will increase due to ATLANTIC's larger asset size, as well as unforeseen changes which may occur. REIT Management fees paid by ATLANTIC will increase if cash flow of ATLANTIC, as defined in the REIT Management Agreement, increases, including such increases that may relate to increases in ATLANTIC's assets. ATLANTIC does not expect its other operating costs and expenses to increase except as a result of inflation, market conditions or other factors over which the REIT Manager has no control. Operating costs for particular items, however, may be increased if they are expected to result in greater decreases in other expenses or increases in revenues from ATLANTIC assets.

ATLANTIC is obligated to reimburse the REIT Manager for all expenses incurred by the REIT Manager on behalf of ATLANTIC relating to ATLANTIC's operations, primarily including third party legal, accounting, property management and similar fees paid on behalf of ATLANTIC, and travel expenses incurred in seeking financing, property acquisitions, property sales and similar activities on behalf of ATLANTIC and in attending ATLANTIC Board, committee and shareholder meetings. Under the REIT Management Agreement, the REIT Manager or any of its affiliates are not precluded from rendering services to other investors, including REITs, even if such investors compete with ATLANTIC. Since the REIT Manager is owned by ATLANTIC's largest shareholder, the REIT Manager has no intention of rendering services to investors who compete with ATLANTIC.

The REIT Management Agreement is renewable by ATLANTIC annually, subject to a determination by the Independent Directors that the REIT Manager's performance has been satisfactory and that the compensation payable to the REIT Manager is fair. Each of ATLANTIC or the REIT Manager may terminate the REIT Management Agreement on 60 days' notice. Because of the year-to-year nature of the agreement, its maximum effect on ATLANTIC's results of operations cannot be predicted, other than that the REIT Management fees will generally increase or decrease in proportion to cash flow increases or decreases.

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POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The Board may amend or revise ATLANTIC's policies from time to time without a vote of the shareholders of ATLANTIC. The Board also reserves the right to make exceptions for transactions when it believes that the transaction is in the best long-term interests of ATLANTIC and its shareholders.

INVESTMENT POLICIES

Prospective property investments are analyzed pursuant to several underwriting criteria, including purchase price, competition and other market factors, and prospects for long-term growth in cash flow. ATLANTIC's investment decision is based upon the expected contribution of the property to long-term cash flow growth on an unleveraged basis. The expected cash flow contribution is based on an estimate of all cash revenues from leases and other revenue sources, minus expenses incurred in operating the property (generally, real estate taxes, insurance, maintenance, personnel costs and utility charges, but excluding depreciation, debt service and amortization of loan costs) and a reserve for capital expenditures.

It is ATLANTIC's policy to generally limit its investments such that (i) no more than 10% of its assets are invested in land held for development other than land under development or where development is in planning, (ii) ATLANTIC will not be treated as an investment company under the Investment Company Act

of 1940, and (iii) ATLANTIC will not invest in mortgage loans, other than mortgage loans to third party owner-developers in connection with the development of multifamily properties that are contractually required to be sold to ATLANTIC upon completion or mortgage loans to Homestead or to entities in which ATLANTIC owns a substantial majority of the economic interest and other than mortgage loans (convertible, participating or other) where the Board believes that such loans are in the best long-term interests of ATLANTIC and its shareholders.

ATLANTIC's strategy includes the development of industry-leading, moderate income multifamily product designed for the largest renter groups. Long term, REIT Management believes that development will contribute as much, or more, to ATLANTIC's earnings growth than acquisitions.

While the current policy of ATLANTIC is to make equity investments in multifamily properties exclusively, ATLANTIC may invest in other real estate interests consistent with its qualification as a REIT. A change in this policy could occur, for example, if ATLANTIC concludes that it may benefit from the cash flow or any appreciation in the value of the property arising through mortgage investment or as a means of ultimately achieving equity ownership of a property.

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, ATLANTIC may also invest in securities of other entities engaged in real estate activities or securities of other issuers. See "Federal Income Tax Considerations--Taxation of ATLANTIC". ATLANTIC does not currently intend to invest in the securities of other issuers except in connection with acquisitions of indirect interests in properties (normally, general or limited partnership interests in special purpose partnerships controlled by ATLANTIC and owning multifamily properties and except for preferred stock of entities in which ATLANTIC has a substantial majority of the economic interest).

FINANCING POLICIES

ATLANTIC has a secured line of credit for the purpose of facilitating investment in developments and acquisitions as well as for working capital. ATLANTIC may also determine to issue securities senior to the Shares, including preferred stock and debt securities (either of which may be convertible into Shares or be accompanied by warrants to purchase Shares). ATLANTIC's financing policies are to replace revolving credit borrowings with the proceeds of equity offerings or long-term, fixed rate, fully

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amortizing debt. ATLANTIC does not intend to incur long-term, floating rate debt other than in connection with property acquisitions in which the debt assumed is impracticable to prepay or is tax-exempt debt. Because its assets are largely long-term, ATLANTIC's debt is expected to be long-term, fixed rate, fully amortizing debt.

The proceeds of any borrowings by ATLANTIC may be used to pay distributions, to provide working capital, to pay existing indebtedness or to finance acquisitions, expansions or development of new properties.

CONFLICT OF INTEREST POLICIES

ATLANTIC does not intend to engage in principal transactions with officers and Directors or to engage Independent Directors to provide services to ATLANTIC. In addition, transactions with the REIT Manager and its affiliates are significantly restricted and must be reviewed and approved by a majority of Independent Directors, as described below. ATLANTIC's policy is not to borrow from or make loans to affiliates, other than mortgage loans to entities in which ATLANTIC owns a substantial majority of the economic interest, mortgage loans to Homestead or mortgage loans (convertible, participating or other) where the Board believes that such loans are in the best long-term interests of ATLANTIC and its shareholders.

With a view to resolving potential conflicts of interest and protecting the interests of ATLANTIC's shareholders against such possible conflicts, the Charter requires that a majority of the Board be Independent Directors immediately following the effective date of the registration statement relating to the Offering. "Independent Director" means a Director who (i) is not affiliated, directly or indirectly, with SCG or any of its affiliates, whether by ownership of, ownership interest in, employment by, any material business or professional relationship with, or service as an officer of, SCG or a business entity which is an affiliate of SCG and (ii) is not serving as a trustee or director for more than three real estate investment trusts organized by a sponsor of ATLANTIC. ATLANTIC's Independent Directors are required to monitor the performance of the REIT Manager.

POLICIES APPLICABLE TO THE REIT MANAGER AND OFFICERS AND DIRECTORS OF ATLANTIC

The REIT Manager has agreed in writing not to engage in any principal transaction with ATLANTIC, including but not limited to purchases, sales or leases of property or borrowing or lending of funds, except for transactions approved by a majority of the Independent Directors not otherwise interested in such transaction as being fair and reasonable to ATLANTIC and on terms and conditions not less favorable to ATLANTIC than those available from unaffiliated third parties. The Homestead transaction would be prohibited by the terms of the REIT Management Agreement; the REIT Manager and ATLANTIC have waived this prohibition. In addition to the requirements described above, ATLANTIC will not engage in such transactions unless the Independent Directors believe that any such transaction is in the long-term best interests of ATLANTIC and its shareholders. The sole activity of the REIT Manager is advising ATLANTIC.

The REIT Management Agreement permits affiliates of the REIT Manager to provide property management and other services to ATLANTIC for compensation. The fees charged for such services must be comparable to fees that would be charged by unaffiliated, qualified third parties. Any property management fees are reviewed annually by the Board and must be approved by a majority of the Independent Directors.

With certain exceptions, officers and employees of the REIT Manager spend all of their time on ATLANTIC's affairs. In the future, certain officers or employees may be transferred to or from other affiliates of the REIT Manager, consistent with REIT Management's plan for management depth and orderly succession.

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ATLANTIC does not intend to issue options or warrants to the REIT Manager or its employees.

Under the law of Maryland (where ATLANTIC is incorporated), each Director will be obligated to offer to ATLANTIC any opportunity (with certain limited exceptions) which comes to him or her and which ATLANTIC could reasonably be expected to have an interest in developing. In addition, under Maryland law, a contract or other transaction between ATLANTIC and a Director or between ATLANTIC and another corporation or entity in which a Director of ATLANTIC is a director or has a material financial interest is not void or voidable solely because of such interest or the presence of the Director at the meeting at which the contract or transaction is approved or the Director's vote in favor thereof, if (a) the contract or transaction is approved or ratified, after disclosure of the common directorship or interest, by the affirmative vote of a majority of disinterested Directors, even if the disinterested Directors constitute less than a quorum, or by a majority of the votes cast by disinterested stockholders, or (b) the contract or transaction is fair and reasonable to ATLANTIC.

POLICIES WITH RESPECT TO OTHER ACTIVITIES

ATLANTIC may, but does not presently intend to, make investments other than as previously described. All investments will be primarily related to multifamily properties and the management and development thereof. The Board has authority to reclassify unissued Shares into senior securities, to offer Shares or other securities and, subject to certain restrictions, to repurchase or otherwise reacquire Shares or any other securities and may engage in such activities in the future. ATLANTIC's policy is not to make loans to its officers or directors or to the REIT Manager. ATLANTIC may in the future make loans to partnerships and joint ventures in which it participates in order to meet working capital needs. ATLANTIC has not engaged in trading, underwriting or agency distribution or sale of securities of other issuers and does not intend to do so. ATLANTIC does not intend to engage in the purchase or sale of investments (other than acquisition or disposition of properties in accordance with the REIT rules and ATLANTIC's investment policies) and may on a selected basis in the future offer securities in exchange for properties. ATLANTIC intends to make annual and quarterly reports to shareholders. The annual reports will contain audited financial statements.

At all times, ATLANTIC intends to make investments in such a manner as to be consistent with the requirements of the Code for ATLANTIC to qualify as a REIT unless, because of changing circumstances or changes in the Code (or in Treasury Regulations), the Board determines that it is no longer in the best interests of ATLANTIC to qualify as a REIT.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

In addition to the transactions with affiliates described elsewhere in this Prospectus, ATLANTIC has entered into the following transactions:

REIT MANAGEMENT AGREEMENT

Pursuant to the REIT Management Agreement, the REIT Manager assumed the day-to-day management of ATLANTIC. The REIT Manager is owned by SCG, which

currently beneficially owns approximately 64.1% of the outstanding Shares (%, after giving effect to the Offering). The REIT Manager's sole business and principal occupation since its formation in October 1993 is advising ATLANTIC. The services provided or coordinated by the REIT Manager include strategic and day-to-day management, research, investment analysis, acquisition and due diligence, multifamily property development, asset management, capital markets, asset disposition, legal and accounting services. All such services are included in the REIT Management fee, including capital markets and development services, which most REITs capitalize (or, in the case of capital markets, deduct from proceeds). The REIT Management fee is paid monthly and was \$6.9 million for the year ended December 31, 1995.

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See "Management's Discussion and Analysis of Financial Condition and Results of Operations--REIT Management Agreement".

SCG INVESTOR AGREEMENT

ATLANTIC and SCG are parties to an Investor Agreement, dated as of October 28, 1993 (the "Investor Agreement"), which required SCG to purchase \$21.5 million in Shares, subject to certain conditions. The Investor Agreement, among other things, requires ATLANTIC to obtain SCG's approval of (i) the annual operating budget and substantial deviations therefrom, (ii) contracts for investment management, property management or leasing services or that contemplate annual payments in excess of \$100,000 and (iii) acquisitions or dispositions in a single transaction or a group of related transactions where the purchase price exceeds \$5 million. The Investor Agreement also provides that, so long as SCG owns at least 10% of the outstanding Shares, ATLANTIC may not increase the Board to more than seven members. SCG is entitled to designate one or more persons as Directors, and ATLANTIC is obligated to use its best efforts to cause the election of such persons, as follows: (i) so long as SCG owns at least 10%, but less than 20%, of the outstanding Shares, it is entitled to nominate two persons; and (ii) so long as SCG owns at least 20% of the outstanding Shares, it is entitled to nominate three persons.

SHAREHOLDERS' AGREEMENT

To facilitate ATLANTIC's acquisition of certain properties from Laing, SCG granted Laing certain rights to require SCG to purchase Laing's Shares at pre-agreed prices. ATLANTIC assumed SCG's first put obligation for 5,000,000 Shares and on March 31, 1995 purchased such Shares from Laing at \$11.00 per Share. In exchange for ATLANTIC's assumption of the first put obligation, SCG purchased \$94.8 million of Shares at \$11.00 per Share from ATLANTIC in a private offering. In November 1995, ATLANTIC assumed SCG's second put obligation for 2,500,000 Shares at \$11.568 per Share. In exchange for ATLANTIC's assumption of the second put obligation, SCG purchased 2,500,000 Shares at a price of \$11.568 per Share and purchased an additional \$21.1 million of Shares at \$11.50 per Share in a private offering. SCG's purchase under the third put obligation of 2,500,000 Shares (representing all Shares owned by Laing) at \$12.265 per Share occurred on July 1, 1996.

PROPERTY MANAGEMENT COMPANY

Commencing May 12, 1994, SCG Realty Services, an affiliate of the REIT Manager, began providing property management services for certain of ATLANTIC's properties. The agreement terminates September 30, 1996, subject to earlier termination by ATLANTIC on 30 days' notice, is renewable annually upon approval of ATLANTIC's Independent Directors and contemplates a fee to SCG Realty Services of 3.5% per annum of property revenues for properties located in Atlanta and Washington, D.C. markets and 3.75% per annum of property revenues for all other properties, paid monthly, which was \$3.5 million for the year ended December 31, 1995. The REIT Manager anticipates that SCG Realty Services will manage additional ATLANTIC properties in the future. Any management contracts executed with SCG Realty Services are expected to be at market rates.

PROTECTION OF BUSINESS AGREEMENT

ATLANTIC will enter into a protection of business agreement dated as of the Merger Closing Date (the "Protection of Business Agreement") with Homestead which will prohibit ATLANTIC and its affiliates from engaging, directly or indirectly, in the extended-stay lodging business except through Homestead and its subsidiaries. The Protection of Business Agreement also prohibits Homestead from, directly or indirectly, engaging in the ownership, operation, development, management or leasing of multifamily properties. The Protection of Business Agreement does not prohibit ATLANTIC from: (i) owning securities of Homestead; (ii) owning up to 5% of the outstanding securities of another person engaged in owning, operating, developing, managing or leasing extended-stay lodging properties, so long as it does not actively participate in the business of such person; (iii) owning the outstanding securities of another person, a majority owned subsidiary, division, group, franchise or segment of which is engaged in owning, operating, developing, managing or leasing

extended-stay lodging properties, so long as not more than 5% of such person's consolidated revenues are derived from such

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properties; and (iv) owning securities of another person primarily engaged in a business other than owning, operating, developing, managing or leasing extended-stay lodging properties, including a person primarily engaged in business as an owner, operator or developer of hotel properties, whether or not such person owns, operates, develops, manages or leases extended-stay lodging properties. The Protection of Business Agreement does not prohibit Homestead from: (i) owning securities of ATLANTIC, PTR or SCG; (ii) owning up to 5% of the outstanding securities of another person engaged in owning, operating, developing, managing or leasing garden style multifamily properties; and (iii) owning the outstanding securities of another person, a majority owned subsidiary, division, group, franchise or segment of which is engaged in owning, operating, developing, managing or leasing garden style multifamily properties, so long as not more than 5% of such person's consolidated revenues are derived from such properties. The Protection of Business Agreement will terminate in the event of an acquisition, directly or indirectly (other than by purchase from ATLANTIC, PTR or SCG or any of their respective affiliates), by any person (or group of associated persons acting in concert), other than ATLANTIC, PTR or SCG or their respective affiliates, of 25% or more of the outstanding voting stock of Homestead, without the prior written consent of Homestead's board of directors. Subject to earlier termination pursuant to the preceding sentence, the Protection of Business Agreement will terminate on the tenth anniversary of the Merger Closing Date.

FUNDING COMMITMENT AGREEMENTS

Pursuant to funding commitment agreements to be dated as of the Merger Closing Date (the "Funding Commitment Agreements"), each of ATLANTIC and PTR will agree to make mortgage loans to Homestead. ATLANTIC and PTR will provide Homestead aggregate funding for developments in amounts of up to \$111 million and \$129 million, respectively, which amounts are anticipated to be sufficient to complete the development of the respective Homestead Village facilities contributed by them. ATLANTIC and PTR will receive 2,818,517 and 6,363,789 warrants, respectively, each to purchase one share of Homestead common stock, in exchange for their entering into the Funding Commitment Agreements. Each Homestead warrant will be exercisable at \$10.00 per share and expires one year after the Distribution Record Date. Management of Homestead determined the exercise price of the Homestead warrants. ATLANTIC and PTR will receive convertible mortgage notes in respect of fundings under the Funding Commitment Agreements in stated amounts of up to \$98 million and \$144 million, respectively. The effect of these provisions of the Funding Commitment Agreement is that ATLANTIC will fund \$1,133,535 for each \$1,000,000 principal amount of convertible mortgage loans. The convertible mortgage loans will be recorded for financial reporting purposes at a premium of approximately \$13 million which will be amortized and recorded as an adjustment to interest income over the ten-year term of the mortgage loans using the effective interest method. The relative ownership percentages of ATLANTIC, PTR and SCG in Homestead were determined based upon the relative value of the contributed assets assuming that all of the properties to be contributed have been developed and are fully operating. ATLANTIC and PTR have agreed to fund convertible mortgages to provide for the development of the Homestead Village properties and to achieve their respective ownership allocations. The funded amounts of ATLANTIC and PTR under the convertible mortgages therefore are in amounts that are anticipated, pursuant to currently existing development budgets, to be sufficient to complete the development of the respective Homestead Village properties being contributed by them. The differences between the funded amounts and the stated amounts of the convertible mortgage loans arise because the rate of return on the existing Homestead Village facilities contributed by PTR is projected to exceed the rate of return on the Homestead Village facilities contributed by ATLANTIC and PTR to Homestead which are under construction or in pre-development planning. This expected difference in the rates of return arises because, as of July 1, 1996, PTR was expected to have 28 Homestead Village facilities in operation and generating income, while ATLANTIC was expected to have none and the average property development costs for the existing PTR Homestead Village properties, on balance, was expected to be less than those for the ATLANTIC and PTR Homestead Village properties projected to be built in the future because a large portion of the existing PTR Homestead Village properties were in planning or under development during 1992 and 1993 when land prices and construction costs were less than they are now and are anticipated to be over the next 18 months. The obligations of ATLANTIC and PTR are limited to a specific dollar amount for each property identified in the respective Funding Commitment Agreements. Upon any determination by Homestead to commence development of a property identified in the

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Funding Commitment Agreement, Homestead is required to notify ATLANTIC or PTR, as the case may be, and ATLANTIC or PTR, as the case may be, is required to fund up to the full amount of its obligation with respect to such property. Homestead is required to endeavor in good faith to complete the development of such property consistent with the development plans for such property. Each mortgage note issued by Homestead pursuant to a Funding Commitment Agreement will be convertible into shares of Homestead common stock on the basis of one share of Homestead common stock for every \$11.50 of principal outstanding on the mortgage loan. The obligation of Homestead to call for funding of, and the obligations of ATLANTIC and PTR to provide funding for, the mortgage loans expire on March 31, 1998, except with respect to properties for which Homestead has given notice that it intends to develop. Interest on the mortgage notes accrues at the rate of 9% on the unpaid principal balance, payable every six months. The mortgage notes are scheduled to mature on October 31, 2006, and are not callable until five years after the Merger Closing Date. Homestead has pledged the assets being contributed by ATLANTIC as collateral for the mortgage loans being made by ATLANTIC, and it has pledged the assets being contributed by PTR as collateral for the mortgage loans being made by PTR.

HOMESTEAD INVESTOR AGREEMENT

ATLANTIC will enter into an investor and registration rights agreement with Homestead pursuant to which ATLANTIC is entitled to designate one person for nomination to the Homestead board of directors, and Homestead will use its best efforts to cause the election of such nominee, until March 31, 1998 and for so long thereafter as ATLANTIC has the right to convert in excess of \$20 million in principal amount of loans made pursuant to its Funding Commitment Agreement. Such nominee may, but need not, include the same person(s) nominated by SCG pursuant to SCG's investor agreement with Homestead. In addition, Homestead has granted to ATLANTIC registration rights with respect to the distribution of all of the shares of Homestead common stock issuable upon conversion of the convertible mortgage notes. Prior to the one-year anniversary of the date the Homestead common stock is registered under the Exchange Act, ATLANTIC may request one registration of those shares of Homestead common stock which are issued upon conversion of any or all of the convertible mortgage notes during such one year period and which it intends to distribute to its stockholders. After such one-year anniversary, ATLANTIC may request three additional registrations pursuant to Rule 415 promulgated under the Securities Act of all shares of Homestead common stock issued or issuable upon conversion of the convertible mortgage notes. Such registration, except for the fees and disbursements of counsel to ATLANTIC, shall be at the expense of Homestead.

DEVELOPMENT AGREEMENT

ATLANTIC and Hanover Realty Services Inc. ("Hanover") are parties to several development agreements, in connection with the acquisition and development of six properties located in North Carolina. In consideration for Hanover's development of these properties the development agreements provide that ATLANTIC will make certain earnout payments to Hanover either in the form of cash, ATLANTIC shares or shares of SCG's common stock, as determined in the sole discretion of Hanover. The amount of such payments shall be determined on a per site basis and shall be a percentage of the amount by which annualized net operating income exceeds the total actual project costs. The aggregate amount of such earnout amounts for all six properties, however, cannot exceed \$6,600,000. Hanover is not currently entitled to receive any earnout payments.

OTHER TRANSACTIONS WITH AFFILIATES

In ATLANTIC's March through June 1995 private offering, SCG purchased \$94.8 million of Shares at \$11.00 per Share. In ATLANTIC's December 1995 through May 1996 private offering, SCG purchased an aggregate of \$50 million of Shares, \$21.1 million of which were purchased at \$11.50 per Share (which was the price per Share paid by other investors in the offering) and \$28.9 million of which were purchased at \$11.568 per Share. See "--Shareholders' Agreement". Except as described above, all subscriptions were made on the same terms and at the same times as made available to other investors.

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PRINCIPAL SHAREHOLDERS

The following table sets forth, as of August 20, 1996, the beneficial ownership of Shares for (i) each person known to ATLANTIC to be the beneficial owner of more than 5% of ATLANTIC's Shares, (ii) each Director of ATLANTIC and (iii) the Directors and executive officers of ATLANTIC as a group. Unless otherwise indicated in the footnotes, all of such interests are owned directly, and the indicated person or entity has sole voting and investment power.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENT OF ALL SHARES
<S>	<C>	<C>
Security Capital Group Incorporated..... 125 Lincoln Avenue Santa Fe, NM 87501	42,257,407(1)	64.1%
William D. Sanders (Corporate Ownership)..... 7777 Market Center Avenue El Paso, TX 79912	42,257,407(2)	64.1
William D. Sanders (Personal Ownership)..... 7777 Market Center Avenue El Paso, TX 79912	12,310	*
Ameritech Pension Trust..... Ameritech Corporation 225 West Randolph Street HQ-13A Chicago, IL 60606	4,446,640	6.7
General Motors Investment Management Corporation. 767 Fifth Avenue New York, NY 10153	4,347,826(3)	6.6
C. Ronald Blankenship..... 125 Lincoln Avenue Santa Fe, NM 87501	1,000	*
Manuel A. Garcia, III..... P.O. Box 2066 Davgar Restaurants, Inc. Winter Park, FL 32790	20,000	*
Ned S. Holmes..... Parkway Investments/Texas, Inc. 55 Waugh Drive Houston, TX 77007	120,000(4)	*
Constance B. Moore..... Six Piedmont Center Atlanta, GA 30305	21,739	*
James C. Potts..... Six Piedmont Center Atlanta, GA 30305	26,100	*
All Directors and executive officers as a group (11 persons).....	189,839	*

</TABLE>

* Less than 1%

- (1) These Shares are owned of record by SC Realty Incorporated, a wholly owned subsidiary of SCG, and are pledged to secure SCG's \$300 million revolving line of credit facility with a syndicate of banks. As of August 20, 1996, there were \$25 million of borrowings outstanding under the line of credit. The line of credit is also secured by securities owned by SCG of PTR, SCI and Security Capital U.S. Realty, an entity based in Luxembourg which invests in real estate operating companies in the United States. SCG estimates that the aggregate market value of the pledged securities exceeded \$2.0 billion as of August 20, 1996. SCG was in compliance with all covenants under the line of credit at June 30, 1996.
- (2) Mr. Sanders may be deemed to beneficially own these Shares, which are owned by SCG, because Mr. Sanders shares voting and dispositive power with respect to all Shares owned by SCG. SCG and Mr. Sanders intend to play a major role in the direction of ATLANTIC for the purpose of maximizing the value of ATLANTIC.
- (3) 3,913,043 of these Shares are owned by the General Motors Hourly-Rate Employees Pension Trust and 434,783 of these Shares are owned by the General Motors Salaried Employees Pension Trust.
- (4) Mr. Holmes directly owns 5,000 of these Shares. Mr. Holmes may be deemed to beneficially own 115,000 of these Shares which are owned by Mr. Holmes' wife and children and by Holmes Family Venture Ltd., a family entity with respect to which Mr. Holmes shares voting and dispositive power.

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DESCRIPTION OF STOCK

The following summary of the terms of the stock of ATLANTIC does not purport to be complete and is subject to and qualified in its entirety by reference to ATLANTIC's Charter and Bylaws, copies of which have been filed as exhibits to the registration statement of which this Prospectus forms a part.

GENERAL

The authorized stock of ATLANTIC consists of 250,000,000 Shares. The Board may classify or reclassify any unissued Shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions,

qualifications and terms or conditions of redemption. No holder of any class of stock of ATLANTIC will have any preemptive right to subscribe to any securities of ATLANTIC except as may be granted by the Board pursuant to an agreement between ATLANTIC and a shareholder. Under Maryland law, shareholders are generally not liable for ATLANTIC's debts or obligations. For a description of certain provisions that could have the effect of delaying, deferring or preventing a change in control, see "Risk Factors--Limitations on Acquisition of Shares and Change in Control", "Certain Relationships and Transactions--SCG Investor Agreement" and "Certain Provisions of Maryland Law and of ATLANTIC's Charter and Bylaws".

The transfer agent and registrar for the Shares is The First National Bank of Boston, 150 Royall Street, Canton, Massachusetts 02021.

COMMON STOCK

The outstanding Shares are fully paid and nonassessable. Each Share entitles the holder to one vote on all matters requiring a vote of shareholders, including the election of Directors. Shareholders do not have the right to cumulate their votes in the election of Directors, which means that the holders of a majority of the outstanding Shares can elect all of the Directors then standing for election. Shareholders are entitled to such distributions as may be authorized from time to time by the Directors out of assets legally available therefor. ATLANTIC's current distribution policy is to pay quarterly distributions to shareholders based on a reasonable percentage of funds from operations. Prior to the Offering, ATLANTIC has paid consecutive distributions of \$0.21 per Share for the first two quarters of 1996, \$0.20 per Share for 1995 quarters and \$0.15 per Share for 1994 quarters. ATLANTIC paid no distributions in 1993. See "Distributions".

In the event of any liquidation, dissolution or winding-up of the affairs of ATLANTIC, holders of Shares will be entitled, subject to the preferential rights of holders of preferred stock, if any, to share ratably in the assets of ATLANTIC remaining after provision for payment of liabilities to creditors.

Subject to the provisions of the Charter regarding the restriction on transfers of Shares, all Shares have equal distribution, liquidation and other rights, and shall have no preference, preemptive, conversion or exchange rights.

PREFERRED STOCK

The Board is empowered by the Charter, without the approval of shareholders, to classify or reclassify any unissued shares of ATLANTIC's stock from time to time. Prior to the issuance of any such stock, the Board is required to set, subject to the provisions of the Charter regarding the restriction on transfers of stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for such stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control of ATLANTIC and may adversely affect the voting and other rights of shareholders. Upon completion of the Offering, no shares of preferred stock will be outstanding and ATLANTIC has no present plans to issue any preferred stock following completion of the Offering other than as contemplated by the Rights Agreement (as defined below).

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PURCHASE RIGHTS

On March 12, 1996, the Board declared a dividend of one Purchase Right for each Share outstanding at the close of business on March 12, 1996 (the "Rights Record Date") to the holders of Shares of record as of the Rights Record Date. The dividend was paid on the Rights Record Date. The holders of any additional Shares issued after the Rights Record Date and before the redemption or expiration of the Purchase Rights will also be entitled to one Purchase Right for each such additional Share. Each Purchase Right entitles the registered holder under certain circumstances to purchase from ATLANTIC one one-hundredth of a Participating Preferred Share of ATLANTIC at a price of \$40 per one one-hundredth of a Participating Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Purchase Rights are set forth in the Rights Agreement dated as of March 12, 1996 between ATLANTIC and The First National Bank of Boston, as rights agent (the "Rights Agreement").

The Purchase Rights will be exercisable and will be evidenced by separate certificates only after the earliest to occur of: (1) 10 business days following a public announcement that a person or group of affiliated or associated persons (excluding SCG) has acquired beneficial ownership of 20% or more of the outstanding Shares (thereby becoming an "Acquiring Person"), (2) 15 business days (or such later date as may be determined by action of the Board prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which

would result in the beneficial ownership by a person or group of persons (excluding SCG) of 25% or more of the outstanding Shares or (3) 10 business days (or such later date as may be determined by action of the Board prior to such time as any person or group of affiliated persons becomes an Acquiring Person) after the date of filing by any person of, or the first public announcement of the intention of any person to file, any application, request, submission or other document with any federal or state regulatory authority seeking approval of, attempting to rebut any presumption of control upon, or otherwise indicating an intention to enter into, any transaction or series of transactions the consummation of which would result in any person (other than SCG) becoming the beneficial owner of 25% or more of the outstanding Shares, other than a transaction in which newly issued Shares are issued directly by ATLANTIC to such person (the first to occur of such dates being called the "Rights Distribution Date"). With respect to any of the Share certificates outstanding as of the Rights Record Date, until the Rights Distribution Date, the Purchase Rights will be evidenced by such Share certificate. Until the Rights Distribution Date (or earlier redemption or expiration of the Purchase Rights), new Share certificates issued after the Rights Record Date upon transfer or new issuance of Shares will contain a notation incorporating the Rights Agreement by reference. Notwithstanding the foregoing, if the Board in good faith determines that a person who would otherwise be an Acquiring Person under the Rights Agreement has become such inadvertently, and such person divests as promptly as practicable a sufficient number of Shares so that such person would no longer be an Acquiring Person, then such person shall not be deemed to be an Acquiring Person for purposes of the Rights Agreement.

The Purchase Rights will expire on March 12, 2006 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by ATLANTIC, in each case as described below.

The Purchase Price payable, and the number of Participating Preferred Shares or other securities or property issuable, upon exercise of the Purchase Rights are subject to adjustment under certain circumstances from time to time to prevent dilution. With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

Participating Preferred Shares purchasable upon exercise of the Purchase Rights will not be redeemable. Each Participating Preferred Share will be entitled to a minimum preferential quarterly

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distribution payment of \$1 per share but will be entitled to an aggregate distribution of 100 times the distribution declared per Share. Each Participating Preferred Share will have 100 votes, voting together with the Shares. In the event of liquidation, the holders of the Participating Preferred Shares will be entitled to a minimum preferential liquidation payment of \$1 per share, plus an amount equal to all accrued and unpaid dividends thereon, but will be entitled to an aggregate payment of 100 times the payment made per Share. In the event of any merger, consolidation or other transaction in which Shares are exchanged, each Participating Preferred Share will be entitled to receive 100 times the amount received per Share. In the event of issuance of Participating Preferred Shares upon exercise of the Purchase Rights, in order to facilitate trading, a depository receipt may be issued for each one-hundredth of a Participating Preferred Share. The Purchase Rights will be protected by customary antidilution provisions.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision will be made so that each holder of a Purchase Right, other than Purchase Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise a number of Shares having a market value (determined in accordance with the Rights Agreement) of twice the Purchase Price. In lieu of the issuance of Shares upon exercise of Purchase Rights, the Board may under certain circumstances, and if there is an insufficient number of Shares authorized but unissued to permit the exercise in full of the Purchase Rights, the Board is required to, take such action as may be necessary to cause ATLANTIC to issue or pay upon the exercise of Purchase Rights, cash (including by way of a reduction of purchase price), property, other securities or any combination of the foregoing having an aggregate value equal to that of the Shares which otherwise would have been issuable upon exercise of Purchase Rights.

In the event that, after any person or group becomes an Acquiring Person, ATLANTIC is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provision will be made so that each holder of a Purchase Right will thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price, a number of shares of common stock of the acquiring company having a market value (determined in accordance with the Rights Agreement) of twice the Purchase Price.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by that person or group of 50% or more of the outstanding Shares, the Board may exchange the Purchase Rights (other than Purchase Rights owned by that person or group which will have become void), in whole or in part, at an exchange ratio of one Share (or one one-hundredth of a Participating Preferred Share) per Purchase Right (subject to adjustment).

As soon as practicable after a Rights Distribution Date, ATLANTIC is obligated to use its best efforts to file a registration statement under the Securities Act relating to the securities issuable upon exercise of Purchase Rights and to cause such registration statement to become effective as soon as practicable.

At any time prior to the time a person or group of persons becomes an Acquiring Person, the Board may redeem the Purchase Rights in whole, but not in part, at a price of \$0.01 per Purchase Right (the "Redemption Price") payable in cash, Shares or any other form of consideration deemed appropriate by the Board. The redemption of the Purchase Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon the effectiveness of any redemption of the Purchase Rights, the right to exercise the Purchase Rights will terminate and the only right of the holders of Purchase Rights will be to receive the Redemption Price.

The terms of the Purchase Rights may be amended by the Board without the consent of the holders of the Purchase Rights, except that from and after the time any person or group of affiliated or

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associated persons becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Purchase Rights.

The Purchase Rights have certain anti-takeover effects. The Purchase Rights will cause substantial dilution to a person or group that attempts to acquire ATLANTIC on terms not approved by its Board, except pursuant to an offer conditioned on a substantial number of Purchase Rights being acquired. The Purchase Rights should not interfere with any merger or other business combination approved by the Board since the Purchase Rights may be redeemed by ATLANTIC at the Redemption Price prior to the time that a person or group has acquired beneficial ownership of 20% or more of the Shares. The form of Rights Agreement specifying the terms of the Purchase Rights has been incorporated by reference into the registration statement of which this Prospectus forms a part and is incorporated herein by reference. The foregoing description of the Purchase Rights does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Rights Agreement, including the definitions therein of certain terms.

RESTRICTION ON SIZE OF HOLDINGS OF SHARES

ATLANTIC's Charter contains certain restrictions on the number of shares of ATLANTIC's stock that individual shareholders may own. For ATLANTIC to qualify as a REIT under the Code, no more than 50% in value of the shares of ATLANTIC's stock (after taking into account options to acquire shares) may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities and constructive ownership among specified family members) during the last half of a taxable year (other than the first taxable year) or during a proportionate part of a short taxable year. The shares of ATLANTIC's stock must also be beneficially owned (other than during the first taxable year) by 100 or more persons during at least 335 days of a taxable year or during a proportionate part of a shorter taxable year. Because ATLANTIC is a REIT, its Charter contains restrictions on the acquisition of shares of ATLANTIC's stock intended to ensure compliance with these requirements.

Subject to certain exceptions specified in ATLANTIC's Charter, no holder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% (the "Ownership Limit") of the number or value of the issued and outstanding shares of ATLANTIC's stock. The Board, upon receipt of a ruling from the Internal Revenue Service (the "IRS") or an opinion of counsel or other evidence satisfactory to the Board and upon such other conditions as the Board may direct, may also exempt a proposed transferee from the Ownership Limit. The proposed transferee must give written notice to ATLANTIC of the proposed transfer no later than the fifteenth day prior to any transfer which, if consummated, would result in the intended transferee owning shares of ATLANTIC's stock in excess of the Ownership Limit. The Board may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure ATLANTIC's status as a REIT. Any transfer of shares of ATLANTIC's stock that would (i) create a direct or indirect ownership of shares of ATLANTIC's stock in excess of the Ownership Limit, (ii) result in the shares of ATLANTIC's stock being

beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution) as provided in Section 856(a) of the Code, or (iii) result in ATLANTIC being "closely held" within the meaning of Section 856(h) of the Code, shall be null and void ab initio, and the intended transferee will acquire no rights to the shares of ATLANTIC's stock. The foregoing restrictions on transferability and ownership will not apply if the Board determines, which determination must be approved by the shareholders, that it is no longer in the best interests of ATLANTIC to attempt to qualify, or to continue to qualify, as a REIT. ATLANTIC's Charter excludes SCG (and its transferees) from the foregoing ownership restriction.

Any shares the purported transfer of which would result in a person owning shares of ATLANTIC's stock in excess of the Ownership Limit or cause ATLANTIC to become "closely held" under Section 856(h) of the Code that is not otherwise permitted as provided above will constitute excess shares

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("Excess Shares"), which will be transferred pursuant to ATLANTIC's Charter to a party not affiliated with ATLANTIC designated by ATLANTIC as the trustee of a trust for the exclusive benefit of an organization or organizations described in Sections 170(b)(1)(A) and 170(c) of the Code and identified by the Board as the beneficiary or beneficiaries of the trust (the "Charitable Beneficiary"), until such time as the Excess Shares are transferred to a person whose ownership will not violate the restrictions on ownership. While these Excess Shares are held in trust, distributions on such Excess Shares will be paid to the trust for the benefit of the Charitable Beneficiary and may only be voted by the trustee for the benefit of the Charitable Beneficiary. Subject to the Ownership Limit, the Excess Shares shall be transferred by the trustee at the direction of ATLANTIC to any person (if the Excess Shares would not be Excess Shares in the hands of such person). The purported transferee will receive the lesser of (i) the price paid by the purported transferee for the Excess Shares (or, if no consideration was paid, fair market value on the day of the event causing the Excess Shares to be held in trust) and (ii) the price received from the sale or other disposition of the Excess Shares held in trust. Any proceeds in excess of the amount payable to the purported transferee will be paid to the Charitable Beneficiary. In addition, such Excess Shares held in trust are subject to purchase by ATLANTIC for a 90 day period at a purchase price equal to the lesser of (i) the price paid for the Excess Shares by the purported transferee (or, if no consideration was paid, fair market value at the time of the event causing the shares to be held in trust) and (ii) the fair market value of the Excess Shares on the date ATLANTIC elects to purchase. Fair market value, for these purposes, means the last reported sales price reported on the NYSE on the trading day immediately preceding the relevant date, or if not then traded on the NYSE, the last reported sales price on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over or through which the relevant class of shares of stock may be traded, or if not then traded over or through any exchange or quotation system, then the market price on the relevant date as determined in good faith by the Board.

From and after the purported transfer to the purported transferee of the Excess Shares, the purported transferee shall cease to be entitled to distributions (other than liquidating distributions), voting rights and other benefits with respect to the Excess Shares except the right to payment on the transfer of the Excess Shares as described above. Any distribution paid to a purported transferee on Excess Shares prior to the discovery by ATLANTIC that such Excess Shares have been transferred in violation of the provisions of the Charter shall be repaid, upon demand, to ATLANTIC, which shall pay any such amounts to the trust for the benefit of the Charitable Beneficiary. If the foregoing transfer restrictions are determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the purported transferee of any Excess Shares may be deemed, at the option of ATLANTIC, to have acted as an agent on behalf of ATLANTIC in acquiring such Excess Shares and to hold such Excess Shares on behalf of ATLANTIC.

All certificates representing Shares will bear a legend referring to the restrictions described above.

All persons who own, directly or by virtue of the attribution provisions of the Code, more than 5% (or such other percentage between 1/2 of 1% and 5%, as provided in the rules and regulations promulgated under the Code) of the number or value of the outstanding shares of ATLANTIC's stock must give a written notice containing certain information to ATLANTIC by January 31 of each year. In addition, each shareholder shall upon demand be required to disclose to ATLANTIC in writing such information with respect to the direct, indirect and constructive ownership of Shares as the Board deems reasonably necessary to comply with the provisions of the Code applicable to a REIT, to determine ATLANTIC's status as a REIT, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

These ownership limitations could have the effect of discouraging a takeover

or other transaction in which holders of some, or a majority, of the Shares might receive a premium for their Shares over the then prevailing market price or which such holders might believe to be otherwise in their best interest.

DIRECTOR LIABILITY

Maryland law requires a corporation (unless its charter provides otherwise, which ATLANTIC's Charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation. In addition, Maryland law requires ATLANTIC, as a condition to advancing expenses, to obtain (a) a written affirmation by the Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by ATLANTIC as authorized by ATLANTIC's Bylaws and (b) a written statement by or on his or her behalf to repay the amount paid or reimbursed by ATLANTIC if it shall ultimately be determined that the standard of conduct was not met.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF ATLANTIC'S

CHARTER AND BYLAWS

The following paragraphs summarize certain provisions of Maryland law and ATLANTIC's Charter and Bylaws. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and ATLANTIC's Charter and Bylaws, copies of which have been filed as exhibits to the registration statement of which this Prospectus forms a part.

CLASSIFICATION OF THE BOARD

ATLANTIC's Charter provides that the number of Directors may be increased or decreased from time to time by the vote of a majority of the Board but may not be less than three. Pursuant to ATLANTIC's Charter, the Directors are divided into three classes. One class will hold office initially for a term expiring at the annual meeting of shareholders to be held in 1997, another class will hold office initially for a term expiring at the annual meeting of shareholders to be held in 1998 and another class will hold office initially for a term expiring at the annual meeting of shareholders to be held in 1999. As the term of each class expires, Directors in that class will be elected for a term of three years and until their successors are duly elected and qualify. ATLANTIC believes that classification of the Board will help to assure the continuity and stability of ATLANTIC's business strategies and policies as determined by the Board.

The classified Director provision could have the effect of making the removal of incumbent Directors more time-consuming and difficult, which could discourage a third party from making a tender offer or otherwise attempting to obtain control of ATLANTIC, even though such an attempt might be beneficial to ATLANTIC and its shareholders. At least two annual meetings of shareholders, instead of one, will generally be required to effect a change in a majority of the Board. Thus, the classified board provision could increase the likelihood that incumbent Directors will retain their positions.

BUSINESS COMBINATIONS

Under Maryland law, certain "business combinations" (including a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance or reclassification of equity

securities) between a Maryland corporation and any person who beneficially owns 10% or more of the voting power of the corporation's shares or an affiliate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation (an "Interested Stockholder") or an affiliate of such an Interested Stockholder are prohibited for five years after the most recent date on which the Interested Stockholder

became an Interested Stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation and (b) two-thirds of the votes entitled to be cast by holders of outstanding voting shares of the corporation other than shares held by the Interested Stockholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other things, the corporation's stockholders receive a minimum price (as defined under Maryland law) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Stockholder for its shares. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the Interested Stockholder becomes an Interested Stockholder. The Board has exempted from these provisions of Maryland law any business combination with SCG and its affiliates and successors. As a result, SCG and its affiliates and successors may be able to enter into business combinations with ATLANTIC that may not be in the best interests of ATLANTIC's shareholders without compliance by ATLANTIC with the super-majority vote requirements and other provisions of the statute.

CONTROL SHARE ACQUISITIONS

Maryland law provides that "Control Shares" of a Maryland corporation acquired in a "Control Share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror or by officers or directors who are employees of the corporation. "Control Shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority of all voting power. Control Shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "Control Share acquisition" means the acquisition of Control Shares, subject to certain exceptions.

A person who has made or proposes to make a Control Share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the Control Shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the Control Shares, as of the date of the last Control Share acquisition or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for Control Shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the Control Share acquisition.

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The Control Share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or to acquisitions approved or exempted by the charter or bylaws of the corporation.

ATLANTIC's Bylaws contain a provision exempting any and all acquisitions by SCG and its affiliates and successors from the provisions of the Control Share acquisition statute.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

For nominations or other business to be properly brought before an annual meeting of shareholders by a stockholder, ATLANTIC's Bylaws require such shareholder to deliver a notice to the Secretary, absent specified circumstances, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting setting forth: (i) as to each person whom the shareholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, pursuant to Regulation 14A of the Exchange Act; (ii) as to any other business that the shareholder proposes to bring before the meeting, a

brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such shareholder as they appear on ATLANTIC's books, and of such beneficial owner and (y) the number of Shares which are owned beneficially and of record by such shareholder and such beneficial owner, if any.

SHARES AVAILABLE FOR FUTURE SALE

As of August 20, 1996, ATLANTIC had 65,903,161 Shares issued and outstanding which were held of record by 326 shareholders. Upon completion of the Offering, ATLANTIC will have Shares issued and outstanding or reserved for issuance upon exercise of outstanding options. All of the Shares to be issued or sold by ATLANTIC in the Offering, other than any Shares purchased by affiliates, will be tradeable without restriction under the Securities Act. The Shares currently issued and outstanding or reserved for issuance upon exercise of options will be eligible for sale in the future, subject to the volume resale, manner of sale and notice limitations of Rule 144 of the Securities Act.

In general, under Rule 144, a person (or persons whose Shares are aggregated in accordance with the Rule) who has beneficially owned his or her Shares for at least two years, including any such persons who may be deemed "affiliates" of ATLANTIC (as defined in the Securities Act), would be entitled to sell within any three-month period a number of Shares that does not exceed the greater of 1% of the then outstanding number of Shares or the average weekly trading volume of the Shares during the four calendar weeks preceding each such sale. After Shares are held for three years, a person who is not deemed an "affiliate" of ATLANTIC is entitled to sell such Shares under Rule 144 without regard to the volume limitations described above. Sales of Shares by affiliates will continue to be subject to the volume limitations. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly, through the use of one or more intermediaries, controls, is controlled by, or is under common control with, such issuer.

ATLANTIC has granted SCG, which beneficially owns 42,257,407 Shares, the right to demand, at any time after the Shares are registered under the Exchange Act, registration of all or any part of the Shares owned by SCG pursuant to Rule 415 of the Securities Act. In addition, ATLANTIC has agreed to file a registration statement (within one year of the consummation of the Offering) pursuant to Rule 415 of the Securities Act for up to \$50 million of Shares on behalf of certain investors who purchased Shares in ATLANTIC's most recent private offering. The persons entitled to register their securities are

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responsible for all costs and expenses (other than ATLANTIC's legal, audit and certain accounting fees) incident to any registration of the type discussed in this paragraph.

ATLANTIC has reserved an additional 200,000 Shares for future issuance upon exercise of Options under the Outside Directors Plan. See "REIT Management--Outside Directors Plan".

No prediction can be made as to the effect, if any, that future sales of Shares or the availability of Shares for future sale will have on the market price prevailing from time to time. Sales of substantial amounts of Shares (including Shares issued upon the exercise of options), or the perception that such sales could occur, could adversely affect the prevailing market price of the Shares.

For a description of certain restrictions on transfers of Shares by ATLANTIC (and certain of its Directors and officers) and by SCG, see "Underwriting".

FEDERAL INCOME TAX CONSIDERATIONS

ATLANTIC intends to operate in a manner that permits it to satisfy the requirements for taxation as a REIT under the applicable provisions of the Code. No assurance can be given, however, that such requirements will be met. The following is a description of the federal income tax consequences to ATLANTIC and its shareholders of the treatment of ATLANTIC as a REIT. Since these provisions are highly technical and complex, each prospective purchaser of ATLANTIC's Shares is urged to consult his or her own tax advisor with respect to the federal, state, local, foreign and other tax consequences of the purchase, ownership and disposition of the Shares.

Based upon certain representations of ATLANTIC with respect to the facts as set forth and explained in the discussion below, in the opinion of Mayer, Brown & Platt, counsel to ATLANTIC, ATLANTIC has been organized in conformity with the requirements for qualification as a REIT beginning with its taxable

year ended December 31, 1994, and its proposed method of operation described in this Prospectus and as represented by management will enable it to satisfy the requirements for such qualification.

This opinion is conditioned upon certain representations made by ATLANTIC as to certain factual matters relating to ATLANTIC's organization and intended or expected manner of operation. In addition, this opinion is based on the law existing and in effect on the date hereof. ATLANTIC's qualification and taxation as a REIT will depend upon ATLANTIC's ability to meet on a continuing basis, through actual operating results, asset composition, distribution levels and diversity of stock ownership, the various qualification tests imposed under the Code discussed below. Mayer, Brown & Platt will not review compliance with these tests on a continuing basis. No assurance can be given that ATLANTIC will satisfy such tests on a continuing basis.

In brief, if certain detailed conditions imposed by the REIT provisions of the Code are met, entities, such as ATLANTIC, that invest primarily in real estate and that otherwise would be treated for federal income tax purposes as corporations, are generally not taxed at the corporate level on their "REIT taxable income" that is currently distributed to shareholders. This treatment substantially eliminates the "double taxation" (at both the corporate and shareholder levels) that generally results from the use of corporations.

If ATLANTIC fails to qualify as a REIT in any year, however, it will be subject to federal income taxation as if it were a domestic corporation, and its shareholders will be taxed in the same manner as shareholders of ordinary corporations. In this event, ATLANTIC could be subject to potentially significant tax liabilities, and therefore the amount of cash available for distribution to its shareholders would be reduced or eliminated.

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ATLANTIC elected REIT status effective for the taxable year ended December 31, 1994 and the Board currently intends that ATLANTIC will operate in a manner that permits it to qualify as a REIT in each taxable year thereafter. There can be no assurance, however, that this expectation will be fulfilled, since qualification as a REIT depends on ATLANTIC continuing to satisfy numerous asset, income and distribution tests described below, which in turn will be dependent in part on ATLANTIC's operating results.

The following summary is based on existing law, is not exhaustive of all possible tax considerations and does not give a detailed discussion of any state, local or foreign tax considerations, nor does it discuss all of the aspects of federal income taxation that may be relevant to a prospective shareholder in light of his or her particular circumstances or to certain types of shareholders (including insurance companies, tax-exempt entities, financial institutions or broker-dealers, foreign corporations and persons who are not citizens or residents of the United States) subject to special treatment under the federal income tax laws.

TAXATION OF ATLANTIC

GENERAL

In any year in which ATLANTIC qualifies as a REIT, in general it will not be subject to federal income tax on that portion of its REIT taxable income or capital gain which is distributed to shareholders. ATLANTIC may, however, be subject to tax at normal corporate rates upon any taxable income or capital gain not distributed.

Notwithstanding its qualification as a REIT, ATLANTIC may also be subject to taxation in certain other circumstances. If ATLANTIC should fail to satisfy either the 75% or the 95% gross income test (as discussed below), and nonetheless maintains its qualification as a REIT because certain other requirements are met, it will be subject to a 100% tax on the greater of the amount by which ATLANTIC fails to satisfy either the 75% test or the 95% test, multiplied by a fraction intended to reflect ATLANTIC's profitability. ATLANTIC will also be subject to a tax of 100% on net income from any "prohibited transaction", as described below, and if ATLANTIC has (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, it will be subject to tax on such income from foreclosure property at the highest corporate rate. In addition, if ATLANTIC should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior years, ATLANTIC would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. ATLANTIC may also be subject to the corporate "alternative minimum tax", as well as tax in certain situations and on certain transactions not presently contemplated. ATLANTIC will use the calendar year both for federal income tax purposes and for financial reporting purposes.

In order to qualify as a REIT, ATLANTIC must meet, among others, the following requirements:

SHARE OWNERSHIP TEST

ATLANTIC's shares of stock must be held by a minimum of 100 persons for at least 335 days in each taxable year (or a proportional number of days in any short taxable year). In addition, at all times during the second half of each taxable year, no more than 50% in value of the stock of ATLANTIC may be owned, directly or indirectly and by applying certain constructive ownership rules, by five or fewer individuals (the "50% test"), which for this purpose includes certain tax-exempt entities. Any stock held by a qualified domestic pension or other retirement trust will be treated as held directly by its beneficiaries in proportion to their actuarial interest in such trust rather than by such trust. Pursuant

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to the constructive ownership rules, SCG's ownership of Shares is attributed to its shareholders for purposes of the 50% test.

In order to ensure compliance with the 50% test, ATLANTIC has placed certain restrictions on the transfer of the shares of its stock to prevent additional concentration of ownership. Moreover, to evidence compliance with these requirements under United States Treasury Department ("Treasury") regulations, ATLANTIC must maintain records which disclose the actual ownership of its outstanding shares of stock. In fulfilling its obligations to maintain records, ATLANTIC must and will demand written statements each year from the record holders of designated percentages of shares of its stock disclosing the actual owners of such shares (as prescribed by Treasury regulations). A list of those persons failing or refusing to comply with such demand must be maintained as a part of ATLANTIC's records. A shareholder failing or refusing to comply with ATLANTIC's written demand must submit with his or her tax returns a similar statement disclosing the actual ownership of shares of ATLANTIC's stock and certain other information. In addition, ATLANTIC's Charter provide restrictions regarding the transfer of shares of its stock that are intended to assist ATLANTIC in continuing to satisfy the share ownership requirements. See "Description of Stock--Restriction on Size of Holdings of Shares". ATLANTIC intends to enforce the 9.8% limitation on ownership of shares of its stock to assure that its qualification as a REIT will not be compromised.

ASSET TESTS

At the close of each quarter of ATLANTIC's taxable year, ATLANTIC must satisfy certain tests relating to the nature of its assets (determined in accordance with GAAP). First, at least 75% of the value of ATLANTIC's total assets must be represented by interests in real property, interests in mortgages on real property, shares in other REITs, cash, cash items, and government securities (including certain government guaranteed securities) and qualified temporary investments. Second, although the remaining 25% of ATLANTIC's assets generally may be invested without restriction, securities in this class may not exceed either (i) in the case of securities of any one non-government issuer, 5% of the value of ATLANTIC's total assets or (ii) 10% of the outstanding voting securities of any one such issuer. Where ATLANTIC invests in a partnership, it will be deemed to own a proportionate share of the partnership's assets.

GROSS INCOME TESTS

There are three separate percentage tests relating to the sources of ATLANTIC's gross income which must be satisfied for each taxable year. For purposes of these tests, where ATLANTIC invests in a partnership, ATLANTIC will be treated as receiving its share of the income and loss of the partnership, and the gross income of the partnership will retain the same character in the hands of ATLANTIC as it has in the hands of the partnership. The three tests are as follows:

1. THE 75% TEST. At least 75% of ATLANTIC's gross income for the taxable year must be "qualifying income". Qualifying income generally includes: (i) rents from real property (except as modified below); (ii) interest on obligations collateralized by mortgages on, or interests in, real property; (iii) gains from the sale or other disposition of interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of ATLANTIC's trade or business ("dealer property"); (iv) dividends or other distributions on shares in other REITs, as well as gain from the sale of such shares; (v) abatements and refunds of real property taxes; (vi) income from the operation, and gain from the sale, of property acquired at or in lieu of a foreclosure of the mortgage collateralized by such property ("foreclosure property"); and (vii) commitment fees received for agreeing to make loans collateralized by mortgages on real property or to purchase or lease real property.

Rents received from a resident will not, however, qualify as rents from real property in satisfying the 75% test (or the 95% gross income test described below) if ATLANTIC, or an owner

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of 10% or more of ATLANTIC, directly or constructively owns 10% or more of such resident. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property. Moreover, an amount received or accrued will not qualify as rents from real property (or as interest income) for purposes of the 75% and 95% gross income tests if it is based in whole or in part on the income or profits of any person, although an amount received or accrued generally will not be excluded from "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Finally, for rents received to qualify as rents from real property, ATLANTIC generally must not operate or manage the property or furnish or render services to residents, other than through an "independent contractor" from whom ATLANTIC derives no income, except that the "independent contractor" requirement does not apply to the extent that the services provided by ATLANTIC are "usually or customarily rendered" in connection with the rental of multifamily units for occupancy only, or are not otherwise considered "rendered to the occupant for his convenience".

2. THE 95% TEST. In addition to deriving 75% of its gross income from the sources listed above, at least 95% of ATLANTIC's gross income for the taxable year must be derived from the above-described qualifying income, or from dividends, interest or gains from the sale or disposition of stock or other securities that are not dealer property. Dividends (other than on REIT shares) and interest on any obligations not collateralized by an interest in real property are included for purposes of the 95% test, but not for purposes of the 75% test.

For purposes of determining whether ATLANTIC complies with the 75% and 95% income tests, gross income does not include income from prohibited transactions. A "prohibited transaction" is a sale of dealer property (excluding foreclosure property) unless such property is held by ATLANTIC for at least four years and certain other requirements (relating to the number of properties sold in a year, their tax bases, and the cost of improvements made thereto) are satisfied. See "--Taxation of ATLANTIC-- General".

Even if ATLANTIC fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may still qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will generally be available if: (i) ATLANTIC's failure to comply was due to reasonable cause and not to willful neglect; (ii) ATLANTIC reports the nature and amount of each item of its income included in the tests on a schedule attached to its tax return; and (iii) any incorrect information on this schedule is not due to fraud with intent to evade tax. If these relief provisions apply, however, ATLANTIC will nonetheless be subject to a special tax upon the greater of the amount by which it fails either the 75% or 95% gross income test for that year.

3. THE 30% TEST. ATLANTIC must derive less than 30% of its gross income for each taxable year from the sale or other disposition of: (i) real property held for less than four years (other than foreclosure property and involuntary conversions); (ii) stock or securities held for less than one year; and (iii) property in a prohibited transaction. ATLANTIC does not anticipate that it will have any substantial difficulty in complying with this test.

ANNUAL DISTRIBUTION REQUIREMENTS

In order to qualify as a REIT, ATLANTIC is required to make distributions (other than capital gain dividends) to its shareholders each year in an amount at least equal to (i) the sum of (a) 95% of ATLANTIC's REIT taxable income (computed without regard to the dividends paid deduction and the REIT's net capital gain) and (b) 95% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of certain items of non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before ATLANTIC timely files its tax return for such year and if paid on or before the first regular dividend payment after such

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declaration. To the extent that ATLANTIC does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its REIT

taxable income, as adjusted, it will be subject to tax on the undistributed amount at regular capital gains or ordinary corporate tax rates, as the case may be.

ATLANTIC intends to make timely distributions sufficient to satisfy the annual distribution requirements. It is possible that ATLANTIC may not have sufficient cash or other liquid assets to meet the 95% distribution requirement, due to timing differences between the actual receipt of income and actual payment of expenses on the one hand, and the inclusion of such income and deduction of such expenses in computing ATLANTIC's REIT taxable income on the other hand. To avoid any problem with the 95% distribution requirement, ATLANTIC will closely monitor the relationship between its REIT taxable income and cash flow and, if necessary, intends to borrow funds in order to satisfy the distribution requirement. However, there can be no assurance that such borrowing would be available at such time.

If ATLANTIC fails to meet the 95% distribution requirement as a result of an adjustment to ATLANTIC's tax return by the IRS, ATLANTIC may retroactively cure the failure by paying a "deficiency dividend" (plus applicable penalties and interest) within a specified period.

FAILURE TO QUALIFY

If ATLANTIC fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, ATLANTIC will be subject to applicable federal and state tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which ATLANTIC fails to qualify will not be deductible by ATLANTIC, nor generally will they be required to be made under the Code. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income and, subject to certain limitations in the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, ATLANTIC also will be disqualified from re-electing taxation as a REIT for the four taxable years following the year during which qualification was lost.

TAXATION OF SHAREHOLDERS

TAXATION OF TAXABLE DOMESTIC SHAREHOLDERS

As long as ATLANTIC qualifies as a REIT, distributions made to ATLANTIC's taxable domestic shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed ATLANTIC's actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its Shares. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. To the extent that ATLANTIC makes distributions in excess of current and accumulated earnings and profits, these distributions are treated first as a tax-free return of capital to the shareholder, reducing the tax basis of a shareholder's Shares by the amount of such distribution (but not below zero), with distributions in excess of the shareholder's tax basis taxable as capital gains (if the Shares are held as a capital asset). See "Distributions". In addition, any dividend declared by ATLANTIC in October, November or December of any year and payable to a shareholder of record on a specific date in any such month shall be treated as both paid by ATLANTIC and received by the shareholder on December 31 of such year, provided that the dividend is actually paid by ATLANTIC during January of the following calendar year. Shareholders may not include in their individual income tax returns any net operating losses or capital losses of ATLANTIC. Federal income tax rules may also require that certain minimum tax adjustments and preferences be apportioned to ATLANTIC shareholders.

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In general, any loss upon a sale or exchange of Shares by a shareholder who has held such Shares for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, to the extent of distributions from ATLANTIC required to be treated by such shareholder as long-term capital gains.

BACKUP WITHHOLDING

ATLANTIC will report to its domestic shareholders and to the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a shareholder may be subject to backup withholding at applicable rates with respect to dividends paid unless such shareholder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a taxpayer identification number, certifies as to

no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A shareholder that does not provide ATLANTIC with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be credited against the shareholder's income tax liability. In addition, ATLANTIC may be required to withhold a portion of capital gain distributions made to any shareholders who fail to certify their non-foreign status to ATLANTIC. See "--Taxation of Foreign Shareholders" below.

TAXATION OF TAX-EXEMPT SHAREHOLDERS

The IRS has issued a revenue ruling in which it held that amounts distributed by a REIT to a tax-exempt employees' pension trust do not constitute unrelated business taxable income ("UBTI"). Subject to the discussion below regarding a "pension-held REIT", based upon the ruling, the analysis therein and the statutory framework of the Code, distributions by ATLANTIC to a shareholder that is a tax-exempt entity should also not constitute UBTI, provided that the tax-exempt entity has not financed the acquisition of its Shares with "acquisition indebtedness" within the meaning of the Code, and that the Shares are not otherwise used in an unrelated trade or business of the tax-exempt entity, and that ATLANTIC, consistent with its present intent, does not hold a residual interest in a real estate mortgage investment conduit.

However, if any pension or other retirement trust that qualifies under Section 401(a) of the Code ("qualified pension trust") holds more than 10% by value of the interests in a "pension-held REIT" at any time during a taxable year, a portion of the dividends paid to the qualified pension trust by such REIT may constitute UBTI. For these purposes, a "pension-held REIT" is defined as a REIT if (i) such REIT would not have qualified as a REIT but for the provisions of the Code which look through such a qualified pension trust in determining ownership of stock of the REIT and (ii) at least one qualified pension trust holds more than 25% by value of the interests of such REIT or one or more qualified pension trusts (each owning more than a 10% interest by value in the REIT) hold in the aggregate more than 50% by value of the interests in such REIT.

TAXATION OF FOREIGN SHAREHOLDERS

ATLANTIC will qualify as a "domestically-controlled REIT" so long as less than 50% in value of its Shares is held by foreign persons (i.e., non-resident aliens and foreign corporations, partnerships, trusts and estates). It is currently anticipated that ATLANTIC will qualify as a domestically-controlled REIT. Under these circumstances, gain from the sale of the Shares by a foreign person should not be subject to U.S. taxation, unless such gain is effectively connected with such person's U.S. business or, in the case of an individual foreign person, such person is present within the U.S. for more than 182 days in such taxable year.

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Distributions of cash generated by ATLANTIC's real estate operations (but not by its sale or exchange of such properties) that are paid to foreign persons generally will be subject to U.S. withholding tax at a rate of 30%, unless (i) an applicable tax treaty reduces that tax and the foreign shareholder files with ATLANTIC the required form evidencing such lower rate or (ii) the foreign shareholder files an IRS Form 4224 with ATLANTIC claiming that the distribution is "effectively connected" income. Treasury Regulations proposed in 1996, which have not yet been adopted, and are therefore not currently effective, would, if and when they become effective, revise in certain respects the rules applicable to foreign shareholders with respect to payments made after December 31, 1997.

Distributions of proceeds attributable to the sale or exchange by ATLANTIC of U.S. real property interests are subject to income and withholding taxes pursuant to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), and may be subject to branch profits tax in the hands of a shareholder which is a foreign corporation if it is not entitled to treaty relief or exemption. ATLANTIC is required by applicable Treasury Regulations to withhold 35% of any distribution to a foreign person that could be designated by ATLANTIC as a capital gain dividend; this amount is creditable against the foreign shareholder's FIRPTA tax liability.

The federal income taxation of foreign persons is a highly complex matter that may be affected by many other considerations. Accordingly, foreign investors in ATLANTIC should consult their own tax advisors regarding the income and withholding tax considerations with respect to their investment in ATLANTIC.

TAX CONSEQUENCES OF THE HOMESTEAD TRANSACTION

The following is a summary of the material United States Federal income tax consequences of the Homestead transaction to ATLANTIC and ATLANTIC

shareholders. To the extent such summary discusses matters of law, it is based on the opinion of Mayer, Brown & Platt. The summary is based upon the Code, its legislative history, administrative pronouncements, judicial decisions and Treasury regulations, subsequent changes to any of which may affect the tax consequences described herein possibly on a retroactive basis. The summary only applies to persons who hold Shares as capital assets and does not address tax considerations which may affect the treatment of certain special status taxpayers such as financial institutions, broker-dealers, life insurance companies, tax-exempt organizations, investment companies and foreign taxpayers. The summary does not address the foreign, state, local or other tax consequences of the Homestead transaction. SHAREHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE HOMESTEAD TRANSACTION AND AS TO THE FOREIGN, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE HOMESTEAD TRANSACTION.

TAX CONSEQUENCES TO ATLANTIC

THE MERGERS. In the opinion of Mayer, Brown & Platt, based on certain representations of ATLANTIC, the Mergers constitute a transaction subject to Section 351 or the reorganization provisions of the Code and related provisions. Assuming the Mergers constitute a transaction subject to Section 351 or the reorganization provisions of the Code and related provisions, (i) ATLANTIC will not recognize gain, income or loss upon the receipt of the Homestead common stock in the Mergers in exchange for the assets transferred except to the extent that ATLANTIC is treated as having received boot in the Mergers, (ii) the tax basis of the Homestead common stock received by ATLANTIC will be the same as ATLANTIC's and its subsidiaries' tax basis in the Homestead Village properties transferred by ATLANTIC to Homestead in the Mergers reduced by any liabilities of ATLANTIC's subsidiaries assumed by Homestead in the Mergers, and (iii) the holding period of the Homestead common stock received by ATLANTIC will be the same as ATLANTIC's and its

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subsidiaries' holding period in the Homestead Village properties, allocated among the shares of the Homestead common stock received according to the fair market values of such properties. To the extent that ATLANTIC is treated as having received boot in the Mergers, ATLANTIC will recognize taxable gain with respect to each of the Homestead Village properties transferred by ATLANTIC to Homestead in the Mergers in an amount equal to the lesser of (i) the fair market value on the date of the Mergers of the boot received by ATLANTIC allocated to such Homestead Village property and (ii) the amount by which the fair market value of such Homestead Village property exceeds ATLANTIC's or its subsidiaries' tax basis therein. The tax basis of the Homestead common stock received by ATLANTIC will be increased by the amount of any such taxable gain recognized and will be decreased by the fair market value of the boot received. ATLANTIC's tax basis in any boot received will equal the fair market value on the date of the Mergers of such boot. Any taxable gain recognized by ATLANTIC as a result of the receipt of boot will reduce the amount of gain recognized by ATLANTIC on the Distribution.

THE DISTRIBUTION. ATLANTIC will recognize gain upon the Distribution of the Homestead common stock and warrants to its shareholders in an amount equal to the excess of the sum of (i) the fair market value of the Homestead common stock and warrants on the Distribution Date and (ii) cash distributed in lieu of fractional shares of Homestead common stock and fractional Homestead warrants over ATLANTIC's tax basis immediately prior to the Distribution in the Homestead common stock and warrants it receives in the Mergers, and the earnings and profits of ATLANTIC will be increased by the amount of any such gain recognized. ATLANTIC's gain on the Distribution will be reduced to the extent that ATLANTIC recognized gain on the Mergers from the receipt of boot and its tax basis in the Homestead common stock was increased thereby. In computing its taxable income for the year in which the Distribution occurs, ATLANTIC will be allowed a dividends paid deduction with respect to the Distribution in an amount equal to the sum of the fair market value on the Distribution Date of the Homestead common stock and warrants distributed and any cash distributed in lieu of fractional shares of Homestead common stock and fractional Homestead warrants, but in no event in excess of the earnings and profits of ATLANTIC.

The fair market value of the Homestead common stock and warrants on the Distribution Date will be determined by the best available evidence as to their value on that date. Assuming there are no aberrations in the trading of the Homestead common stock and warrants, and absent special factors bearing on the value of a particular holder's Homestead common stock and warrants, the best available evidence of the fair market value of the Homestead common stock and warrants on the Distribution Date should be their value as reflected by their trading prices on the Distribution Record Date or within a reasonable period before or after such date. To the extent the trading price of the Homestead common stock and warrants does not reflect their fair market value because, for example, there are too few trades, the trading is of a sporadic nature or such securities are not traded, then other relevant data bearing on

the value of the Homestead common stock and warrants will be considered in determining the fair market value of the Homestead common stock and warrants.

Thus, as a result of the Homestead transaction, ATLANTIC will recognize gain in an amount equal to the excess of the value of the Homestead Village properties transferred by ATLANTIC to Homestead in the Mergers over ATLANTIC's or its subsidiaries' basis therein (the "net built-in gain"). ATLANTIC will recognize such gain in one of the following ways: (i) as a result of the receipt of boot in the Mergers, (ii) upon the Distribution, or (iii) in part as a result of the receipt of boot in the Mergers and in part upon the Distribution. In addition, if the fair market value of any Homestead Village property transferred by ATLANTIC to Homestead in the Mergers were less than ATLANTIC's or its subsidiaries' tax basis therein (a "built-in loss") and if the fair market value of boot received by ATLANTIC in the Mergers were to exceed ATLANTIC's net built-in gain in the Homestead Village properties, ATLANTIC would recognize additional gain in the Homestead transaction in an amount equal to the lesser of (i) ATLANTIC's aggregate built-in losses in the Homestead Village properties and (ii) the excess of the

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fair market value of the boot received by ATLANTIC in the Mergers over ATLANTIC's net built-in gain in the Homestead Village properties. However, it is not anticipated that any of the Homestead Village properties transferred by ATLANTIC in the Mergers will have a built-in loss.

MORTGAGES. After consummation of the Homestead transaction, ATLANTIC will hold mortgage notes of Homestead convertible into shares of Homestead common stock. The terms of the Funding Commitment Agreement provide that ATLANTIC will fund \$1,133,535 for each \$1,000,000 of convertible mortgage loans. Accordingly, ATLANTIC will be treated as having acquired the convertible mortgage loans at a premium which ATLANTIC will be entitled to amortize as an offset to interest income (with a corresponding reduction in ATLANTIC's tax basis) under a constant yield method over the terms of the convertible mortgage notes if (as ATLANTIC intends) an election under Section 171 of the Code is made. Interest paid by Homestead to ATLANTIC on the mortgage notes will constitute qualified income for purposes of determining whether ATLANTIC meets the gross income requirements for REIT qualification.

The terms of the mortgages provide for adjustment of the price for conversion of the mortgages into the Homestead common stock if Homestead makes certain distributions of stock, cash or other property to its shareholders. While Homestead does not presently contemplate making such a distribution, if Homestead makes a distribution of cash or property resulting in an adjustment to the conversion price, ATLANTIC, as a holder of such convertible mortgages, may be viewed as receiving a "deemed distribution" under Section 305 of the Code, even if ATLANTIC does not hold any Homestead common stock at such time. The deemed distribution would constitute a taxable dividend, taxable as ordinary income, to the extent that the earnings and profits of Homestead were allocable to the deemed distribution. The amount of the deemed distribution which exceeded the allocated earnings and profits of Homestead would be considered a return of capital and would reduce ATLANTIC's tax basis in the convertible mortgages (but not below zero) by the value of the deemed distribution. To the extent that the value of the deemed distribution exceeds ATLANTIC's tax basis in the convertible mortgages, the deemed distribution would result in gain to ATLANTIC. ATLANTIC's tax basis in the convertible mortgages would then immediately be increased by the value of the property deemed to have been distributed.

Except as discussed below with respect to cash received in lieu of fractional shares of Homestead common stock, ATLANTIC will not recognize gain or loss upon the exercise of the conversion right. ATLANTIC's tax basis in the Homestead common stock received upon the conversion will be equal to ATLANTIC's tax basis in the mortgages converted. Upon conversion of the mortgages, ATLANTIC will receive cash in lieu of any fractional shares of Homestead common stock and will recognize gain to the extent that the cash received exceeds ATLANTIC's tax basis in the portion of the mortgages converted for cash in lieu of fractional shares. In the event that ATLANTIC exercises its conversion right, it is expected that ATLANTIC, consistent with its status as a REIT, will shortly thereafter distribute to its shareholders or sell in the open market the Homestead common stock received. ATLANTIC will recognize gain upon such distribution or sale of the Homestead common stock received upon conversion in an amount equal to the excess of the fair market value of the Homestead common stock over ATLANTIC's tax basis therein, and the earnings and profits of ATLANTIC will be increased by the amount of any such gain recognized. In computing its taxable income for the year in which any Homestead common stock is distributed, ATLANTIC will be allowed a dividends paid deduction in an amount equal to the fair market value at the time of distribution of the Homestead common stock distributed, but in no event in excess of the earnings and profits of ATLANTIC.

COMMITMENT FEE INCOME. The receipt by ATLANTIC of the Homestead warrants in

consideration for entering into the Funding Commitment Agreement will be treated as a commitment fee to ATLANTIC for entering into the Funding Commitment Agreement which will constitute taxable income to ATLANTIC. Such income will constitute qualified income for purposes of determining

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whether ATLANTIC meets the gross income requirements for REIT qualification. The earnings and profits of ATLANTIC will be increased by the amount of the commitment fee income, consequently increasing the amount of the Distribution which will be treated as a fully taxable dividend to ATLANTIC shareholders.

TAX CONSEQUENCES TO HOMESTEAD

Assuming the Mergers constitute a transaction subject to Section 351 or the reorganization provisions of the Code and related provisions, (i) Homestead will not recognize gain, income or loss as a result of the Homestead transaction, (ii) the tax bases of the Homestead Village properties received by Homestead from ATLANTIC and its subsidiaries will be the same as the tax bases of ATLANTIC and its subsidiaries in such properties increased by the amount of any gain recognized by ATLANTIC as a result of the receipt by ATLANTIC of boot in the Mergers, and (iii) the holding period of the Homestead Village properties received by Homestead from ATLANTIC and its subsidiaries will be the same as the holding period of ATLANTIC and its subsidiaries in such properties.

TAX CONSEQUENCES TO ATLANTIC SHAREHOLDERS

THE DISTRIBUTION. The amount received by ATLANTIC shareholders in the Distribution will be equal to the fair market value of the Homestead common stock and warrants received plus the amount of any cash received in lieu of fractional shares of Homestead common stock and fractional Homestead warrants. The Distribution will constitute a taxable dividend to ATLANTIC shareholders, taxable as ordinary income, to the extent of the earnings and profits of ATLANTIC allocable to such Homestead common stock and warrants and cash. The amount of the Distribution which exceeds the allocated earnings and profits of ATLANTIC will be treated as a nontaxable reduction (although not below zero) of a shareholder's adjusted tax basis in its Shares. To the extent that the Distribution exceeds such shareholder's adjusted tax basis in its Shares, the Distribution will be treated as gain to such shareholder. Any such gain will constitute capital gain to such shareholder if the shareholder holds its Shares as a capital asset. Such gain will constitute short-term capital gain for any holder acquiring its Shares in the Offering. As discussed above, gain recognized by ATLANTIC upon the distribution of the Homestead common stock and warrants will increase ATLANTIC's earnings and profits, thus increasing the portion of the distributions of ATLANTIC for the taxable year of the Distribution which will be treated as taxable dividends as opposed to return of capital.

To the extent that ATLANTIC has a net capital gain for the taxable year, it may designate all or a portion of any dividend distributed as a capital gain dividend. In this event, shareholders will be provided written notice of such designation within 30 days after the close of ATLANTIC's taxable year. Shareholders will be taxed at the long-term capital gains rate on any such capital gain dividends regardless of the shareholder's holding period of its Shares. The amount of capital gain dividends which may be designated by ATLANTIC will be reduced by any capital loss carryovers of ATLANTIC. Gain recognized by ATLANTIC as a result of the Distribution will constitute capital gain to the extent attributable to Homestead Village properties held by ATLANTIC and its subsidiaries in excess of one year prior to the Mergers and ATLANTIC anticipates that it will designate dividends attributable to any net capital gain resulting from the Distribution as capital gain dividends. However, ATLANTIC does not anticipate that it will derive significant net capital gain from the Distribution.

The following sets forth an estimate of the portion of the Distribution taxable as a dividend to ATLANTIC shareholders, based upon various assumed values for the Homestead common stock and warrants and the following additional assumptions. The following information assumes that (i) the total number of outstanding Shares on the Distribution Record Date is 74,602,446 (since ATLANTIC has not established a price for shares to be issued in the Offering, the price at which prior shares have been issued was used for purposes of computing the number of shares to be issued in the Offering), (ii) ATLANTIC will make total cash distributions to shareholders for calendar year 1996 in an amount

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equal to \$54,740,000, (iii) ATLANTIC's total earnings and profits other than from the Homestead transaction for calendar year 1996 is \$34,900,000, (iv) ATLANTIC's and its subsidiaries' tax basis in the Homestead Village properties

immediately prior to the Homestead transaction is \$47,622,293, (v) the Offering is consummated and (vi) no underwriter's overallotment is exercised in the Offering. The foregoing assumptions and the assumed values of Homestead common stock and warrants below are intended for informational purposes only for purposes of computing the portion of the Distribution taxable as a dividend based upon such assumptions and are not intended as an indication of the actual number of Shares which will be or are expected to be outstanding on the Distribution Record Date or which will or are expected to be issued in the Offering, actual or expected cash distributions to be made by ATLANTIC for calendar year 1996, actual or expected taxable income of ATLANTIC for calendar year 1996, actual or expected tax basis of ATLANTIC and its subsidiaries in the Homestead Village properties immediately prior to the Homestead transaction, whether the underwriter's overallotment will or is expected to be exercised in the Offering, or ATLANTIC's estimate of the value of the Homestead common stock and warrants.

<TABLE>
<CAPTION>

ASSUMED VALUE OF ONE SHARE OF HOMESTEAD COMMON STOCK	ASSUMED VALUE OF ONE HOMESTEAD WARRANT	ASSUMED VALUE OF DISTRIBUTION PER SHARE OF ATLANTIC COMMON STOCK	PORTION OF THE DISTRIBUTION TAXABLE AS A DIVIDEND
<S>	<C>	<C>	<C>
\$10.00	\$ 0.00	\$0.56	\$0.20
\$12.50	\$ 2.50	\$0.80	\$0.33
\$15.00	\$ 5.00	\$1.03	\$0.50
\$17.50	\$ 7.50	\$1.27	\$0.70
\$20.00	\$10.00	\$1.50	\$0.90

Foreign Withholding. For purposes of this discussion, a "non-U.S. holder" means any ATLANTIC shareholder who, for United States income tax purposes, is a foreign corporation, a nonresident alien, a nonresident alien fiduciary of a foreign estate or trust, or a foreign partnership which has at least one member that is, for United States Federal income tax purposes, a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust. Non-U.S. holders will be subject to U.S. withholding tax at a rate of 30%, or if applicable, a lower treaty rate, on the portion of the Distribution not attributable to capital gains unless the Distribution is effectively connected with the conduct of a trade or business in the United States by such non-U.S. holder. In addition, under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), any distribution made by ATLANTIC to a non-U.S. holder, to the extent attributable to gains from dispositions of United States Real Property Interests ("USRPIs") by ATLANTIC ("USRPI Capital Gains"), will be considered effectively connected with a U.S. trade or business of the non-U.S. holder and subject to U.S. income tax at the rates applicable to U.S. individuals or corporations. ATLANTIC will be required to withhold tax equal to 35% of the amount of the Distribution to the extent it constitutes USRPI Capital Gains, without regard to the portion of the Distribution which ATLANTIC designates as a capital gain dividend. The portion of the Distribution which constitutes USRPI Capital Gains may also be subject to the 30% branch profits tax (unless reduced by treaty) in the case of a non-U.S. holder that is a foreign corporation.

Any portion of the Distribution that exceeds both current and accumulated earnings and profits of ATLANTIC will not be taxed as either an ordinary dividend or a capital gain dividend. However, because ATLANTIC will not be able to determine at the time the Distribution is made whether or not the Distribution will be in excess of ATLANTIC's current and accumulated earnings and profits, the Distribution will be subject to full withholding. The non-U.S. holder may seek a refund of over-withholding from the Internal Revenue Service if it is subsequently determined that the Distribution was, in fact, in excess of ATLANTIC's current and accumulated earnings and profits. Under current Treasury Regulations, distributions paid to an address in a foreign country are presumed to be paid to a resident of that country (unless the payor has knowledge to the contrary) for foreign withholding purposes and, under the current interpretation of the Treasury Regulations, for purposes of

determining the applicability of a tax treaty rate. In any case where a distribution is payable in any medium other than money, the withholding agent cannot release the property so distributed until the property has been converted into funds sufficient to enable the withholding agent to pay over in money the tax required to be withheld. For a discussion of the manner in which this withholding obligation will be satisfied by ATLANTIC in connection with the Distribution, see "Foreign Shareholders."

Backup Withholding. Under the backup withholding rules of the Code (which

generally impose a 31% withholding tax on certain persons who fail to furnish the information required under the United States tax reporting requirements), an ATLANTIC shareholder who receives Homestead common stock and warrants or cash in lieu of fractional shares of Homestead common stock or fractional Homestead warrants in the Distribution may be subject to backup withholding with respect to such Homestead common stock and warrants and cash received in the Distribution unless such shareholder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not currently subject to backup withholding because of a failure to report all dividend and interest income. Any amount withheld under these rules will be credited against the shareholder's Federal income tax liability.

Information Reporting. ATLANTIC is required to report the amount distributed to shareholders pursuant to the Distribution (and the allocation of such amount among ordinary dividends, capital gain dividends and return of capital) to the IRS and each shareholder on Form 1099-DIV.

HOMESTEAD COMMON STOCK. A shareholder's tax basis in the Homestead common stock received in the Distribution will be the fair market value of the Homestead common stock on the Distribution Date to be determined as discussed above. A shareholder's holding period for the Homestead common stock received in the Distribution will begin on the Distribution Record Date.

Upon the sale or exchange of Homestead common stock, a Homestead shareholder will realize gain or loss measured by the difference between the amount realized on the sale or other disposition and the shareholder's tax basis in the Homestead common stock. Such gain or loss will be a capital gain or loss to such shareholder if the shareholder holds its Homestead common stock as a capital asset, and will be a long-term capital gain or loss if the Homestead shareholder's holding period with respect to the Homestead common stock sold is more than one year at the time of sale or exchange.

HOMESTEAD WARRANTS. A shareholder's tax basis in the Homestead warrants received in the Distribution will be the fair market value of the Homestead warrants on the Distribution Date to be determined as discussed above. A shareholder's holding period for the Homestead warrants received in the Distribution will begin on the Distribution Record Date.

The terms of the Homestead warrants distributed to ATLANTIC shareholders pursuant to the Merger Agreement provide for adjustment of the price for exercise if Homestead makes certain distributions of stock, cash or other property to its shareholders. While Homestead does not presently contemplate making such a distribution, if Homestead makes a distribution of cash or property resulting in an adjustment to the exercise price, the holders of the Homestead warrants may be viewed as receiving a "deemed distribution" under Section 305 of the Code even if such holder does not hold any Homestead common stock at such time. The deemed distribution would constitute a taxable dividend, taxable as ordinary income, to the extent that the earnings and profits of Homestead were allocable to the deemed distribution. The amount of the deemed distribution which exceeded the allocated earnings and profits of Homestead would be considered a return of capital and the Homestead warrant holder's tax basis in the Homestead warrants would be reduced (but not below zero) by the value of the deemed distribution and, to the extent that the value of the deemed distribution exceeds the Homestead warrant holder's tax basis in its Homestead warrants, the deemed distribution would result in gain to such holder. The Homestead warrant holder's tax basis in its

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Homestead warrants would then immediately be increased by the amount of the property deemed to have been distributed.

Except as discussed below with respect to cash received in lieu of fractional shares of Homestead common stock, Homestead warrant holders will not recognize gain or loss upon the exercise of the Homestead warrants. The Homestead warrant holder's tax basis in the Homestead common stock received upon the exercise of the Homestead warrants will be equal to the sum of (i) the Homestead warrant holder's tax basis in the warrants exercised and (ii) the exercise price paid. Upon the exercise of the Homestead warrants, Homestead warrant holders will receive cash in lieu of any fractional shares of Homestead common stock and will recognize gain to the extent that the cash received exceeds the Homestead warrant holder's tax basis in the portion of the Homestead warrants exercised for cash in lieu of fractional shares.

Upon a sale or other disposition of a Homestead warrant, a Homestead warrant holder will recognize gain or loss measured by the difference between the amount realized on the sale or other disposition and the warrant Holder's tax basis in the Homestead warrant. Such gain or loss will be capital gain or loss if the stock into which the Homestead warrants are exercisable would be a capital asset in the Homestead warrant holder's hands, and will be a short-

term capital gain or loss because the Homestead warrants expire within one year and therefore the Homestead warrant holder's holding period will be one year or less.

If a Homestead warrant holder's Homestead warrants expire without being exercised, the Homestead warrant holder will recognize a loss at the time such Homestead warrants expire equal to its tax basis in the expired Homestead warrants. In general, such loss will be a capital loss if the stock into which the warrants were exercisable would be a capital asset in the Homestead warrant holder's hands.

OTHER TAX CONSIDERATIONS

TAX ON BUILT-IN GAIN

Pursuant to I.R.S. Notice 88-19, 1988-1 C.B. 486, a "C" corporation that elects to be taxed as a REIT has to recognize any gain that would have been realized if the "C" corporation had sold all of its assets for their respective fair market values at the end of its last taxable year before the taxable year in which it qualifies to be taxed as a REIT and immediately liquidated unless the REIT elects to be taxed under rules similar to the rules of Section 1374 of the Code.

Since ATLANTIC has made this election, if during the 10-year period beginning on the first day of the first taxable year for which ATLANTIC qualifies as a REIT (the "Recognition Period"), ATLANTIC recognizes gain on the disposition of any asset held by ATLANTIC as of the beginning of such Recognition Period, then, to the extent of the excess of (a) the fair market value of such asset as of the beginning of such Recognition Period over (b) ATLANTIC's adjusted basis in such asset as of the beginning of such Recognition Period (the "Built-in Gain"), such gain will be subject to tax at the highest regular corporate rate. Because ATLANTIC acquired many of its properties in fully taxable transactions and presently expects to hold each property beyond the Recognition Period, it is not anticipated that ATLANTIC will pay a substantial corporate level tax on its Built-in Gain.

POSSIBLE LEGISLATIVE OR OTHER ACTIONS AFFECTING TAX CONSEQUENCES

Prospective shareholders should recognize that the present federal income tax treatment of an investment in ATLANTIC may be modified by legislative, judicial or administrative action at any time and that any such action may affect investments and commitments previously made. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the Treasury, resulting in revisions of regulations and revised interpretations of

established concepts as well as statutory changes. Revisions in federal tax laws and interpretations thereof could adversely affect the tax consequences of an investment in ATLANTIC.

STATE AND LOCAL TAXES

ATLANTIC and its shareholders may be subject to state or local taxation in various jurisdictions, including those in which it or they transact business or reside. The state and local tax treatment of ATLANTIC and its shareholders may not conform to the federal income tax consequences discussed above. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the Shares of ATLANTIC.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO HIM OR HER OF THE PURCHASE, OWNERSHIP AND SALE OF SHARES IN AN ENTITY ELECTING TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, ATLANTIC has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co. are acting as representatives, has severally agreed to purchase from ATLANTIC, the respective number of Shares set forth opposite its name below:

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF SHARES
-----	-----
<S>	<C>

Goldman, Sachs & Co..... ---
Total..... ===

</TABLE>

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the Shares offered hereby, if any are taken.

The Underwriters propose to offer the Shares in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus, and in part to certain securities dealers at such price less a concession of \$ per Share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per Share to certain brokers and dealers. After the Shares are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

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ATLANTIC has granted the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of additional Shares solely to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of Shares to be purchased by each of them, as shown in the foregoing table, bears to the Shares offered.

The representatives of the Underwriters have informed ATLANTIC that they do not expect sales to accounts over which the Underwriters exercise discretionary authority to exceed five percent of the total number of Shares offered by them.

Prior to the Offering, there has been no public market for the Shares. The initial public offering price will be negotiated among ATLANTIC and the representatives. Among the factors to be considered in determining the initial public offering price of the Shares, in addition to prevailing market conditions, will be the dividend yields and price earnings ratios of publicly traded real estate investment trusts that ATLANTIC and the representatives believe to be comparable to ATLANTIC, estimates of the business potential and earnings prospects of ATLANTIC, an assessment of ATLANTIC's management, the current state of ATLANTIC's industry and the economy as a whole.

SCG, ATLANTIC and certain of its Directors and officers have agreed that, during the period beginning from the date of this Prospectus and continuing to and including the date 90 days after the date of this Prospectus, they will not offer, sell, contract to sell or otherwise dispose of any securities of ATLANTIC (other than pursuant to employee or director stock option plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Prospectus and except pursuant to rights offerings to existing shareholders (which may include sales of unsubscribed and additional Shares to third parties) and except for the issuance of limited partnership interests (which partnership interests may be exchangeable for Shares after such 90-day period)) which are substantially similar to the Shares or which are convertible or exchangeable into securities which are substantially similar to the Shares without the prior written consent of Goldman, Sachs & Co., except for the Shares offered in connection with the Offering.

Application will be made to list the Shares on the NYSE under the symbol "SCA". In order to meet one of the requirements for listing the Shares on the NYSE, the Underwriters have undertaken to sell lots of 100 or more Shares to a minimum of 2,000 beneficial holders.

ATLANTIC and Homestead have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act.

Goldman Sachs Capital Markets, L.P., an affiliate of Goldman, Sachs & Co., and ATLANTIC are parties to an interest rate swap agreement, which effectively fixes the interest rate on \$100 million of ATLANTIC's borrowings under ATLANTIC's line of credit at 7.46% through February 5, 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Line of Credit". In addition, in connection with the Mergers, Goldman, Sachs & Co. provided a fairness opinion to PTR.

EXPERTS

The financial statements and related schedule of ATLANTIC included in this Prospectus and elsewhere in the registration statement of which this Prospectus forms a part have been audited by Ernst & Young LLP, independent certified public accountants to the extent indicated in their reports thereon

also appearing elsewhere herein and in the registration statement. Such financial statements have been included herein in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

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With respect to the unaudited condensed interim financial statements for the three and six month periods ended June 30, 1995 and June 30, 1996, included in this Prospectus, Ernst & Young LLP have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted considering the limited nature of the review procedures applied. The independent auditors are not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "Act") for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the Registration Statement prepared or certified by the auditors within the meaning of Sections 7 and 11 of the Act.

VALIDITY OF SHARES

The validity of the issuance of the Shares offered pursuant to this Prospectus will be passed upon for ATLANTIC by Mayer, Brown & Platt, Chicago, Illinois and for the Underwriters by Sullivan & Cromwell, New York, New York. Mayer, Brown & Platt has in the past represented and is currently representing ATLANTIC, SCG and certain of their affiliates, including representation of SCG and Homestead in connection with the Homestead transaction. As to certain matters of Maryland law, Mayer, Brown & Platt and Sullivan & Cromwell will rely upon the opinion of Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland.

ADDITIONAL INFORMATION

ATLANTIC has filed with the Commission a registration statement (of which this Prospectus forms a part) on Form S-11 under the Securities Act with respect to the securities offered hereby. This Prospectus does not contain all of the information set forth in the registration statement, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. Statements contained in this Prospectus as to the content of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference and the exhibits and schedules hereto. For further information regarding ATLANTIC and the Shares offered hereby, reference is hereby made to the registration statement and such exhibits and schedules.

The registration statement, the exhibits and schedules forming a part thereof filed by ATLANTIC with the Commission can be inspected and copies obtained from the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, such material can also be obtained from the Commission's Web site at <http://www.sec.gov>.

ATLANTIC intends to furnish its shareholders with annual reports containing consolidated financial statements audited by its independent certified public accountants and with quarterly reports containing unaudited condensed consolidated financial statements for each of the first three quarters of each fiscal year.

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GLOSSARY

"Acquiring Person" means a person or group of affiliated or associated persons (excluding certain affiliates of ATLANTIC and certain current shareholders) that has acquired beneficial ownership of 20% or more of the outstanding Shares.

"ADA" means the Americans with Disabilities Act of 1990.

"Administrator" means the Secretary of ATLANTIC as administrator of the Outside Directors Plan.

"ATLANTIC" means, as the context may require, Security Capital Atlantic Incorporated, a Maryland corporation formed in April 1994 and/or its

predecessor and its subsidiaries.

"Board" means ATLANTIC's Board of Directors.

"Capital Markets Group" means Security Capital Markets Group Incorporated, an affiliate of the REIT Manager and a registered broker-dealer.

"Charitable Beneficiary" means an organization or organizations described in Sections 170(b)(1)(A) and 170(c) of the Code and identified by the Board as the beneficiary or beneficiaries of the Excess Shares trust.

"Charter" means the charter of ATLANTIC.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission.

"Control Share acquisition" means, under Maryland law, the acquisition of Control Shares, subject to certain exceptions.

"Control Shares" means, under Maryland law, voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority of all voting power.

"Distribution" means the distribution by ATLANTIC of the Homestead common stock and warrants received by ATLANTIC pursuant to the Merger Agreement to the holders of Shares on the Distribution Record Date.

"Distribution Record Date" means the record date established by ATLANTIC for determining the holders of Shares who are entitled to receive the Distribution.

"Excess Shares" means shares of ATLANTIC's stock that would result in a person owning shares of ATLANTIC's stock in excess of the Ownership Limit or cause ATLANTIC to become "closely held" under Section 856(h) of the Code, unless acquired in a permitted transfer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FHA" means the Fair Housing Amendments Act of 1988.

"Final Expiration Date" means March 12, 2006.

"FIRPTA" means the Foreign Investment in Real Property Tax Act of 1980.

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"FNMA" means the Federal National Mortgage Association.

"Funds from operations" means net income (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis.

"GAAP" means generally accepted accounting principles.

"Historical Financial Results" means selected financial information on an historical basis for ATLANTIC as of and for each of the years ended December 31, 1995 and December 31, 1994 and the period ended December 31, 1993.

"Homestead" means Homestead Village Incorporated, a Maryland corporation.

"In planning" means developments owned or under control by ATLANTIC (land which is under control through contingent contract or letter of intent) with construction anticipated to commence within 12 months.

"Independent Director" means a Director of ATLANTIC who (i) is not affiliated, directly or indirectly, with SCG or any of its affiliates, whether by ownership of, ownership interest in, employment by, any material business or professional relationship with, or service as an officer of, SCG or a business entity which is an affiliate of SCG and (ii) is not serving as a trustee or director for more than three real estate investment trusts organized by a sponsor of ATLANTIC.

"Interested Stockholder" means any person who beneficially owns 10% or more of the voting power of a Maryland corporation's shares or an affiliate of a Maryland corporation who, at any time within the two-year period prior to the

date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation.

"Investor Agreement" means the Investor Agreement dated October 28, 1993 between SCG and ATLANTIC.

"IRS" means the Internal Revenue Service.

"Laing" means Laing Properties, Inc.

"Merger Agreement" means the Merger and Distribution Agreement, dated as of May 21, 1996, among PTR, ATLANTIC, SCG and Homestead.

"Merger Closing Date" means the date of closing of the Mergers.

"Mergers" means the series of merger transactions pursuant to which each of ATLANTIC, PTR and SCG will contribute all of their respective assets related to Homestead Village properties to Homestead.

"NAREIT" means the National Association of Real Estate Investment Trusts.

"NYSE" means the New York Stock Exchange, Inc.

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"Offering" means the offering of Shares to the public by ATLANTIC pursuant to this Prospectus.

"Options" means options to acquire Shares granted pursuant to the Outside Directors Plan.

"Outside Directors" means the Directors of ATLANTIC who are not employees or officers of ATLANTIC or SCG or any of its affiliates.

"Outside Directors Plan" means the Security Capital Atlantic Incorporated Share Option Plan for Outside Directors.

"Ownership Limit" means 9.8% of the number or value of the issued and outstanding Shares.

"Participating Preferred Shares" means the shares of Series A Junior Participating Preferred Stock, \$0.01 par value per share.

"Pro Forma Financial Results" means selected financial information on a pro forma basis for ATLANTIC for the year ended December 31, 1995.

"PTR" means Security Capital Pacific Trust, a publicly traded REIT managed by an affiliate of SCG.

"Purchase Price" means \$40 per one one-hundredth of a Participating Preferred Share.

"Purchase Right" means a preferred share purchase right entitling the holder, under certain circumstances, to purchase Participating Preferred Shares or Shares pursuant to the Rights Agreement.

"Recognition Period" means the 10-year period beginning on the first day of the first taxable year for which ATLANTIC qualifies as a REIT.

"Redemption Price" means \$0.01 per Purchase Right.

"REIT" means a real estate investment trust as defined under the Code.

"REIT Management Agreement" means the REIT management agreement pursuant to which the REIT Manager assumed the day-to-day management of ATLANTIC.

"REIT Manager" or "REIT Management" means Security Capital (Atlantic) Incorporated, a wholly owned subsidiary of SCG.

"Representatives" means Goldman, Sachs & Co., as representatives of the Underwriters.

"Rights Agreement" means the Rights Agreement governing the terms upon which the Purchase Rights will become exercisable.

"Rights Distribution Date" means the earlier to occur of (i) 10 days following a public announcement that a person has become an Acquiring Person or (ii) 15 business days (or such later date as may be determined by action of the Board prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of persons (excluding certain affiliates of ATLANTIC and certain current shareholders) of

25% or more of the outstanding Shares.

"Rights Record Date" means March 12, 1996.

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"SCG Realty Services" means SCG Realty Services Atlantic Incorporated, an affiliate of the REIT Manager.

"SCG" means Security Capital Group Incorporated, ATLANTIC's principal shareholder and the owner of the REIT Manager.

"SCI" means Security Capital Industrial Trust, a publicly traded REIT managed by an affiliate of SCG.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Capital Investment Research" means Security Capital Investment Research Incorporated, an affiliate of the REIT Manager.

"Shareholders' Agreement" means the Shareholders' Agreement dated May 12, 1994 among ATLANTIC, SCG and Laing.

"Shares" means the shares of common stock, par value \$.01 per share, of ATLANTIC.

"Stabilized" means that renovation, repositioning, new management and new marketing programs (or development and marketing in the case of newly-developed properties) have been completed and in effect for a sufficient period of time (but in no event longer than 12 months, except for major rehabilitations) to achieve 93% occupancy at market rents. Prior to being "stabilized", a property is considered "pre-stabilized".

"Treasury" means the United States Treasury Department.

"UBTI" means unrelated business taxable income as defined under the Code.

"Underwriting Agreement" means the Underwriting Agreement between ATLANTIC and the Underwriters.

"Underwriters" means the Underwriters named in the Prospectus.

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SECURITY CAPITAL ATLANTIC INCORPORATED

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders

Security Capital Atlantic Incorporated

We have reviewed the accompanying condensed balance sheet of Security Capital Atlantic Incorporated as of June 30, 1996, the statements of earnings and statements of cash flows for the three-month and six-month periods ended June 30, 1996 and 1995 and the statement of shareholders' equity for the six months ended June 30, 1996. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year, with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed financial statements for them to be in conformity with generally accepted accounting principles.

The financial statements for the year ended December 31, 1995 were audited by us and we expressed an unqualified opinion on them in our report dated January 26, 1996, except for Note 3, as to which the date is February 5, 1996, but we have not performed any auditing procedures since that date.

ERNST & YOUNG LLP

Dallas, Texas

July 23, 1996

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SECURITY CAPITAL ATLANTIC INCORPORATED

CONDENSED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>

ASSETS

Real estate.....	\$1,031,256	\$888,928
Less accumulated depreciation.....	32,458	23,561
	-----	-----
Net investments in real estate.....	998,798	865,367
Cash and cash equivalents.....	4,525	6,494
Other assets.....	18,032	13,963
	-----	-----
Total assets.....	\$1,021,355	\$885,824
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Line of credit.....	\$ 194,000	\$190,000
Mortgages payable.....	129,044	118,524
Accounts payable.....	16,052	11,030
Accrued expenses and other liabilities.....	14,281	9,332
	-----	-----
Total liabilities.....	353,377	328,886
	-----	-----
Shareholders' equity:		
Common shares (250,000,000 authorized, 65,903,161 issued and outstanding at June 30, 1996 and 55,525,635 issued and outstanding at December 31, 1995).....	659	555
Additional paid-in capital.....	695,533	576,547
Distributions in excess of net earnings.....	(28,214)	(20,164)
	-----	-----
Total shareholders' equity.....	667,978	556,938
	-----	-----
Total liabilities and shareholders' equity.....	\$1,021,355	\$885,824
	=====	=====

</TABLE>

See accompanying notes to the condensed financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

CONDENSED STATEMENTS OF EARNINGS

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

	THREE-MONTH PERIODS ENDED JUNE 30,		SIX-MONTH PERIODS ENDED JUNE 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Rental income.....	\$32,876	\$24,330	\$63,685	\$47,282
Interest income.....	104	51	176	96
	-----	-----	-----	-----
	32,980	24,381	63,861	47,378
	-----	-----	-----	-----
Expenses:				
Rental expenses.....	8,603	6,461	17,315	12,232
Real estate taxes.....	2,982	2,394	6,086	4,824
Property management fees paid to affiliate....	973	839	1,893	1,556
Depreciation.....	4,793	3,754	9,597	7,359
Interest.....	3,764	4,147	8,106	8,824
REIT management fee paid to affiliate.....	2,581	1,712	4,704	3,227
General and administrative.....	160	101	347	206
Other.....	39	17	78	19
	-----	-----	-----	-----
	23,895	19,425	48,126	38,247
	-----	-----	-----	-----
Earnings from operations.....	9,085	4,956	15,735	9,131
Gain on disposition of investments.....	662	--	662	--
	-----	-----	-----	-----
Net earnings.....	\$ 9,747	\$ 4,956	\$16,397	\$ 9,131
	=====	=====	=====	=====
Weighted average shares outstanding.....	60,787	43,284	58,171	40,226
	=====	=====	=====	=====
Net earnings per share.....	\$ 0.16	\$ 0.11	\$ 0.28	\$ 0.23
	=====	=====	=====	=====
Distributions paid per share.....	\$ 0.21	\$ 0.20	\$ 0.42	\$ 0.40
	=====	=====	=====	=====

</TABLE>

See accompanying notes to the condensed financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED
CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1995 AND THE
SIX-MONTH PERIOD ENDED JUNE 30, 1996
(IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON SHARES AT PAR VALUE	ADDITIONAL PAID-IN CAPITAL	DISTRIBUTIONS IN EXCESS OF NET EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>
Balances at December 31, 1994.....	\$371	\$370,943	\$ (4,684)	\$366,630
Net earnings.....	--	--	19,639	19,639
Distributions.....	--	--	(35,119)	(35,119)
Shares repurchased.....	(75)	(83,845)	--	(83,920)
Shares issued.....	259	289,449	--	289,708
Balances at December 31, 1995.....	555	576,547	(20,164)	556,938
Net earnings.....	--	--	16,397	16,397
Distributions.....	--	--	(24,447)	(24,447)
Shares issued.....	104	118,986	--	119,090
Balances at June 30, 1996 (unaudited).....	\$659	\$695,533	\$ (28,214)	\$667,978

</TABLE>

See accompanying notes to the condensed financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	SIX-MONTH PERIODS ENDED JUNE 30,	
	1996	1995
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net earnings.....	\$ 16,397	\$ 9,131
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Depreciation and amortization.....	10,473	8,050
Gain on disposition of investments.....	(662)	--
Increase (decrease) in accounts payable.....	5,022	4,451
Increase in accrued expenses and other liabilities....	4,949	4,268
Decrease (increase) in other assets.....	(3,561)	1,178
Net cash flow provided by operating activities.....	32,618	27,078
INVESTING ACTIVITIES:		
Real estate investments.....	(151,017)	(79,066)
Disposition of investment property, net.....	14,651	--
Net cash flow used in real estate investing activities.....	(136,366)	(79,066)
FINANCING ACTIVITIES:		

Repurchase of shares.....	--	(55,000)
Proceeds from sale of shares.....	119,090	159,893
Proceeds from line of credit.....	107,000	75,000
Proceeds from mortgage debt.....	5,000	--
Payments on line of credit.....	(103,000)	(110,000)
Distributions paid.....	(24,447)	(16,103)
Debt issuance costs incurred.....	(1,384)	(1,113)
Regularly scheduled principal payments on mortgages payable.....	(480)	(194)
	-----	-----
Net cash flow provided by financing activities.....	101,779	52,483
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(1,969)	495
Cash and cash equivalents, beginning of period.....	6,494	6,262
	-----	-----
Cash and cash equivalents, end of period.....	\$ 4,525	\$ 6,757
	=====	=====
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assumption of mortgages payable upon purchase of multifamily properties.....	\$ 6,000	\$ 8,127

</TABLE>

See accompanying notes to the condensed financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS

JUNE 30, 1996

(UNAUDITED)

NOTE 1--GENERAL

The financial statements of Security Capital Atlantic Incorporated ("ATLANTIC") as of June 30, 1996 and for the three- and six-month periods ended June 30, 1996 and 1995 are unaudited and certain information and footnote disclosures normally included in financial statements have been omitted. While management of ATLANTIC believes that the disclosures presented are adequate, these interim financial statements should be read in conjunction with the financial statements and notes included in ATLANTIC's financial statements for the years ended December 31, 1995 and 1994 and the period from October 26, 1993 (inception) through December 31, 1993.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of ATLANTIC's financial statements for the interim periods presented. The results of operations for the six-month periods ended June 30, 1996 and 1995 are not necessarily indicative of the results to be expected for the entire year.

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

NOTE 2--REAL ESTATE

Investments in Real Estate

Investments in real estate, at cost, were as follows (dollar amounts in thousands):

<TABLE>

<CAPTION>

	JUNE 30, 1996		DECEMBER 31, 1995	
	-----		-----	
	INVESTMENT	UNITS	INVESTMENT	UNITS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Garden:				
Operating properties:				
Acquired.....	\$ 814,720	16,305	\$757,986	15,355
Developed.....	38,991	804	23,097	468
	-----	-----	-----	-----
	853,711	17,109	781,083	15,823
Developments under construction.	151,602	4,718	94,094	2,958
Developments in planning:				

Owned.....	5,276	656(1)	9,830	1,258(1)
Under control (2).....	--	1,440(1)	--	922(1)
	-----	-----	-----	-----
	5,276	2,096	9,830	2,180
Land held for future development.....	2,083	--	1,294	--
	-----	-----	-----	-----
Total garden.....	1,012,672	23,923	886,301	20,961
	-----	-----	-----	-----
Extended-stay lodging:				
Developments under construction.	10,209	637	1,199	137
Developments in planning:				
Owned.....	8,375	830(1)	1,428	246(1)
Under control (2).....	--	2,002(1)	--	2,132(1)
	-----	-----	-----	-----
	8,375	2,832	1,428	2,378
	-----	-----	-----	-----
Total extended-stay lodging.	18,584	3,469	2,627	2,515
	-----	-----	-----	-----
Total.....	\$1,031,256	27,392	\$888,928	23,476
	=====	=====	=====	=====

</TABLE>

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONTINUED)

(1) Unit information is based upon management's estimates.

(2) ATLANTIC's investment as of June 30, 1996 and December 31, 1995 for developments under control was \$2.0 million and \$2.0 million, respectively, and is reflected in the "Other assets" caption of ATLANTIC's balance sheets.

At June 30, 1996, ATLANTIC had unfunded commitments for garden developments under construction of \$126.0 million, for a total completed construction cost of \$277.6 million. Costs for developments in planning shown above are primarily for land acquisitions. ATLANTIC has entered into a merger agreement to exchange all of its extended-stay lodging assets as discussed in Note 6. In connection with the merger agreement, ATLANTIC has entered into an agreement to fund approximately \$111 million of convertible mortgage loans related to the future development of these extended-stay lodging assets.

The change in investments in real estate, at cost, for the six-month period ended June 30, 1996 consisted of the following (in thousands):

<S>	<C>
Balance at January 1, 1996.....	\$ 888,928
Acquisitions and renovation expenditures.....	69,828
Capital improvements.....	1,601
Development expenditures, including land acquisitions.....	85,588
Dispositions.....	(14,689)

Balance at June 30, 1996.....	\$1,031,256
	=====

</TABLE>

Third Party Owner-Developers

To enhance its flexibility in developing and acquiring multifamily properties, ATLANTIC has and will enter into presale agreements with third party owner-developers to acquire properties developed by such owner-developers where the developments meet ATLANTIC's investment criteria. ATLANTIC has and will fund such developments through development loans to such owner-developers. In addition, to provide greater flexibility for the use of land acquired for development and to dispose of excess parcels, ATLANTIC plans to make mortgage loans to Atlantic Development Services Incorporated ("Atlantic Development Services") to purchase land for development. ATLANTIC owns all of the preferred stock of Atlantic Development Services, which entitles ATLANTIC to substantially all of the net operating cash flow (95%) of Atlantic Development Services. All of the common stock of Atlantic Development Services is owned by an unaffiliated trust. The common stock is entitled to receive the remaining 5% of net operating cash flow. As of June 30, 1996 the outstanding balance of development and mortgage loans made by ATLANTIC to third party owner-developers and Atlantic Development Services aggregated \$14,861,000 and none, respectively. The activities of Atlantic Development Services and third party owner development projects to which development loans are made are consolidated with ATLANTIC's activities and all intercompany

transactions have been eliminated in consolidation.

Gains and Losses from Sales or Impairments of Real Estate

ATLANTIC's real estate investments have been made with a view to effective long-term operation and ownership. Based upon ATLANTIC's market research and in an effort to optimize its portfolio composition, ATLANTIC may from time to time seek to dispose of assets that in management's view do not meet ATLANTIC's long-term investment criteria and redeploy the proceeds therefrom, preferably through tax-deferred exchanges, into assets that are more consistent with ATLANTIC's investment objectives.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONTINUED)

On April 9, 1996, ATLANTIC disposed of a 358-unit middle-income property as part of a tax-deferred exchange. This property accounted for \$269,000 of net operating income during the six-month period ended June 30, 1996. A gain of \$662,000 on this disposition was recognized in the second quarter. The proceeds from this disposition were held in escrow until April 22, 1996 when these funds were used to acquire a 350-unit moderate-income operating property. Including this property, in 1996 ATLANTIC has acquired a total of five operating properties aggregating 1,308 units at a cost of \$64.5 million.

As part of ATLANTIC's asset optimization strategy two properties were held for disposition at June 30, 1996. Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment Of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, which was adopted by ATLANTIC effective January 1, 1996, requires that an investment held for disposition be carried at the lower of the investment's depreciated cost or fair market value less cost to sell. The aggregate carrying value of these two properties is \$20.3 million at June 30, 1996, which is less than the fair market value less cost to sell. Properties held for disposition are not depreciated during the period they are determined to be held for disposition. Subject to normal closing risks, ATLANTIC expects to complete the disposition of these two properties in 1996, and redeploy the proceeds from these dispositions through tax-deferred exchanges. These properties accounted for \$958,000 of net operating income during the six-month period ended June 30, 1996.

NOTE 3--LINE OF CREDIT AND MORTGAGES PAYABLE

Line of Credit

In June 1996, ATLANTIC increased its line of credit with Morgan Guaranty Trust Company of New York, as agent for a group of lenders ("MGT"), to \$350 million. At June 30, 1996, \$194 million was outstanding on the line of credit. Borrowings bear interest at prime, or at ATLANTIC's option, LIBOR plus 1.50% or the certificate of deposit rate (as defined) plus 1.625%. Additionally, there is a commitment fee of .1875% per annum on the average unfunded line of credit balance. The line is collateralized by multifamily properties having an aggregate undepreciated cost of \$477,006,000 at June 30, 1996, which allows ATLANTIC to borrow up to \$285 million on the line of credit. ATLANTIC has additional assets which could be pledged as security on the line of credit which would allow ATLANTIC to borrow up to \$350 million. The line of credit matures June 1998 and may be extended for one year with the approval of MGT and other participating lenders.

In August 1995, ATLANTIC entered into a swap agreement with Goldman Sachs Capital Markets, L.P. covering \$100 million of borrowings under the line of credit. Under this one-year agreement which became effective on February 5, 1996, ATLANTIC pays a fixed rate of interest of 7.46%. By entering into this swap agreement, ATLANTIC has effectively mitigated a portion of the variable interest rate exposure associated with the line of credit. For the six months ended June 30, 1996, the interest paid under the swap agreement was \$264,000 greater than the interest received.

All debt incurrences are subject to certain covenants. ATLANTIC must maintain a debt to tangible net worth ratio of not greater than 2 to 1 and an adjusted net worth (as defined) of at least \$325 million. ATLANTIC's interest payment coverage (as defined) is required to be not less than 2 to 1. Restricted payments or distributions (as defined) may not exceed 95% of ATLANTIC's funds from operations (as defined) for the preceding four quarters. ATLANTIC has been granted a waiver of the restricted payments covenant. This waiver allows for restricted payments not to exceed 97% of funds from operations through the third quarter of 1997. ATLANTIC is in compliance with all such covenants.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONTINUED)

Mortgages Payable

Mortgages payable consisted of the following at June 30, 1996 (dollar amounts in thousands):

<TABLE>
<CAPTION>

PROPERTY -----	INTEREST RATE -----	MATURITY DATE -----	PERIODIC PAYMENT TERMS -----	PRINCIPAL BALANCE -----
<S>	<C>	<C>	<C>	<C>
Conventional fixed rate:				
Cahaba Forest II.....	7.125%	03/01/29	fully amortizing	\$ 8,053
Cameron at Hickory Grove....	8.0%	07/10/03	(1)	6,000
Cameron Villas I.....	8.75%	04/01/24	fully amortizing	6,373
Country Place Village I.....	7.75%	11/01/00	(2)	2,021

				22,447

Tax exempt fixed rate or variable rate subject to swap agreements (3):				
Cameron Brook.....	(4)	06/01/25	interest only	19,500
Cameron Station.....	6.0%	06/01/07	interest only	14,500
Clairmont Crest.....	(4)	06/01/25	interest only	11,600
Forestwood.....	(4)	06/01/25	interest only	11,485
Foxbridge.....	(4)	06/01/25	interest only	10,400
The Greens.....	(4)	06/01/25	interest only	10,400
Parrot's Landing.....	(4)	06/01/25	interest only	15,835
Sun Pointe Cove.....	(4)	06/01/25	interest only	8,500
WintersCreek.....	(4)	06/01/25	interest only	5,000
Less amounts held in principal reserve fund (5).....				(623)

				106,597

				\$129,044
				=====
Total annual weighted average interest rate....				6.76%
				=====

</TABLE>

- (1) Interest and principal payments due monthly beginning in August 1996; balloon payment of \$5,556,000 due at maturity.
- (2) Interest and principal payments due monthly; balloon payment of \$1,845,000 due at maturity.
- (3) These properties, in addition to others, are held by Security Capital Atlantic Multifamily Incorporated, a wholly-owned subsidiary of ATLANTIC. Security Capital Atlantic Multifamily Incorporated is a legal entity that is separate and distinct from ATLANTIC with separate assets and liabilities and business operations.
- (4) Interest rate is fixed through swap agreements executed in conjunction with the credit enhancement agreement with the Federal National Mortgage Association discussed below.
- (5) ATLANTIC has a thirty-year credit enhancement agreement with the Federal National Mortgage Association related to the tax-exempt bond issues. This credit enhancement agreement requires ATLANTIC to make monthly payments on each mortgage, based upon a thirty-year amortization, into a principal reserve account.

ATLANTIC has effectively mitigated its variable rate debt exposure by entering into swap agreements covering eight variable rate bond issues included in ATLANTIC's credit enhancement

agreement with the Federal National Mortgage Association ("FNMA"). Under the swap agreements, ATLANTIC pays and receives interest on the aggregate principal amount of the underlying bonds outstanding, net of the amount held in the principal reserve account. To the extent the deposits in the principal reserve account have not been used to redeem any of the outstanding bonds, ATLANTIC pays interest on that portion of bonds outstanding which is equivalent to the balance in the principal reserve fund at the variable rates as provided by the mortgage agreements. The swap agreements are summarized as follows:

<TABLE>

<CAPTION>

AMOUNT OF BONDS	TERM	FIXED RATE	ISSUER
-----	----	-----	-----
<S>	<C>	<C>	<C>
\$23.1 million	7 years	5.18%	General Re Financial Products Corporation
\$64.6 million	10 years	5.42%	Morgan Guaranty Trust Company of New York
\$5.0 million	10 years	4.82%	Morgan Guaranty Trust Company of New York

Weighted average interest rate		5.33%	
		=====	

</TABLE>

For the six-month period ended June 30, 1996, the annual weighted average interest rate received by ATLANTIC under the swap agreements was 3.42%. For the six-month period ended June 30, 1996, the interest paid under the swap agreements was \$861,000 greater than the interest received.

Real estate with an aggregate undepreciated cost at June 30, 1996 of \$31,617,000 and \$180,594,000 serves as collateral for the conventional mortgages payable and the tax exempt mortgages payable, respectively. Based on prevailing market borrowing rates, the fair value of the mortgages payable was not materially different from the book value at June 30, 1996.

The change in mortgages payable for the six-month period ended June 30, 1996 is as follows (in thousands):

<TABLE>

<S>	<C>
Balances at January 1, 1996.....	\$118,524
Mortgage proceeds.....	5,000
Mortgages assumed.....	6,000
Regularly scheduled principal payments.....	(480)

Balances at June 30, 1996.....	\$129,044
	=====

</TABLE>

At June 30, 1996, ATLANTIC was in compliance with all debt covenants.

Interest Expense

Interest paid in cash on all outstanding debt for the six months ended June 30, 1996 was \$12,494,000, including \$4,585,000 of interest capitalized during construction. Interest paid in cash on all outstanding debt for the six months ended June 30, 1995 was \$10,663,000, including \$1,654,000 of interest capitalized during construction.

Amortization of loan costs included in interest expense for the six months ended June 30, 1996 and 1995 was \$876,000 and \$691,000, respectively.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 4--SHAREHOLDERS' EQUITY

Shares Authorized

At June 30, 1996, 250,000,000 shares of common stock, par value \$0.01 per share, were authorized. ATLANTIC's Board of Directors may classify or reclassify any unissued shares of ATLANTIC's stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and

terms or conditions of redemption of such shares. No such shares have been reclassified, except in connection with the Purchase Rights discussed below, and none are issued or outstanding.

Capital Offerings

During the six-month period ended June 30, 1996, ATLANTIC completed a private offering by raising an additional \$119.3 million through the sale of 10,377,526 shares at \$11.50 per share. The private offering, which commenced in November 1995, raised a total of \$250 million through the sale of 21,724,556 shares (19,224,556 shares sold at \$11.50 per share and 2,500,000 shares sold at \$11.568 per share).

Security Capital Group Incorporated's ("SCG") third and final put obligation related to ATLANTIC shares was paid by SCG on July 1, 1996. This put obligation was not assumed by ATLANTIC.

Distributions

On December 19, 1995, the Board of Directors of ATLANTIC proposed 1996 distributions of \$.84 per share. ATLANTIC made quarterly distributions of \$0.21 per share on March 28, 1996 and June 27, 1996.

Purchase Rights

On March 12, 1996, the Board of Directors declared and paid a dividend of one preferred share purchase right ("Purchase Right") for each common share outstanding at the close of business on March 12, 1996 to the holders of ATLANTIC's common shares on that date. Holders of additional common shares after March 12, 1996 and prior to the expiration of the rights on March 12, 2006 will be entitled to one Purchase Right for each such additional common share.

Each Purchase Right entitles the holder, under certain circumstances, to purchase from ATLANTIC one-hundredth of a share of non-redeemable Series A Junior Participating Preferred Stock of ATLANTIC, par value \$0.01 per share (the "Participating Preferred Shares"), at a price of \$40 per one one-hundredth of a Participating Preferred Share, subject to adjustment. ATLANTIC has designated one-hundredth of the total shares of common stock outstanding at any point in time as Participating Preferred Shares. Purchase Rights are exercisable when a person or group of persons (other than certain affiliates of ATLANTIC) acquire 20% or more of the outstanding ATLANTIC common shares or announces a tender offer for 25% or more of the outstanding ATLANTIC common shares. Under certain circumstances, each Purchase Right entitles the holder to purchase, at the Purchase Right's then current exercise price, a number of ATLANTIC common shares having a market value of twice the Purchase Right's exercise price. The acquisition of ATLANTIC pursuant to certain mergers or other business transactions would entitle each holder to purchase, at the Purchase Right's then current exercise price, a number of the acquiring company's common shares having a market

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONTINUED)

value at that time equal to twice the Purchase Right's exercise price. The Purchase Rights held by certain 20% shareholders (other than certain affiliates of ATLANTIC) would not be exercisable. As of June 30, 1996, ATLANTIC has no Participating Preferred Shares outstanding and the events required to exercise the Purchase Rights have not occurred. Therefore, the Purchase Rights dividend has no value and has not been recorded in the financial statements.

Initial Public Offering

On June 28, 1996, ATLANTIC filed a registration statement with the Securities and Exchange Commission relating to its planned initial public offering of \$100 million of common shares (with an additional \$15 million of common shares issuable upon exercise of an overallotment option granted to the underwriters). The shares are expected to be offered to the public later in 1996 through an underwritten offering managed by Goldman, Sachs & Co. Proceeds of the offering will be used to repay borrowings under ATLANTIC's \$350 million line of credit.

NOTE 5--REIT MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENTS

ATLANTIC has entered into a REIT management agreement with Security Capital (Atlantic) Incorporated (the "REIT Manager"), to provide REIT management services to ATLANTIC. The REIT Manager is a wholly-owned subsidiary of SCG, which owns 64.1% of ATLANTIC's common shares.

SCG Realty Services Atlantic Incorporated ("SCG Realty Services") began managing properties for ATLANTIC on May 12, 1994 and currently manages approximately 84% of ATLANTIC's multifamily properties. SCG owns 100% of SCG Realty Services' voting shares. Rates for services performed by SCG Realty Services are reviewed annually by a third party and are subject to approval by ATLANTIC's independent Directors and are at rates prevailing in the markets in which ATLANTIC operates.

NOTE 6--MERGER AGREEMENT

In May 1996, ATLANTIC, Security Capital Pacific Trust ("PTR"), SCG and a newly-formed company, Homestead Village Incorporated ("Homestead") entered into a merger agreement whereby ATLANTIC, PTR and SCG agreed to contribute their respective Homestead Village assets (moderate priced, purpose-built, extended-stay lodging facilities) to Homestead in exchange for common stock of Homestead. ATLANTIC will contribute one Homestead Village property that began operations in July 1996, 25 properties (or the rights to acquire such properties) that are under construction or in various stages of development and \$18.6 million in cash to Homestead and ATLANTIC will receive 4,201,220 shares of Homestead common stock. Additionally, ATLANTIC and PTR have agreed to enter into Funding Commitment Agreements with Homestead to finance the completion of the Homestead Village properties contributed by them. For entering into the Funding Commitment Agreement, ATLANTIC will receive 2,818,517 warrants, each to purchase one share of Homestead common stock. The Homestead common stock and warrants received by ATLANTIC will be distributed, pro rata, to ATLANTIC shareholders on the record date for the distribution. Each warrant is exercisable at \$10.00 per share and will expire one year after the record date for the distribution described above.

Under the Funding Commitment Agreement, ATLANTIC will provide secured financing to Homestead of up to approximately \$111 million. In return, ATLANTIC will receive convertible mortgage notes in stated amounts of up to approximately \$98 million. The convertible mortgage notes will have a term of approximately 10 years, will bear interest at 9% per year, will not be callable for five years and will be convertible at the option of the holder into shares of Homestead common stock after

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONCLUDED)

March 31, 1997 on the basis of one share of Homestead common stock for every \$11.50 of principal amount outstanding. If the full amount of mortgages are funded and converted, an additional 8,524,215 shares of Homestead common stock would be issued to ATLANTIC. Assuming the full conversion of the convertible mortgage notes and the exercise of all warrants, ATLANTIC and its shareholders will own 28% of Homestead.

The value of the warrants received for entering into the Funding Commitment Agreement is estimated to be \$6.5 million which will be recognized as deferred commitment fee revenue at the time the warrants are received. The difference between the funded amounts and the stated amounts of the convertible mortgage loans of approximately \$13 million will be recorded as a mortgage loan premium when the loans are made. Both the deferred commitment fee revenue and the mortgage loan premium will be amortized over the term of the convertible mortgage loans as yield adjustments to interest income at such time as ATLANTIC begins funding its obligation under the Funding Commitment Agreement. The amortization of the deferred commitment fee revenue will increase interest income while the amortization of the mortgage loan premium will decrease interest income. The effective yield on the convertible mortgage loans, assuming full conversion of the mortgage loans and exercise of all of the Homestead warrants, is estimated to be 8.46%.

The Homestead prospectus included with the ATLANTIC registration statement contains more detailed information regarding the merger agreement. The mergers are subject to approval by the shareholders of ATLANTIC and PTR. If requisite shareholder approvals are obtained, then ATLANTIC expects the mergers to be consummated by the end of 1996.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Security Capital Atlantic Incorporated

We have audited the accompanying balance sheets of Security Capital Atlantic Incorporated as of December 31, 1995 and 1994, and the related statements of

earnings, shareholders' equity, and cash flows for the years ended December 31, 1995 and 1994 and the period October 26, 1993 (inception) through December 31, 1993. Our audits also included the schedule of real estate and accumulated depreciation as of December 31, 1995. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Security Capital Atlantic Incorporated at December 31, 1995 and 1994, and the results of its operations and its cash flows for the years ended December 31, 1995 and 1994 and the period October 26, 1993 (inception) through December 31, 1993, in conformity with generally accepted accounting principles. Also, in our opinion, the schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

West Palm Beach, Florida
January 26, 1996 except for
Note 3, as to which the date
is February 5, 1996

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SECURITY CAPITAL ATLANTIC INCORPORATED

BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
ASSETS		
Real estate.....	\$888,928	\$631,260
Less accumulated depreciation.....	23,561	8,798
	-----	-----
Net investments in real estate.....	865,367	622,462
Cash and cash equivalents.....	6,494	6,262
Other assets.....	13,963	9,122
	-----	-----
Total assets.....	\$885,824	\$637,846
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Line of credit.....	\$190,000	\$153,000
Mortgages payable.....	118,524	107,347
Accounts payable.....	11,030	4,590
Accrued expenses and other liabilities.....	9,332	6,279
	-----	-----
Total liabilities.....	328,886	271,216
	-----	-----
Shareholders' equity:		
Common shares (250,000,000 authorized, 55,525,635 issued and outstanding at December 31, 1995 and 37,133,150 issued and outstanding at December 31, 1994).....	555	371
Additional paid-in capital.....	576,547	370,943
Distributions in excess of net earnings.....	(20,164)	(4,684)
	-----	-----
Total shareholders' equity.....	556,938	366,630
	-----	-----
Total liabilities and shareholders' equity.....	\$885,824	\$637,846
	=====	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

SECURITY CAPITAL ATLANTIC INCORPORATED

STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1995	1994	(FROM INCEPTION) 1993
<S>	<C>	<C>	<C>
Revenues:			
Rental income.....	\$103,634	\$55,071	\$ 156
Interest income.....	245	149	3
	-----	-----	-----
	103,879	55,220	159
Expenses:			
Rental expenses.....	28,405	15,921	75
Real estate taxes.....	9,570	5,595	--
Property management fees paid to affiliate.....	3,475	1,536	--
Depreciation.....	15,925	8,770	28
Interest.....	19,042	9,240	--
REIT management fee paid to affiliate.....	6,923	3,671	12
General and administrative.....	646	266	1
Other.....	254	295	5
	-----	-----	-----
	84,240	45,294	121
Net earnings.....	\$ 19,639	\$ 9,926	\$ 38
	=====	=====	=====
Weighted average shares outstanding.....	43,889	24,454	572
	=====	=====	=====
Net earnings per share.....	\$ 0.45	\$ 0.41	\$0.07
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

SECURITY CAPITAL ATLANTIC INCORPORATED

STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995
(IN THOUSANDS)

	COMMON SHARES AT PAR VALUE		DISTRIBUTIONS IN EXCESS OF NET EARNINGS		TOTAL
	ADDITIONAL PAID-IN CAPITAL				
<S>	<C>	<C>	<C>	<C>	<C>
Balances at inception (October 26, 1993).....	\$ --	\$ --	\$ --	\$ --	\$ --
Net earnings.....	--	--	38	--	38
Shares issued.....	32	31,602	--	--	31,634
	-----	-----	-----	-----	-----
Balances at December 31, 1993.....	32	31,602	38	--	31,672
Net earnings.....	--	--	9,926	--	9,926
Distributions.....	--	--	(14,648)	--	(14,648)
Shares issued.....	339	339,341	--	--	339,680
	-----	-----	-----	-----	-----
Balances at December 31, 1994.....	371	370,943	(4,684)	--	366,630
Net earnings.....	--	--	19,639	--	19,639
Distributions.....	--	--	(35,119)	--	(35,119)
Shares repurchased.....	(75)	(83,845)	--	--	(83,920)
Shares issued.....	259	289,449	--	--	289,708
	-----	-----	-----	-----	-----
Balances at December 31, 1995.....	\$ 555	\$576,547	\$ (20,164)	--	\$556,938
	=====	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	(FROM INCEPTION) 1993
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net earnings.....	\$ 19,639	\$ 9,926	\$ 38
Adjustments to reconcile net earnings to net cash flow provided (used) by operating activities:			
Depreciation and amortization.....	17,496	9,480	28
Increase in accounts payable.....	6,440	4,550	39
Increase in accrued expenses and other liabilities.....	3,053	6,141	139
Increase in other assets.....	(1,393)	(3,892)	(736)
Net cash flow provided (used) by operating activities.....	45,235	26,205	(492)
INVESTING ACTIVITIES:			
Real estate investments.....	(264,511)	(392,718)	(31,005)
Disposition of investment properties, net....	23,859	--	--
Net cash flow used in real estate investing activities.....	(240,652)	(392,718)	(31,005)
FINANCING ACTIVITIES:			
Repurchase of shares.....	(83,920)	--	--
Proceeds from sale of shares.....	289,708	239,680	31,634
Proceeds from line of credit.....	270,000	166,000	--
Payments on line of credit.....	(233,000)	(13,000)	--
Distributions paid.....	(35,119)	(14,648)	--
Debt issuance costs incurred.....	(5,019)	(5,204)	--
Principal payments at maturity.....	(6,378)	--	--
Regularly scheduled principal payments on mortgages payable.....	(623)	(190)	--
Net cash flow provided by financing activities.....	195,649	372,638	31,634
Net increase in cash and cash equivalents.....	232	6,125	137
Cash and cash equivalents, beginning of period.	6,262	137	--
Cash and cash equivalents, end of period.....	\$ 6,494	\$ 6,262	\$ 137
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of shares as partial consideration for the purchase of multifamily properties..	\$ --	\$ 100,000	\$ --
Assumption of mortgages payable upon purchase of multifamily properties.....	24,678	107,537	--
Reduction to mortgages payable upon disposition of multifamily property.....	(6,500)	--	--

</TABLE>

The accompanying notes are an integral part of the financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1995

NOTE 1--DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Security Capital Atlantic Incorporated ("ATLANTIC") is an equity real estate investment trust organized as a corporation under the laws of the State of Maryland, which owns, acquires, develops and operates income-producing multifamily properties in the southeastern United States.

ATLANTIC was formed on October 26, 1993 (inception) and, accordingly, the 1993 statements of earnings and cash flows reflect the results of operations and cash flows for the period from inception through December 31, 1993.

Principles of Financial Presentation

The accounts of ATLANTIC and its wholly-owned subsidiaries are consolidated in the accompanying financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

ATLANTIC considers all cash on hand, demand deposits with financial institutions and short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Real Estate and Depreciation

Real estate is carried at cost, which is not in excess of net realizable value. Costs directly related to the acquisition, renovation or development of real estate are capitalized. Costs incurred in connection with the pursuit of unsuccessful land or property acquisitions are expensed at the time the pursuit is abandoned.

Repairs and maintenance are expensed as incurred. Renovations and improvements are capitalized and depreciated over their estimated useful lives.

Depreciation is computed over the economic useful lives of depreciable property on a straight-line basis. Properties are depreciated principally over the following periods:

<TABLE>	<S>	<C>
	Buildings and improvements.....	20-40 years
	Furnishings and other.....	2-10 years

Interest

Periodically, ATLANTIC enters into swap agreements to manage its variable interest rate exposure. Swap agreements are agreements to exchange interest rate payment streams based on a notional principal amount. The net rate differentials to be paid or received are recorded when earned as adjustments to interest expense in calculating net earnings and funds from operations. ATLANTIC is exposed to credit loss in the event of nonperformance by the counterparties to the swap agreements. However, ATLANTIC does not anticipate nonperformance by the counterparties.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

During 1995, 1994 and 1993, the total interest paid in cash on all outstanding debt was \$22,178,000, \$9,120,000 and zero, respectively.

ATLANTIC capitalizes interest as part of the cost of real estate projects under development. Interest capitalized during 1995, 1994 and 1993 aggregated \$4,404,000, \$793,000 and zero, respectively.

Cost of Raising Capital

Costs incurred in connection with the issuance of common shares are deducted from shareholders' equity. Costs incurred in connection with the incurrence or renewal of debt are capitalized, included with other assets and amortized over the term of the related loan or renewal term. Amortization of deferred financing costs included in interest expense for the years ended December 31, 1995, 1994 and 1993 totaled \$1,568,000, \$707,000 and zero, respectively.

Revenue Recognition

Rental and interest income are recorded on the accrual method of accounting for financial reporting and tax purposes. Gains on sales of real estate are recorded when criteria required by Statement of Financial Accounting Standards No. 66, Accounting for Sales of Real Estate, have been met. A provision for possible loss is made when collection of receivables is considered doubtful.

Rental Expenses

Rental expenses include utilities, repairs and maintenance, make-ready, property insurance, marketing, landscaping, property management fees paid to unaffiliated companies, on-site personnel and other administrative costs.

Federal Income Taxes

ATLANTIC has made an election to be taxed as a real estate investment trust under the Internal Revenue Code of 1986, as amended. ATLANTIC believes it qualifies as a real estate investment trust. Accordingly, no provisions have been made for federal income taxes in the accompanying financial statements.

Per Share Data

Per share data is computed based upon the weighted average number of common shares, par value \$.01 per share, outstanding during the period.

Reclassifications

Certain of the 1994 financial statements and notes to financial statements amounts have been reclassified to conform to the 1995 presentation.

NOTE 2--REAL ESTATE

Investments in Real Estate

Investments in real estate, at cost, for the years ended December 31, 1995 and 1994, were as follows (dollar amounts in thousands):

<TABLE>
<CAPTION>

	1995		1994	
	INVESTMENT	UNITS	INVESTMENT	UNITS
<S>	<C>	<C>	<C>	<C>
Operating properties:				
Acquired.....	\$757,986	15,355	\$600,880	11,990
Developed.....	23,097	468	--	--
	781,083	15,823	600,880	11,990
Developments under construction....	95,293	3,095	20,741	1,212
Developments in planning:				
Owned.....	11,258	1,504 (1)	9,639	764 (1)
Under control (2).....	--	3,054 (1)	--	1,094 (1)
	11,258	4,558	9,639	1,858
Land held for future development...	1,294	--	--	--
Total.....	\$888,928	23,476	\$631,260	15,060

</TABLE>

- (1) Unit information is based upon management's estimates and is unaudited.
 (2) ATLANTIC's investment as of December 31, 1995 and 1994 for developments under control was \$2.0 million and \$1.8 million, respectively, and is reflected in the "Other assets" caption of ATLANTIC's balance sheets.

SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

At December 31, 1995, ATLANTIC had unfunded commitments for developments under construction of \$86.6 million, for a total completed construction cost of \$181.9 million. Costs for developments in planning shown above are primarily for land acquisitions.

During January 1996, ATLANTIC acquired two of the land parcels included in "Developments in planning-Under control" as of December 31, 1995. These two developments represent an estimated 469 units with an aggregate estimated development cost of \$23.8 million.

The change in investments in real estate, at cost, for the years ended December 31, 1995, 1994 and 1993 consisted of the following (in thousands):

<TABLE>
<CAPTION>

	1995	1994	(FROM INCEPTION) 1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Beginning balances.....	\$631,260	\$ 31,005	\$ --
Acquisitions and renovation expenditures...	187,267	571,288	29,591
Development expenditures, including land acquisitions.....	101,335	28,967	1,414
Dispositions.....	(30,934)	--	--
	-----	-----	-----
Ending balances.....	\$888,928	\$631,260	\$31,005
	=====	=====	=====

</TABLE>

Gains and Losses from Sales of Real Estate

ATLANTIC develops and acquires multifamily properties with a view to effective long-term operation and ownership. Based upon ATLANTIC's market research and in an effort to optimize its portfolio allocation, ATLANTIC may from time to time seek to dispose of assets that in management's view do not meet ATLANTIC's long term investment criteria and redeploy the proceeds therefrom, preferably through like-kind exchanges, into assets that it believes provide better long-term growth opportunities. ATLANTIC disposed of two properties in the fourth quarter of 1995. The proceeds from these dispositions were not materially different from the book value of the assets on the date of disposition.

Properties are periodically evaluated for impairment and provisions for possible losses are made if required. Statement of Financial Accounting Standards No.121, Accounting For The Impairment Of Long-Lived Assets And For Long-Lived Assets To Be Disposed Of, will be adopted by ATLANTIC, as required, effective January 1, 1996. In the opinion of ATLANTIC's management, the adoption of this accounting standard will not have a material impact on the financial statements as of the date of adoption.

NOTE 3--LINE OF CREDIT AND MORTGAGES PAYABLE

Line of Credit

ATLANTIC has a \$300 million revolving line of credit with Morgan Guaranty Trust Company of New York, as agent for a group of lenders ("MGT"). Borrowings bear interest at prime, or at ATLANTIC's option, LIBOR plus 1.75% or the certificate of deposit rate (as defined) plus 1.875%. Additionally, there is a commitment fee of .1875% per annum on the average unfunded line of credit balance. The line is collateralized by multifamily properties having an aggregate undepreciated cost of \$487,790,000 at December 31, 1995. Subsequent to December 31, 1995, the line of credit agreement was amended to reduce the interest on borrowings to LIBOR plus 1.50% or the certificate of deposit rate (as defined) plus 1.625%.

The MGT line of credit matures June 1997 and may be extended for one year with the approval of MGT and other participating lenders. All debt incurrences are subject to certain covenants, as set forth in the loan agreement. ATLANTIC must maintain a debt to tangible net worth ratio of not greater than 2 to 1 and an adjusted net worth (as defined) of at least \$325 million. ATLANTIC's interest payment coverage (as defined) is required to be not less than 2 to 1. Restricted payments or distributions (as defined) may not exceed 95% of ATLANTIC's funds from operations (as defined) for the preceding four quarters. ATLANTIC is in compliance with all such covenants.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

A summary of ATLANTIC's line of credit borrowings for the years ended December 31, 1995 and 1994 (none in 1993) is as follows (dollar amounts in thousands):

<TABLE>
<CAPTION>

	1995	1994
	-----	-----
<S>	<C>	<C>
Total line of credit.....	\$300,000	\$225,000
Borrowings outstanding at December 31.....	190,000	153,000

Weighted average daily borrowings.....	178,318	127,957
Maximum borrowings outstanding at any month end.....	252,000	153,000
Weighted average daily interest rate.....	7.92%	7.34%
Weighted average interest rate at December 31.....	7.73%	8.17%

</TABLE>

In August 1995, ATLANTIC entered into a swap agreement with Goldman Sachs Capital Markets, L.P. covering \$100 million of borrowings under the line of credit. Under this one-year agreement which became effective on February 5, 1996, ATLANTIC pays a fixed rate of interest of 7.71%. By entering into this swap agreement, ATLANTIC has effectively mitigated a significant portion of the variable interest rate exposure associated with the line of credit.

Mortgages Payable

Mortgages payable consisted of the following at December 31, 1995 (dollar amounts in thousands):

<TABLE>

<CAPTION>

PROPERTY	INTEREST RATE	MATURITY DATE	PERIODIC PAYMENT TERMS	PRINCIPAL BALANCE
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Conventional fixed rate:				
Cahaba Forest II.....	7.125%	03/01/29	fully amortizing	\$ 8,083
Country Place Village I....	7.750%	11/01/00	(1)	2,038
Longwood Villas.....	8.750%	04/01/24	fully amortizing	6,402

				16,523

Tax exempt fixed rate or variable rate subject to swap agreements (2) (3):				
Cameron Brook.....	(4)	06/01/25	interest only	19,500
Cameron Station.....	6.0%	06/01/07	interest only	14,500
Clairmont Crest.....	(4)	06/01/25	interest only	11,600
Forestwood.....	(4)	06/01/25	interest only	11,485
Foxbridge.....	(4)	06/01/25	interest only	10,400
The Greens.....	(4)	06/01/25	interest only	10,400
Parrot's Landing.....	(4)	06/01/25	interest only	15,835
Sun Pointe Cove.....	(4)	06/01/25	interest only	8,500
Less amounts held in principal reserve fund(3)..				(219)

				102,001

				\$118,524
				=====
Total annual weighted average interest rate.....				6.67%
				=====

</TABLE>

SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

-
- (1) Interest and principal payments due monthly; balloon payment of \$1,845,000 due at maturity.
 - (2) These properties, in addition to others, are held by Security Capital Atlantic Multifamily Incorporated, a wholly-owned subsidiary of ATLANTIC. Security Capital Atlantic Multifamily Incorporated is a legal entity that is separate and distinct from ATLANTIC with separate assets and liabilities and business operations.
 - (3) ATLANTIC has a thirty-year credit enhancement agreement with the Federal National Mortgage Association related to eight tax exempt bond issues. This credit enhancement agreement requires ATLANTIC to make monthly payments on each mortgage, based upon a thirty-year amortization, into a principal reserve account.
 - (4) Interest rate is fixed through swap agreements executed in conjunction with the credit enhancement agreement with the Federal National Mortgage Association discussed below.

ATLANTIC has effectively mitigated its variable interest rate exposure by entering into swap agreements covering seven variable rate bond issues included in ATLANTIC's credit enhancement agreement with the Federal National Mortgage Association ("Fannie Mae"). Under these swap agreements, ATLANTIC

pays and receives interest on the aggregate principal amount of the underlying bonds outstanding, net of the amount held in the principal reserve account. These agreements effectively change ATLANTIC's variable interest rate exposure on the \$23.1 million of bonds included in the seven-year swap agreement with General Re Financial Products Corporation to a fixed interest rate of 5.18% (excluding the cost of the credit enhancement agreement) and to a fixed interest rate of 5.42% (excluding the cost of the credit enhancement agreement) on the \$64.6 million of bonds included in the ten-year swap agreement with Morgan Guaranty Trust Company of New York. The annual weighted average interest rate received by ATLANTIC under the swap agreement was 3.89%. To the extent the deposits in the principal reserve account have not been used to redeem any of the outstanding bonds, ATLANTIC pays interest at the variable rates as provided by the mortgage agreements on that portion of bonds outstanding which is equivalent to the balance in the principal reserve fund. In 1995, the interest paid under the swap agreements was \$575,000 greater than the interest received.

The mortgages that secure the tax exempt bond issues contain certain covenants which require that a minimum percentage of units (generally 20% to 30%) be rented to individuals whose income does not exceed levels specified by U.S. Government programs. The Fannie Mae credit enhancement agreement contains additional covenants. ATLANTIC is in compliance with all such covenants.

Real estate with an aggregate undepreciated cost at December 31, 1995 of \$23,342,000 and \$172,079,000 serves as collateral for the conventional mortgages payable and the tax exempt mortgages, respectively. Based on prevailing market borrowing rates, the fair value of the mortgages payable was not materially different from the book value at December 31, 1995.

The change in mortgages payable for the years ended December 31, 1995 and 1994 (none in 1993) is as follows (in thousands):

<TABLE>
<CAPTION>

	1995	1994
	-----	-----
<S>	<C>	<C>
Balances at January 1.....	\$107,347	\$ --
Mortgages assumed.....	24,678	107,537
Principal payments at maturity.....	(6,378)	--
Regularly scheduled principal payments.....	(623)	(190)
Reduction to mortgages payable upon disposition of multifamily property.....	(6,500)	--
	-----	-----
Balances at December 31.....	\$118,524	\$107,347
	=====	=====

</TABLE>

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Approximate principal payments due on mortgages payable during each of the years in the five-year period ending December 31, 2000 and thereafter are as follows (in thousands):

<TABLE>

<S>	<C>
1996.....	\$ 962
1997.....	1,046
1998.....	1,137
1999.....	1,235
2000.....	3,184
Thereafter.....	110,960

	\$118,524
	=====

</TABLE>

NOTE 4--DISTRIBUTIONS

ATLANTIC made total distributions of \$.80 per share in 1995 and \$.60 per share in 1994. No distributions were made in 1993. On December 19, 1995, the Board of Directors of ATLANTIC proposed distributions of \$.84 per share in 1996.

For federal income tax purposes, the following summarizes the taxability of distributions paid for 1994, and the estimated taxability for 1995:

<TABLE>
<CAPTION>

	YEAR ENDED	
	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Per share:		
Ordinary income.....	\$.46	\$.46
Return of capital.....	.34	.14
Total.....	\$.80	\$.60
	=====	=====

</TABLE>

ATLANTIC's tax return for the year ended December 31, 1995 has not been filed. The taxability information for 1995 is based upon the best available data. ATLANTIC's tax returns have not been examined by the Internal Revenue Service and, therefore, the taxability of dividends is subject to change.

NOTE 5--SHAREHOLDERS' EQUITY

Shares Authorized

At December 31, 1995, 250,000,000 shares of common stock, par value \$0.01 per share, were authorized. ATLANTIC's Board of Directors may classify or reclassify any shares of ATLANTIC's stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of such shares. No such shares have been reclassified and none are issued or outstanding.

Ownership Restrictions and Significant Shareholder

ATLANTIC's Articles of Incorporation restrict beneficial ownership (or ownership generally attributed to a person under the REIT tax rules) of ATLANTIC's outstanding common shares by a single person, or persons acting as a group, to 9.8% of ATLANTIC's common shares.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The purpose of this provision is to assist in protecting and preserving ATLANTIC's REIT status and to protect the interest of shareholders in takeover transactions by preventing the acquisition of a substantial block of shares unless the acquiror makes a cash tender offer for all outstanding shares. For ATLANTIC to qualify as a REIT under the Internal Revenue Code of 1986, as amended, not more than 50% in value of its outstanding capital shares may be owned by five or fewer individuals at any time during the last half of ATLANTIC's taxable year. The provision permits five persons to individually acquire up to a maximum of 9.8% each of the common shares, or an aggregate of 49% of the outstanding common shares and, thus, assists the Directors in protecting and preserving ATLANTIC's REIT status for tax purposes.

Common shares owned by a person or group of persons in excess of these limits are subject to redemption by ATLANTIC. The provision does not apply where a majority of the Board of Directors, in its sole and absolute discretion, waives such limit after determining that the status of ATLANTIC as a REIT for federal income tax purposes will not be jeopardized or the disqualification of ATLANTIC as a REIT is advantageous to the shareholders.

The Board of Directors has permitted Security Capital Group Incorporated ("Security Capital Group"), an affiliate of the REIT Manager (see Note 6) to acquire more than the stated maximum percentage of shares. Security Capital Group owned 71.6% of the outstanding common shares at December 31, 1995. For tax purposes, Security Capital Group's ownership is attributed to its shareholders.

Capital Offerings

ATLANTIC completed a private offering in August 1994 in order to attain the 100 shareholders necessary to obtain REIT qualification. In the offering, 1,000,000 shares were offered at a price of \$10.00 per share. All shares were subscribed for by 125 persons and were purchased as of August 31, 1994.

ATLANTIC exchanged 10,000,000 shares of common stock at a price of \$10 per share as partial consideration for the acquisition of a pool of properties in May 1994. The acquisition price was negotiated prior to the seller becoming a related party. To facilitate ATLANTIC's transactions with the seller, Security Capital Group granted the seller certain rights to require Security Capital Group to purchase the 10,000,000 ATLANTIC shares owned by the seller at pre-

agreed prices (the "Put Obligation").

In the second quarter of 1995, ATLANTIC completed a private offering of 14,545,455 shares at \$11.00 per share for an aggregate offering price of \$160 million. In consideration for Security Capital Group purchasing \$95 million of shares in this offering, and to permit greater participation by other investors in this offering, ATLANTIC assumed Security Capital Group's first Put Obligation to purchase \$55 million of ATLANTIC shares owned by the holder of the Put Obligation. ATLANTIC purchased 5,000,000 shares on March 31, 1995 at \$11.00 per share with a portion of the net proceeds from this offering.

ATLANTIC began a private offering in the fourth quarter of 1995. In connection with this offering ATLANTIC sold 11,391,030 shares; 8,891,030 shares at \$11.50 per share and 2,500,000 shares at \$11.568 per share, for an aggregate total of \$131.2 million. In consideration for Security Capital Group's purchase of \$50 million of shares in this offering, ATLANTIC assumed Security Capital Group's Put Obligation and purchased \$28.9 million of ATLANTIC shares owned by the holder of the Put Obligation; 2,500,000 shares at \$11.568 per share.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

In December 1995, the holder of the Put Obligation provided notice of its intent to require Security Capital Group to purchase the remaining Put Obligation on June 30, 1996. The remaining Put Obligation consists of 2,500,000 shares at \$12.265 per share.

Merger/Share Conversion

On April 22, 1994, ATLANTIC, which was previously a Delaware corporation, was merged with and into a newly formed Maryland corporation so as to change ATLANTIC's state of domicile to Maryland. Each issued and outstanding ATLANTIC share was converted into one hundred (100) shares in such merger. All share and per share information in the financial statements have been adjusted to retroactively reflect the share conversion. An amount equal to the par value of the shares issued was transferred from additional paid-in capital to the common share account.

NOTE 6--REIT MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENTS

Effective June 30, 1995, ATLANTIC entered into an amended and restated REIT management agreement (the "REIT Management Agreement") with Security Capital (Atlantic) Incorporated (the "REIT Manager") to provide management services to ATLANTIC. The REIT Manager is a subsidiary of Security Capital Group (see Note 5). All officers of ATLANTIC are employees of the REIT Manager and ATLANTIC has no employees. The REIT Manager provides both strategic and day-to-day management of ATLANTIC, including research, investment analysis, acquisition and development, asset management, capital markets and legal and accounting services.

The REIT Management Agreement requires ATLANTIC to pay an annual fee of 16% of cash flow, as defined in the REIT Management Agreement ("Cash Flow"). Cash Flow is calculated by reference to ATLANTIC's cash flow from operations before deducting (i) fees paid to the REIT Manager, (ii) extraordinary expenses incurred at the request of the independent Directors of ATLANTIC, and (iii) 33% of any interest paid by ATLANTIC on convertible subordinated debentures (of which ATLANTIC has none); and, after deducting (i) regularly scheduled principal payments (excluding prepayments or balloon payments) for debt with commercially reasonable amortization schedules, (ii) assumed principal and interest payments on senior unsecured debt treated as having regularly scheduled principal and interest payments like a 20-year level-payment, fully amortizing mortgage (of which ATLANTIC has none) and (iii) distributions actually paid with respect to any non-convertible preferred stock of ATLANTIC (of which ATLANTIC has none).

Cash Flow does not include realized gains or losses from dispositions of investments or income from cash equivalent investments. The REIT Manager also receives a fee of .20% per year on the average daily balance of cash equivalent investments.

ATLANTIC will also reimburse the REIT Manager for third-party and out-of-pocket expenses relating to travel, transaction costs, and similar costs relating to the acquisition, development or disposition of assets or the obtaining of financing for ATLANTIC and its operations. The REIT Manager will pay all of its own salary and other overhead expenses. ATLANTIC will not have any employee expense; however, it will pay all of the third-party costs related to its normal operations, including legal, accounting, travel, architectural, engineering, shareholder relations, unaffiliated directors fees and similar expenses.

The REIT Management Agreement is renewable by ATLANTIC annually, subject to a determination by the independent Directors that the REIT Manager's performance has been satisfactory and that the compensation payable to the REIT Manager is fair. ATLANTIC may terminate the REIT Management Agreement on 60-days notice. Because of the year-to-year nature of the

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO FINANCIAL STATEMENTS--(CONCLUDED)

agreement, its maximum effect on ATLANTIC's results of operations cannot be predicted, other than that REIT management fees will generally increase or decrease in proportion to cash flow increases or decreases.

SCG Realty Services Incorporated ("Realty Services") began managing properties for ATLANTIC on May 12, 1994 and currently manages approximately 82% of ATLANTIC's multifamily properties. Security Capital Group owns 100% of Realty Services' voting shares.

The property management agreement, like the REIT Management Agreement, is renewable annually and subject to the approval of ATLANTIC's independent Directors. The property management agreement can be terminated by ATLANTIC on 30-days notice. Rates for services performed by Realty Services are subject to approval by ATLANTIC's independent Directors and are at rates prevailing in the markets in which ATLANTIC operates.

NOTE 7--SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data (in thousands except for per share amounts) for 1995 and 1994 is as follows:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED				
	3-31	6-30	9-30	12-31	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
1995:					
Rental income.....	\$22,952	\$24,330	\$26,969	\$29,383	\$103,634
Net earnings.....	\$ 4,175	\$ 4,956	\$ 5,333	\$ 5,175	\$ 19,639
Net earnings per share.....	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.45
Funds from operations.....	\$ 8,123	\$ 9,058	\$ 9,776	\$10,178	\$ 37,135
Weighted average shares.....	37,133	43,284	46,679	48,306	43,889
1994:					
Rental income.....	\$ 1,400	\$ 9,730	\$21,721	\$22,220	\$ 55,071
Net earnings.....	\$ 504	\$ 2,305	\$ 3,753	\$ 3,364	\$ 9,926
Net earnings per share.....	\$ 0.13	\$ 0.12	\$ 0.10	\$ 0.09	\$ 0.41
Funds from operations.....	\$ 714	\$ 3,995	\$ 7,266	\$ 7,431	\$ 19,406
Weighted average shares.....	3,781	19,977	36,459	37,133	24,454

</TABLE>

NOTE 8--COMMITMENTS AND CONTINGENCIES

ATLANTIC is a party to various claims and routine litigation arising in the ordinary course of business. ATLANTIC does not believe that the claims and litigation, individually or in the aggregate, will have a material adverse effect on its business, financial position, or results of operations.

ATLANTIC is subject to environmental regulations related to the ownership, operation, development, and acquisition of real estate. As part of its due diligence procedures, ATLANTIC has conducted Phase I environmental assessments on each property prior to acquisition. The cost of complying with environmental regulations was not material to ATLANTIC's results of operations. ATLANTIC is not aware of any environmental condition on any of its properties which is likely to have a material adverse effect on ATLANTIC's financial position or results of operations.

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SECURITY CAPITAL ATLANTIC INCORPORATED

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1995
(IN THOUSANDS)

<TABLE>
<CAPTION>

MUTIFAMILY PROPERTIESL	ENCUM- BRANCES	INITIAL COST TO ATLANTIC		COSTS CAPITALIZED SUBSEQUENT TO	GROSS AMOUNT AT WHICH CARRIED AT DECEMBER 31, 1995			ACCUMULATED DEPRECIATION
		LAND	BUILDINGS AND IMPROVEMENTS		LANDACQUIS	BUILDINGS AND IMPROVEMENTS	TOTALS SITION (C)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING PROPERTIES:								
Properties acquired:								
Atlanta, Georgia:								
Azalea Park.....	\$ --	\$3,717	\$21,076	\$ 70	\$ 3,717	\$ 21,146	\$ 24,863	\$ 94
Camden at Ashford.....	(a)	3,672	20,841	277	3,672	21,118	24,790	960
Camden at Briarcliff.....	(b)	2,105	11,953	149	2,105	12,102	14,207	557
Camden at Dunwoody.....	(a)	2,486	14,114	197	2,486	14,311	16,797	650
Camden Creek....	(a)	3,627	20,589	215	3,627	20,804	24,431	913
Camden Crest....	(a)	3,525	20,009	215	3,525	20,224	23,749	884
Cameron Brook...	19,500	3,318	18,784	301	3,318	19,085	22,403	764
Cameron Forest..	--	884	5,008	--	884	5,008	5,892	11
Cameron Place...	--	1,124	6,372	--	1,124	6,372	7,496	14
Cameron Station.	14,500	2,338	13,246	--	2,338	13,246	15,584	--
Clairmont Crest.	11,600	1,603	9,102	223	1,603	9,325	10,928	371
Lake Ridge.....	(a)	2,001	11,359	2,690	2,001	14,049	16,050	654
Lenox Villa.....	(a)	1,740	9,878	199	1,740	10,077	11,817	441
Morgan's Landing.....	(a)	1,168	6,646	462	1,168	7,108	8,276	400
Oaks at Sandy Springs.....	(a)	1,270	7,212	972	1,270	8,184	9,454	454
Old Salem.....	(a)	1,053	6,144	624	1,053	6,768	7,821	295
The Greens.....	10,400	2,004	11,354	363	2,004	11,717	13,721	471
Trolley Square..	--	2,031	11,528	196	2,031	11,724	13,755	563
Vinings Landing.	(a)	1,363	7,902	515	1,363	8,417	9,780	378
WintersCreek....	--	1,133	6,434	75	1,133	6,509	7,642	68
Woodlands.....	(a)	3,785	21,471	96	3,785	21,567	25,352	178
Birmingham, Alabama:								
Cahaba Forest I.	(a)	1,020	5,784	173	1,020	5,957	6,977	116
Cahaba Forest II.....	8,083	1,688	9,580	272	1,688	9,852	11,540	192
Colony Woods I..	(a)	1,560	8,845	149	1,560	8,994	10,554	406
Morning Sun Villas.....	(a)	1,260	7,309	548	1,260	7,857	9,117	335
Charlotte, North Carolina:								
Camden Oaks....	(a)	2,255	12,800	189	2,255	12,989	15,244	601
Columbia, South Carolina:								
Greenbrier.....	(a)	2,165	12,293	170	2,165	12,463	14,628	606

<CAPTION>

MUTIFAMILY PROPERTIESL	CONSTRUCTION YEAR	YEAR ACQUIRED
<S>	<C>	<C>
OPERATING PROPERTIES:		
Properties acquired:		
Atlanta, Georgia:		
Azalea Park.....	1987	1995
Camden at Ashford.....	1990	1994
Camden at Briarcliff.....	1989	1994
Camden at Dunwoody.....	1989	1994
Camden Creek....	1988	1994
Camden Crest....	1988	1994
Cameron Brook...	1988	1994
Cameron Forest..	1981	1995
Cameron Place...	1979	1995

Cameron Station.	(e)	1995
Clairmont Crest.	1987	1994
Lake Ridge.....	1979	1993
Lenox Villa.....	1988	1994
Morgan's		
Landing.....	1983	1993
Oaks at Sandy		
Springs.....	1965	1993
Old Salem.....	1968	1994
The Greens.....	1986	1994
Trolley Square..	1989	1994
Vinings Landing.	1978	1994
WintersCreek....	1984	1995
Woodlands.....	(f)	1995
Birmingham,		
Alabama:		
Cahaba Forest I.	1987	1995
Cahaba Forest		
II.....	1990	1995
Colony Woods I..	1991	1994
Morning Sun		
Villas.....	1985	1994
Charlotte, North		
Carolina:		
Camden Oaks.....	1989	1994
Columbia, South		
Carolina:		
Greenbrier.....	1989	1994

</TABLE>

(see notes following table)

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SECURITY CAPITAL ATLANTIC INCORPORATED

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION-- (CONTINUED)

DECEMBER 31, 1995
(IN THOUSANDS)

<TABLE>
<CAPTION>

MUTIFAMILY PROPERTIESL	ENCUM- BRANCES	INITIAL COST TO ATLANTIC			COSTS CAPITALIZED SUBSEQUENT TO	GROSS AMOUNT AT WHICH CARRIED AT DECEMBER 31, 1995			ACCUMULATED DEPRECIATION
		LAND	BUILDINGS AND IMPROVEMENTS			LANDACQUIS	BUILDINGS AND IMPROVEMENTS	TOTALS SITON (C)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Ft.									
Lauderdale/West									
Palm Beach,									
Florida:									
Cypress Lakes...	\$ (a)	\$ 1,225	\$ 6,961	\$ 147	\$ 1,225	\$ 7,108	\$ 8,333	\$ 78	
Parrot's									
Landing.....	15,835	2,691	15,276	399	2,691	15,675	18,366	635	
Spencer Run.....	(b)	2,852	16,194	392	2,852	16,586	19,438	670	
Sun Pointe Cove.	8,500	1,367	7,773	190	1,367	7,963	9,330	326	
Trails at Meadow									
Lakes.....	(a)	1,285	7,293	124	1,285	7,417	8,702	81	
Ft. Myers,									
Florida:									
Forestwood.....	11,485	2,031	11,540	167	2,031	11,707	13,738	486	
Jacksonville,									
Florida:									
Bay Club.....	(a)	1,789	10,160	168	1,789	10,328	12,117	477	
Memphis,									
Tennessee:									
Cameron at Kirby									
Parkway.....	(a)	1,386	7,959	674	1,386	8,633	10,019	429	
Stonegate.....	(a)	985	5,608	288	985	5,896	6,881	183	
Miami, Florida:									
Park Hill.....	(a)	1,650	9,377	212	1,650	9,589	11,239	372	
Nashville,									
Tennessee:									
Arbor Creek.....	(a)	--	17,671	404	--	18,075	18,075	784	
Enclave at									
Brentwood.....	(a)	2,263	12,847	621	2,263	13,468	15,731	229	
Orlando, Florida:									
Camden Springs..	(a)	2,477	14,072	710	2,477	14,782	17,259	648	
Cedar Bay									
Village.....	(b)	255	1,454	13	255	1,467	1,722	16	

Kingston								
Village.....	(a)	876	4,973	48	876	5,021	5,897	56
Longwood Villas.		6,402	1,087	6,317	675	1,087	6,992	281
Wellington.....	(b)	1,155	6,565	235	1,155	6,800	7,955	275
Raleigh, North Carolina:								
Camden Square...	(a)	2,314	13,143	434	2,314	13,577	15,891	587
Richmond, Virginia:								
Camden at Wellesley.....	(a)	2,878	16,339	143	2,878	16,482	19,360	769
Potomac Hunt....	(b)	1,486	8,452	142	1,486	8,594	10,080	229
Sarasota, Florida:								
Camden at Palmer Ranch.....	(a)	3,534	20,057	381	3,534	20,438	23,972	908
Tampa/St. Petersburg, Florida:								
Camden Downs....	(a)	1,840	10,447	206	1,840	10,653	12,493	483
Cameron Lakes...	(a)	1,126	6,418	999	1,126	7,417	8,543	157

<CAPTION>

MUTIFAMILY PROPERTIESL	CONSTRUCTION YEAR	
	YEAR	ACQUIRED
<S>	<C>	<C>
Ft. Lauderdale/West Palm Beach, Florida:		
Cypress Lakes...	1987	1995
Parrot's Landing.....	1986	1994
Spencer Run....	1987	1994
Sun Pointe Cove. Trails at Meadow Lakes.....	1986	1994
1983	1995	
Ft. Myers, Florida:		
Forestwood.....	1986	1994
Jacksonville, Florida:		
Bay Club.....	1990	1994
Memphis, Tennessee:		
Cameron at Kirby Parkway.....	1985	1994
Stonegate.....	1986	1994
Miami, Florida:		
Park Hill.....	1968	1994
Nashville, Tennessee:		
Arbor Creek....	1986	1994
Enclave at Brentwood.....	1988	1995
Orlando, Florida:		
Camden Springs..	1986	1994
Cedar Bay Village.....	1981	1995
Kingston Village.....	1982	1995
Longwood Villas.	1982	1994
Wellington.....	1988	1994
Raleigh, North Carolina:		
Camden Square...	1987	1994
Richmond, Virginia:		
Camden at Wellesley.....	1989	1994
Potomac Hunt....	1987	1994
Sarasota, Florida:		
Camden at Palmer Ranch.....	1988	1994
Tampa/St. Petersburg, Florida:		
Camden Downs....	1988	1994
Cameron Lakes...	1986	1995

</TABLE>

(see notes following table)

SECURITY CAPITAL ATLANTIC INCORPORATED

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION--(CONTINUED)

DECEMBER 31, 1995
(IN THOUSANDS)

<TABLE>

<CAPTION>

MLTIFAMILY PROPERTIES	ENCUMBRANCES	INITIAL COST TO ATLANTIC		COSTS CAPITALIZED SUBSEQUENT TO	GROSS AMOUNT AT WHICH CARRIED AT DECEMBER 31, 1995			ACCUMULATED DEPRECIATION
		LAND	BUILDINGS AND IMPROVEMENTS		LAND ACQUI	IMPROVEMENTS	TOTALS SITIO(C)N	
Tampa/St. Petersburg, Florida: (continued)								
Country Place Village I.....	\$ 2,038	\$ 567	\$ 3,219	\$ 68	\$ 567	\$ 3,287	\$ 3,854	\$ 36
Country Place Village II.....	(a)	644	3,658	56	644	3,714	4,358	41
Foxbridge.....	10,400	1,591	9,036	258	1,591	9,294	10,885	383
Summer Chase....	(b)	542	3,094	87	542	3,181	3,723	130
Washington, D.C.:								
Arbors at Landmark.....	(a)	3,434	19,501	579	3,434	20,080	23,514	941
Camden at Kendall Ridge...	(a)	1,708	9,698	195	1,708	9,893	11,601	467
Camden at Saybrooke.....	(a)	2,802	15,906	127	2,802	16,033	18,835	740
Sheffield Forest.....	--	2,269	12,859		2,269	12,859	15,128	29
Less amounts held in principal reserve fund(d) ..	(219)	--	--	--	--	--	--	--
Total operating properties acquired.....	\$118,524	\$108,004	\$631,500	\$18,482	\$ 108,004	\$ 649,982	\$ 757,986	\$23,302
PROPERTIES DEVELOPED:								
Birmingham, Alabama:								
Colony Woods II. Charlotte, North Carolina:	--	1,254	--	9,252	1,298	9,208	10,506	59
Waterford Hills.	--	1,508	--	11,083	1,508	11,083	12,591	114
Total operating properties developed.....	\$ --	\$ 2,762	\$ --	\$20,335	\$ 2,806	\$ 20,291	\$ 23,097	\$ 173
TOTAL OPERATING PROPERTIES.....	\$118,524	\$110,766	\$631,500	\$38,817	\$ 110,810	\$ 670,273	\$ 781,083	\$23,475
DEVELOPMENTS UNDER CONSTRUCTION:								
Atlanta, Georgia:								
Camden Creek II. Peachtree Corners.....	--	2,730	--	5,553	2,772	5,511	8,283	--
Charlotte, North Carolina:								
Waterford Square.....	--	1,890	--	16,020	2,041	15,869	17,910	26
Jacksonville, Florida:								
Cameron Lakes... Cameron Timberlin Parc I.....	--	1,759	--	10,350	1,897	10,212	12,109	--
Raleigh, North Carolina:								
Waterford Forest.....	--	2,167	--	1,150	2,169	1,148	3,317	--
Waterford Forest.....	--	2,371	--	6,120	2,371	6,120	8,491	--

MLTIFAMILY PROPERTIESU	CONSTRUCTION	YEAR
	YEAR	ACQUIRED
<S>	<C>	<C>
Tampa/St. Petersburg, Florida: (continued)		
Country Place Village I.....	1982	1995
Country Place Village II.....	1983	1995
Foxbridge.....	1986	1994
Summer Chase....	1988	1994
Washington, D.C.:		
Arbors at Landmark.....	1990	1994
Camden at Kendall Ridge...	1990	1994
Camden at Saybrooke.....	1990	1994
Sheffield Forest.....	1987	1995
Less amounts held in principal reserve fund(d)..		
Total operating properties acquired.....		
PROPERTIES DEVELOPED:		
Birmingham, Alabama:		
Colony Woods II. Charlotte, North Carolina:	1995 (g)	1994
Waterford Hills. Total operating properties developed.....	1995 (g)	1993
TOTAL OPERATING PROPERTIES.....		
DEVELOPMENTS UNDER CONSTRUCTION:		
Atlanta, Georgia:		
Camden Creek II. Peachtree Corners.....	--	1994
Charlotte, North Carolina:		
Waterford Square.....	(g)	1994
Jacksonville, Florida:		
Cameron Lakes... Cameron Timberlin Parc I.....	(g)	1995
Raleigh, North Carolina:		
Waterford Forest.....	--	1995
Waterford Point.	(g)	1994

(see notes following table)

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SECURITY CAPITAL ATLANTIC INCORPORATED

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION--(CONTINUED)

DECEMBER 31, 1995
(IN THOUSANDS)

<TABLE>
<CAPTION>

INITIAL COST TO ATLANTIC COSTS GROSS AMOUNT AT WHICH CARRIED AT DECEMBER 31, 1995

MULTIFAMILY PROPERTIES	ENCUMBRANCES			CAPITALIZED		BUILDINGS AND		TOTALS	ACCUMULATED
	BRANCHES	LAND	BUILDINGS AND IMPROVEMENTS	SUBSEQUENT TO	LAND ACQUI	IMPROVEMENTS	SITIO (C) N	DEPRECIATION	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Washington, D.C.:									
Milestone.....	\$ --	\$ 5,477	\$ --	\$ 7,333	\$ 5,485	\$ 7,325	\$ 12,810	\$ --	
Woodway Trinity.	--	5,342	--	9,900	5,492	9,750	15,242	--	
TOTAL DEVELOPMENTS UNDER CONSTRUCTION....	\$ --	\$ 23,610	\$ --	\$ 71,683	\$ 24,210	\$ 71,083	\$ 95,293	\$ 86	
DEVELOPMENTS IN PLANNING:									
Charlotte, North Carolina:									
Waterford Square II.....	--	2,014	--	253	2,039	228	2,267	--	
Ft. Lauderdale/West Palm Beach, Florida:									
Parrot's Landing II.....	--	1,328	--	300	1,342	286	1,628	--	
Raleigh, North Carolina:									
Cameron Brooke.. Research Triangle Park...	--	1,353	--	305	1,378	280	1,658	--	
Richmond, Virginia:									
Triangle Park... 805	--	805	--	38	805	38	843	--	
Cameron at Wyndham.....	--	2,038	--	229	2,038	229	2,267	--	
Cameron Crossing.....	--	1,666	--	343	1,670	339	2,009	--	
Tampa/St. Petersburg, Florida:									
North Airport...	--	511	--	75	511	75	586	--	
TOTAL DEVELOPMENTS IN PLANNING.....	\$ --	\$ 9,715	\$ --	\$ 1,543	\$ 9,783	\$ 1,475	\$ 11,258	\$ --	
LAND HELD FOR FUTURE DEVELOPMENT:									
Jacksonville, Florida:									
Cameron Timberlin Parc II.....	--	1,294	--	--	1,294	--	1,294	--	
TOTAL LAND HELD FOR FUTURE DEVELOPMENT.....	\$ --	\$ 1,294	\$ --	\$ --	\$ 1,294	\$ --	\$ 1,294	\$ --	
TOTAL MULTIFAMILY PROPERTIES.....	\$18,524	\$145,385	\$631,500	\$112,043	\$ 146,097	\$ 742,831	\$ 888,928	\$23,561	

<CAPTION>

MULTIFAMILY PROPERTIES	CONSTRUCTION YEAR	YEAR ACQUIRED
<S>	<C>	<C>
Washington, D.C.:		
Milestone.....	--	1995
Woodway Trinity.	--	1994
TOTAL DEVELOPMENTS UNDER CONSTRUCTION....		
DEVELOPMENTS IN PLANNING:		
Charlotte, North Carolina:		
Waterford Square II.....	--	1995
Ft. Lauderdale/West Palm Beach,		

Florida:
 Parrot's Landing
 II..... -- 1994
 Raleigh, North
 Carolina:
 Cameron Brooke.. -- 1995
 Research
 Triangle Park... -- 1995
 Richmond,
 Virginia:
 Cameron at
 Wyndham..... -- 1995
 Cameron
 Crossing..... -- 1995
 Tampa/St.
 Petersburg,
 Florida:
 North Airport... -- 1995
 TOTAL
 DEVELOPMENTS IN
 PLANNING.....
 LAND HELD FOR
 FUTURE
 DEVELOPMENT:
 Jacksonville,
 Florida:
 Cameron
 Timberlin Parc
 II..... -- 1995
 TOTAL LAND HELD
 FOR FUTURE
 DEVELOPMENT.....
 TOTAL
 MULTIFAMILY
 PROPERTIES.....

</TABLE>

-
- (a) Pledged to secure \$300 million line of credit with Morgan Guaranty Trust Company of New York.
 - (b) Pledged as collateral under credit enhancement agreement with the Federal National Mortgage Association.
 - (c) For federal income tax purposes, ATLANTIC's aggregate cost of real estate at December 31, 1995 was \$887,671,000.
 - (d) The Federal National Mortgage Association credit enhancement agreement requires payments to be made to a principal reserve fund.
 - (e) Phase I (108 units) was developed in 1981 and Phase II (240 units) was developed in 1983.
 - (f) Phase I (332 units) was developed in 1983 and Phase II (312 units) was developed in 1985.
 - (g) As of 12/31/95, property was in lease-up.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTE TO SCHEDULE III

AS OF DECEMBER 31, 1995

The following is a reconciliation of the carrying amount and related accumulated depreciation of ATLANTIC's investment in real estate, at cost (in thousands):

<TABLE>

<CAPTION>

CARRYING AMOUNT	(FROM INCEPTION)		
	1995	1994	1993
<S>	<C>	<C>	<C>
Beginning balances.....	\$631,260	\$ 31,005	\$ --
Acquisitions and renovation expenditures...	187,267	571,288	29,591
Development expenditures, including land acquisitions.....	101,335	28,967	1,414
Dispositions.....	(30,934)	--	--
Ending balances.....	\$888,928	\$631,260	\$31,005

<CAPTION>

ACCUMULATED DEPRECIATION	(FROM INCEPTION)		
	1995	1994	1993

<S>	<C>	<C>	<C>	<C>
Beginning balances.....	\$ 8,798	\$ 28	\$ --	--
Depreciation for the period.....	15,925	8,770	28	28
Accumulated depreciation of real estate sold.....	(1,162)	--	--	--
Ending balances.....	\$ 23,561	\$ 8,798	\$ 28	28

</TABLE>

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SECURITY CAPITAL ATLANTIC INCORPORATED

PRO FORMA FINANCIAL STATEMENTS

SUMMARY OF PRO FORMA ADJUSTMENTS

(UNAUDITED)

The accompanying unaudited pro forma balance sheet as of June 30, 1996 and the unaudited pro forma statements of earnings for the six-month period ended June 30, 1996 and the year ended December 31, 1995 of ATLANTIC reflect: (i) the acquisition and disposition by ATLANTIC of all properties acquired or disposed of since December 31, 1994 as if these properties had been acquired or disposed of as of January 1, 1995; (ii) the assumption or retirement of mortgage debt associated with the acquisition or disposition of the properties acquired or disposed of since December 31, 1994 as if this mortgage debt had been assumed or retired on January 1, 1995; (iii) the sale of ATLANTIC Common Stock through private placement subsequent to December 31, 1994, necessary to fund pro forma acquisitions, as if the shares had been issued on January 1, 1995; (iv) the sale of \$100 million of ATLANTIC Common Stock in this Offering (shares at \$ per share), net of estimated costs of issuance of \$7.5 million; (v) the spin-off of the Homestead Village properties as if the Merger had been consummated on January 1, 1995; and, (vi) certain pro forma adjustments to the historical financial statements of ATLANTIC. For pro forma purposes, the proceeds from the sale of ATLANTIC Common Stock in this Offering have been used to repay pro forma borrowings on ATLANTIC's line of credit.

The unaudited pro forma financial statements have been prepared by management of ATLANTIC and do not purport to be indicative of the results which would actually have been obtained had the transactions described above been completed on the dates indicated or which may be obtained in the future. The pro forma financial statements should be read in conjunction with the financial statements of ATLANTIC included elsewhere herein.

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SECURITY CAPITAL ATLANTIC INCORPORATED

PRO FORMA BALANCE SHEET

JUNE 30, 1996

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

(UNAUDITED)

<TABLE>

<CAPTION>

<S>	PRO FORMA ADJUSTMENTS					
	HISTORICAL	ACQUISITIONS/ DISPOSITIONS	PROPOSED COMMON SHARE ISSUANCE (C)	SUBTOTAL	HOMESTEAD (D)	PRO FORMA
<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Real estate.....	\$1,031,256	\$8,250 (a)	\$	\$1,039,506	\$ (18,584)	\$1,020,922
Less accumulated depreciation.....	32,458			32,458	--	32,458
Net real estate investments.....	998,798	8,250		1,007,048	(18,584)	988,464
Cash and cash equivalents.....	4,525	(1,525) (b)		3,000	(156)	2,844
Other assets.....	18,032			18,032	(2,156)	15,876
Total assets.....	\$1,021,355	\$6,725	\$	\$1,028,080	\$ (20,896)	\$1,007,184
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities:						
Line of credit.....	\$ 194,000	\$ 715 (b)	\$ (92,475) (c)	\$ 102,240	\$ 28,594	\$ 130,834

Mortgages payable.....	129,044	6,010 (b)		135,054		135,054
Accounts payable.....	16,052			16,052		16,052
Accrued expenses and other liabilities.....	14,281			14,281	(1,867)	12,414
Deferred revenue.....					6,511	6,511
Total liabilities....	353,377	6,725	(92,475)	267,627	33,238	300,865
Shareholders' Equity:						
Common shares						
(250,000,000 shares authorized; 65,903,161 issued in historical period and issued on pro forma basis).....						
	659		(c)	659		659
Additional paid-in capital.....	695,533		92,475 (c)	788,008		788,008
Distributions in excess of net earnings.....	(28,214)			(28,214)	(54,134)	(82,348)
Total shareholders' equity.....	667,978		92,475	760,453	(54,134)	706,319
Total liabilities and shareholders' equity.....	\$1,021,355	\$6,725	\$ 0	\$1,028,080	\$(20,896)	\$1,007,184

</TABLE>

See accompanying notes to pro forma financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

PRO FORMA STATEMENT OF EARNINGS

SIX-MONTH PERIOD ENDED JUNE 30, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>

<CAPTION>

	HISTORICAL		PRO FORMA ADJUSTMENTS (E)				
	ATLANTIC	ACQUISITIONS/ DISPOSITIONS	ACQUISITIONS	OTHER	SUBTOTAL	HOMESTEAD (D)	PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income							
Rental income.....	\$63,685	\$3,819 (f)	\$	\$	\$67,504	\$	\$67,504
Interest income.....	176				176	(9)	167
Total income.....	63,861	3,819			67,680	(9)	67,671
Expenses							
Rental expenses.....	23,401	1,590 (f)			24,991		24,991
Property management fees paid to affiliate.....	1,893	154 (f)	(13) (g)		2,034		2,034
Mortgage interest.....	4,151	361 (f) (h)			4,512		4,512
Depreciation.....	9,597	(92) (i)	611 (j)		10,116		10,116
Interest on general debt. General and administrative.....	3,955			(3,079) (r)	876	1,724	2,600
REIT management fees.....	347				347	(38)	309
Other.....	4,704			761 (k)	5,465	(271)	5,194
	78				78		78
Total expenses.....	48,126	2,013	598	(2,318)	48,419	1,415	49,834
Net earnings (loss), excludes gain on disposition.....	\$15,735	\$1,806	\$(598)	\$ 2,318	\$19,261	\$(1,424)	\$17,837
Weighted average shares outstanding.....	58,171			(q)			
Net earnings per share, excludes gain on disposition.....	\$ 0.27				\$		\$

</TABLE>

See accompanying notes to pro forma financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

PRO FORMA STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1995
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>

<CAPTION>

<S>	HISTORICAL		PRO FORMA ADJUSTMENTS (E)			SUBTOTAL	HOMESTEAD (D)	PRO FORMA
	ATLANTIC	ACQUISITIONS/ DISPOSITIONS	ACQUISITIONS	OTHER	<C>			
Income	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rental income.....	\$103,634	\$22,744 (f)	\$	\$	\$126,378	\$	\$126,378	
Interest income.....	245				245	(4)	241	
Total income.....	103,879	22,744			126,623	(4)	126,619	
Expenses								
Rental expenses.....	37,975	9,846 (f)	(1,166) (l)		46,655		46,655	
Property management fees paid to affiliate.....	3,475	1,016 (f)	(122) (m)		4,369		4,369	
Mortgage interest.....	7,662	1,564 (f) (n)			9,226		9,226	
Depreciation.....	15,925	(1,052) (i)	3,974 (o)		18,847		18,847	
Interest on general debt.	11,380			(6,137) (r)	5,243	3,448	8,691	
General and administrative.....	646				646	(63)	583	
REIT management fees.....	6,923			2,800 (p)	9,723	(542)	9,181	
Other.....	254				254		254	
Total expenses.....	84,240	11,374	2,686	(3,337)	94,963	2,843	97,806	
Net earnings (loss), excludes gain on disposition.....	\$ 19,639	\$11,370	\$ (2,686)	\$ 3,337	\$ 31,660	\$ (2,847)	\$ 28,813	
Weighted average shares outstanding.....	43,889			(q)				
Net earnings per share, excludes gain on disposition.....	\$ 0.45				\$		\$	

</TABLE>

See accompanying notes to pro forma financial statements.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO PRO FORMA FINANCIAL STATEMENTS

JUNE 30, 1996 AND DECEMBER 31, 1995
(UNAUDITED)

(a) Represents the likely acquisition of the Country Oaks Apartments in Memphis, Tennessee that is expected to occur in August 1996. The contracted purchase price is \$8,250,000.

(b) Reflects the application of cash on hand and additional borrowings under ATLANTIC's line of credit to fund the Country Oaks acquisition described in note (a). Additionally, reflects ATLANTIC's expected assumption of a \$6,010,000 mortgage note payable upon the purchase of the Country Oaks property.

(c) Reflects the proposed issuance of common shares (\$.01 par value) at a price of \$ per share. The total proceeds of \$100 million, net of estimated costs of issuance of \$7.5 million, results in \$92.5 million of cash available which, for pro forma purposes, have been assumed to be used to repay the pro forma borrowings under ATLANTIC's line of credit.

(d) The Mergers will be recorded by ATLANTIC as a sale of its Homestead Village properties to PTR at fair market value. Estimated fair market value for all parties in the Mergers is based on the estimated relative fair value of the net assets received by Homestead as used in determining the relative ownership percentage of PTR, ATLANTIC and SCG in Homestead. The methodology used was based upon the present values of the cash flows of the contributions made by each such party. ATLANTIC will recognize the Distribution as a reduction of shareholders' equity.

Since PTR will own over 50% of Homestead immediately after the Mergers, the Mergers will be recorded by PTR as (i) the formation of Homestead as a wholly-owned subsidiary into which the PTR-Homestead Village Group assets will be transferred at historical cost; (ii) the acquisition of Homestead Village net assets of ATLANTIC and SCG (at fair value) for the Homestead common stock and warrants using the purchase method of accounting; and (iii) a reduction of shareholders' equity to reflect the distribution of the Homestead common stock and warrants owned by PTR to PTR's shareholders. The historical financial statements of PTR-Homestead Village Group will become the predecessor of Homestead and the operations of the SCG-Homestead Village Group and the Atlantic-Homestead Village Group will be included from the date of acquisition. For a description of certain terms used in this paragraph, refer to the ATLANTIC Prospectus. The adjustment reflects consummation of the Merger Agreement and spin-off of ATLANTIC's Homestead Village net assets as if the closing of the Homestead transaction, contemplated in the Merger Agreement, had occurred on January 1, 1995 as follows:

- 1) Elimination of the results of operations of ATLANTIC's Homestead Village properties from the historical financial statements of ATLANTIC for the six months ended June 30, 1996 and the year ended December 31, 1995.
- 2) Elimination of the Homestead Village net assets as of June 30, 1996.
- 3) ATLANTIC's receipt of 4,201,220 shares of Homestead common stock with a value of \$51,699,000 in exchange for ATLANTIC's contribution to Homestead. The value of the Homestead common stock was calculated to be approximately \$12.31 per share (the "Assumed Value"). The

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO PRO FORMA FINANCIAL STATEMENTS--(CONTINUED)

Assumed Value is based solely on the estimated fair market value of the net assets contributed by ATLANTIC, PTR and SCG. This per share amount is not intended as an indication of the price at which shares of Homestead common stock may actually trade and no assurance can be given as to the price at which the shares of Homestead common stock will trade. ATLANTIC's contribution consists of Homestead Village net assets as of June 30, 1996 of \$19,029,000, the Homestead Village assets expected to be acquired prior to the Merger Closing Date of \$9,973,000 and cash of \$18,621,000. ATLANTIC's contribution totals \$47,623,000. The \$9,973,000 of Homestead assets that ATLANTIC will contribute consists of land acquisitions subsequent to June 30, 1996 of \$9,028,000 and development costs to be incurred from June 30, 1996 to the Merger Closing Date of \$945,000.

4) ATLANTIC's receipt of 2,818,517 Homestead warrants valued at the difference between the Assumed Value and the Homestead warrant exercise price in consideration for ATLANTIC entering into the Funding Commitment Agreement with Homestead. The value of the Homestead warrants represents commitment fee revenue which is deferred at June 30, 1996. This commitment fee revenue will be recognized over the life of the loan(s) as a yield adjustment to interest income at such time as ATLANTIC begins funding its obligation under its Funding Commitment Agreement.

5) The additional borrowings under ATLANTIC's line of credit necessary to finance ATLANTIC's contribution to Homestead as of January 1, 1995.

6) Additional interest expense and a corresponding reduction in the REIT management fee resulting from (i) the additional pro forma borrowings of \$28,594,000 and (ii) the \$19,029,000 of borrowings that financed the Homestead Village net assets contributed by ATLANTIC. Interest related to the \$19,029,000 of borrowings was capitalized in ATLANTIC's historical financial statements. ATLANTIC's current interest rate is 7.24%.

7) The special dividend to ATLANTIC shareholders of all of the Homestead common stock and Homestead warrants to be received by ATLANTIC under the Merger Agreement. The difference between the \$51,699,000 of Homestead common stock received and ATLANTIC's basis in the assets contributed to Homestead of \$47,623,000 is reflected as a gain of \$4,076,000 in "Distributions in excess of net earnings" in the accompanying pro forma balance sheet as of June 30, 1996.

(e) The pro forma financial statements do not reflect the funding of ATLANTIC's obligation of approximately \$111,000,000 under the Funding Commitment Agreement or receipt of the related convertible mortgages of approximately \$98,000,000, as this funding is related to future development costs of the properties contributed to Homestead. The convertible mortgages will be recorded at a premium of approximately \$13,000,000 which will be amortized as an adjustment to interest income over the ten-year term of the mortgages.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO PRO FORMA FINANCIAL STATEMENTS--(CONTINUED)

(f) All of ATLANTIC's acquisitions subsequent to December 31, 1994 were acquired from unaffiliated third parties. These acquisitions are described below:

<TABLE>

<CAPTION>

PROPERTY	ACQUISITION DATE	LOCATION	ACQUISITION COST (IN 000'S)	UNITS	PRODUCT TYPE	OCCUPANCY AT DATE OF ACQUISITION
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cameron Lakes.....	2/01/95	Tampa, FL	\$ 7,544	207	Middle	88.4%
Cameron on the Cahaba I & II.....	3/24/95	Birmingham, AL	18,072	400	Moderate	96.0%
Enclave at Brentwood....	4/28/95	Nashville, TN	15,110	380	Middle	97.1%
Cameron Villas II (formerly Cedar Bay Village).....	7/20/95	Orlando, FL	1,709	42	Moderate	97.6%
Country Place Village I & II.....	7/20/95	Tampa, FL	8,088	188	Moderate	89.9%
Cypress Lakes.....	7/20/95	Fort Lauderdale, FL	8,186	176	Moderate	93.2%
Kingston Village.....	7/20/95	Orlando, FL	5,849	120	Middle	97.5%
Trails at Meadow Lakes..	7/20/95	West Palm Beach, FL	8,578	189	Moderate	94.7%
WintersCreek.....	8/01/95	Atlanta, GA	7,567	200	Moderate	99.0%
Woodlands.....	9/01/95	Atlanta, GA	25,256	644	Moderate	96.0%
Azalea Park.....	11/09/95	Atlanta, GA	24,793	447	Moderate	80.1%
Cameron Forest.....	12/12/95	Atlanta, GA	5,892	152	Moderate	92.8%
Cameron Place.....	12/12/95	Atlanta, GA	7,496	212	Moderate	93.9%
Sheffield Forest.....	12/15/95	Washington, DC	15,128	256	Middle	88.7%
Cameron Station.....	12/19/95	Atlanta, GA	15,584	348	Moderate	95.7%
Cameron at Hickory Grove (formerly Esprit).....	4/10/96	Charlotte, NC	8,000	202	Moderate	93.6%
Paces Court.....	4/22/96	Greenville, SC	11,007	234	Middle	91.0%
Park Place at Turtle Run (formerly Park Place)..	4/22/96	Coral Springs, FL	14,355	350	Moderate	91.7%
Pointe at Bayberry Lake.	5/29/96	Pembroke Pines, FL	16,650	308	Moderate	90.9%
Cameron Pointe.....	5/30/96	Atlanta, GA	14,450	214	Middle	96.3%
Country Oaks.....	(1)	Memphis, TN	8,250(2)	200	Moderate	(1)

</TABLE>

(1) Acquisition has not occurred as of August 20, 1996 but is expected to occur by the end of August 1996.

(2) Represents contract purchase price.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO PRO FORMA FINANCIAL STATEMENTS--(CONTINUED)

This adjustment reflects historical: 1) gross income, 2) rental expenses, and 3) mortgage interest on mortgage debt assumed, if applicable, for all properties acquired, subsequent to December 31, 1994 for the period January 1, 1995 to the earlier of the respective dates of acquisition, December 31, 1995 or June 30, 1996, as applicable (results of operations after the date of acquisition are included in ATLANTIC's historical operating results). Reflects removal from ATLANTIC's historical balances of: 1) gross income, 2) rental expenses, and 3) mortgage interest on mortgage debt, if applicable, for all properties disposed of subsequent to December 31, 1994 to the earlier of the respective dates of disposition, December 31, 1995 or June 30, 1996, as applicable. The historical gross income and rental expenses relating to the period prior to ATLANTIC's acquisition exclude amounts which would not be comparable to the proposed future operations of the properties such as certain

interest income and income taxes.

The following tables summarize the historical income and expense amounts shown on the pro forma statements of earnings (in thousands):

<TABLE>

<CAPTION>

	RENTAL INCOME	RENTAL EXPENSES, EXCLUDING MORTGAGE INTEREST (I)	MORTGAGE INTEREST
<S>	<C>	<C>	<C>
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 1996:			
Group C properties.....	\$ 2,867	\$ 1,303	\$ 132
Group D properties.....	3,066	1,290	229
Less: Post acquisition amounts already included in ATLANTIC's historical balances.....	(1,572)	(577)	--
Less: Disposition.....	(542)	(272)	--
Net adjustment to ATLANTIC's historical balances.....	\$ 3,819	\$ 1,744	\$ 361
FOR THE YEAR ENDED DECEMBER 31, 1995:			
Group A properties.....	\$ 14,032	\$ 6,398	\$ 159
Group B properties.....	9,662	4,395	887
Group C properties.....	5,876	3,043	480
Group D properties.....	6,173	2,576	460
Other acquisitions in 1995.....	4,005	1,578	620
Totals for the year.....	39,748	17,990	2,606
Less: Post acquisition amounts already in- cluded in ATLANTIC's historical bal- ances.....	(10,338)	(4,142)	(583)
Less: Dispositions.....	(6,666)	(2,986)	(459)
Net adjustment to ATLANTIC's historical balances.....	\$ 22,744	\$10,862	\$1,564

</TABLE>

(i) Includes property management fees and real estate taxes.

SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO PRO FORMA FINANCIAL STATEMENTS--(CONTINUED)

The following analysis reconciles the audited information for the Group A properties, the Group B properties, the Group C properties and the Group D properties to the amounts contained in the pro forma statements of earnings (in thousands):

<TABLE>

<CAPTION>

	RENTAL INCOME	RENTAL EXPENSES, EXCLUDING MORTGAGE INTEREST (I)	MORTGAGE INTEREST
<S>	<C>	<C>	<C>
Group A Properties: Audited results of operations for the year ended December 31, 1994.....	\$13,338	\$6,330	\$ 159
Adjustment to reflect the results of operations of Group A properties for 1995.....	694 (ii)	68 (ii)	0 (ii)
Total 1995 Group A.....	\$14,032	\$6,398	\$ 159
Group B Properties: Audited results of operations for the nine months ended September 30, 1995.....	\$ 7,126	\$3,298	\$ 653
Adjustment to reflect fourth quarter 1995 results of operations of			

Group B properties.....	2,536(iii)	1,097(iii)	234(iii)
	-----	-----	-----
Total 1995 Group B.....	\$ 9,662	\$4,395	\$ 887
	=====	=====	=====
Group C Properties: Audited results of operations for the year ended December 31, 1995.....	\$ 5,876	\$3,043	\$ --
Adjustment to reflect interest on mortgage debt assumed.....	--	--	480
	-----	-----	-----
Total 1995 Group C.....	\$ 5,876	\$3,043	\$ 480
	=====	=====	=====
Group D Properties: Audited results of operations for the year ended December 31, 1995.....	\$ 6,173	\$2,576	\$ --
Adjustment to reflect interest on mortgage debt assumed.....	--	--	460
	-----	-----	-----
Total 1995 Group D.....	\$ 6,173	\$2,576	\$ 460
	=====	=====	=====

</TABLE>

(i) Includes property management fees and real estate taxes.

(ii) Represents incremental income and expense adjustments necessary to reconcile the 1994 audited results with the 1995 actual results.

(iii) Represents fourth quarter 1995 actual results which are added to the audited results for the nine months ended September 30, 1995. This adjustment is necessary to present twelve months of information for Group B properties.

(g) Reflects the difference for the six-month period ended June 30, 1996 between historical property management fee expense and ATLANTIC's pro forma property management fee expense.

(h) Reflects pro forma interest expense for the six-month period ended June 30, 1996 on the two mortgage notes assumed or to be assumed in connection with property acquisitions in 1996. The interest rates on the mortgage notes varies from 7.655% to 8.0%.

(i) Reflects the removal of depreciation expense recognized on properties disposed of subsequent to December 31, 1994 which is included in ATLANTIC's historical balances.

(j) Reflects depreciation expense for the six-month period ended June 30, 1996 for the properties acquired in the first six months of 1996 or to be acquired. This depreciation adjustment is based on ATLANTIC's purchase cost assuming asset lives of 10 to 40 years. Depreciation is computed using a straight-line method.

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SECURITY CAPITAL ATLANTIC INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS--(CONTINUED)

(k) Reflects the additional REIT management fee that would have been incurred in the six-month period ended June 30, 1996 had the pro forma property acquisitions and the pro forma paydown on the line of credit all occurred on January 1, 1995.

(l) Reflects the difference for the year ended December 31, 1995 between historical make-ready expense and ATLANTIC's pro forma make-ready expense. Make-ready expense includes those costs that are incurred to prepare an apartment unit for tenancy by a resident after a prior resident has moved out and typically includes such costs as cleaning, interior painting and carpet repair and replacement.

(m) Reflects the difference for the year ended December 31, 1995 between historical property management fee expense and ATLANTIC's pro forma property management fee expense.

(n) Reflects pro forma interest expense on mortgage notes payable assumed or to be assumed subsequent to December 31, 1994 as if these mortgages were assumed by ATLANTIC on January 1, 1995. The interest rates on the mortgage

notes varies from 5.98% to 8.0%.

(o) Reflects depreciation expense from January 1, 1995 through the acquisition date for all properties acquired or to be acquired subsequent to December 31, 1994 (depreciation expense after the date of acquisition is included in ATLANTIC's historical operating results). This depreciation adjustment is based on ATLANTIC's purchase cost assuming asset lives of 10 to 40 years. Depreciation is computed using a straight-line method.

(p) Reflects the additional REIT management fee that would have been incurred in 1995 had the pro forma property acquisitions subsequent to December 31, 1994 and the pro forma paydowns on the line of credit all occurred on January 1, 1995.

(q) The number of shares used in the calculation of the pro forma per share data was based on the weighted average number of common shares outstanding during the period adjusted to give effect to common shares assumed to have been issued on January 1, 1995 as necessary to complete the pro forma property acquisitions which are all assumed to have been financed with equity proceeds to the extent mortgage debt was not assumed and to make the pro forma paydowns on the line of credit.

(r) Represents the reduction to interest expense resulting from the pro forma paydowns on the line of credit. The interest reduction is calculated using the weighted average daily interest rate for the applicable period (7.42% for 1996 and 7.92% for 1995).

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
Security Capital Atlantic Incorporated

We have audited the accompanying combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) of the Group A Properties described in Note 1 for the year ended December 31, 1994. This combined Historical Summary is the responsibility of the Group A Properties management. Our responsibility is to express an opinion on this combined Historical Summary based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined Historical Summary. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the registration statement on Form S-11 of Security Capital Atlantic Incorporated as described in the accompanying Note 1 of the combined Group A Properties and is not intended to be a complete presentation of the income and expenses of the combined Group A Properties.

In our opinion, the combined Historical Summary of Gross Income and Direct Operating Expenses referred to above presents fairly, in all material respects, the combined gross income and direct operating expenses as described in Note 1 of the combined Group A Properties for the year ended December 31, 1994, in conformity with generally accepted accounting principles.

Ernst & Young LLP

West Palm Beach, Florida
March 5, 1996

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SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP A PROPERTIES

COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 1994 AND THE PERIOD FROM JANUARY 1, 1995 THROUGH THE
EARLIER OF JUNE 30, 1995 OR DATE OF ACQUISITION

<TABLE>
<CAPTION>

	1994	1995 (UNAUDITED)
<S>	<C>	<C>
Gross income:		
Rental.....	\$12,951,378	\$6,432,457
Other.....	387,073	128,010
Total gross income.....	13,338,451	6,560,467
Direct operating expenses:		
Utilities and other property operating expenses.....	3,051,955	1,629,333
Real estate taxes.....	1,255,172	589,640
Repairs and maintenance.....	997,451	573,832
Management fees.....	601,533	334,262
Interest on certain obligations assumed.....	159,253	79,905
Advertising.....	217,925	93,086
Insurance.....	205,648	108,550
Total direct operating expenses.....	6,488,937	3,408,608
Excess of gross income over direct operating expenses...	\$ 6,849,514	\$3,151,859

</TABLE>

See accompanying notes.

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SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP A PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 1994 AND THE PERIOD FROM JANUARY 1, 1995 THROUGH THE
EARLIER OF JUNE 30, 1995 OR DATE OF ACQUISITION

1. ORGANIZATION AND BASIS OF PRESENTATION

The combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) for the year ended December 31, 1994 and the period from January 1, 1995 through the earlier of June 30, 1995 or the date Security Capital Atlantic Incorporated (the "Company") acquired the property (the "Date of Acquisition") relates to the operations of the following Group A Properties which were acquired from unaffiliated parties by the Company between April 1, 1995 and September 30, 1995:

<TABLE>

<CAPTION>

ACQUISITION DATE	PROPERTY NAME	LOCATION	ACQUISITION COST
			(IN 000'S)
<S>	<C>	<C>	<C>
April 28, 1995	Enclave at Brentwood	Nashville, Tennessee	\$15,110
July 20, 1995	Trails at Meadowlakes	West Palm Beach, Florida	8,578
July 20, 1995	Country Place Village I	Tampa, Florida	3,786
July 20, 1995	Country Place Village II	Tampa, Florida	4,302
July 20, 1995	Kingston Village	Orlando, Florida	5,849
July 20, 1995	Cypress Lakes	Fort Lauderdale, Florida	8,186
July 20, 1995	Cameron Villas II (formerly Cedar Bay Village)	Orlando, Florida	1,709
August 1, 1995	WintersCreek	Atlanta, Georgia	7,567
September 1, 1995	Woodlands I & II	Atlanta, Georgia	25,256

</TABLE>

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the registration Statement on Form S-11 of the Company. The combined Historical Summary is not intended to be a complete presentation of combined income and expenses of the Group A Properties for the year ended December 31, 1994 and the period from January 1, 1995 through the earlier of June 30, 1995 or Date of Acquisition, as certain costs such as depreciation, amortization, certain mortgage interest,

professional fees and other costs not directly related to the future operations of the Group A Properties have been excluded. These costs are not considered to be direct operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Rental income from leasing activities consist of lease payments earned from tenants under lease agreements with terms of one year or less.

Capitalization Policy

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized.

Advertising Expense

The cost of advertising is expensed as incurred.

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SECURITY CAPITAL ATLANTIC INCORPORATED GROUP A PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS INCOME AND DIRECT OPERATING EXPENSES--(CONTINUED)

Use of Estimates

The preparation of the combined Historical Summary in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined Historical Summary and accompanying notes. Actual results could differ from those estimates.

Unaudited Interim Historical Summary

The combined Historical Summary of Gross Income and Direct Operating Expenses for the period from January 1, 1995 through the earlier of June 30, 1995 or the Date of Acquisition is unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such combined Historical Summary have been included. The results of operations for the period are not necessarily indicative of the Group A Properties future results of operations.

3. RELATED PARTY TRANSACTIONS

Management fees of \$601,533 and \$334,262 (unaudited) were paid to affiliates of the prior owners under property management contracts in 1994 and 1995, respectively.

4. DEBT ASSUMPTION

The Company assumed outstanding debt in connection with the acquisition of Country Place Village I and WintersCreek.

Country Place Village I

A 7.75% mortgage note with an outstanding balance of \$2,051,078 at July 20, 1995 (the date of acquisition) was assumed by the Company. The note, which is secured by the property, matures on November 1, 2000. The mortgage note provides for monthly principal and interest payments of \$15,862 through maturity and for a balloon payment of \$1,844,613 at maturity.

The mortgage note had an outstanding balance of \$2,068,822 at December 31, 1994 and \$2,051,078 (unaudited) at June 30, 1995. The Company's assumption of this mortgage note did not provide for any modification to the original terms, therefore, interest expense incurred prior to the Company's assumption is representative of future interest expense. Accordingly, interest expense of \$159,253 for 1994 and \$79,905 (unaudited) for 1995 is recognized in the accompanying combined Historical Summary.

WintersCreek

A variable rate mortgage note securing a \$5,000,000 tax-exempt bond issue was assumed by the Company in connection with the acquisition of WintersCreek on August 1, 1995. The mortgage note, which is secured by the property, provides for monthly interest payments at the variable rate with the principal amount of the bonds due at maturity on October 1, 2004.

Subsequent to the debt assumption, the Company obtained a swap agreement which provides for interest payments on a fixed rate. On a continuing basis, the interest expense incurred will differ from the amounts incurred prior to

the Company's assumption of the debt. Accordingly, no interest expense is recognized in the accompanying combined Historical Summary.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
Security Capital Atlantic Incorporated

We have audited the accompanying combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) of the Group B Properties described in Note 1 for the period from January 1, 1995 through September 30, 1995. This combined Historical Summary is the responsibility of the Group B Properties' management. Our responsibility is to express an opinion on this combined Historical Summary based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined Historical Summary. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the registration statement on Form S-11 of Security Capital Atlantic Incorporated as described in the accompanying Note 1 of the combined Group B Properties and is not intended to be a complete presentation of the income and expenses of the combined Group B Properties.

In our opinion, the combined Historical Summary of Gross Income and Direct Operating Expenses referred to above presents fairly, in all material respects, the combined gross income and direct operating expenses as described in Note 1 of the combined Group B Properties for the period from January 1, 1995 through September 30, 1995, in conformity with generally accepted accounting principles.

Ernst & Young LLP

West Palm Beach, Florida
March 5, 1996

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SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP B PROPERTIES

COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES

PERIOD FROM JANUARY 1, 1995
THROUGH SEPTEMBER 30, 1995

<TABLE>	<C>
<S>	
Gross income:	
Rental.....	\$6,825,589
Other.....	300,734

Total gross income.....	7,126,323

Direct operating expenses:	
Utilities and other property operating expenses.....	1,685,757
Real estate taxes.....	503,766
Repairs and maintenance.....	582,710
Management fees.....	283,974
Interest on certain obligations assumed.....	652,500
Advertising.....	157,178
Insurance.....	84,802

Total direct operating expenses.....	3,950,687

Excess of gross income over direct operating expenses.....	\$3,175,636
	=====

</TABLE>

See accompanying notes.

SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP B PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES

PERIOD FROM JANUARY 1, 1995 THROUGH SEPTEMBER 30, 1995

1. ORGANIZATION AND BASIS OF PRESENTATION

The combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) for the period from January 1, 1995 to September 30, 1995, relates to the operations of the following Group B Properties which were acquired from unaffiliated parties by Security Capital Atlantic Incorporated (the Company) between October 1, 1995 and December 31, 1995:

<TABLE>

<CAPTION>

ACQUISITION DATE	PROPERTY NAME	LOCATION	ACQUISITION COST
-----	-----	-----	-----
			(IN 000'S)
<S>	<C>	<C>	<C>
November 9, 1995	Azalea Park	Atlanta, Georgia	\$24,793
December 12, 1995	Cameron Place	Atlanta, Georgia	7,496
December 12, 1995	Cameron Forest	Atlanta, Georgia	5,892
December 15, 1995	Sheffield Forest	Washington, D.C.	15,128
December 19, 1995	Cameron Station	Atlanta, Georgia	15,584

</TABLE>

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of the Company. The combined Historical Summary is not intended to be a complete presentation of combined income and expenses of the Group B Properties for the period from January 1, 1995 through September 30, 1995, as certain costs such as depreciation, amortization, certain mortgage interest, professional fees and other costs not directly related to the future operations of the Group B Properties have been excluded. These costs are not considered to be direct operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Rental income from leasing activities consist of lease payments earned from tenants under lease agreements with terms of one year or less.

Capitalization Policy

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized.

Advertising Expense

The cost of advertising is expensed as incurred.

Use of Estimates

The preparation of the combined Historical Summary in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined Historical Summary and accompanying notes. Actual results could differ from those estimates.

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SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP B PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES--(CONTINUED)

3. RELATED PARTY TRANSACTIONS

Management fees of \$283,974 were paid to affiliates of the prior owners under property management contracts.

4. DEBT ASSUMPTION

The Company assumed outstanding debt in connection with the acquisition of Cameron Station and Azalea Park.

Cameron Station

A 6% fixed rate mortgage note securing a \$14,500,000 tax-exempt bond issue was assumed by the Company in connection with the acquisition of Cameron Station on December 19, 1995. The mortgage note, which is secured by the property, provides for monthly interest payments with the amount of the bonds due at maturity on June 1, 2007.

The Company's assumption of this mortgage note did not provide for any modification to the original terms, therefore, interest expense incurred prior to the Company's assumption is representative of future interest expense. Accordingly, interest expense of \$652,500 is recognized in the accompanying combined Historical Summary.

Azalea Park

A 12.76% mortgage note securing a \$15,500,000 tax-exempt bond issue was assumed by the Company in connection with the acquisition of Azalea Park on November 9, 1995. The mortgage note, which is secured by the property, provides for monthly interest payments with the principal amount of the bonds due at maturity on February 1, 2008.

The Company intends to include this bond issue in its existing credit enhancement agreement which will result in a reduction to the 12.76% interest rate. On a continuing basis, the interest expense incurred will differ from the amounts incurred prior to the Company's assumption of the debt. Accordingly, no interest expense is recognized in the accompanying combined Historical Summary.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
Security Capital Atlantic Incorporated

We have audited the accompanying combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) of the Group C Properties described in Note 1 for the year ended December 31, 1995. This combined Historical Summary is the responsibility of the Group C Properties' management. Our responsibility is to express an opinion on this combined Historical Summary based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined Historical Summary. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the registration statement on Form S-11 of Security Capital Atlantic Incorporated as described in the accompanying Note 1 of the combined Group C Properties and is not intended to be a complete presentation of the income and expenses of the combined Group C Properties.

In our opinion, the combined Historical Summary of Gross Income and Direct Operating Expenses referred to above presents fairly, in all material respects, the combined gross income and direct operating expenses as described in Note 1 of the combined Group C Properties for the year ended December 31, 1995, in conformity with generally accepted accounting principles.

Ernst & Young LLP

West Palm Beach, Florida
April 26, 1996

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SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP C PROPERTIES

COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES

<TABLE>	
<S>	<C>
Gross income:	
Rental.....	\$5,760,923
Other.....	114,949

Total gross income.....	5,875,872

Direct operating expenses:	
Utilities and other property operating expenses.....	1,279,237
Real estate taxes.....	615,907
Repairs and maintenance.....	783,851
Management fees.....	228,903
Advertising.....	88,289
Insurance.....	47,163

Total direct operating expenses.....	3,043,350

Excess of gross income over direct operating expenses.....	\$2,832,522
	=====
</TABLE>	

See accompanying notes.

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SECURITY CAPITAL ATLANTIC INCORPORATED
GROUP C PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS
INCOME AND DIRECT OPERATING EXPENSES

DECEMBER 31, 1995

1. ORGANIZATION AND BASIS OF PRESENTATION

The combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) for the year ended December 31, 1995, relates to the operations of the following Group C Properties which were acquired from unaffiliated parties by Security Capital Atlantic Incorporated (the Company) between January 1, 1996 and April 29, 1996:

<TABLE>			
<CAPTION>			
ACQUISITION DATE	PROPERTY NAME	LOCATION	ACQUISITION COST
-----	-----	-----	-----
			(IN 000S)
<C>	<S>	<C>	<C>
April 10, 1996	Cameron at Hickory Grove (formerly Esprit)	Charlotte, North Carolina	\$ 8,000
April 22, 1996	Park Place at Turtle Run (formerly Park Place)	Coral Springs, Florida	14,355
April 22, 1996	Cameron Court (formerly Paces Court)	Greenville, South Carolina	11,007
</TABLE>			

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of the Company. The combined Historical Summary is not intended to be a complete presentation of combined income and expenses of the Group C Properties for the year ended December 31, 1995, as certain costs such as depreciation, amortization, certain mortgage interest, professional fees and other costs not directly related to the future operations of the Group C Properties have been excluded. These costs are not considered to be direct operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Rental income from leasing activities consist of lease payments earned from tenants under lease agreements with terms of one year or less.

Capitalization Policy

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized.

Advertising Expense

The cost of advertising is expensed as incurred.

Use of Estimates

The preparation of the combined Historical Summary in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined Historical Summary and accompanying notes. Actual results could differ from those estimates.

3. RELATED PARTY TRANSACTIONS

Management fees of \$228,903 were paid to affiliates of the prior owners under property management contracts.

4. DEBT ASSUMPTION

During 1995, the Cameron at Hickory Grove Apartments secured an 8.75%, interest-only mortgage note with a balance of \$6,660,000. The Company assumed this mortgage note on April 10, 1996 in connection with the acquisition of the property. Substantial modifications in the terms of the note were made prior to the assumption by the Company. Therefore, on a continuing basis, the interest expense incurred will differ from the amounts incurred prior to the Company's assumption of the debt. Accordingly, no interest expense is recognized in the accompanying combined Historical Summary.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders

Security Capital Atlantic Incorporated

We have audited the accompanying combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) of the Group D Properties described in Note 1 for the year ended December 31, 1995. This combined Historical Summary is the responsibility of the Group D Properties' management. Our responsibility is to express an opinion on this combined Historical Summary based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined Historical Summary. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the registration statement on Form S-11 of Security Capital Atlantic Incorporated as described in the accompanying Note 1 of the combined Group D Properties and is not intended to be a complete presentation of the income and expenses of the combined Group D Properties.

In our opinion, the combined Historical Summary of Gross Income and Direct Operating Expenses referred to above presents fairly, in all material respects, the combined gross income and direct operating expenses as described in Note 1 of the combined Group D Properties for the year ended December 31, 1995, in conformity with generally accepted accounting principles.

West Palm Beach, Florida

August 13, 1996

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SECURITY CAPITAL ATLANTIC INCORPORATED

GROUP D PROPERTIES

COMBINED HISTORICAL SUMMARY OF GROSS

INCOME AND DIRECT OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 1995 AND THE PERIOD FROM JANUARY 1, 1996 THROUGH THE EARLIER OF JUNE 30, 1996 OR DATE OF ACQUISITION

<TABLE>
<CAPTION>

	1995	1996
		(UNAUDITED)
<S>	<C>	<C>
Gross income:		
Rental.....	\$5,927,498	\$2,530,039
Other.....	245,113	95,154
Total gross income.....	6,172,611	2,625,193
Direct operating expenses:		
Utilities and other property operating expenses.....	1,252,442	595,707
Real estate taxes.....	557,446	278,615
Repairs and maintenance.....	336,297	78,735
Management fees.....	266,917	106,175
Advertising.....	65,935	35,320
Insurance.....	97,417	58,141
Total direct operating expenses.....	2,576,454	1,152,693
Excess of gross income over direct operating expenses....	\$3,596,157	\$1,472,500

</TABLE>

See accompanying notes.

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SECURITY CAPITAL ATLANTIC INCORPORATED

GROUP D PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS

INCOME AND DIRECT OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 1995 AND THE PERIOD FROM JANUARY 1, 1996 THROUGH THE EARLIER OF JUNE 30, 1996 OR DATE OF ACQUISITION

1. ORGANIZATION AND BASIS OF PRESENTATION

The combined Historical Summary of Gross Income and Direct Operating Expenses (the Historical Summary) for the year ended December 31, 1995 and the period from January 1, 1996 through the earlier of June 30, 1996 or the date Security Capital Atlantic Incorporated (the "Company") acquired the property (the "Date of Acquisition") relates to the operations of the following Group D Properties which have been or are likely to be acquired from unaffiliated parties by the Company between May 29, 1996 and September 30, 1996:

<TABLE>
<CAPTION>

ACQUISITION DATE	PROPERTY NAME	LOCATION	ACQUISITION COST
<S>	<C>	<C>	<C>
			(IN 000'S)
May 29, 1996	Pointe at Bayberry Lake	Ft. Lauderdale, Florida	\$ 16,650
May 30, 1996	Cameron Pointe (formerly Calibre Pointe)	Atlanta, Georgia	14,450
-- (/1/)	Country Oaks	Memphis, Tennessee	-- (/1/)

</TABLE>

(/1/Property) is under contract

The accompanying combined Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the registration statement on Form S-11

of the Company. The combined Historical Summary is not intended to be a complete presentation of combined income and expenses of the Group D Properties for the year ended December 31, 1995 and the period from January 1, 1996 through the earlier of June 30, 1996 or the Date of Acquisition, as certain costs such as depreciation, amortization, certain mortgage interest, professional fees and other costs not directly related to the future operations of the Group D Properties have been excluded. These costs are not considered to be direct operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Rental income from leasing activities consist of lease payments earned from tenants under lease agreements with terms of one year or less.

Capitalization Policy

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized.

Advertising Expense

The cost of advertising is expensed as incurred.

Use of Estimates

The preparation of the combined Historical Summary in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined Historical Summary and accompanying notes. Actual results could differ from those estimates.

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SECURITY CAPITAL ATLANTIC INCORPORATED

GROUP D PROPERTIES

NOTES TO COMBINED HISTORICAL SUMMARY OF GROSS

INCOME AND DIRECT OPERATING EXPENSES--(CONCLUDED)

Unaudited Interim Historical Summary

The combined historical summary of gross income and direct operating expenses for the period from January 1, 1996 through the earlier of June 30, 1996 or the Date of Acquisition is unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such combined historical summary have been included. The results of operations for the period are not necessarily indicative of the Group D Properties future results of operations.

3. RELATED PARTY TRANSACTIONS

Management fees of \$266,917 and \$106,175 (unaudited) were paid to affiliates of the prior owners under property management contracts in 1995 and 1996, respectively.

4. DEBT ASSUMPTION

In June 1995, the Country Oaks Apartments secured a mortgage note in the amount of \$6,010,000. The note provides for monthly payments of \$42,663, including principal and interest at 7.655% through July 2002, at which time all outstanding principal and interest will be due. The Company will assume this note in connection with the acquisition of the property.

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HOMESTEAD VILLAGE INCORPORATED

4,201,220 SHARES

COMMON STOCK

(PAR VALUE \$.01 PER SHARE)

2,818,517 WARRANTS TO PURCHASE

COMMON STOCK

This Prospectus is a part of the Prospectus of Security Capital Atlantic Incorporated ("ATLANTIC") to which this Prospectus is attached. This Prospectus also constitutes part of the Prospectus of Homestead Village Incorporated ("Homestead") in connection with the distribution (the "Distribution") by Security Capital Pacific Trust ("PTR") and ATLANTIC of all of the shares of Common Stock, \$0.01 par value per share, of Homestead (the "Homestead Common Stock"), and warrants to purchase shares of Homestead Common Stock (the "Homestead Warrants" and, together with the Homestead Common Stock, the "Homestead Securities") owned by them. The Distribution will result in all of the Homestead Securities issuable to PTR and ATLANTIC in connection with the Transaction (as hereafter defined) being distributed to holders of PTR common shares of beneficial interest, \$1.00 par value per share (the "PTR Common Shares"), and holders of shares of ATLANTIC common stock, \$0.01 par value per share (the "ATLANTIC Common Stock"), as of the record date to be established for the Distribution (the "Distribution Record Date").

There has been no public trading market for the shares of Homestead Common Stock or the Homestead Warrants. The Homestead Common Stock and the Homestead Warrants have been approved for listing on the American Stock Exchange, subject to official notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE A-7 OF THIS PROSPECTUS FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY HOLDERS OF HOMESTEAD SECURITIES.

THE SECURITIES TO BE ISSUED PURSUANT TO THE ATLANTIC PROSPECTUS (OF WHICH THIS PROSPECTUS FORMS A PART) HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE ATLANTIC PROSPECTUS (OF WHICH THIS PROSPECTUS FORMS A PART). ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The date of this Prospectus is _____, 1996.

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SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in the ATLANTIC Prospectus, including this Prospectus. Shareholders are urged to review the entire ATLANTIC Prospectus, including this Prospectus. All references to Homestead Village Incorporated's operations include PTR, ATLANTIC and Security Capital Group Incorporated ("SCG") operations with respect to Homestead Village(R) properties. Homestead Village(R) is a registered trademark of SCG, which will be assigned to Homestead as a part of the Transaction. The term "Homestead Village" as used

herein shall include a reference to such registered trademark.

HOMESTEAD VILLAGE INCORPORATED

The first Homestead Village property was opened in 1992 by PTR. Since then, PTR has developed and placed into operation 27 additional Homestead Village properties and ATLANTIC has developed and placed into operation one Homestead Village property. Homestead was organized in January 1996 to continue the operations of PTR, ATLANTIC and SCG with respect to their respective moderate priced, extended-stay lodging facilities. Homestead will develop, own and manage moderate priced, extended-stay lodging facilities designed to appeal to value-conscious customers on temporary assignment, undergoing relocation or in training.

The objective of Homestead is to be the preeminent developer, owner and national operator focused on the moderate priced, extended-stay lodging business. Homestead expects to achieve this objective by:

- . participating in high growth markets;
- . exercising investment discipline based on research; and
- . employing a consistent high quality service standard to property operations.

Homestead currently operates 29 facilities, has begun construction of 12 additional facilities and has an additional 39 properties in pre-development planning. The term "in pre-development planning" means developments owned or under control (land which is under control through contingent contract) with construction anticipated to commence within 12 months. Homestead's facilities are designed and built to uniform plans developed by Homestead. Homestead expects to have a total of 31 facilities operational and 41 facilities under construction by the end of 1996 and plans to continue an active development program thereafter. Homestead's plans call for the average facility to have approximately 136 extended-stay rooms and take approximately eight to ten months to construct.

The average length of stay for a customer is in excess of four weeks. For the six months ended June 30, 1996, average physical occupancy and average weekly rate for 20 stabilized properties were 84% and \$219 per week, respectively, and, for the same period, average physical occupancy and average weekly rate for seven pre-stabilized properties were 67% and \$223 per week, respectively. Homestead categorizes its operating properties (which include all properties not under construction or in pre-development planning) as either "stabilized" or "pre-stabilized." The term "stabilized" means that construction has been completed and management and marketing programs have been in place for a sufficient period of time (but in no event longer than 12 months) to achieve an 80% occupancy level for five consecutive weeks at market rates. Prior to being "stabilized", an operating property is considered to be "pre-stabilized". All operating properties have been newly developed by Homestead.

Homestead believes that it is distinguished from its competitors in the moderate priced, extended-stay lodging business in several respects.

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- . Homestead has been developing and operating moderate priced, extended-stay facilities since 1992. It has in place a staff of 66 professionals who have substantial experience in the real estate and lodging industries and has 318 site-level employees. Most of these individuals were previously employed by affiliates of SCG which operated and managed the Homestead Village properties on behalf of PTR and ATLANTIC in similar capacities to those they will have with Homestead.
- . Homestead currently operates 29 facilities in eight cities and will operate nationally. It expects to have 31 facilities in eight cities operating by the end of 1996.
- . Homestead has access to substantial financing through (i) the Funding Commitment Agreements with PTR and ATLANTIC (described herein), under which PTR and ATLANTIC have agreed to provide funding of \$129 million and \$111 million, respectively, and to receive convertible mortgage notes of \$144 million and \$98 million, respectively, in respect thereof and (ii) the Investor Agreement with SCG (described herein) under which SCG has agreed to exercise upon notice from Homestead all of the Homestead Warrants it will receive directly and indirectly as part of the Transaction (as defined below) with an aggregate exercise price of approximately \$51 million. This access to capital should provide Homestead with sufficient capital to fund its national development program through mid-1997 without having to seek additional external financing.

- . Homestead is affiliated with SCG, which will be the principal shareholder of Homestead and will be entitled to representation on the board of directors of Homestead (the "Homestead Board"). Homestead will be self-managed but will have access to various services which SCG offers to its real estate affiliates. These and other services will be available to Homestead under an Administrative Services Agreement (described herein). See "Business--Administrative Services Agreement". Homestead believes that it can purchase these services from SCG at a price which would be less expensive than hiring the necessary personnel to perform these services, and that the level of services SCG can provide would be higher than Homestead could provide internally due to SCG's large, experienced staff and economies of scale.

Homestead was formed in 1996 as a Maryland corporation and will operate as a Subchapter C corporation. Its executive offices are located at 125 Lincoln Avenue, Santa Fe, New Mexico 87501 and its telephone number is (505) 982-9292.

THE TRANSACTION

Assuming that the conditions to the Merger and Distribution Agreement, dated as of May 21, 1996 (the "Merger Agreement" and, collectively with all of the transactions contemplated thereby and the Distribution, the "Transaction"), among PTR, ATLANTIC, SCG and Homestead, have been satisfied or waived, each of PTR, ATLANTIC and SCG will contribute, through a series of merger transactions (the "Mergers"), all of their respective assets related to Homestead Village properties in return for shares of Homestead Common Stock and Homestead Warrants as follows:

- . PTR will contribute 54 properties (or the rights to acquire such properties) to Homestead in exchange for 9,485,727 shares of Homestead Common Stock.
- . ATLANTIC will contribute 26 properties (or the rights to acquire such properties) to Homestead in exchange for 4,201,220 shares of Homestead Common Stock. Pursuant to the Merger Agreement, ATLANTIC will provide an estimated cash payment of \$18.6 million to Homestead at the date of the closing of the Mergers (the "Closing Date"). This payment is required because

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ATLANTIC's Homestead Village properties are in earlier stages of development than PTR's Homestead Village properties, therefore ATLANTIC has not funded the same percentage of total costs as PTR. This payment also assures that ATLANTIC receives all of its shares of Homestead Common Stock at the Closing Date rather than being received in smaller increments over time as funds are expended for Homestead Village properties contributed by ATLANTIC.

- . SCG will contribute to Homestead its anticipated future cash flows from the PTR and ATLANTIC real estate investment trust ("REIT") management agreements and property management agreements relating to the Homestead Village properties in exchange for 1,819,750 shares of Homestead Common Stock, not including 2,243,038 shares which will be placed in escrow and released as funds are advanced under the Funding Commitment Agreements. In addition, SCG will contribute the Homestead Village trademark and the operating system. No separate consideration was attributed to the Homestead Village trademark or the operating system, as the trademark and operating system would be necessary to achieve the anticipated fees. There are additional Homestead Village facilities which are in early stages of planning, but which are not owned or under control and are not included in the 80 facilities which will be contributed in the Transaction, and are being planned and developed outside the target markets of PTR and ATLANTIC by SCG with its own funds. SCG will contribute the rights to certain properties to Homestead for no additional consideration.
- . Simultaneous with the transactions described above, PTR and ATLANTIC will receive 6,363,789 and 2,818,517 Homestead Warrants, respectively, in exchange for their entering into the Funding Commitment Agreements. Each Homestead Warrant is exercisable at \$10.00 per share and expires one year after the Distribution Record Date.
- . Pursuant to the applicable Funding Commitment Agreement, PTR and ATLANTIC will agree to provide secured financing to Homestead of up to \$129 million and \$111 million, respectively, and to receive convertible mortgage notes in respect thereof. These notes will have a term of approximately ten years, will bear interest at 9% per year, will not be callable for five years and will be convertible into shares of Homestead Common Stock after March 31, 1997 on the basis of one share of Homestead Common Stock for every \$11.50 of principal amount outstanding, subject to antidilution adjustments. The PTR mortgage loans and ATLANTIC mortgage loans will be used to finance the acquisition and development of

properties contributed by PTR and ATLANTIC, respectively. In addition, PTR subsidiaries currently have \$77,289,000 in convertible mortgage loans with PTR which will be assumed by Homestead at the Closing Date. These loans have substantially the same terms as the mortgage loans described above. If all such mortgage loans were made and converted, an additional 19,246,402 and 8,524,215 shares of Homestead Common Stock would be issued to PTR and ATLANTIC, respectively.

- . SCG will receive 817,694 Homestead Warrants in exchange for providing funding to Homestead during the time between the execution of the Merger Agreement and the Closing Date and the use of office facilities for one year.
- . The relative percentage ownership interests of PTR, ATLANTIC and SCG in Homestead, giving effect to the issuance of the Homestead Common Stock at the Closing Date, the exercise of all Homestead Warrants and the conversion of all mortgage loans outstanding and which could be made under the Funding Commitment Agreements, would be 63.21%, 28.00% and 8.79%, respectively (before giving effect to the Distribution of the Homestead Securities by PTR and ATLANTIC). These percentages are different than the relative percentage ownership interests described elsewhere because the convertible mortgage loans issuable to PTR and ATLANTIC have a conversion price of \$11.50 per share rather than the \$10.00 per share used in calculating the original issuance of the Homestead Common Stock.

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- . After giving effect to the Distribution of the Homestead Securities by PTR and ATLANTIC, the exercise of all Homestead Warrants, the release of all shares of Homestead Common Stock to SCG from escrow and the conversion of all mortgage loans and the subsequent distribution of the Homestead Common Stock issuable upon such conversion to the shareholders of PTR and ATLANTIC, SCG would own approximately 50.6% of the outstanding Homestead Common Stock.

THE DISTRIBUTION

The shares of Homestead Common Stock and Homestead Warrants being distributed hereby are being issued in connection with the Distribution by PTR and ATLANTIC of all of the Homestead Securities owned by them to their respective shareholders. Set forth below is a summary of the number of shares of Homestead Common Stock and Homestead Warrants being issued in connection with the Transaction.

<TABLE>	
<S>	<C>
Homestead Common Stock.....	17,749,735 shares(1)
Homestead Warrants.....	10,000,000 warrants
Fully Exercised and Converted(2).....	55,520,352 shares
</TABLE>	

(1) Including the 2,243,038 shares held in escrow.

(2) Assumes the exercise of all 10,000,000 Homestead Warrants and conversion of the outstanding \$77,289,000 principal amount of convertible mortgage loans and \$242,073,091 principal amount of convertible mortgage loans issuable pursuant to the Funding Commitment Agreements.

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HOMESTEAD PRO FORMA SUMMARY FINANCIAL INFORMATION

The following table sets forth certain unaudited selected pro forma condensed consolidated financial information for Homestead after giving effect to the Transaction, as if it had been consummated, with respect to statements of operations data, as of January 1, 1995, or, with respect to balance sheet data, as of the date presented. The information presented is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the historical balance sheet data and the notes thereto and the unaudited pro forma condensed consolidated financial data and the notes thereto appearing elsewhere in this Prospectus. The unaudited selected pro forma condensed consolidated financial data have been included for comparative purposes only and do not purport to be indicative of the results of operations or financial position which actually would have been obtained if the Transaction had been effected at the dates indicated or of the financial position or results of operations which may be obtained in the future. See "Homestead Pro Forma Selected Financial Information" and "Homestead Pro Forma Financial Statements".

<TABLE>

<CAPTION>

PRO FORMA

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995
--	-----------------------------------	---------------------------------

(DOLLARS IN THOUSANDS)

<S>	<C>	<C>
OPERATIONS SUMMARY:		
Room Revenue.....	\$ 15,133	\$ 18,337
Total Revenue.....	15,353	18,721
Property Operating Expenses(1).....	6,420	7,600
Corporate Operating Expenses.....	4,145	6,188
Depreciation and Amortization.....	2,388	5,294
Net Income (Loss).....	(201)	(3,808)

<CAPTION>

PRO FORMA
JUNE 30, 1996

(DOLLARS IN THOUSANDS)

<S>	<C>	<C>
FINANCIAL POSITION:		
Property and Equipment, net.....	\$ 179,990	
Total Assets.....	256,209	
Convertible Mortgage Notes Payable.....	67,347	
Total Liabilities.....	76,505	
Shareholders' Equity.....	\$ 179,704	
Common Stock Outstanding(2).....	17,749,735	

<CAPTION>

PRO FORMA

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995
--	-----------------------------------	---------------------------------

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

<S>	<C>	<C>
PER SHARE DATA:		
Net Income (Loss).....	\$ (.01)	\$ (.11)
Net Book Value.....	\$ 5.35	N/A
Weighted Average Number of Shares of Homestead Common Stock Outstanding(3).....		
	33,605,996	33,605,996
OTHER DATA:		
EBITDA(4).....	\$ 4,788	\$ 4,933
Cash Provided by (Used in):		
Operating Activities.....	5,439	3,035
Investing Activities.....	(54,519)	(54,679)
Financing Activities.....	47,563	53,001

</TABLE>

(1) Property operating expenses consist of all expenses directly related to the operation of the properties and do not include an allocation of corporate operating expenses. Property operating expenses include primarily salaries and wages, telephone, utilities, insurance, maintenance and supply costs and property taxes.

2) On a pro forma basis, this includes 2,289,602 shares held in escrow pending the resolution of the funding contingency:

<S>	<C>
Pro forma shares to be issued at the Closing Date (see Note (h) to the Homestead pro forma financial statements).....	(1,773,186)
Pro forma shares to be held in escrow.....	2,289,602

</TABLE>

(3) The weighted average shares of Homestead Common Stock outstanding equals the sum of 17,749,735 shares outstanding, 10,000,000 shares of Homestead Common Stock equivalents related to the Homestead Warrants and 5,856,261 shares of Homestead Common Stock equivalents related to the convertible mortgage notes payable.

(4) EBITDA means operating income before mortgage and other interest, income taxes, depreciation and amortization. EBITDA does not represent cash generated from operating activities in accordance with GAAP, is not to be considered as an alternative to net income or any other GAAP measurement as a measure of operating performance and is not necessarily indicative of cash available to fund cash needs. Homestead has included EBITDA herein because Homestead believes that it is one measure used by certain investors

to determine operating cash flow. EBITDA, as calculated above, may not be comparable to similarly titled measures of other companies.

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RISK FACTORS

Holders of Homestead Securities should consider carefully the specific factors set forth below as well as the other information contained in the ATLANTIC Prospectus, including this Prospectus.

SIGNIFICANT INFLUENCE OF PRINCIPAL SHAREHOLDER

As of August 1, 1996, SCG beneficially owned approximately 37.8% of the issued and outstanding PTR Common Shares and 64.1% of the issued and outstanding shares of ATLANTIC Common Stock. Immediately after completion of the Mergers, SCG is expected to beneficially own 1,819,750 shares of Homestead Common Stock, not including 2,243,038 shares of Homestead Common Stock which will be held in escrow and released to SCG as funding is made by ATLANTIC and PTR under their Funding Commitment Agreements. See "Certain Relationships and Transactions--Escrow Agreement". As a result of the distribution by PTR and ATLANTIC to their respective shareholders, SCG expects to beneficially own an additional 3,588,965 and 2,693,842 shares of Homestead Common Stock, respectively, for a total of 8,102,557 shares of Homestead Common Stock or approximately 45.6% of the outstanding shares of Homestead Common Stock. Through its beneficial ownership of Homestead Common Stock, it is expected that SCG will control 45.6% of the vote on all matters submitted for Homestead shareholder action. The foregoing share ownership information does not give effect to the issuance of shares upon exercise of options or other awards granted under Homestead's Long-Term Incentive Plan. See "Management--Long-Term Incentive Plan". SCG will also own Homestead Warrants to acquire an additional 5,032,707 shares of Homestead Common Stock, which, if fully exercised, would increase SCG's beneficial ownership of Homestead Common Stock to 57.7%. SCG may, over time, dispose of some of the shares of Homestead Common Stock it acquires in the Transaction to reduce its beneficial ownership in Homestead to below 50%. In addition, pursuant to an Investor Agreement between SCG and Homestead, SCG has agreed to exercise at the request of Homestead all Homestead Warrants it receives in the Transaction. In exchange for its agreement to exercise Homestead Warrants, Homestead has granted SCG the right, among other things, to nominate up to two directors to the Homestead Board, depending upon SCG's level of ownership of shares of Homestead Common Stock, and to be consulted on certain business decisions made by Homestead. In addition, pursuant to Investor Agreements with PTR and ATLANTIC, each of PTR and ATLANTIC will have the right to nominate one director to the Homestead Board. See "Certain Relationships and Transactions--ATLANTIC and PTR Investor Agreements" and "--SCG Investor Agreement".

LIMITED OPERATING HISTORY

Although the first Homestead Village property was opened in 1992, Homestead has a limited operating history as a separate entity upon which investors may evaluate Homestead's performance. In addition, Homestead has no operating history except during the recent economic expansion. There can be no assurance that Homestead will be profitable in the future.

RISKS OF BORROWING

As of the Closing Date, Homestead will assume approximately \$77 million of indebtedness secured by convertible mortgages on Homestead's properties and various accounts and other assets. Homestead will incur additional debt (including up to approximately \$242 million of additional convertible mortgages from PTR and ATLANTIC) from time to time, including construction loans to finance the construction of extended-stay lodging facilities and future acquisitions of land for development. The obligations under the mortgage loans with PTR and ATLANTIC and the terms thereof, including the maturity date and interest rate, have been fixed as of the date of the Merger

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Agreement. There can be no assurance that Homestead could not obtain better terms for such mortgage loans, if the terms were to be determined on the date a mortgage loan is made to Homestead. In addition, leverage increases the risks to Homestead of any variations in its results of operations, construction cost overruns or any other factors affecting its cash flow or liquidity. In addition, Homestead's interest costs could increase as the result of general market increases in interest rates because Homestead expects to enter into a revolving credit facility which will bear interest at floating rates.

GENERAL REAL ESTATE INVESTMENT RISKS

Real property investments are subject to varying degrees of risk. Real estate cash flows and values are affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of extended-stay properties or a reduction in rental demand in an area), the quality and philosophy of management, competition from other available extended-stay properties and the ability of the owner to provide adequate maintenance and insurance and to control operating costs. Although Homestead seeks to minimize these risks through its market research and asset management capabilities, these risks cannot be eliminated entirely. Real estate cash flows and values are also affected by such factors as government regulations, including zoning and tax laws, interest rate levels, the availability of financing and potential liability under, and changes in, environmental and other laws.

Equity real estate investments are relatively illiquid and therefore may tend to limit the ability of Homestead to react promptly to changes in economic or other conditions. In addition, certain significant expenditures associated with equity investments (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investments. There can be no assurance that Homestead will be able to dispose of an investment when it finds disposition advantageous or necessary or that the sale price of any disposition will recoup or exceed the amount of Homestead's investment.

DEVELOPMENT RISKS

Homestead intends to grow by developing additional company-owned moderate priced, extended-stay lodging facilities. Development involves substantial risks, including the risk that development costs will exceed budgeted or contracted amounts, the risk of delays in completion of construction, the risk of failing to obtain all necessary zoning and construction permits, the risk that financing might not be available on favorable terms, the risk that developed properties will not achieve desired revenue or profitability levels once opened, the risk of competition for suitable development sites from competitors which have greater financial resources than Homestead, the risks of incurring substantial costs in the event a development project must be abandoned prior to completion, changes in governmental rules, regulations and interpretations (including interpretations of the requirements of the Americans with Disabilities Act of 1990 (the "ADA")) and general economic and business conditions. Although Homestead intends to manage development to reduce such risks, there can be no assurance that present or future developments will perform in accordance with Homestead's expectations. Homestead had 12 facilities under construction at August 1, 1996, expects to have 41 facilities under construction at the end of 1996 and plans to continue an active development program thereafter. All construction will be performed by third party general contractors overseen by Homestead's development group. Under the Funding Commitment Agreements with PTR and ATLANTIC, if there are cost overruns Homestead must complete the development of each property funded by PTR or ATLANTIC consistent with the development plans for such project with its own funds. There can be no assurance, however, that Homestead will complete the development and construction of the facilities, or that any such developments will be completed in a timely manner or within budget.

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RISKS ASSOCIATED WITH RAPID GROWTH

Homestead's rapid development plans will require the implementation of enhanced operational and financial systems and will require additional management, operational and financial resources. For example, Homestead will be required to recruit and train property managers and other personnel for each new lodging facility as well as additional accounting personnel. There can be no assurance that Homestead will be able to manage its expanding operations effectively. The failure to implement such systems and add such resources on a cost-effective basis could have a material adverse effect on Homestead's results of operations and financial condition.

RISKS ASSOCIATED WITH THE LODGING INDUSTRY

The moderate priced, extended-stay segment of the lodging industry, in which Homestead operates, may be adversely affected by changes in national or local economic conditions and other local market conditions, such as an oversupply of hotel space or a reduction in demand for hotel space in a geographic area, changes in travel patterns, extreme weather conditions, changes in governmental regulations which influence or determine wages, prices or construction costs, changes in interest rates, the availability of financing for operating or capital needs and changes in real estate tax rates and other operating expenses. Homestead's principal assets will consist of real property, and real estate values are sensitive to changes in local market and economic conditions and to fluctuations in the economy as a whole. In addition, due in part to the strong correlation between the lodging industry's performance and economic conditions, the lodging industry is subject to cyclical changes in revenue and profits. These risks may be exacerbated by the

relatively illiquid nature of real estate holdings. In addition, Homestead has no operating history except during the recent economic expansion. The ability of Homestead to vary its portfolio in response to changes in economic and other conditions will be limited. There can be no assurance that downturns or prolonged adverse conditions in real estate or capital markets or in national or local economies, and the inability of Homestead to dispose of an investment when it finds disposition to be advantageous or necessary, will not have a material adverse impact on Homestead.

COMPETITION IN THE LODGING INDUSTRY

There is no single competitor or small number of competitors of Homestead that is or are dominant in the moderate priced, extended-stay lodging market. Competition in the U.S. lodging industry is based generally on convenience of location, price, range of services and guest amenities offered and quality of customer service. Homestead considers the reasonableness of its room rates, the location of its lodging facilities and the services and the guest amenities provided by it to be among the most important factors in its business. Demographic or other changes in one or more of Homestead's markets could impact the convenience or desirability of the sites of certain lodging facilities, which would adversely affect their operations. Further, there can be no assurance that new or existing competitors will not significantly lower rates or offer greater convenience, services or amenities or significantly expand or improve facilities in a market in which Homestead's facilities compete, thereby adversely affecting Homestead's operations. There have been a number of recent announcements indicating that a substantial number of competitors intend to enter the moderate priced or economy extended-stay lodging market, which could adversely affect Homestead's business. See "Business--Competition".

NEED FOR ADDITIONAL CAPITAL

PTR and ATLANTIC have agreed to make convertible mortgage loans to Homestead to develop the properties being contributed by them (see "Certain Relationships and Transactions--Funding Commitment Agreements") and SCG has agreed to exercise at the request of Homestead all of its Homestead Warrants which it will receive in the Transaction. Homestead anticipates that the proceeds

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from the loans and exercise of warrants will provide sufficient capital for its operations through mid-1997. Thereafter, Homestead may need to procure additional financing over time, the amount of which will depend on a number of factors including the number of properties Homestead constructs and the cash flow generated by its properties. If additional financing is needed, there can be no assurance regarding the availability or terms of such financing Homestead may be able to procure over time. Any future debt financings or issuances of preferred stock by Homestead will be senior to the rights of the holders of Homestead Common Stock, and any future issuances of Homestead Common Stock will result in the dilution of the then existing shareholders' proportionate equity interests in Homestead. Although Homestead is unable to quantify its needs for additional financing, such needs will depend upon a number of factors, including the pace of Homestead's development activities and its ability to generate cash from operations.

IMPACT OF ENVIRONMENTAL REGULATIONS

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of such removal or remediation of such substances could be substantial. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous or toxic substances. The presence of such substances may adversely affect the owner's ability to sell or rent such real estate or to borrow using such real estate as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances also may be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for the release of asbestos-containing materials into the air, pursuant to which third parties may seek recovery from owners or operators of real properties for personal injuries associated with such materials, and prescribe specific methods for the removal and disposal of such materials. Homestead has not been notified by any governmental authority of any non-compliance, liability or other claim in connection with any of the properties currently owned or being acquired, and Homestead is not aware of any environmental condition with respect to any of the properties, which is likely to be material. Homestead has subjected each of its properties to a Phase I environmental site assessment ("Phase I Survey") (which does not involve invasive procedures such as soil sampling or ground water analysis) by independent consultants. While some of these assessments have led to further

investigation and sampling, none of the environmental assessments has revealed, nor is Homestead aware of, any environmental liability (including asbestos-related liability) that management believes would have a material adverse effect on Homestead's business, financial position or results of operations. No assurance can be given, however, that these assessments and investigations reveal all potential environmental liabilities, that no prior owner or operator created any material environmental condition not known to Homestead or the independent consultants or that future uses and conditions (including, without limitation, resident actions or changes in applicable environmental laws and regulations) will not result in the imposition of environmental liabilities.

GOVERNMENT REGULATION AND COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT

The lodging industry is subject to numerous federal, state and local government regulations including those relating to building and zoning requirements. Also, Homestead is subject to laws governing its relationships with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. An increase in the minimum wage rate, employee benefit costs or other costs associated with employees could adversely impact Homestead's results of operations or financial condition. In addition, in accordance with the provisions of the ADA, all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. While Homestead believes that its facilities are in compliance with these

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requirements, a determination that Homestead is not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use and operation of the facilities, including changes to building codes and fire and life-safety codes, may occur. If Homestead were required to make substantial modifications at its facilities to comply with interpretations of the ADA or other changes in governmental rules and regulations, Homestead's financial condition and ability to develop new facilities could be materially adversely affected.

LOSSES IN EXCESS OF INSURANCE COVERAGE

Homestead intends to maintain comprehensive insurance on each of its properties, including liability, fire and extended coverage, in the types and amounts customarily obtained by an owner and operator in Homestead's industry. Nevertheless, there are certain types of losses, generally of a catastrophic nature, such as hurricanes, earthquakes and floods, that may be uninsurable or not economically insurable. Homestead uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to obtaining appropriate insurance on Homestead's properties at a reasonable cost and on suitable terms. This may result in insurance coverage that in the event of a loss would not be sufficient to pay the full current market value or current replacement value of Homestead's lost investment and the insurance proceeds received by Homestead might not be adequate to restore its economic position with respect to such property.

RELIANCE ON KEY PERSONNEL

Homestead's success will depend to a significant extent upon the efforts and abilities of its senior management and key employees, particularly David C. Dressler, Jr., Chairman and President, John Patterson and Donald Schultz, each a Senior Vice President, and Gary DeLapp, a Vice President. The loss of the services of any of these individuals could have a material adverse effect upon Homestead. See "Management--Directors and Executive Officers". Homestead does not have employment or consulting agreements with any of its officers nor does it carry key man life insurance on any of its officers.

LIMITATIONS ON CHANGES IN CONTROL

SHAREHOLDER PURCHASE RIGHTS. On May 16, 1996, the Homestead Board authorized a dividend of one preferred share purchase right (a "Purchase Right") for each share of Homestead Common Stock outstanding. Each Purchase Right entitles the holder under certain circumstances to purchase from Homestead one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share (the "Participating Preferred Shares"), at a price of \$50.00 per one one-hundredth of a Participating Preferred Share, subject to adjustment. Purchase Rights are exercisable when a person or group of persons (other than SCG, PTR or ATLANTIC) acquires beneficial ownership of 20% or more of the outstanding shares of Homestead Common Stock or announces a tender offer for beneficial ownership of 25% or more of the outstanding shares of Homestead Common Stock. Under certain circumstances, each Purchase Right entitles the holder to purchase, at the Purchase Right's then current exercise price, a number of shares of Homestead Common Stock having a market value of twice the Purchase Right's exercise price. The acquisition of Homestead pursuant to certain mergers or other business transactions would entitle each

holder to purchase, at the Purchase Right's then current exercise price, a number of the acquiring company's common shares having a market value at that time equal to twice the Purchase Right's exercise price. The Purchase Rights held by certain 20% shareholders (other than SCG, PTR or ATLANTIC) would not be exercisable. The Purchase Rights will expire in May 2006 and are subject to redemption in whole, but not in part, at a price of \$0.01 per Purchase Right payable in cash, shares of Homestead Common Stock or any other form of consideration determined by the Homestead Board.

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The Purchase Rights may have certain anti-takeover effects, may have the effect of delaying, deferring or preventing a change in control of Homestead and may adversely affect the voting and other rights of shareholders. See "Description of Homestead Securities--Purchase Rights".

PREFERRED SHARES. The Homestead charter (the "Homestead Charter") authorizes the Homestead Board to issue shares of preferred stock and to establish the preferences and rights of any shares of preferred stock so issued. See "Description of Homestead Securities--Preferred Stock". The issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of Homestead even if a change in control were in the shareholders' interests.

ADVANCE NOTICE PROVISIONS. For nominations or other business to be properly brought before an annual meeting of shareholders by a shareholder, the Homestead Bylaws require such shareholder to deliver a notice to the Secretary, absent specified circumstances, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting setting forth: (i) as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors pursuant to Regulation 14A of the Securities Exchange Act of 1934 (the "Exchange Act"); (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such shareholder as it appears on Homestead's books and of such beneficial owner and (y) the number of shares of each class of Homestead Common Stock which are owned beneficially and of record by such shareholder and such beneficial owner, if any.

CLASSIFIED BOARD. The Homestead Board has been divided into three classes. At the 1997 annual meeting of shareholders, one class will be elected to hold office for a term expiring at the annual meeting of shareholders to be held in 1998, another class will be elected to hold office for a term expiring at the annual meeting of shareholders to be held in 1999 and another class will be elected to hold office for a term expiring at the annual meeting of shareholders to be held in 2000. As the term of each class expires, directors in that class will be elected for a term of three years and until their successors are duly elected and qualified. Since at least two annual meetings will generally be required to effect a change in a majority of the Homestead Board, this provision could have the effect of delaying, deferring or preventing a change in control of Homestead even if a change in control were in the shareholders' interests.

CERTAIN STATUTORY PROVISIONS. Homestead is subject to the Maryland General Corporation Law (the "MGCL"), which imposes certain restrictions and requires certain procedures with respect to the acquisition of certain levels of share ownership and business combinations, including combinations with interested shareholders. These provisions of the MGCL could have the effect of delaying, deferring or preventing a change in control of Homestead even if a change in control were in the shareholders' interest. Additionally, the Homestead Charter exempts SCG, its affiliates and successors from these provisions, allowing SCG, its affiliates and successors to take actions that other persons are prohibited from taking, which actions may not be in the best interests of the shareholders other than SCG. See "Certain Provisions of Maryland Law and of Homestead's Charter and Bylaws".

ABSENCE OF PRIOR PUBLIC MARKET

Prior to the consummation of the Transaction, there will be no public market for the Homestead Securities. The Homestead Common Stock and the Homestead Warrants have been approved for listing on the American Stock Exchange, subject to official notice of issuance. There can be no assurance that an active trading market will develop. In addition, there can be no assurance of the

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price at which holders of the Homestead Common Stock or Homestead Warrants will be able to sell such Homestead Securities. From time to time, the stock market experiences significant price and volume volatility, which may affect the market price of the Homestead Common Stock or Homestead Warrants for reasons unrelated to Homestead's performance.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of a substantial number of shares of Homestead Common Stock, or the perception that such sales could occur, could adversely affect the prevailing market price for Homestead Common Stock. Upon completion of the Distribution, Homestead will have 17,749,735 shares of Homestead Common Stock outstanding. Except for shares issued to SCG, all such shares, as well as 10,000,000 shares issuable upon exercise of Homestead Warrants (other than those issued to SCG), may be sold in the public markets without limitation. Additionally, up to 6,720,783 shares of Homestead Common Stock may be issuable upon exercise of outstanding convertible mortgage notes and up to 21,049,834 shares of Homestead Common Stock may be issuable upon exercise of convertible mortgage notes to be issued pursuant to the Funding Commitment Agreements (described herein). All such shares of Homestead Common Stock may be sold in the public markets pursuant to registration rights or available exemptions from registration. See "Shares Available for Future Sale". No prediction can be made regarding the effect of future sales of Homestead Common Stock on the market price thereof.

ABSENCE OF DIVIDENDS

Homestead intends to retain its earnings to finance its growth and for general corporate purposes and, therefore, does not anticipate paying any cash dividends in the foreseeable future. See "Dividend Policy".

DIVIDEND POLICY

Homestead is a newly organized company. For Federal income tax purposes, Homestead is organized as a Subchapter C corporation rather than a real estate investment trust. As a result, it is under no obligation to distribute substantially all or any of its earnings to shareholders. The declaration and payment of dividends by Homestead are subject to the discretion of the Homestead Board. Any determination as to the payment of dividends will depend upon the results of operations, capital requirements and financial condition of Homestead and such other factors as the Homestead Board deems relevant. The Homestead Board intends to follow a policy of retaining earnings to finance Homestead's growth and for general corporate purposes and, therefore, does not anticipate paying any cash dividends in the foreseeable future.

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CAPITALIZATION

The following table sets forth the capitalization of Homestead as of June 30, 1996 and as adjusted to give effect to the Transaction. This table should be read in conjunction with the pro forma selected financial information, the historical Balance Sheet and Pro Forma Condensed Consolidated Balance Sheet of Homestead, and the related notes thereto contained elsewhere herein. See "Homestead Pro Forma Selected Financial Information" and "Index to Homestead Financial Statements".

<TABLE>

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	ACTUAL	PRO FORMA
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Short-term notes payable....	\$ --	\$ --
Convertible mortgage notes payable.....	--	67,347
Shareholders' equity:		
Common Stock, par value		
\$.01 per share, 1,000 shares authorized (250,000,000 shares authorized pro forma); 1,000 shares issued and outstanding (17,749,735 shares issued and outstanding pro forma)...	-- (1)	178 (2) (3)
Additional paid-in capital/contributed capital.....	1	200,973 (3)
Shares in escrow.....	--	(28,167) (3)
Retained earnings.....	--	6,720
	-----	-----

Total shareholders' equity.....	\$	1	\$179,704 (2)

Total capitalization....	\$	1	\$247,051 (4)
=====			

</TABLE>

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- (1) Homestead was initially capitalized on April 18, 1996 in the amount of \$1,000 in respect of the issuance of 1,000 shares.
 - (2) Does not include 10,000,000 shares of Homestead Common Stock issuable upon exercise of outstanding Homestead Warrants or any shares of Homestead Common Stock which may be issuable upon the conversion of any convertible mortgage notes payable.
 - (3) Includes the shares of Homestead Common Stock to be issued to and held in escrow for SCG. As each property is funded under the Funding Commitment Agreements, an appropriate number of shares of Homestead Common Stock will be transferred to SCG.
 - (4) The total capitalization does not reflect the additional funding to be provided by PTR and ATLANTIC in the form of convertible mortgage notes pursuant to the Funding Commitment Agreements subsequent to the date of the Transaction. Therefore, the total capitalization as reflected in the pro forma above does not reflect the entire Transaction.

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HOMESTEAD PRO FORMA SELECTED FINANCIAL INFORMATION

The following table sets forth certain unaudited pro forma selected condensed consolidated financial information for Homestead after giving effect to the Transaction, as if it had been consummated, with respect to statements of operations data, as of January 1, 1995, or, with respect to balance sheet data, as of the date presented. The information presented is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the historical balance sheet data and the notes thereto and the unaudited pro forma condensed consolidated financial information and the notes thereto appearing elsewhere in this Prospectus. The unaudited selected pro forma condensed consolidated financial data have been included for comparative purposes only and do not purport to be indicative of the results of operations or financial position which actually would have been obtained if the Transaction had been effected at the dates indicated or of the financial position or results of operations which may be obtained in the future. See "Homestead Pro Forma Summary Financial Information" and "Homestead Pro Forma Financial Statements".

<TABLE>
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	PRO FORMA	
	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 1996	DECEMBER 31, 1995

	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
OPERATIONS SUMMARY:		
Room Revenue.....	\$ 15,133	\$ 18,337
Total Revenue.....	15,353	18,721
Property Operating Expenses(1).....	6,420	7,600
Corporate Operating Expenses.....	4,145	6,188
Depreciation and Amortization.....	2,388	5,294
Net Income (Loss).....	(201)	(3,808)

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	PRO FORMA	
	JUNE 30, 1996	

	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
FINANCIAL POSITION:		
Property and Equipment, net.....	\$ 179,990	
Total Assets.....	256,209	
Convertible Mortgage Notes Payable.....	67,347	
Total Liabilities.....	76,505	
Shareholders' Equity.....	\$ 179,704	
Common Stock Outstanding(2).....	17,749,735	

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	PRO FORMA	
	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 1996	DECEMBER 31, 1995

	(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	

<u><S></u>	<u><C></u>	<u><C></u>
<u>PER SHARE DATA:</u>		
Net Income (Loss).....	(.01)	(.11)
Net Book Value.....	\$ 5.35	N/A
Weighted Average Number of Shares of Homestead Common		
Stock Outstanding(3).....	33,605,996	33,605,996
<u>OTHER DATA:</u>		
EBITDA (4).....	\$ 4,788	\$ 4,933
Cash Provided by (Used in)		
Operating Activities.....	5,439	3,035
Investing Activities.....	(54,519)	(54,679)
Financing Activities.....	47,563	53,001

</TABLE>

- (1) Property operating expenses consist of all expenses directly related to the operation of the properties and do not include an allocation of corporate operating expenses. Property operating expenses include primarily salaries and wages, telephone, utilities, property taxes, insurance, maintenance and supply costs.
- (2) On a pro forma basis, this includes 2,289,602 shares held in escrow pending the resolution of the funding contingency:

<u><S></u>	<u><C></u>
Total shares to be issued to SCG.....	4,062,788
Pro forma shares to be issued at the Closing Date (see Note (h) to the Homestead pro forma financial statements).....	(1,773,186)

Pro forma shares to be held in escrow.....	2,289,602
	=====

</TABLE>

- (3) The weighted average shares of Homestead Common Stock outstanding equals the sum of 17,749,735 shares outstanding, 10,000,000 shares of Homestead Common Stock equivalents related to the Homestead Warrants and 5,856,261 shares of Homestead Common Stock equivalents related to the convertible mortgage notes payable.
- (4) EBITDA means operating income before mortgage and other interest, income taxes, depreciation and amortization. EBITDA does not represent cash generated from operating activities in accordance with GAAP, is not to be considered as an alternative to net income or any other GAAP measurement as a measure of operating performance and is not necessarily indicative of cash available to fund cash needs. Homestead has included EBITDA herein because Homestead believes that it is one measure used by certain investors to determine operating cash flow. EBITDA, as calculated above, may not be comparable to other similarly titled measures of other companies.

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THE TRANSACTION DESCRIBED HEREIN INVOLVES THE SUBSIDIARIES OF PTR (THE "PTR-HOMESTEAD VILLAGE GROUP"), ATLANTIC (THE "ATLANTIC-HOMESTEAD VILLAGE GROUP") AND SCG (THE "SCG-HOMESTEAD VILLAGE GROUP") ENGAGED IN THE DEVELOPMENT, OWNERSHIP AND MANAGEMENT OF HOMESTEAD VILLAGE FACILITIES. SET FORTH BELOW ARE SELECTED FINANCIAL INFORMATION ON A COMBINED BASIS FOR SUCH HOMESTEAD RELATED SUBSIDIARIES PRESENTED SEPARATELY FOR EACH OF THE ABOVE ENTITIES. HOMESTEAD MANAGEMENT BELIEVES THAT PRESENTING SUCH INFORMATION ON A COMBINED BASIS RESULTS IN A MORE MEANINGFUL PRESENTATION THAN PRESENTING THE SEPARATE INFORMATION OF EACH SUBSIDIARY.

PTR-HOMESTEAD VILLAGE GROUP SELECTED FINANCIAL INFORMATION

The selected financial information set forth below has been derived from the historical combined financial statements of the PTR-Homestead Village Group. The financial information for the six-month periods is not necessarily indicative of results for subsequent periods or the full year. This selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of PTR-Homestead Village Group" and the historical combined financial statements and related notes thereto of the PTR-Homestead Village Group contained elsewhere herein.

<TABLE>
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SIX MONTHS					
ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			
1996	1995	1995	1994	1993	1992
-----	-----	-----	-----	-----	-----

	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS SUMMARY:						
Room Revenue.....	\$ 15,133	\$ 7,699	\$ 18,337	\$ 7,827	\$ 2,554	\$ 377
Property Operating Expenses(1).....	6,420	2,529	7,600	3,146	1,157	232
Property management fees paid to affiliates.....	1,048	426	1,018	460	145	22
Corporate Operating Expenses.....	397	333	944	826	304	7
REIT management fees paid to affiliate.....	822	527	989	332	109	9
Depreciation.....	1,841	845	2,343	845	234	36
Total Expenses.....	12,868	5,951	15,852	7,018	2,204	367
Net Income.....	2,475	1,920	2,851	974	409	10

</TABLE>
<TABLE>
<CAPTION>

	DECEMBER 31,					
	JUNE 30,	1996	1995	1994	1993	1992
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
FINANCIAL POSITION:						
Property and Equipment, net.....	\$135,936	\$105,002	\$59,099	\$23,898	\$6,972	
Total Assets.....	141,090	108,965	60,866	24,921	7,076	
Current Liabilities.....	7,246	5,850	3,667	2,529	367	
Intercompany Debt.....	30,110	80,144	45,131	19,290	5,123	
Convertible Mortgage Notes Payable...	77,289	--	--	--	--	
Total Liabilities.....	114,645	85,994	48,798	21,818	5,490	
Owners' Equity.....	26,445	22,971	12,068	3,103	1,586	

</TABLE>
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	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			
	1996	1995	1995	1994	1993	1992
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OTHER DATA:						
EBITDA(2)	\$ 6,656	\$ 4,056	\$ 8,152	\$ 3,228	\$ 898	\$ 107
Net cash provided by (used in):						
Operating activities.	7,111	2,166	6,019	2,381	599	374
Investing activities.	(35,752)	(19,329)	(48,116)	(35,474)	(15,751)	(7,007)
Financing activities.	28,254	17,034	43,065	33,832	15,275	6,699

(1) Property operating expenses consist of all expenses directly related to the operation of the properties and do not include an allocation of corporate operating expenses. Property operating expenses include primarily salaries and wages, telephone, utilities, insurance, maintenance and supply costs and property taxes.

(2) EBITDA means operating income before mortgage and other interest, income taxes, depreciation and amortization. EBITDA does not represent cash generated from operating activities in accordance with GAAP, is not to be considered as an alternative to net income or any other GAAP measurement as a measure of operating performance and is not necessarily indicative of cash available to fund all cash needs. The PTR-Homestead Village Group has included EBITDA herein because the PTR-Homestead Village Group believes that it is one measure used by certain investors to determine operating cash flow. EBITDA, as calculated above, may not be comparable to other similarly titled measures of other companies.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
OF PTR-HOMESTEAD VILLAGE GROUP

OVERVIEW

The PTR-Homestead Village Group historical operating results reflect the growth and evolution of both the Homestead Village concept and the extended-stay lodging business as a whole. Since the first Homestead Village facility opened in 1992, the PTR-Homestead Village Group has developed an additional 27

properties in four years.

ENVIRONMENTAL MATTERS

The PTR-Homestead Village Group is not aware of, nor does it expect, any environmental condition on its properties to have a material adverse effect upon its business, financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

From inception through June 30, 1996, the PTR-Homestead Village Group had invested \$141.2 million for the acquisition and development of 40 Homestead Village properties, 26 of which were operating, eight of which were under construction and six of which were in pre-development planning as of June 30, 1996. These investments have been financed through a combination of intercompany debt borrowed from PTR and contributed capital.

At June 30, 1996, the PTR-Homestead Village Group expected to invest an additional \$142.8 million for those properties under construction, in planning and for the acquisition, development and construction of 14 additional properties over the next two years. The foregoing transactions are subject to a number of conditions, and Homestead cannot predict with certainty that any of them will be consummated.

The PTR-Homestead Village Group expects to finance construction, development and land acquisitions primarily with cash on hand, convertible mortgage loans to be made under the Funding Commitment Agreements, exercise of Homestead Warrants by SCG pursuant to the SCG Investor Agreement, possible exercise of Homestead Warrants by other warrant holders and cash from future securities offerings.

At August 1, 1996, the PTR-Homestead Village Group had unfunded development commitments for developments under construction of approximately \$24.3 million.

RESULTS OF OPERATIONS

1995 COMPARED TO 1994

Total revenue for the year ended December 31, 1995 was \$18.7 million, representing an increase of \$10.7 million over the previous year. This increase was due primarily to (i) a 67% increase in the number of operating properties from twelve to twenty and (ii) a 14% increase in the average weekly rate for stabilized properties, from \$186 to \$212 per week.

Total costs and expenses for the year ended December 31, 1995 were \$15.9 million, representing an increase of \$8.8 million over the previous twelve months. Property operating expense and property management fee increases of approximately \$5.0 million can be attributed to (i) the increase in the number of operating properties noted above, (ii) an increase in property taxes as a result of the additional operating properties and (iii) refinements in the number and quality of property-level programs and services. REIT management fees increased approximately \$0.7 million as a result of increased property cash flow.

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Depreciation of the cost of properties and improvements is provided using the straight-line method over the estimated useful lives. Depreciation expense increased \$1.5 million in 1995 due primarily to the eight new properties opened in 1995 and the full year of depreciation being charged for the nine properties opened in 1994.

Interest expense increased \$1.5 million over 1994 due primarily to eight additional properties opening in 1995. Additionally, a full year of interest was incurred on the nine properties which opened in 1994.

1994 COMPARED TO 1993

PTR-Homestead Village Group ended 1994 with twelve operating properties versus three operating properties at the end of 1993. These nine new properties generated a \$4.5 million revenue increase over the prior twelve months. The remaining \$0.9 million increase in revenue can be attributed to an increase in average weekly rates for stabilized properties from \$169 to \$186 per week or approximately 10%.

Total costs and expenses increased by \$4.8 million over the same period, from \$2.2 million to \$7.0 million. Most of the \$2.3 million increase in property expenses is attributable to the nine new property openings. The major component of the increase is due to property taxes that are expensed on operating properties. Corporate operating expenses and REIT management fees

increased approximately \$0.7 million during this period as a result of additional new property openings and higher property cash flow.

Depreciation expense for December 31, 1994 increased \$0.6 million over 1993 due primarily to the addition of nine new properties in 1994. Interest expense for the period increased \$1.2 million due primarily to the completion of the nine new properties referred to above incurring interest plus a full year of interest on the properties which opened in 1993.

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

Total revenue for the six months ended June 30, 1996 was \$15.3 million, an increase of \$7.5 million over the six months ended June 30, 1995. This increase was due to both the addition of 16 properties over the period, as well as a 3.8% increase in the average weekly rates for stabilized properties from \$211 to \$219 per week.

Total costs and expenses increased from \$6.0 million to \$12.9 million over the same period, an increase of \$6.9 million. Property operating expenses and property management fees contributed \$4.5 million to this increase, due to a greater number of operating properties and the addition of certain customer amenities and property level programs and services. REIT management fees increased approximately \$0.3 million as a result of increased property cash flow.

The increase in depreciation expense of \$1.0 million is due primarily to the additional 16 properties which were opened between July 1995 and June 1996. An increase of \$1.1 million in interest expense resulted from additional operating properties and from the issuance of 9.00% convertible mortgage notes payable to PTR on January 24, 1996, replacing intercompany debt bearing interest at 7.37%.

ATLANTIC-HOMESTEAD VILLAGE GROUP SELECTED FINANCIAL INFORMATION

The selected financial information set forth below has been derived from the historical combined financial statements of the Atlantic-Homestead Village Group. The financial information for the six-month period ended June 30, 1996 is not necessarily indicative of results for subsequent periods or the full year. This selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of Atlantic-Homestead Village Group" and the combined historical financial statements and related notes thereto of the Atlantic-Homestead Village Group contained elsewhere herein.

<TABLE>
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	SIX MONTHS ENDED JUNE 30, 1996	INCEPTION (APRIL 3, 1995) TO DECEMBER 31, 1995

	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
OPERATIONS SUMMARY:		
Corporate operating expenses.....	\$ 38	\$ 63
Net Loss.....	(29)	(59)

<CAPTION>

	JUNE 30, 1996	DECEMBER 31, 1995

	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
FINANCIAL POSITION:		
Properties under development.....	\$ 18,584	\$ 2,627
Total Assets.....	20,896	4,317
Development Costs Payable.....	1,165	15
Total Current Liabilities.....	1,867	155
Intercompany Debt.....	17,420	2,627
Total Liabilities.....	19,287	2,782
Owners' Equity.....	1,609	1,535

<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1996	INCEPTION (APRIL 3, 1995) TO DECEMBER 31, 1995

	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>

OTHER DATA:

Net Cash Provided by (used in):

Operating activities.....	\$ 533	\$ 81
Investing activities.....	(15,457)	(4,118)
Financing activities.....	14,896	4,221

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
OF ATLANTIC-HOMESTEAD VILLAGE GROUP

OVERVIEW

The Atlantic-Homestead Village Group's historical combined financial statements reflect the acquisition and development of Homestead Village properties. As of June 30, 1996 there were no operating properties. As of June 30, 1996, the Atlantic-Homestead Village Group had one property under construction and 25 in pre-development planning.

ENVIRONMENTAL MATTERS

The Atlantic-Homestead Village Group is not aware of, nor does it expect, any environmental condition on its properties to have a material adverse affect upon its business, financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

From inception through June 30, 1996, the Atlantic-Homestead Village Group invested \$18.6 million for the acquisition and development of Homestead Village properties. These investments have been financed through intercompany debt.

At June 30, 1996, the Atlantic-Homestead Village Group planned to invest an additional \$140.1 million for the acquisition, development and construction of 26 Homestead Village properties over approximately the next eighteen months.

The Atlantic-Homestead Village Group expects to finance construction, development and acquisitions primarily from convertible mortgage loans to be made under the Funding Commitment Agreements, exercise of Homestead Warrants by SCG pursuant to the SCG Investor Agreement, possible exercise of Homestead Warrants by other warrant holders and cash from future securities offerings.

At June 30, 1996, the Atlantic-Homestead Village Group had unfunded development commitments for developments under construction of approximately \$16.4 million.

RESULTS OF OPERATIONS

PERIOD FROM APRIL 3, 1995 (DATE OF FORMATION) THROUGH DECEMBER 31, 1995 AND THE SIX MONTHS ENDED JUNE 30, 1996

The Atlantic-Homestead Village Group consists of several entities that are subsidiaries of ATLANTIC. During 1995 and the six months ended June 30, 1996, the Atlantic-Homestead Village Group has been developing ATLANTIC's Homestead Village properties. As described in the combined financial statements of the Atlantic-Homestead Village Group, property acquisitions and development costs are assumed to have been funded via intercompany debt borrowed from ATLANTIC. All interest related to the intercompany debt during 1995 and the six months ended June 30, 1996 has been capitalized and included in "Properties under development". Operating expenses during 1995 and the six months ended June 30, 1996 pertain to pursuit costs relating to abandoned projects and various administrative expenses.

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SCG-HOMESTEAD VILLAGE GROUP SELECTED FINANCIAL INFORMATION

The selected financial information set forth below has been derived from the historical combined financial statements of the SCG-Homestead Village Group. The financial information for the six-month period ended June 30, 1996 is not necessarily indicative of results for subsequent periods or the full year. This selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of SCG-Homestead Village Group" and the historical combined financial statements and related notes thereto of the SCG-Homestead Village Group contained elsewhere herein.

<TABLE>
<CAPTION>

SIX MONTHS ENDED JUNE 30,	YEAR ENDED DECEMBER 31,
-----	-----

	1996	1995	1995	1994	1993	1992
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS SUMMARY:						
REIT and Property						
Management Fees earned from affiliates.....	\$ 1,871	\$ 952	\$ 2,007	\$ 792	\$ 254	\$ 43
Payroll and related expenses.....	4,064	1,568	4,276	1,713	707	152
Total Expenses.....	6,371	2,364	7,176	2,454	922	233
Net Loss.....	(4,500)	(1,407)	(5,155)	(1,662)	(668)	(190)

<CAPTION>

	JUNE 30,	DECEMBER 31,				
	1996	1995	1994	1993	1992	
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
FINANCIAL POSITION:						
REIT and Property						
Management Fees Receivable.....	\$ 526	\$ 470	\$ 55	\$ 10	\$ 16	
Furniture and Equipment, net.....	531	228	47	--	--	
Total Assets.....	1,405	779	102	10	16	
Intercompany Debt.....	2,756	1,147	--	--	--	
Current Liabilities.....	3,663	2,046	251	96	--	
Total Liabilities.....	3,663	2,046	251	96	--	
Owners' Equity (Deficit)...	(2,258)	(1,267)	(149)	(86)	16	

<CAPTION>

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			
	1996	1995	1995	1994	1993	1992
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OTHER DATA:						
EBITDA(1).....	\$ (4,377)	\$ (1,379)	\$ (5,046)	\$ (1,640)	\$ (668)	\$ (190)
Net Cash Provided by (used in):						
Operating activities.....	(4,478)	(1,256)	(4,951)	(1,545)	(565)	(206)
Investing activities.....	(628)	(58)	(234)	(55)	--	--
Financing activities.....	5,118	1,314	5,185	1,600	565	206

</TABLE>

(1) EBITDA means operating income before mortgage and other interest, income taxes, depreciation and amortization. EBITDA does not represent cash generated from operating activities in accordance with GAAP, is not to be considered as an alternative to net income or any other GAAP measurement as a measure of operating performance and is not necessarily indicative of cash available to fund all cash needs. The SCG-Homestead Village Group has included EBITDA herein because the SCG-Homestead Village Group believes that it is one measure used by certain investors to determine operating cash flow. EBITDA, as calculated above, may not be comparable to other similarly titled measures of other companies.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
OF SCG-HOMESTEAD VILLAGE GROUP

OVERVIEW

The SCG-Homestead Village Group's business consists of providing development and property and REIT management services for the Homestead Village properties developed, owned and operated by the PTR-Homestead Village Group and the Atlantic-Homestead Village Group. SCG-Homestead Village Group earns REIT management fees which in general are 16% of cash flow (as defined) and property management fees which are computed as a percentage (5%-7%) of gross revenues (as defined).

LIQUIDITY AND CAPITAL RESOURCES

The SCG-Homestead Village Group has incurred operating deficits since inception as a result of performing development services for the PTR-Homestead Village Group and the Atlantic-Homestead Village Group without compensation. Under the respective REIT management agreements, fees are paid from the cash flow of operating Homestead Village properties. Deficits are a result of having

a significant number of properties under development thus incurring higher development overhead. The deficits have been and are expected to continue to be funded through intercompany borrowings and contributed capital from SCG.

From inception through June 30, 1996, SCG-Homestead Village Group invested \$0.5 million in furniture and equipment for the support of the operations and development of the Homestead Village properties.

RESULTS OF OPERATIONS

1995 COMPARED TO 1994

REIT and property management fees for the year ended December 31, 1995 were \$2.0 million, an increase of \$1.2 million, or approximately 153%, over the year ended December 31, 1994. These additional fees are primarily attributable to the revenues and cash flow generated by the new Homestead Village properties opened in 1995 (eight) as well as Homestead Village properties experiencing their first full year of operations during 1995 (nine).

Costs and expenses increased by \$4.7 million, or approximately 192%, to \$7.2 million for the year ended December 31, 1995 from \$2.5 million for the year ended December 31, 1994. The additional expenses resulted primarily from increased payroll, recruiting and relocation and other expenses associated with increased staffing given (i) the additional Homestead Village properties receiving property management services and (ii) the additional property acquisition and development activities applicable to the current and future growth of the Homestead Village properties.

1994 COMPARED TO 1993

REIT and property management fees for the year ended December 31, 1994 were \$0.8 million, which is an increase of \$0.5 million, or approximately 212%, over the year ended December 31, 1993. These additional fees are primarily attributable to the revenue and cash flow generated by Homestead Village properties which opened in 1994 (eight) as well as the effect of one Homestead Village property experiencing its first full year of operations during 1994.

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Costs and expenses increased \$1.5 million (166%), to \$2.4 million for the year ended December 31, 1994 from \$0.9 million for the year ended December 31, 1993. The additional expenses resulted primarily from increased payroll and other expenses associated with increased staffing resulting from the growth in operating properties and property acquisitions and development activity.

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

REIT and property management fees for the six months ended June 30, 1996 were \$1.9 million, an increase of \$0.9 million, or approximately 97%, over the six months ended June 30, 1995. These additional fees are primarily attributable to (i) the increased revenue and cash flow generated by nine Homestead Village properties which opened during the six months ended June 30, 1996 as well as seven Homestead Village properties which opened during the period July 1, 1995 to December 31, 1995 and (ii) the property management fee percentage which increased to 7% of gross revenues commencing January 1, 1996.

Costs and expenses increased \$4.0 million, or approximately 170%, to \$6.4 million for the six months ended June 30, 1996 from \$2.4 million for the six months ended June 30, 1995. The additional expenses resulted primarily from increased payroll, recruiting and relocation, overhead allocated by SCG and other expenses associated with increased staffing as a result of the continued growth in operating Homestead Village properties and property acquisition and development activities.

BUSINESS

OBJECTIVES

The objective of Homestead is to be the preeminent developer, owner and national operator focused on the moderate priced, extended-stay lodging business. Homestead intends to achieve this objective by:

- . participating in high growth markets;
- . exercising investment discipline based on research; and
- . employing a consistent high quality service standard to property operations.

Homestead currently owns and operates 29 facilities in eight cities, has begun construction on 12 additional facilities and has an additional 39 properties in pre-development planning. See "--Homestead Village Properties".

Homestead seeks to offer a purpose-built standardized product for the value-conscious business customer on temporary assignment, undergoing relocation or in training. Homestead will offer as its primary amenities price and value. Secondary amenities include location and site livability--convenience to the targeted business base and services--in an environment that is attractive, well landscaped and secure.

Customer research indicates that the primary Homestead Village customer stay is work-related. The largest proportion of these relate to temporary business assignments. Average income of Homestead customers exceeds \$50,000. Homestead believes the customer's foremost reason for selecting Homestead is the high level of value delivered to the customer in relation to the price. Forty-four percent (44%) of Homestead customers pay for their stay either out-of-pocket (are not reimbursed) or on a per diem. Twenty-five percent (25%) of Homestead Village customers are direct employer referrals, in many cases due to training. The average length of stay for a customer is in excess of four weeks. Management believes that Homestead will benefit from well-defined trends in business including an increased focus on cost-efficiency, reduction in travel expenses, out-sourcing and geographic dispersion of customers and operations.

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Homestead is founded on research. The Homestead product was conceived and has evolved to meet consumer needs through research, testing and the operating experience gained through the development and operation of twenty-nine properties over the past four years. Homestead believes its operating experience and its affiliation with Security Capital Investment Research Incorporated ("Security Capital Investment Research") allow it to better target markets where supply and demand factors permit high occupancies at increasing rental rates. Homestead targets submarkets that exhibit strong employment and demographic trends in selecting locations with barriers to extensive competitive development. Homestead believes it brings a strategic discipline to determining an investment focus which provides favorable initial returns and long-term growth prospects. Through its Investment Committee, described below, and due diligence process, Homestead employs uniform systems and procedures to achieve its investment goals.

Homestead believes that the Homestead Village brand identity and the market opportunity in extended-stay lodging is best served by a property specifically designed and built to Homestead's standards and specifications. Accordingly, while Homestead intends to be an active national developer, it has no plans or intention to acquire existing extended-stay properties or to convert other existing lodging properties to extended-stay use. To ensure maximum control over the brand identity and quality of operations, Homestead has no plans or intention to franchise the Homestead Village concept.

Homestead minimizes development risks by having zoning, site planning, construction budgets and similar risks resolved or assumed by third parties prior to Homestead's commitment to a transaction. Homestead incorporates into its development process certain proprietary technologies, design and purchasing aimed at enhancing occupancy and rental growth while reducing ongoing maintenance costs. Homestead has had the opportunity to evaluate and refine its product through its history of development. Homestead focuses on the quality of construction, materials and design with a view towards minimizing long-term operation and maintenance costs. Homestead uses independent general contractors for the construction of its properties and intends to use a number of such contractors depending upon the geographic area, costs of construction and physical capacities of the contractors. Homestead personnel will oversee the progress of construction on a regular basis during the development cycle.

HISTORY

Homestead was initially created as a byproduct of the multifamily development activities of PTR. The PTR REIT Manager (defined herein) identified a customer need not ideally addressed through its traditional multifamily garden apartment product or through corporate apartments operated within a garden apartment context. The PTR REIT Manager believed that a product which offered greater flexibility of rental term, a fully furnished studio apartment with cooking facilities and a focused array of services (such as limited maid service, voice mail, cable or satellite television) at an affordable price would meet the needs of a significant and growing segment of demand for those business customers on temporary assignment, training or relocating.

In conjunction with its research affiliate, Security Capital Investment Research, the PTR REIT Manager engaged in extensive study to determine an optimum approach to what it originally termed "Corporate Affordable Housing". Beginning in 1992, the PTR REIT Manager initiated development projects in Dallas and Houston, Texas. It was the PTR REIT Manager's express intention to

gain operating experience and to fully understand market characteristics prior to committing to full-scale Homestead Village development on a broad geographical basis. SCG funded the early stages of development of the Homestead Village concept.

Homestead properties which opened in 1992 and 1993 enjoyed substantial occupancy and customer acceptance. During this period, management reviewed Homestead Village properties and

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operations to refine and improve its approach to serving the Homestead customer. Management believes its initial operating experience allowed it to not only better understand the depth and scope of the available market opportunity for Homestead Village but also to create a better development process and operating system in response to that opportunity.

During 1995, a distinct and separate management team was created to support and expand the opportunity for Homestead Village in PTR and ATLANTIC. PTR and ATLANTIC are affiliates of SCG and are REITs which own, operate and develop multifamily properties. PTR's target market is the western United States and ATLANTIC's target market is the southeastern United States. Homestead projects were developed by each entity in its own region. From January 1995 to August 1996, the number of professional employees focused exclusively on Homestead Village increased from eight to 66 and the number of on-site personnel is currently 318. Operations and development were organized within PTR and ATLANTIC to meet the distinct needs of the moderate priced, extended-stay lodging business. Homestead believes it has not only brought a focused approach to the development and operations of moderate priced, extended-stay properties, but that Homestead currently has superior management depth and experience in the industry.

As a result of the Mergers, Homestead will become a separate entity. It has been organized as a Subchapter C corporation and is internally managed. However, Homestead has a relationship with SCG which it intends to continue through the Administrative Services Agreement and will enjoy the benefits of SCG's organization and service. See "--Administrative Services Agreement".

THE FACILITIES

Homestead has developed, owns and operates 29 Homestead Village properties representing in the aggregate 4,025 units in eight cities. Homestead currently has 12 Homestead Village properties under construction totaling 1,589 units within four of these cities as well as five additional cities. In addition, Homestead owns or controls through contracts 39 development sites for which it plans to initiate construction within the next 12 months. Units operating, under construction or in pre-development planning aggregate 10,908 units in 23 cities. Homestead has 46 additional sites under review and is continually searching for additional appropriate sites.

The average size and development cost of the initial 80 Homestead Village properties is 136 units and \$40,593 per unit, respectively. It is expected, however, that the size and cost to develop a property will vary significantly by geographic location. The 12 Homestead Village properties currently under construction average 132 units at an average project cost of \$5.8 million with an average cost per unit of \$43,486.

Homestead Village properties are designed and built to uniform plans developed and periodically refined since 1991. Units generally contain 260 to 325 square feet of fully furnished living space, with kitchen facilities including full-size refrigerator, microwave, sink and cook-top. Generally, units include combination work station/eating area, chair and features such as individual voice mail, cable/satellite television, weekly housekeeping, dataport and free local telephone calls.

For the six months ended June 30, 1996, the 20 stabilized Homestead Village properties had an average physical occupancy of 84% with an average weekly rate of \$219 per unit. Average physical occupancy and average weekly rate for seven pre-stabilized properties were 67% and \$223 per week, respectively.

Each Homestead Village property employs a General Manager who is responsible for the operations of the particular property. The General Manager shares duties with and oversees a staff typically consisting of a Guest Services Manager, Operations Manager, Maintenance Supervisor, front desk clerk and housekeeping/laundry staff of five to seven individuals (some of whom are part-time employees). The office at each property is generally open daily from 7:00 a.m. to 7:00 p.m.

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Homestead expects that the majority of daily operational decisions will be

made by the General Manager under the supervision of a Regional Manager who will be responsible for six to twelve properties, depending on geographic location. The Regional Manager oversees the performance of the General Managers in such areas as guest service, property maintenance, staffing and cost control. Each Homestead Village property is measured against a detailed revenue and expense budget, as well as against the performance of Homestead's other properties. Homestead employs a series of incentive programs, encompassing all employees, based on guest service, cleanliness, recruiting and retaining people and property level performance.

Homestead has invested substantially in training for its regional and on-site personnel. Twelve separate training modules with subjects ranging from personal selling and guest service to guest safety are conducted on a regular basis. Training design and organizational development are administered on a corporate basis with field implementation personnel located within a geographic region. Homestead views its investment in training and developing its site-level personnel as essential to its goal of providing a high customer-service standard consistent with the objective of becoming the preeminent operator in the moderate priced, extended-stay lodging business.

GROWTH AND DEVELOPMENT STRATEGY

Homestead's goal is to become a national provider of moderate priced, extended-stay lodging in its target markets. Homestead intends to achieve this goal by developing properties in a disciplined manner in its target markets, providing high value accommodations for its customers, actively managing its existing properties to increase revenues and reduce operating costs, and increasing awareness of the moderate priced, extended-stay concept and the Homestead Village name. Homestead currently owns and operates 29 properties, has begun construction of 12 additional properties and has an additional 39 properties in pre-development planning. Homestead expects to have a total of 31 properties operational by the end of 1996. Homestead plans to continue an active development program thereafter. Homestead's plans call for the average facility to have approximately 136 extended-stay rooms and to take approximately eight to ten months to construct.

Homestead targets major metropolitan areas which, based on its own research, it has determined have suitable submarkets with favorable employment and demographic trends. To achieve and maintain certain management efficiencies, Homestead has elected not to enter markets where its submarket research indicates that Homestead is not likely to be successful in achieving multiple desirable site locations. Homestead employs dedicated site acquisition professionals who evaluate each site against a set of eighteen separate criteria where optimum standards have been established.

As part of its development strategy, Homestead employs contingent contracts which allow it to conduct thorough due diligence and obtain entitlements prior to taking title to a site. Homestead employs a dedicated due diligence staff of six experienced professionals which reviews each investment according to uniform standards concerning environmental, legal, entitlement and geotechnical risk.

Each investment transaction undergoes a detailed and comprehensive review by operational and development senior management and a subsequent review by Homestead's Investment Committee. Members of the Investment Committee include David Dressler, Jr., Chairman and President, John Patterson and Donald Schultz, each a Senior Vice President, and Gary DeLapp, a Vice President. The Investment Committee process is designed to review both the specific investment as well as to ensure its conformance to Homestead's investment policies and goals.

Sites for development will be selected by Homestead's real estate professionals, subject to review and approval of the Investment Committee. Homestead currently maintains offices in Atlanta, Dallas and Santa Fe. Homestead expects to open regional offices in other geographic areas in the future as Homestead increases the number of regions in which it is focusing its development. Homestead will

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utilize independent general contractors for the construction of its lodging facilities and intends to use a number of such contractors depending upon geographic area, costs of construction and financial and physical capacities of the contractors. Homestead's personnel will oversee the progress of construction on a regular basis during the development cycle.

OPERATING STRATEGY

Homestead's business strategy is to develop moderate priced, extended-stay facilities providing an affordable and attractive lodging alternative for value conscious business customers looking for extended-stay accommodations. Homestead's goal is to provide its customers with a level of amenities needed

to optimize room and occupancy rates while maintaining high operating margins at its facilities. Homestead attempts to achieve this goal through the following:

APPEAL TO VALUE CONSCIOUS GUESTS. Homestead's facilities are designed to offer quality accommodations for guests at substantially lower rates than most other extended-stay lodging providers and hotels. Homestead's properties currently offer extended-stay accommodations at a standard weekly rate of between \$189 and \$239 per week. Room rates at Homestead's facilities may vary significantly, however, depending upon specific market factors and the size of the room. These rates contrast with average weekly rates of approximately \$500 for traditional extended-stay hotels.

LODGING FACILITY FEATURES. Homestead's facilities are designed and built to uniform plans. Units generally contain 260 to 325 square feet of fully furnished living space, with kitchen facilities including full-size refrigerator, microwave, sink and cook-top. Generally, units include combination work station/eating area, chair and features such as individual voice mail, cable/satellite television, weekly housekeeping, dataport and free local telephone calls.

STANDARDIZED CONCEPT. Homestead has developed standardized plans and specifications for its properties which lower construction and purchasing costs and establish uniform quality and operational standards.

OPERATING EFFICIENCIES. Homestead believes that the design and price level of its properties attract guest stays of several weeks or more, which result in a more stable revenue stream and, coupled with low-labor amenities, will in turn lead to reduced administrative and operational costs and higher operating margins.

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HOMESTEAD VILLAGE PROPERTIES

Operating and development properties are located in 23 metropolitan areas in 14 states. The table below demonstrates the geographic distribution of Homestead's initial 80 property investments at August 1, 1996:

<TABLE>
<CAPTION>

CITY	NUMBER OF PROPERTIES				PERCENTAGE OF ASSETS BASED ON COST(1)
	UNDER OPERA- TION	CONSTRUC- TION	IN PRE- DEVELOPMENT PLANNING	TOTAL	
<S>	<C>	<C>	<C>	<C>	<C>
Albuquerque, NM.....	1	1		2	2%
Atlanta, GA.....	1	1	4	6	8%
Austin, TX.....	2	1	1	4	4%
Dallas, TX.....	9		1	10	9%
Denver, CO.....	2		2	4	5%
Houston, TX.....	8			8	7%
Jacksonville, FL.....			1	1	1%
Kansas City, MO.....		1		1	1%
Los Angeles, CA.....			1	1	1%
Miami/Ft. Lauderdale, FL.....			3	3	5%
Nashville, TN.....			2	2	3%
Orange County, CA.....			1	1	1%
Phoenix, AZ.....	3	1		4	5%
Portland, OR.....			1	1	2%
Raleigh, NC.....		2	1	3	4%
Richmond, VA.....			1	1	2%
Salt Lake City, UT.....		1	1	2	3%
San Antonio, TX.....	3			3	3%
San Diego, CA.....			2	2	3%
San Francisco, CA.....		3	4	7	11%
Seattle, WA.....			4	4	6%
Tampa, FL.....		1	2	3	4%
Washington, DC.....			7	7	10%
Total.....	29	12	39	80	100%

</TABLE>

(1) Represents budgeted development costs, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during the construction period, for properties under development.

ADMINISTRATIVE SERVICES AGREEMENT

SCG currently provides certain administrative services to Homestead through Security Capital Pacific Incorporated (the "PTR REIT Manager") and Security Capital (Atlantic) Incorporated (the "ATLANTIC REIT Manager") and the property managers for the Homestead Village properties currently owned and developed by PTR and ATLANTIC. Certain employees of the PTR and ATLANTIC REIT Managers who performed various services for the Homestead predecessor entities controlled by PTR and ATLANTIC and who participated in various benefit plans maintained by SCG will become employees of Homestead and perform similar services.

At or prior to the consummation of the Mergers, Homestead and SCG will enter into an administrative services agreement (the "Administrative Services Agreement"), pursuant to which SCG will provide Homestead with administrative services with respect to certain aspects of Homestead's business. These services will include, but are not limited to, insurance administration, accounts

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payable administration, internal audit, cash management, human resources, management information systems, tax and legal administration, research, shareholder communications and investor relations. The fees payable to SCG will be based on market rates as mutually agreed. The Administrative Services Agreement will be for an initial term expiring on December 31, 1996 and will automatically be renewed for one-year terms, subject to approval by a majority of the disinterested members of the Homestead Board and the approval by the disinterested members of the Homestead Board of the annual compensation payable to SCG for services rendered to Homestead.

Homestead believes its relationship with SCG under this agreement provides certain advantages to Homestead. Homestead believes that a properly structured Administrative Services Agreement provides Homestead with access to greater quality and depth of management personnel and resources, highly focused research, information systems, insurance, cash management and legal support provided at substantial economies of scale, than it could provide internally.

INDUSTRY OVERVIEW

TRADITIONAL LODGING INDUSTRY

The United States lodging industry is estimated to have generated approximately \$52.7 billion in annual room revenues in 1995 and had approximately 3.3 million rooms at the end of 1995. Over 62.7% of the industry's rooms are owned, managed or franchised by the 10 largest lodging chains.

Industry statistics, which Homestead believes to be reliable, indicate that the United States lodging industry's performance is strongly correlated to economic activity. Room supply and demand historically have been sensitive to shifts in economic growth, which has resulted in cyclical changes in average daily room and occupancy rates. Overbuilding in the lodging industry in the mid and late 1980s resulted in an oversupply of rooms. Homestead believes this oversupply and the general downturn in the economy led to depressed industry performance and a lack of capital available to the industry in the late 1980s and early 1990s.

Homestead believes that the lodging industry has benefited from a gradually improving supply and demand balance, evidenced by increased average daily room and occupancy rates. Room supply growth in the lodging industry has slowed in recent years as the industry absorbs the oversupply of rooms that resulted from an annual room supply growth range of approximately 3% to 4% from 1987 to 1990. According to industry reports, which Homestead believes are reliable, this growth slowed to 1.0% in 1993, 1.4% in 1994 and 1.6% in 1995. The 4.0% and 2.7% increases in demand (measured by occupied rooms) from 1993 to 1994 and 1994 to 1995, respectively, as compared to increases in supply during the same periods reflect an improved supply and demand balance in the industry. Homestead believes these factors were primarily responsible for the increase in industry occupancy rates from 63.8% in 1993 to 65.4% in 1994 and to 66.1% in 1995 and the increase in average daily room rates from \$60.35 in 1993 to \$62.62 in 1994 and to \$65.62 in 1995.

The lodging industry generally can be segmented by the level of service provided and the pricing of the rooms. Segmentation by level of service is divided into the following categories: full service hotels, which offer food and beverage services, meeting rooms, room service and similar guest services; limited service hotels, which generally offer only rooms with amenities such as swimming pools, continental breakfast or similar limited services; and all-suites, which generally have limited public spaces but provide guests with two rooms or distinct partitioned areas and which may or may not offer food and beverage service to guests. Segmentation by price level may generally be divided into the following categories with the respective average daily room rates for 1995: budget (\$36), economy-priced (\$47), mid-price (\$61), upscale

(\$80) and luxury (\$118).

The all-suites segment of the lodging industry is a relatively new segment, having developed largely over the past 10 years, and is principally oriented toward business travelers in the mid-price to

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upscale price levels. All-suite hotels were developed partially in response to the increasing number of corporate relocations, transfers and temporary assignments and the need of business travelers for more than just a room. To address those needs, all-suite hotels began to offer suites with additional space and, in some cases, an efficiency kitchen, and guests staying for extended periods of time were offered discounts to daily rates when they paid on a weekly or monthly basis. Because of the perceived positive price/value relationship, all-suite hotels have generally outperformed the lodging industry as a whole over the last five years.

EXTENDED-STAY MARKET

Homestead believes that the extended-stay market, in which Homestead participates, is a continuation of the all-suites phenomenon, and that the same price/value relationship which has enabled the all-suites segment to achieve higher than industry average occupancy rates and operating margins will also carry through to the extended-stay market. Demand for extended-stay lodging has been stimulated by the economic and social changes resulting from the increased volume of corporate reorganizations and trends toward downsizing and out-sourcing of various functions, the break-up and geographic dispersion of the traditional family and technological improvements which have allowed businesses to relocate outside of large metropolitan areas. These changes have created new accommodation needs for, among others, corporate executives and trainees, consultants, sales representatives, construction workers and relocating individuals.

MODERATE PRICED, EXTENDED-STAY CONCEPT

Moderate priced, extended-stay lodging competes on the basis of price and value compared to the extended-stay market generally, thereby providing an economic inducement to guests who are already attracted to the extended-stay concept. In addition, moderate priced, extended-stay lodging provides a new and affordable lodging alternative for guests who are value conscious, have lower incomes or are on limited expense accounts. Based on published occupancy rates for other participants in the extended-stay market, Homestead believes that there is a strong demand for moderate priced, extended-stay accommodations and that in certain areas of the country there is no organized competition for that business. Of the approximately 3.3 million total available rooms in the United States lodging industry at the end of 1995, there were approximately 45,000, or 1.4%, dedicated extended-stay rooms at approximately 390 separate properties. More than 260 of these extended-stay properties were controlled by only three other competitors, all of which are priced toward the upscale segment of the extended-stay market.

COMPETITION

The lodging industry is highly competitive. Competitive factors within the lodging industry include room rates, quality of accommodations, service levels, convenience of location, reputation, reservation systems, name recognition and supply and availability of alternative lodging in local markets, including short-term lease lodging facilities. Homestead's facilities will compete with a number of competitors, including budget and economy segment hotels and other companies focusing on the extended-stay market. Each of Homestead's existing properties is located in a developed area that includes competing lodging facilities. In addition, each of Homestead's proposed properties is likely to be located in an area that includes competing facilities. The number of competitive lodging facilities in a particular area could have a material adverse effect on the levels of occupancy and average weekly room rates of Homestead's existing and future properties.

Homestead anticipates that competition within the moderate priced, extended-stay lodging market will substantially increase as participants in other segments of the lodging industry and others focus on this relatively new market. A number of other extended-stay lodging facilities exist, many of which are oriented toward the upscale segment; however, recent announcements indicate a substantial

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number of competitors intend to enter the mid-priced or economy extended-stay segment. Homestead may compete for development sites with established entities which have greater financial resources than Homestead and better relationships

with lenders and sellers. These entities may generally be able to accept more risk than Homestead can prudently manage. Further, there can be no assurance that new or existing competitors will not significantly reduce their rates or offer greater convenience, services or amenities or significantly expand, improve or develop facilities in a market in which Homestead competes, thereby adversely affecting Homestead's operations.

ENVIRONMENTAL MATTERS

Under various federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of hazardous or toxic substances. Furthermore, a person that arranges for the disposal or transports for disposal or treatment a hazardous substance at a property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with the ownership and operation of its properties, Homestead may be potentially liable for any such costs.

Homestead has obtained recent Phase I Surveys on its existing properties and intends to obtain Phase I Surveys prior to the purchase of any future properties. The Phase I Surveys are intended to identify potential environmental contamination and regulatory compliance concerns. Phase I Surveys generally include historical reviews of the properties, reviews of certain public records, preliminary investigations of the sites and surrounding properties and the preparation and issuance of written reports. Phase I Surveys generally do not include invasive procedures, such as soil sampling or ground water analysis.

The Phase I Surveys have not revealed any environmental liability or compliance concern that Homestead believes would have a material adverse effect on Homestead's business, financial position or results of operations nor is Homestead aware of any such liability or concern. Nevertheless, it is possible that Phase I Surveys will not reveal all environmental liabilities or compliance concerns or that there will be material environmental liabilities or compliance concerns of which Homestead will not be aware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of Homestead's existing and future properties will not be affected by the condition of neighboring properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to Homestead.

GOVERNMENTAL REGULATION

A number of states regulate the licensing of hotels by requiring registration, disclosure statements and compliance with specific standards of conduct. Homestead believes that each of its facilities has the necessary permits and approvals to operate its respective business and Homestead intends to continue to obtain such permits and approvals for its new facilities. In addition, Homestead is subject to laws governing its relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. An increase in the minimum wage rate, employee benefit costs or other costs associated with employees could adversely affect Homestead. Both at the federal and state level from time to time, there are proposals under consideration to increase the minimum wage.

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Under the ADA, all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. Although Homestead has attempted to satisfy ADA requirements in the designs for its facilities, no assurance can be given that a material ADA claim will not be asserted against Homestead, which could result in a judicial order requiring compliance, and the expenditure of substantial sums to achieve compliance, an imposition of fines or an award of damages to private litigants. These and other initiatives could adversely affect Homestead as well as the lodging industry in general.

TRADEMARKS

The Homestead Village name has been registered with the United States Patent and Trademark office.

INSURANCE

Homestead currently has the types and amounts of insurance coverage that it

considers appropriate for a company in its business. While management believes that its insurance coverage is adequate, if Homestead were held liable for amounts exceeding the limits of its insurance coverage or for claims outside of the scope of its insurance coverage, Homestead's business, results of operations or financial position could be materially and adversely affected.

EMPLOYEES

Upon consummation of the Mergers, Homestead will employ approximately 66 professionals and 318 on-site personnel. Homestead expects that it will significantly increase the number of its employees as it expands its business. Homestead's employees are not subject to any collective bargaining agreements and management believes that its relationship with its employees is good.

LEGAL PROCEEDINGS

Homestead is not a party to any litigation or claims, other than routine matters incidental to the operation of the business of Homestead. To date, no claims have had a material adverse effect on Homestead nor does Homestead expect that the outcome of any pending claims will have such an effect.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following are Homestead's directors and executive officers:

<TABLE>

<CAPTION>

NAME	AGE	POSITION
----	---	-----
<S>	<C>	
David C. Dressler, Jr.	42	Chairman, President and Director
C. Ronald Blankenship	46	Director(1)
John P. Frazee, Jr.	51	Director
Jeffrey A. Klopff	48	Senior Vice President and Secretary
John R. Patterson	44	Senior Vice President
Donald J. Schultz	41	Senior Vice President

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- (1) Mr. Blankenship will become an advisory director after the Closing Date. He will attend meetings of the Homestead Board but will not have voting rights.

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DAVID C. DRESSLER, JR.--42--Director; Chairman of Homestead since May 1996 and President since January 1996; Director and Chairman of Homestead Village Managers Incorporated since June 1995; Managing Director of PTR since May 1993 and Director and Managing Director of the PTR and ATLANTIC REIT Managers since April 1992; from 1984 to May 1991, Regional Partner, Trammell Crow Residential, Boston, Massachusetts (multifamily real estate development and property management). While with Trammell Crow Residential, Mr. Dressler was on the Management Board for Trammell Crow Residential Services (managing 90,000 multifamily units nationwide) and was co-founder and a board member of Trammell Crow Residential Services-North, which managed 10,000 multifamily units in the Midwest and Northeast. In his various positions prior to his affiliation with PTR, Mr. Dressler supervised the development of approximately 6,500 multifamily units.

C. RONALD BLANKENSHIP--46--Director; Chairman of PTR and the PTR REIT Manager and Managing Director of SCG since March 1991; Director of ATLANTIC and the ATLANTIC REIT Manager since April 1996; from June 1988 to March 1991, Regional Partner, Trammell Crow Residential, Chicago, Illinois (multifamily real estate development and property management); prior thereto, Executive Vice President and Chief Financial Officer, The Mischer Corporation, Houston, Texas (multibusiness holding company with investments primarily in real estate). While with Trammell Crow Residential, Mr. Blankenship was on the Management Board for Trammell Crow Residential Services, a property management company that managed approximately 90,000 multifamily units nationwide, and was chief executive officer of Trammell Crow Residential Services-North, which managed 10,000 multifamily units in the Midwest and Northeast. In his various positions prior to his affiliation with the PTR REIT Manager, Mr. Blankenship supervised the development of approximately 9,300 multifamily units. Mr. Blankenship supervises the overall operations of PTR and the PTR REIT Manager.

JOHN P. FRAZEE, JR.--51--Director; private investor; formerly President and Chief Operating Officer of Sprint Corporation; prior to the March 1993 merger with Sprint, Mr. Frazee was the Chairman and Chief Executive Officer of Centel Corporation (a major telecommunications company he joined in 1972). He is a

member of the Board of Directors of Nalco Chemical Company, Dean Foods Company, Paging Network Inc., C-Span and SCG. He is a life trustee of Rush-Presbyterian-St. Luke's Medical Center, a national trustee of The Newberry Library and a trustee of the Florida State University Foundation.

JEFFREY A. KLOPF--48--Senior Vice President of Homestead since May 1996 and Secretary since January 1996 and Senior Vice President and Secretary of Homestead Village Managers Incorporated, PTR, ATLANTIC and SCG since January 1996, where he provides securities offerings and corporate acquisition services and oversees the provision of legal services for affiliates of the firm; from January 1988 to December 1995, partner of Mayer, Brown & Platt where he practiced corporate and securities law.

JOHN R. PATTERSON--44--Senior Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the operations group; Vice President of PTR since January 1995; from July 1993 to January 1995, a Senior Vice President in business development at NationsBank in Atlanta; prior thereto, Division President and Partner of Trammell Crow Residential Services.

DONALD J. SCHULTZ--41--Senior Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group; from November 1993 to June 1995, Senior Vice President of Construction with Avalon Properties, Inc.; and from March 1986 to November 1993, President of Construction for Trammell Crow Residential (Northwest Region).

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OTHER OFFICERS OF HOMESTEAD

LAURIE B. BURNS--33--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since November 1995 where she is a member of the development group; from March 1994 to November 1995, Director of the Real Estate division of Apple South, Inc.; and from June 1986 to March 1994, with the Real Estate Division of Taco Bell Corporation where her most recent position was a Director of the Real Estate Division.

ROBERT E. CLARK--36--Vice President, Treasurer and Controller of Homestead since May 1996 and Vice President of Homestead Village Managers Incorporated since September 1995 where he is responsible for accounting and financial reporting; from September 1990 to August 1995, Director of accounting for the Residence Inn, Courtyard and Fairfield Inn divisions of Marriott International; and from February 1989 to September 1990, controller of business travel programs for Marriott where he was responsible for all accounting and finance for Marriott's marketing programs.

GARY A. DELAPP--36--Vice President of Homestead since May 1996 and of Homestead Village Managers Incorporated since February 1996 where he is a member of the operations group; from July 1983 to February 1996 with Vista Host Inc. where his most recent position was Senior Vice President of Operations.

ROBERT W. FROST JR.--49--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since November 1995 where he is a member of the development group; from February 1982 to November 1995, Vice President of Payless Shoesource, Inc. where he was responsible for the real estate and construction in a 23-state region. Prior thereto, Mr. Frost was a Group Development Manager of The Southland Corporation where he was responsible for expanding Chief Auto Parts stores in California, Nevada and Texas.

FREDRIC A. GOERS--53--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since November 1995 where he is a member of the development group; from September 1993 to October 1995, Vice President of Discovery Zone, Inc. where he was responsible for design and construction; and from May 1990 to August 1993, a partner of Garrison Goers Associates, Inc., a construction and development firm providing service to institutional lenders, developers and investors.

BRADLEY P. GRIGGS--39--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since September 1995 where he is a member of the development group; from November 1990 to September 1995, Project Manager with The Fieldstone Company where he directed all aspects of project management; and from November 1987 to November 1990, Operations Manager with M.J. Brock and Sons, Inc. for Riverside and San Diego Counties.

A. DAVID HALE--38--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group; from May 1992 to June 1995, Director of Human Resources of Ryland Homes mid-Atlantic region; and from April 1989 to May 1992, Vice President of Acquisition and Development at Questar Properties.

LAURA L. HAMILTON--33--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since January 1996 where she supervises Homestead's due diligence group, and a member of the PTR due diligence group since April 1992; prior thereto Ms. Hamilton was a real estate paralegal with the law firm of Poole, Kelly & Ramo in Albuquerque, New Mexico.

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W. GEOFFREY JEWETT--48--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since January 1996 where he is a member of the operations group; Vice President of PTR since March 1995; from November 1994 to March 1995, Vice President of Security Capital Pacific Incorporated which merged into PTR in March 1995 ("PACIFIC"), where he was involved with and had overall responsibility for acquisitions; from May 1994 to November 1994, Vice President of ATLANTIC, where he had overall responsibility for the acquisitions group; from September 1993 to April 1994, member of the acquisition group of PACIFIC; prior thereto, Vice President of LaSalle Partners Limited in its acquisitions and property finance group, where he provided investment property sale, financing and acquisition services on behalf of corporate and institutional clients throughout the western United States.

JEFFREY A. JONES--37--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group and with PTR since February 1995; from June 1993 to January 1995, Vice President of SENTRE Partners where he was responsible for investment acquisitions and development activities in Mexico; and from November 1989 to April 1993, a Development Manager with Stark Companies International where he was responsible for site acquisitions and entitlement processing for residential and hotel projects.

ARTHUR G. MAY--36--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group and with PTR since September 1994; from August 1989 to September 1994, Vice President and Chief Financial Officer at Western Development Group, Inc. where he was responsible for residential development projects. Prior thereto, Mr. May was a Project Manager at J.R. Abbott Construction Co., Inc.

GREGG A. PLOUFF--39--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group; Vice President of PTR since March 1995; from July 1994 to March 1995, Vice President of PACIFIC; from November 1993 to July 1994, a member of the acquisitions group of PTR; prior to November 1993, Mr. Plouff served in an acquisitions consulting capacity for PTR; prior thereto, Mr. Plouff was with Trammell Crow Residential, most recently as a partner, where he was involved with residential development in the Dallas, Chicago and Southern California markets.

MARK E. RILEY--37--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group; from September 1993 to September 1994, co-founder of Southeast Lodges Development Company where he developed and operated economy extended-stay facilities across the Southeast; and from May 1990 to September 1993, Vice President of Suburban Lodges of America Inc., where he was responsible for franchising and financing activities of economy extended-stay facilities.

WILLIAM C. STEAD--53--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since September 1995 where he is a member of the development group; from March 1991 to September 1995, Vice President of Heritage Construction Company where he has managed all development and construction activities; and from May 1988 to February 1991, Partner of Morgan-Stead & Associates which complete projects abandoned by financial institutions in Tennessee, Florida and Georgia.

S. SCOTT STEWART--32--Vice President of Homestead since May 1996 and Homestead Village Managers Incorporated since June 1995 where he is a member of the development group; from May 1993 to January 1995, President of Potomac Land & Development Company; and from November 1991 to May 1993 with Providence Savings Bank as a Real Estate Owned Manager.

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MANAGEMENT PHILOSOPHY

Homestead believes that the quality of management should be assessed in the light of the following factors:

MANAGEMENT DEPTH/SUCCESSION. Management should have several senior executives with the leadership, operational, investment and financial skills

and experience to oversee the entire operations of Homestead. Homestead believes that several of its senior officers could serve as the principal executive officer and continue Homestead's performance.

STRATEGIC VISION. Management should have the strategic vision to determine an investment focus that provides both favorable initial yields and strong long-term growth prospects. Homestead will demonstrate its strategic vision by focusing Homestead on the extended-stay lodging business in target markets where demographic and supply factors will permit high occupancies at increasing rates.

RESEARCH CAPABILITY. Management should have the means for researching both markets and product to determine appropriate investment opportunities. Homestead divides its target markets into multiple submarkets for analysis purposes. Through its relationship with Security Capital Investment Research, Homestead will have several professionals devoting substantial time to research, on a submarket-by-submarket basis, who are closely supervised by the directors and executive officers of Homestead.

INVESTMENT COMMITTEE PROCESS. Investment committees should provide discipline and guidance for the investment activities of Homestead in order to achieve its long-term strategic objectives. The four members of Homestead's Investment Committee have a combined 56 years of experience in the real estate industry. The Investment Committee receives detailed written analyses and research, in a standardized format, from Homestead's development and acquisition personnel and evaluates all prospective investments pursuant to uniform underwriting criteria prior to submission of investment recommendations to the Homestead Board. The quality of the Investment Committee's process will be evident from the ability of Homestead to achieve its investment goals, generally exceeding its projected initial returns and growth from the extended-stay lodging business.

DEVELOPMENT CAPABILITY. Homestead has no plans or intentions of acquiring existing hotel properties and converting them to the Homestead Village concept. Homestead's personnel have substantial development experience. Homestead has 39 full-time professionals committed to development activities. Homestead has engaged in substantial development at attractive yields that have generally exceeded projections.

DUE DILIGENCE PROCESS. Management should have experienced personnel dedicated to performing intelligent and thorough due diligence. Homestead has six full-time due diligence professionals and has developed uniform systems and procedures for due diligence.

OPERATING CAPABILITY. Management can substantially improve cash flow by actively and effectively managing assets. Homestead has devoted substantial personnel and financial resources to developing value-added operating systems, which control and effectively administer the operation of Homestead's extended-stay lodging business.

COMMITTEE OF THE BOARD

The Homestead Board will establish an Audit Committee consisting solely of Independent Directors prior to the consummation of the Transaction. The Audit Committee makes recommendations concerning the engagement of independent public accountants, reviews the plans and results of the audit engagement with the independent public accountants, approves professional services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the range of audit and non-audit fees and reviews the adequacy of Homestead's internal accounting controls.

The Homestead Charter provides that, immediately following the date on which Homestead has a class of securities registered pursuant to Section 12 of the Exchange Act, the Homestead Board shall include a majority of directors ("Independent Directors") each of whom is not an employee or officer of

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Homestead, any person or entity primarily controlling Homestead or their respective affiliates and performs no other services for Homestead, any person or entity primarily controlling Homestead or any of their respective affiliates, except as director or trustee.

MANAGEMENT COMPENSATION

DIRECTORS' COMPENSATION. Directors who are not employees of Homestead or SCG will receive \$14,000 per year for serving as a director and will be reimbursed for their travel and other expenses incurred in connection with attending meetings of the Homestead Board or committees thereof. Outside directors may also receive grants of options to acquire shares of Homestead Common Stock. See "--Outside Directors Plan."

EXECUTIVE COMPENSATION. Homestead was incorporated in January 1996 and did not conduct any operations prior to that time. Homestead anticipates that during 1996 its most highly compensated officers, with estimated salary amounts for each such individual on an annualized basis, will be David C. Dressler, Jr., \$195,000; Robert W. Frost, Jr., \$160,000; John R. Patterson, \$160,000; and Donald J. Schultz, \$160,000, (the "Named Executive Officers"). Each Named Executive Officer will also be eligible for discretionary bonuses and awards under the Incentive Plan described below. See "--Long-Term Incentive Plan."

STOCK OPTION PLAN

LONG-TERM INCENTIVE PLAN

Prior to consummation of the Mergers, Homestead anticipates adoption of the Homestead Village Incorporated Long-Term Incentive Plan (the "Incentive Plan"), subject to approval of Homestead shareholders, which, it is expected, will contain the following terms and conditions. The number of shares of Homestead Common Stock which may be awarded under the Incentive Plan shall not exceed 4,000,000 shares in the aggregate. Shares of Homestead Common Stock issued under the Incentive Plan may be authorized and unissued shares or treasury shares. In the event of certain transactions affecting the type or number of outstanding shares, the number of shares subject to the Incentive Plan, the number or type of shares subject to outstanding awards and the exercise price thereof will be appropriately adjusted. The Incentive Plan will authorize the award of stock grants (which may be subject to restrictions) and performance stock, and authorizes the establishment of one or more stock purchase programs. A committee of the Homestead Board (the "Committee") will be appointed to administer the Incentive Plan. Subject to the terms of the Incentive Plan, the Committee will determine which employees or other individuals providing services to Homestead shall be eligible to receive awards under the Incentive Plan, and the amount, price, timing and other terms and conditions applicable to such awards.

Options awarded under the Incentive Plan may be either incentive stock options which are intended to satisfy the requirements of Section 422 of the Code, or non-qualified stock options which are not intended to satisfy Section 422 of the Code. Options will become exercisable in accordance with the terms established by the Committee, which may include conditions relating to completion of a specified period of service or achievement of performance standards. Options will expire on the date determined by the Committee which shall not be later than the earliest to occur of (i) the tenth anniversary of the grant date, (ii) the first anniversary of the participant's termination of employment by reason of death, disability or retirement or (iii) the three month anniversary of the participant's termination of employment for any other reason. Shares transferred to a participant pursuant to the exercise of an option may be subject to such additional restrictions or limitations as the Committee may determine.

Under the Incentive Plan, the Committee may grant awards of Homestead Common Stock to participants, which shall be subject to such conditions and restrictions, if any, as the Committee may determine. During the period a stock award is subject to restrictions or limitations, the Committee may award the participant dividend rights with respect to such shares. The Incentive Plan may also provide that the Committee may establish one or more stock programs which may permit purchases of Homestead Common Stock.

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The Committee may award participants performance stock, the distribution of which is subject to achievement of performance objectives. The number of shares and the performance measures and periods shall be established by the Committee at the time the award is made.

Non Qualified Options

Homestead may grant, prior to the closing of the Mergers, options to acquire shares of Homestead Common Stock, subject to board and shareholder approval. The Named Executive Officers and certain other officers of Homestead may receive options to purchase shares of Homestead Common Stock at \$10.00 per share, although the total number of shares subject to these options has not been determined as of the date of this Prospectus. Each participant would receive nonqualified stock options. The options would become exercisable ten percent in the third year after the date of grant, an additional twenty percent in the fourth year after the date of grant, an additional thirty percent in the fifth year after the date of grant and the remaining forty percent in the sixth year after the date of grant and would expire ten years after the date of grant. The participants would have no rights as shareholders with respect to the shares subject to his or her options until the option is exercised. No income would be recognized by a participant at the time the options are granted. The exercise of a nonqualified stock option is generally a taxable event that requires the participant to recognize, as ordinary

income, the difference between the fair market value of the shares at the time of exercise and the option price. Homestead ordinarily will be entitled to claim a federal income tax deduction on account of the exercise of a nonqualified option. The amount of the deduction is equal to the ordinary income recognized by a participant. Homestead will adopt Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock options. Therefore, any excess of fair value of the shares at the date of grant over the option price would be compensation expense, recorded over the option period.

Stock Purchase Program

Homestead may, prior to the closing of the Mergers, permit eight senior officers to purchase shares of Homestead Common Stock under the stock purchase program portion of the Incentive Plan, subject to board and shareholder approval. Those officers may be offered the opportunity to purchase up to an aggregate of 85,000 shares at \$10.00 per share. The stock purchases would provide for a two year restricted period during which the participants must remain employed by Homestead. If a participant leaves the employ of Homestead prior to the end of the restricted period, Homestead would have the right to repurchase the shares at the original purchase price plus an imputed interest rate. At the end of the two-year period, the participant would own the shares without further restriction. In accordance with APB 25, any excess of fair value of the shares at the date of sale over the sales price would be compensation expense, recorded over the restriction period.

OUTSIDE DIRECTORS PLAN

It is expected that Homestead will adopt, subject to approval of the Homestead shareholders, an Outside Directors Plan under which up to 100,000 shares of Homestead Common Stock may be subject to options (the "Outside Directors Plan"). Options granted under the Outside Directors Plan will have a five-year term and will be immediately exercisable in whole or in part. It is expected that options will be granted under the Outside Directors Plan as of the Distribution Record Date and as of the date of each annual meeting of shareholders of Homestead commencing in 1997. Options granted under the Outside Directors Plan will provide that the option holder may, in the event of the acquisition of 50% or more of the outstanding shares of Homestead Common Stock as the result of any cash tender offer or exchange offer (other than one made by Homestead), exercise the options immediately or surrender the options, or any unexercised option thereof, to Homestead and receive cash from Homestead equal to the difference between the exercise price of each option and per share price of the tender offer or exchange offer, multiplied by the number of shares of Homestead Common Stock for which options are held.

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RELATIONSHIP WITH SECURITY CAPITAL GROUP INCORPORATED

Prior to consummation of the Mergers, portions of Homestead's properties, assets and operations were owned by subsidiaries of each of PTR, ATLANTIC and SCG. SCG is a private real estate company which owns controlling positions in several real estate operating companies, including PTR and ATLANTIC, and owns several REIT managers which direct these operating businesses.

Immediately after completion of the Mergers, SCG is expected to beneficially own 8,102,557 shares of Homestead Common Stock or approximately 45.6% of the outstanding shares of Homestead Common Stock, not including 2,243,038 shares which will be issued to and held in escrow by an escrow agent pending funding of convertible mortgage loans under the Funding Commitment Agreements. See "Certain Relationships and Transactions--Escrow Agreement." Through its beneficial ownership of Homestead Common Stock, SCG will control 45.6% of the vote on all matters submitted for Homestead shareholder action. The foregoing share ownership information does not give effect to the issuance of shares upon exercise of options or other awards granted under the Incentive Plan. SCG will also own Homestead Warrants to acquire an additional 5,032,707 shares of Homestead Common Stock, which, if fully exercised, would increase SCG's beneficial ownership of Homestead Common Stock to 57.7%. SCG may, over time, dispose of some of the shares of Homestead Common Stock it acquires in the Transaction to reduce its beneficial ownership in Homestead to below 50%. In addition, pursuant to an Investor Agreement between SCG and Homestead, SCG will agree to exercise at the request of Homestead all Homestead Warrants it receives in the Transaction. In exchange for its agreement to exercise Homestead Warrants, Homestead will grant SCG the right, among other things, to nominate up to two directors to the Homestead Board, depending upon SCG's level of ownership of shares of Homestead Common Stock, and to be consulted on certain business decisions made by Homestead. In addition, pursuant to investor agreements with ATLANTIC and PTR, each of ATLANTIC and PTR will have the right to nominate one director to the Homestead Board. See "Certain Relationships and Transactions--ATLANTIC and PTR Investor Agreements" and "--SCG Investor Agreement".

SCG has funded the development of the Homestead Village concept since 1991.

As part of the Transaction, SCG will contribute, for no additional consideration, the Homestead Village trademark, the Homestead Village operating system and Homestead Village properties which it is developing in areas outside the target markets of PTR and ATLANTIC. SCG will also provide financing to Homestead for additional developments undertaken between the execution of the Merger Agreement and the Closing Date.

Prior to the Mergers, Homestead obtained certain services from affiliates of SCG and the SCG employees who performed services for Homestead under the PTR and ATLANTIC REIT management agreements and the property management agreements participated in a number of employee benefit plans maintained by SCG. Prior to completion of the Transaction, SCG and Homestead will enter into certain agreements relating to these matters. See "Business--Administrative Services Agreement" and "Certain Relationships and Transactions".

CERTAIN RELATIONSHIPS AND TRANSACTIONS

PROTECTION OF BUSINESS AGREEMENT

Each of PTR, ATLANTIC and SCG will enter into a protection of business agreement dated as of the Closing Date (the "Protection of Business Agreement") with Homestead which will prohibit PTR, ATLANTIC, SCG and their respective affiliates from engaging, directly or indirectly, in the extended-stay lodging business in the continental United States except through Homestead and its subsidiaries. The Protection of Business Agreement also prohibits Homestead from, directly or indirectly, engaging in the ownership, operation, development, management or leasing of multifamily properties. The Protection of Business Agreement does not prohibit any of PTR, ATLANTIC or SCG from: (i) owning securities of Homestead; (ii) owning up to 5% of the outstanding securities of another person engaged

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in owning, operating, developing, managing or leasing extended-stay lodging properties, so long as they do not actively participate in the business of such person; (iii) owning the outstanding securities of another person, a majority owned subsidiary, division, group, franchise or segment of which is engaged in owning, operating, developing, managing or leasing extended-stay lodging properties, so long as not more than 5% of such person's consolidated revenues are derived from such properties; and (iv) owning securities of another person primarily engaged in business other than a business owning, operating, developing, managing or leasing extended-stay lodging properties, including a person primarily engaged in business as an owner, operator or developer of hotel properties, whether or not such person owns, operates, develops, manages or leases extended-stay lodging properties. The Protection of Business Agreement does not prohibit Homestead from: (i) owning securities of ATLANTIC, PTR or SCG; (ii) owning up to 5% of the outstanding securities of another person engaged in owning, operating, developing, managing or leasing garden style multifamily properties; and (iii) owning the outstanding securities of another person, a majority owned subsidiary, division, group, franchise or segment of which is engaged in owning, operating, developing, managing or leasing garden style multifamily properties, so long as not more than 5% of such person's consolidated revenues are derived from such properties. The Protection of Business Agreement will terminate in the event of an acquisition, directly or indirectly (other than by purchase from PTR, ATLANTIC and SCG or their respective affiliates (as defined in the Protection of Business Agreement)), by any person (or group of associated persons acting in concert), other than PTR, ATLANTIC, SCG or their respective affiliates, of 25% or more of the outstanding shares of voting stock of Homestead, without the prior written consent of the Homestead Board. Subject to earlier termination pursuant to the preceding sentence, the Protection of Business Agreement will terminate on the tenth anniversary of the Closing Date.

SCG INVESTOR AGREEMENT

Homestead and SCG will enter into an investor agreement (the "SCG Investor Agreement"), which will require SCG, upon notice from Homestead, to exercise all of the Homestead Warrants (at an exercise price of \$10.00 per share) received by SCG in connection with the Transaction. Homestead may call for the exercise of Homestead Warrants by SCG upon 10 days' prior written notice. The SCG Investor Agreement, among other things, provides that, without having first consulted with the nominee of SCG designated in writing, Homestead may not seek Homestead Board approval of (i) Homestead's annual budget, (ii) incurring expenses in any year exceeding (A) any line item in the annual budget by 20% and (B) the total expenses set forth in the annual budget by 5%, (iii) acquisitions or dispositions in a single transaction or group of related transactions where the aggregate purchase price paid or received exceeds \$5 million, (iv) new contracts with a service provider for (A) investment management, property management or leasing services, or (B) that reasonably contemplates annual contract payments by Homestead in excess of \$200,000, (v) the declaration or payment of any dividend or other distribution, (vi) the approval of stock option plans, (vii) the offer or sale of any shares of stock

of Homestead or any securities convertible into shares of stock of Homestead (other than the sale or grant of any stock or grants of options or exercise of options granted under any benefit option plan approved by stockholders) and (viii) the incurrence, restructuring, renegotiation or repayment of indebtedness for borrowed money in which the aggregate amount involved exceeds \$5 million. The SCG Investor Agreement also provides that, so long as SCG owns at least 10% of the outstanding shares of Homestead Common Stock, Homestead may not increase the number of persons serving on the Homestead Board to more than seven. SCG also will be entitled to designate one or more persons as directors of Homestead, as follows: (i) so long as SCG owns at least 10% but less than 30% of the outstanding shares of Homestead Common Stock, it is entitled to nominate one person; and (ii) so long as SCG owns at least 30% of the outstanding shares of Homestead Common Stock, it is entitled to nominate that number of persons as shall bear approximately the same ratio to the total number of members of the Homestead Board as the number of shares of Homestead Common Stock beneficially owned by SCG bears to the total number of

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outstanding shares of Homestead Common Stock, provided, that SCG shall be entitled to designate no more than two persons so long as the Homestead Board consists of no more than seven members. Any person who is employed by SCG or who is an employee, a 25% shareholder or a director of any corporation of which SCG is a 25% shareholder (except for Homestead) shall be deemed to be a designee of SCG. The nominee(s) of SCG may, but need not, be the same person(s) nominated by either PTR pursuant to the PTR Investor Agreement or ATLANTIC pursuant to the ATLANTIC Investor Agreement.

In addition, because SCG is an affiliate of Homestead, the SCG Investor Agreement provides SCG with registration rights pursuant to which, in certain specified circumstances, SCG may request, at any time after the first anniversary of the date on which the Homestead Common Stock is registered with the Securities and Exchange Commission (the "Commission") under either Section 12(b) or 12(g) of the Exchange Act, and on not more than three occasions, registration of all of SCG's Homestead Common Stock pursuant to Rule 415 under the Securities Act of 1933 (the "Securities Act").

FUNDING COMMITMENT AGREEMENTS

Pursuant to funding commitment agreements to be dated as of the Closing Date (the "Funding Commitment Agreements") each of PTR and ATLANTIC will agree to make mortgage loans to Homestead of up to \$144,044,620 and \$98,028,471, respectively. The obligations of PTR and ATLANTIC are limited to a specific dollar amount for each property identified in the respective Funding Commitment Agreements. Upon any determination by Homestead to commence development of a property identified in the Funding Commitment Agreement, Homestead is required to notify PTR or ATLANTIC, as the case may be, and PTR or ATLANTIC, as the case may be, is required to endeavor in good faith to fund up to the full amount of its obligation with respect to such property. Homestead is required to complete the development of such property consistent with the development plans for such property. Each mortgage loan issued by Homestead pursuant to a Funding Commitment Agreement will be convertible into shares of Homestead Common Stock on the basis of one share of Homestead Common Stock for every \$11.50 of principal outstanding on the mortgage loan. The obligation of Homestead to call for funding of, and the obligations of PTR and ATLANTIC to provide funding for, the mortgage loans expires on March 31, 1998, except with respect to properties for which Homestead has given notice that it intends to develop. Interest on the mortgage loans accrues at the rate of 9% on the unpaid principal balance, payable every six months. The mortgages are scheduled to mature on October 31, 2006, and are not callable until five years after the Closing Date. Homestead has pledged substantially all of its assets as collateral for the mortgage loans.

Pursuant to each Funding Commitment Agreement, PTR and ATLANTIC will provide Homestead aggregate funding on such developments in the amounts of up to approximately \$129 million and \$111 million, respectively, which amounts are anticipated to be sufficient to complete the development of the respective Homestead Village facilities contributed by them. PTR and ATLANTIC will receive convertible mortgage notes in respect of such fundings in stated amounts of up to approximately \$144 million and \$98 million, respectively. The effect of these provisions is that PTR will fund \$898,000 for each \$1,000,000 principal amount of convertible mortgage loans and ATLANTIC will fund \$1,133,535 for each \$1,000,000 principal amount of convertible mortgage loans. The differences between the funded amounts and the stated amounts of the convertible mortgage loans arise because the rate of return on the existing Homestead Village facilities contributed by PTR is projected to exceed the rate of return on the Homestead Village facilities contributed by PTR and ATLANTIC to Homestead which are under construction or in pre-development planning. In calculating the relative ownership interests of PTR and ATLANTIC, SCG assumed that as of July 1, 1996 PTR would have 28 Homestead Village facilities in operation and generating income, while ATLANTIC would have none. In addition, SCG expects that the average property development costs for the

existing PTR Homestead Village properties will, on balance, be less than those for the PTR and ATLANTIC Homestead Village properties projected to be built in the future because a large portion of the existing PTR Homestead

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Village properties were in planning or under development during 1992 and 1993 when land prices and construction costs were less than they are now and are anticipated to be over the next 18 months. The stated amount of the convertible mortgage loans was determined based on a 9% interest rate to provide an effective yield to each of PTR and ATLANTIC that is reflective of the relative rates of return anticipated to be realized on all of the facilities contributed by PTR and ATLANTIC, respectively.

ATLANTIC AND PTR INVESTOR AGREEMENTS

ATLANTIC and PTR will each enter into an investor and registration rights agreement with Homestead (the "ATLANTIC and PTR Investor Agreements") pursuant to which ATLANTIC and PTR each are entitled to designate one person for nomination to the Homestead Board, and Homestead will use its best efforts to cause the election of such nominee(s), until March 31, 1998 and for so long thereafter as PTR or ATLANTIC has the right to convert in excess of \$20 million in principal amount of loans made pursuant to the Funding Commitment Agreement. Such nominee(s) may, but need not, be the same person(s) nominated by SCG pursuant to the SCG Investor Agreement. In addition, Homestead has granted to each of ATLANTIC and PTR registration rights with respect to the issuance upon conversion and the distribution of all of the shares of Homestead Common Stock issuable upon conversion of the convertible mortgage notes. Prior to the one-year anniversary of the date the Homestead Common Stock is registered under the Exchange Act, each of ATLANTIC and PTR may request one registration of those shares of Homestead Common Stock which are issued upon conversion of any or all the convertible mortgage notes converted during such one-year period and which it intends to distribute to its stockholders. After such one-year anniversary, each of ATLANTIC and PTR may request three additional registrations pursuant to Rule 415 promulgated under the Securities Act of all shares of Homestead Common Stock issued or issuable upon conversion of the convertible mortgage notes. Such registration, except for the fees and disbursements of counsel to ATLANTIC or PTR, shall be at the expense of Homestead.

ESCROW AGREEMENT

Pursuant to an escrow agreement to be dated the Closing Date (the "Escrow Agreement") among Homestead, SCG and State Street Bank and Trust Company ("Escrow Agent"), a portion of the shares of Homestead Common Stock issuable to SCG in the Transaction will be placed in an escrow account maintained with the Escrow Agent. In general, as PTR and ATLANTIC advance funds to Homestead in accordance with the terms of their respective Funding Commitment Agreements, a portion of the shares of Homestead Common Stock in the escrow account will be released to SCG, together with a proportionate amount of accrued dividends, if any. On January 1, 2000, unless all of the shares of Homestead Common Stock placed in the escrow account have been released to SCG sooner in accordance with the provisions of the Escrow Agreement, the Escrow Agent will release to Homestead all of the shares of Homestead Common Stock remaining in the escrow account. All dividends or other distributions paid by Homestead in respect of the shares of Homestead Common Stock held in the escrow account shall be retained by the Escrow Agent for the benefit of the party to whom the related shares of Homestead Common Stock are ultimately issued. The Escrow Agent will vote all shares of Homestead Common Stock held in the escrow account proportionately in accordance with the vote of all other Homestead shareholders as instructed by Homestead. In the event that instructions are not received, the Escrow Agent will not vote such shares.

Because the number of shares of Homestead Common Stock being received by SCG is based on the anticipated future REIT management fees and property management fees SCG would have received under existing agreements with PTR and ATLANTIC for the 80 Homestead Village properties contributed to Homestead, net of overhead of SCG related to those properties, and since many of the contributed Homestead Village properties are either in the development or planning stage, the purpose of the Escrow Agreement is to time SCG's receipt of the shares of Homestead Common Stock pursuant to the Merger Agreement with the time the properties are actually funded and supported by a completion guaranty.

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FINDER'S AGREEMENTS

Pursuant to a series of agreements between PTR and the unaffiliated person who brought the Homestead concept to PTR and certain of his affiliates (collectively, "Finder"), Finder agreed to assist PTR in locating, developing and operating temporary corporate affordable housing facilities. In accordance

with these agreements, Finder is entitled to receive: (i) with respect to four Homestead properties currently in operation and located in the Dallas area (collectively, the "Dallas Properties"), an annual amount of \$535,000; (ii) with respect to the first 35 Homestead facilities constructed by Homestead (other than the Dallas Properties), an annual amount of \$7,500 per property (such amount subject to proportionate increase or decrease if the property has less than 120 units or more than 150 units) for each fiscal year beginning on the date the facility achieves 80% occupancy and provided that Homestead expects to receive for such fiscal year an annual return from the facility equal to 12% of its undepreciated cost in the facility; (iii) upon the sale of any of the Dallas Properties to an unaffiliated third party, 20% of the net proceeds, which are generally defined as the gain on sale received by Homestead from the sale of such property (after deducting all closing costs and commissions and after deducting Homestead's undepreciated cost of all land, improvements and renovations); and (iv) upon the sale of any of the other 35 properties to an unaffiliated third party, 10% of the net gain on sale received by Homestead from the sale of such property (after deducting all closing costs and commissions and after deducting Homestead's undepreciated cost of all land, improvements and renovations). The annual payments for each facility are payable until the earliest to occur of the sale of the facility to an unaffiliated third party, a breach of the agreements by Finder (subject to various cure provisions), and February 2043. In addition, Finder has agreed, until December 31, 1996, not to compete, directly or indirectly, with Homestead in certain states in which Homestead operates. Finder is not affiliated with Homestead, PTR, ATLANTIC or SCG. Homestead does not currently have an intention to sell any of its properties.

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PRINCIPAL SHAREHOLDERS

As of August 1, 1996, there were 1,000 shares of Homestead Common Stock issued and outstanding, which were held of record by SCG. The following table sets forth, as of August 1, 1996 and as adjusted to give effect to the Transaction, certain information regarding the beneficial ownership of Homestead Common Stock by each person who is expected to be the beneficial owner of five percent or more of the outstanding Homestead Common Stock, by each of Homestead's directors and Named Executive Officers, and by all directors and executive officers of Homestead as a group. As of such date, there are expected to be approximately 3,400 record holders of Homestead Common Stock.

<TABLE>
<CAPTION>

NAME AND ADDRESS OR NUMBER OF PERSONS IN GROUP	AMOUNT OF BENEFICIAL OWNERSHIP (1)	PERCENT OF HOMESTEAD COMMON STOCK
<S>	<C>	<C>
Security Capital Group Incorporated..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	13,135,264 (2)	57.7%
William D. Sanders (Corporate Ownership)..... 7777 Market Center Avenue El Paso, Texas 79912	13,135,264 (3)	57.7%
William D. Sanders (Personal Ownership). 7777 Market Center Avenue El Paso, Texas 79912	64,593 (4)	*
C . Ronald Blankenship..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	7,962	*
David C. Dressler, Jr..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	909 (5)	*
John P. Frazee, Jr..... 9512 Bull Headley Road Tallahassee, Florida 32312	3,143 (6)	*
Robert W. Frost, Jr..... Six Piedmont Center Atlanta, Georgia 30305	0 (5)	*
John R. Patterson..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	0 (5)	*
Donald J. Schultz..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	199 (5)	*
Directors and Executive Officers as a group (6 persons).....	12,213 (5) (6)	*

</TABLE>

* Less than 1%.

- (1) Includes for SCG, Messrs. Sanders, Blankenship, Dressler, Frazer and Schultz and all directors and executive officers as a group, 5,032,707, 25,935, 3,197, 365, 1,262 and 80 and 4,904 shares of Homestead Common Stock, respectively, that may be acquired upon exercise of Homestead Warrants.
- (2) These shares of Homestead Common Stock will be owned of record by SC Realty Incorporated, a wholly owned subsidiary of SCG, and will be pledged to secure SCG's \$300 million revolving line of credit facility with a syndicate of banks. As of August 1, 1996, there were \$165 million of borrowings outstanding under the line of credit. The line of credit is also secured by securities

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owned by SCG of PTR, ATLANTIC, Security Capital Industrial Trust, a publicly-traded REIT affiliated with SCG, and Security Capital U.S. Realty, an entity based in Luxembourg that is affiliated with SCG and which invests in real estate operating companies in the United States. SCG estimates that the aggregate market value of the pledged securities exceeded \$2.0 billion as of August 1, 1996. SCG was in compliance with all covenants under the line of credit as of June 30, 1996. Does not include up to 2,243,038 shares of Homestead Common Stock which may be issued to SCG pursuant to the Escrow Agreement. See "Certain Relationships and Transactions--Escrow Agreement".

- (3) Mr. Sanders may be deemed to beneficially own these shares of Homestead Common Stock, which will be owned by SCG, because Mr. Sanders shares voting and dispositive power with respect to all shares of Homestead Common Stock owned by SCG. SCG and Mr. Sanders intend to play a major role in the direction of Homestead for the purpose of maximizing the value of Homestead.
- (4) 3,455 of these shares of Homestead Common Stock will be owned by Mr. Sanders directly. Mr. Sanders may be deemed to beneficially own 58,395 of these shares of Homestead Common Stock which will be owned by Sanders Partners Incorporated and CAMPR Partners Limited, family entities with respect to which Mr. Sanders shares voting and dispositive power, and 2,743 of these shares of Homestead Common Stock will be owned by a foundation of which Mr. Sanders is a director.
- (5) Does not include shares of Homestead Common Stock which may be issued under the Incentive Plan. See "Management--Long-Term Incentive Plan".
- (6) Does not include shares of Homestead Common Stock which may be issued under the Outside Directors Plan. See "Management--Outside Directors Plan".

DESCRIPTION OF HOMESTEAD SECURITIES

The following summary of the terms of the securities of Homestead does not purport to be complete and is subject to and qualified in its entirety by reference to the Homestead Charter and Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus forms a part.

GENERAL

The authorized stock of Homestead consists of 250,000,000 shares of common stock, \$0.01 par value per share. The Homestead Board may classify or reclassify any unissued shares of stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption of such stock. No holder of any class of stock of Homestead will have any preemptive right to subscribe to any securities of Homestead except as may be granted by the Homestead Board in authorizing the issuance of a class of preferred stock. Under Maryland law, stockholders are generally not liable for Homestead's debts or obligations. For a description of certain provisions that could have the effect of delaying, deferring or preventing a change in control, see "Risk Factors--Limitations on Changes in Control", "Certain Relationships and Transactions--SCG Investor Agreement" and "Certain Provisions of Maryland Law and of Homestead's Charter and Bylaws".

The transfer agent and registrar for the Homestead Common Stock is The First National Bank of Boston, 150 Royall Street, Canton, Massachusetts 02021.

HOMESTEAD COMMON STOCK

The outstanding shares of Homestead Common Stock are fully paid and non-assessable. Each share of Homestead Common Stock entitles the holder to one vote on all matters requiring a vote of stockholders, including the election of directors. Stockholders do not have the right to cumulate their votes in

the election of directors, which means that the holders of a majority of the outstanding shares

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of Homestead Common Stock can elect all of the directors then standing for election. Stockholders are entitled to such dividends as may be authorized from time to time by the directors out of assets legally available therefor.

In the event of any liquidation, dissolution or winding-up of the affairs of Homestead, holders of Homestead Common Stock will be entitled, subject to the preferential rights of holders of preferred stock, if any, to share ratably in the assets of Homestead remaining after provision for payment of liabilities to creditors.

All shares of Homestead Common Stock have equal distribution, liquidation and other rights, and shall have no preference, appraisal, conversion or exchange rights. Upon completion of the Distribution, 17,749,735 shares of Homestead Common Stock will be issued and outstanding (including the 2,243,038 shares held in escrow).

PREFERRED STOCK

The Homestead Board is empowered by the Homestead Charter, without the approval of stockholders, to cause shares of preferred stock to be issued in one or more series and to determine, among other things, the number of preferred shares of each series and the rights, preferences, powers and limitations of each series which may be senior to the rights of Homestead Common Stock. The issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of Homestead and may adversely affect the voting and other rights of stockholders. Upon completion of the Transaction, no shares of preferred stock will be outstanding and Homestead has no present plans to issue any preferred stock following completion of the Distribution other than as contemplated by the Rights Agreement (as defined below).

PURCHASE RIGHTS

On May 16, 1996, the Board of Directors authorized a dividend of one Purchase Right for each share of Homestead Common Stock outstanding at the close of business on May 16, 1996 (the "Rights Record Date") to the holders of Homestead Common Stock of record as of the Rights Record Date. The dividend was paid on the Rights Record Date. The holders of any additional shares of Homestead Common Stock issued after the Rights Record Date and before the redemption or expiration of the Purchase Rights will also be entitled to one Purchase Right for each such additional share. Each Purchase Right entitles the registered holder under certain circumstances to purchase from Homestead one-hundredth of a Participating Preferred Share of Homestead at a price of \$50.00 per one-hundredth of a Participating Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Purchase Rights are set forth in the Rights Agreement dated as of May 16, 1996 between Homestead and The First National Bank of Boston, as rights agent (the "Rights Agreement").

The Purchase Rights will be exercisable and will be evidenced by separate certificates only after the earliest to occur of: (1) 10 business days following a public announcement that a person or group of affiliated or associated persons (excluding certain affiliates of Homestead) has acquired beneficial ownership of 20% or more of the outstanding shares of Homestead Common Stock (thereby becoming an "Acquiring Person"); (2) 15 business days (or such later date as may be determined by action of the Homestead Board prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of persons (excluding certain affiliates of Homestead) of 25% or more of the outstanding shares of Homestead Common Stock; or (3) 15 business days (or such later date as may be determined by action of the Homestead Board prior to such time as any person becomes an Acquiring Person) after the date of filing by any person of, or the first public announcement of the intention of any person to file, any application, request, submission or other document with any federal or state regulatory authority seeking approval of, attempting to rebut any presumption of control upon, or

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otherwise indicating an intention to enter into, any transaction or series of transactions (other than a transaction in which newly issued Homestead Common Stock is issued directly by Homestead) the consummation of which would result in any person (excluding certain affiliates of Homestead) becoming the beneficial owner of Homestead Common Stock aggregating 25% or more of the then

outstanding shares of Homestead Common Stock (the first to occur of such dates being called the "Rights Distribution Date"). With respect to any of the stock certificates outstanding as of the Rights Record Date, until the Rights Distribution Date the Purchase Rights will be evidenced by such stock certificate. Until the Rights Distribution Date (or earlier redemption or expiration of the Purchase Rights), new stock certificates issued after the Rights Record Date upon transfer or new issuance of shares of Homestead Common Stock will contain a notation incorporating the Rights Agreement by reference. Notwithstanding the foregoing, if the Homestead Board in good faith determines that a person who would otherwise be an Acquiring Person under the Rights Agreement has become such inadvertently, and such person divests as promptly as practicable a sufficient number of shares of Homestead Common Stock so that such person would no longer be an Acquiring Person, then such person shall not be deemed to be an Acquiring Person for purposes of the Rights Agreement.

The Purchase Rights will expire on May 16, 2006 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Purchase Rights are earlier redeemed or exchanged by Homestead, in each case as described below.

The Purchase Price payable, and the number of Participating Preferred Shares or other securities or property issuable, upon exercise of the Purchase Rights are subject to adjustment under certain circumstances from time to time to prevent dilution. With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

Participating Preferred Shares purchasable upon exercise of the Purchase Rights will not be redeemable. Each Participating Preferred Share will be entitled to a minimum preferential quarterly distribution payment equal to the greater of (i) \$1 per share or (ii) 100 times the distribution declared per share of Homestead Common Stock. Each Participating Preferred Share will have 100 votes, voting together with the shares of Homestead Common Stock. If dividends payable on Participating Preferred Shares are in arrears in an amount equal to at least six full quarterly dividends (whether or not declared and whether or not consecutive), the holders of record of the outstanding Participating Preferred Shares shall have the exclusive right, voting separately as a single class, to elect two directors of Homestead until such time as all arrears in dividends (whether or not declared) on the Participating Preferred Shares shall have been paid or declared and set apart for payment. In the event of liquidation, the holders of the Participating Preferred Shares will be entitled to a minimum preferential liquidation payment of \$1 per share (plus any accrued and unpaid dividends) but will be entitled to an aggregate payment of 100 times the payment made per share of Homestead Common Stock. In the event of any merger, consolidation or other transaction in which shares of Homestead Common Stock are exchanged, each Participating Preferred Share will be entitled to receive 100 times the amount received per share of Homestead Common Stock. In the event of issuance of Participating Preferred Shares upon exercise of the Purchase Rights, in order to facilitate trading, a depository receipt may be issued for each one-hundredth of a Participating Preferred Share. The Purchase Rights will be protected by customary antidilution provisions.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision will be made so that each holder of a Purchase Right, other than Purchase Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise a number of shares of Homestead Common Stock having a market value (determined in accordance with the Rights Agreement) of twice the Purchase Price. In lieu of the issuance of shares of Homestead Common Stock upon exercise of Purchase Rights, the Homestead Board may under certain circumstances, and if there is an insufficient number of shares of Homestead Common Stock authorized but unissued or held by Homestead to permit the exercise in

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full of the Purchase Rights, the Homestead Board is required to, take such action as may be necessary to cause Homestead to issue or pay upon the exercise of Purchase Rights, cash (including by way of a reduction of purchase price), property, other securities or any combination of the foregoing having an aggregate value equal to that of the shares of Homestead Common Stock which otherwise would have been issuable upon exercise of Purchase Rights.

In the event that, after any person or group becomes an Acquiring Person, Homestead is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provision will be made so that each holder of a Purchase Right will thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price, a number of shares of common stock of the acquiring company having a market value (determined in accordance with the Rights Agreement) of twice the Purchase Price.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by that person or group of 50% or more of the outstanding shares of Homestead Common Stock, the Homestead Board may exchange the Purchase Rights (other than Purchase Rights owned by that person or group which will have become void), in whole or in part, at an exchange ratio of one share of Homestead Common Stock (or one-hundredth of a Participating Preferred Share) per Purchase Right (subject to adjustment).

As soon as practicable after a Rights Distribution Date, Homestead is obligated to use its best efforts to file a registration statement under the Securities Act relating to the securities issuable upon exercise of Purchase Rights and to cause such registration statement to become effective as soon as practicable.

At any time prior to the time a person or group of persons becomes an Acquiring Person, the Homestead Board may redeem the Purchase Rights in whole, but not in part, at a price of \$0.01 per Purchase Right (the "Redemption Price") payable in cash, shares of Homestead Common Stock or any other form of consideration deemed appropriate by the Homestead Board. The redemption of the Purchase Rights may be made effective at such time, on such basis and with such conditions as the Homestead Board in its sole discretion may establish. Immediately upon the effectiveness of any redemption of the Purchase Rights, the right to exercise the Purchase Rights will terminate and the only right of the holders of Purchase Rights will be to receive the Redemption Price.

The terms of the Purchase Rights may be amended by the Homestead Board without the consent of the holders of the Purchase Rights, except that from and after the time any person or group of affiliated or associated persons becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Purchase Rights and in no event shall any such amendment change the 20% threshold at which a person acquiring beneficial ownership of shares of Homestead Common Stock becomes an Acquiring Person.

The Purchase Rights have certain anti-takeover effects. The Purchase Rights will cause substantial dilution to a person or group that attempts to acquire Homestead on terms not approved by the Homestead Board, except pursuant to an offer conditioned on a substantial number of Purchase Rights being acquired. The Purchase Rights should not interfere with any merger or other business combination approved by the Homestead Board since the Purchase Rights may be redeemed by Homestead at the Redemption Price prior to the time that a person or group has acquired beneficial ownership of 20% or more of the shares of Homestead Common Stock. The foregoing description of the Purchase Rights does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Rights Agreement, including the definitions therein of certain terms, a copy of which has been filed as an exhibit to the Registration Statement on Form S-4 filed with the Commission by Homestead (the "Homestead Registration Statement").

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HOMESTEAD WARRANTS

The Homestead Warrants are to be issued under a Warrant Agreement (the "Warrant Agreement") between Homestead and The First National Bank of Boston, as Warrant Agent (the "Warrant Agent"). The following is a summary of the material terms of the Homestead Warrants and the Warrant Agreement. The summary is subject to, and is qualified in its entirety by reference to, all the provisions of the Homestead Warrants and the Warrant Agreement, including the definitions therein of certain terms, a copy of which has been filed as an exhibit to the Homestead Registration Statement.

GENERAL

Each Homestead Warrant will entitle the registered holder thereof, subject to and upon compliance with the provisions thereof and of the Warrant Agreement, at such holder's option, to purchase at an exercise price of \$10.00 per share from Homestead one share of Homestead Common Stock. The number of shares of Homestead Common Stock for which a Homestead Warrant may be exercised is subject to adjustment as set forth in the Warrant Agreement.

Homestead Warrants may be exercised at any time by surrendering the certificate evidencing such Homestead Warrants (the "Warrant Certificates") with the form of election to purchase shares set forth on the reverse side thereof duly completed and executed by the holder thereof and paying in full the exercise price for such Homestead Warrant at the office or agency designated for such purpose, which will initially be the corporate trust office of the Warrant Agent in New York, New York. Each Homestead Warrant may be exercised only in whole and the exercise price may be paid only in cash or by certified or official bank check. The Homestead Warrants will expire at 5:00 p.m., New York time, on the first anniversary of the Distribution Record Date.

The Warrant Certificates evidencing the Homestead Warrants may be

surrendered for exercise or exchange, and the transfer of Warrant Certificates will be registrable, at the office or agency of Homestead maintained for such purpose, which initially will be the corporate trust office of the Warrant Agent in New York, New York. The Warrant Certificates will be issued only in fully registered form. No service charge will be made for any exercise, exchange or registration of transfer of Warrant Certificates, but Homestead may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Fractional shares of Homestead Common Stock will not be issued upon exercise of Homestead Warrants. In lieu thereof Homestead will pay a cash adjustment based on the difference between the Current Market Value (as defined in the Warrant Agreement) of a share of Homestead Common Stock on the date the Warrant Certificate is surrendered for conversion and the exercise price of the Homestead Warrants.

Holder of Homestead Warrants will not be entitled, by virtue of being such holder, to receive dividends, vote, receive notice of any meetings of stockholders or otherwise have any right of stockholders of Homestead.

ADJUSTMENTS

The number of shares of Homestead Common Stock issuable upon exercise of a Homestead Warrant (the "Exercise Rate") is subject to adjustment upon the occurrence of certain events, including (a) dividends or distributions on Homestead Common Stock payable in Homestead Common Stock or certain other stock of Homestead; (b) subdivisions, combinations or certain reclassifications of Homestead Common Stock; (c) distributions to all holders of Homestead Common Stock of rights, warrants or options entitling them to subscribe for Homestead Common Stock at a price per share less than 94% of the Current Market Value at the Time of Determination (each as defined in the Warrant Agreement); (d) sales by Homestead of Homestead Common Stock or of securities convertible into or

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exchangeable or exercisable for Homestead Common Stock (other than pursuant to (1) the exercise of the Homestead Warrants, (2) any security convertible into, or exchangeable or exercisable for, Homestead Common Stock as to which the issuance thereof has previously been the subject of any required adjustment pursuant to the Warrant Agreement and (3) the conversion of any convertible notes issued or issuable pursuant to the Funding Commitment Agreements) at a price per share less than the Current Market Value at the Time of Determination; and (e) distributions to stockholders of assets or debt securities of Homestead or certain rights, warrants or options to purchase assets, debt securities or other securities of Homestead (excluding cash dividends or other cash distributions from consolidated retained earnings other than any Extraordinary Cash Dividend (as defined in the Warrant Agreement)). No adjustment in the Exercise Rate will be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Exercise Rate; provided, that any adjustment that is not made will be carried forward and taken into account in any subsequent adjustment.

If Homestead is a party to a consolidation or merger, or certain transfers of all or substantially all of its assets occur, a Homestead Warrant for Homestead Common Stock shall automatically become exercisable for the kind and amount of securities, cash or other assets which the holders of Homestead Warrants would have received immediately after the consolidation, merger or transfer if the holder exercised the Homestead Warrant immediately before the effective date of the transaction.

In the event of a taxable distribution to holders of Homestead Common Stock which results in an adjustment to the number of shares of Homestead Common Stock or other consideration for which a Homestead Warrant may be exercised, the holders of the Homestead Warrants may, in certain circumstances, be deemed to have received a distribution subject to United States Federal income tax.

CONVERTIBLE MORTGAGE NOTES

As of the Closing Date, Homestead will assume the \$77,289,000 principal amount of promissory notes of its predecessors in connection with funding the acquisition and construction costs and expenses incurred in connection with acquiring and developing various real properties as Homestead Village properties. Pursuant to the Funding Commitment Agreements, PTR and ATLANTIC have agreed to provide Homestead aggregate funding on the respective Homestead Village properties contributed by them in the amounts of up to approximately \$129 million and \$111 million, respectively. PTR and ATLANTIC will receive convertible mortgage notes in respect of such fundings in stated amounts of up to approximately \$144 million and \$98 million, respectively. The convertible mortgage notes issued to PTR will be recorded for financial reporting purposes by Homestead at a premium of approximately \$15 million and the convertible mortgage notes issued to ATLANTIC will be recorded by Homestead at a discount

of approximately \$13 million, each of which will be amortized as an adjustment to interest expense over the ten-year term of the mortgage notes using the effective interest method. As described above, the relative ownership percentages of PTR, ATLANTIC and SCG in Homestead were determined based upon the relative value of the contributed assets assuming that all of the properties to be contributed have been developed and are fully operating. PTR and ATLANTIC have agreed to fund convertible mortgages to provide for the development of the Homestead Village properties and to achieve their respective ownership allocations. The funded amounts of PTR and ATLANTIC under the convertible mortgages therefore are in amounts that are anticipated, pursuant to currently existing development budgets, to be sufficient to complete the development of the Homestead Village properties being contributed by them, respectively. To determine the difference between the funded and stated amounts of the convertible mortgage notes, SCG calculated a value of Homestead's assets contributed in the Transaction by each of PTR, ATLANTIC and SCG as of the end of 1998 assuming all properties were completely developed. Such value (\$496.9 million) was determined by SCG consistent with the accounting treatment for the Transaction as described in the Pro Forma Financial Statements included elsewhere herein. In

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particular, such value was based on the assumption that only the 80 properties currently operating, under construction or in pre-development planning are completed by 1998 and did not take into account Homestead's plans to continue an active development program, developing properties in a disciplined manner in its target market. Such value was calculated solely for the purposes described herein and should not be relied upon as an indication of the actual fair market value of Homestead's assets. For purposes of determining the amount of securities to be issued to PTR and ATLANTIC in the Transaction based on the methodology used in determining the relative ownership percentages described herein, 63.64% of the value of Homestead was allocated to PTR (approximately \$316.2 million) and 28.18% of the value of Homestead was allocated to ATLANTIC (approximately \$140.0 million). As described elsewhere, SCG determined that 70% of the value allocated to PTR and ATLANTIC would be issuable in convertible debt of Homestead and 30% would be issuable in common equity. Therefore, the total value of the convertible mortgage notes issuable to PTR was determined to be approximately \$221.3 million (which amount includes the approximately \$77.3 million of convertible mortgage notes currently outstanding) and the total value of the convertible mortgage notes issuable to ATLANTIC was determined to be approximately \$98.0 million. SCG estimated that the total cost of the Homestead Village properties to be contributed by PTR and ATLANTIC will be approximately \$284.0 million and \$158.7 million, respectively. Seventy percent of these costs are attributable to the convertible mortgage notes issuable to PTR (approximately \$198.8 million) and ATLANTIC (approximately \$111.1 million), respectively. The difference between the \$221.3 million of the value of the mortgages and the \$198.8 million of the expected costs equals the difference between the funded and stated amounts of the convertible mortgage notes issuable to PTR. The difference between the \$98.0 million of the value of the mortgages and the \$111.0 million of the expected costs equals the difference between the funded and stated amounts of the convertible mortgage notes issuable to ATLANTIC. The differences between the funded amounts and the stated amounts of the convertible mortgage loans arise because the rate of return on the existing Homestead Village facilities contributed by PTR is projected to exceed the rate of return on the Homestead Village facilities contributed by PTR and ATLANTIC to Homestead which are under construction or in pre-development planning. This expected difference in the rates of return arises because, as of July 1, 1996, PTR was expected to have 28 Homestead Village facilities in operation and generating income, while ATLANTIC was expected to have none and the average property development costs for the existing PTR Homestead Village properties, on balance, was expected to be less than those for the PTR and ATLANTIC Homestead Village properties projected to be built in the future because a large portion of the existing PTR Homestead Village properties were in planning or under development during 1992 and 1993 when land prices and construction costs were less than they are now and are anticipated to be over the next 18 months. Because of the foregoing factors, and as a result of Homestead's desire to issue a single class of convertible mortgage notes, bearing a 9% per annum interest rate, the stated amounts of the convertible mortgage notes were adjusted to provide an effective yield (after giving effect to the premium due to the issuance of the Homestead Warrants and the convertibility of the mortgage notes--see footnote (j) to Homestead's Pro Forma Condensed Consolidated Balance Sheet) to each of PTR (12.42% on a fully funded basis) and ATLANTIC (8.46% on a fully funded basis) that is reflective of the relative rates of return anticipated to be realized on all of the facilities contributed by PTR and ATLANTIC, respectively.

Interest on the promissory notes accrues at the rate of 9% on the unpaid principal balance payable every six months. The promissory notes are scheduled to mature on October 31, 2006. Homestead has pledged substantially all of its assets as collateral for the promissory notes. PTR and ATLANTIC have the right, beginning on or after March 31, 1997, to convert all of the outstanding

principal amount of the promissory notes into shares of Homestead Common Stock on the basis of one share of Homestead Common Stock for each \$11.50 aggregate principal amount outstanding on the promissory notes being converted. This conversion rate is subject to adjustment on substantially the same terms as the Homestead Warrants.

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CERTAIN PROVISIONS OF MARYLAND LAW AND OF
HOMESTEAD'S CHARTER AND BYLAWS

The following paragraphs summarize certain provisions of Maryland law and the Homestead Charter and Bylaws. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and the Homestead Charter and Bylaws.

CLASSIFICATION OF THE HOMESTEAD BOARD

Homestead's Bylaws provide that the number of directors may be established by the Homestead Board but may not be fewer than three nor more than fifteen. Any vacancy will be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors, except that a vacancy resulting from an increase in the number of directors will be filled by a majority of the entire Homestead Board. Pursuant to the Homestead Charter, the directors are divided into three classes. At the 1997 annual meeting of shareholders, one class will be elected to hold office initially for a term expiring at the annual meeting of shareholders to be held in 1998, another class will be elected to hold office initially for a term expiring at the annual meeting of shareholders to be held in 1999 and another class will be elected to hold office initially for a term expiring at the annual meeting of shareholders to be held in 2000. As the term of each class expires, directors in that class will be elected for a term of three years and until their successors are duly elected and qualify. Homestead believes that classification of the Homestead Board will help to assure the continuity and stability of Homestead's business strategies and policies as determined by the Homestead Board.

The classified director provision could have the effect of making the replacement of incumbent directors more time-consuming and difficult, which could discourage a third party from making a tender offer or otherwise attempting to obtain control of Homestead, even though such an attempt might be beneficial to Homestead and its shareholders. At least two annual meetings of shareholders, instead of one, will generally be required to effect a change in a majority of the Homestead Board. Thus, the classified board provision could increase the likelihood that incumbent directors will retain their positions.

BUSINESS COMBINATIONS

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any person who beneficially owns 10% or more of the voting power of the corporation's shares or an affiliate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation (an "Interested Stockholder") or an affiliate of such an Interested Stockholder are prohibited for five years after the most recent date on which the Interested Stockholder becomes an Interested Stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation and (b) two-thirds of the votes entitled to be cast by holders of outstanding voting shares of the corporation other than shares held by the Interested Stockholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the Interested Stockholder becomes an Interested Stockholder. The Homestead Board has exempted from these provisions of the MGCL any business combination with SCG and its affiliates and successors. As a result, SCG and its affiliates and successors may be able to enter into business

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combinations with Homestead that may not be in the best interests of its stockholders without compliance by Homestead with the super-majority vote requirements and other provisions of the statute.

CONTROL SHARE ACQUISITIONS

Maryland law provides that "Control Shares" of a Maryland corporation acquired in a "Control Share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror or by officers or directors who are employees of the corporation. "Control Shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power (except solely by virtue of a revocable proxy): (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control Shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "Control Share acquisition" means the acquisition of Control Shares, subject to certain exceptions.

A person who has made or proposes to make a Control Share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the Control Shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the Control Shares, as of the date of the last Control Share acquisition or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for Control Shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the Control Share acquisition.

The Control Share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or to acquisitions approved or exempted by the charter or bylaws of the corporation.

Homestead's Bylaws contain a provision exempting SCG and its affiliates and successors from the provisions of the Control Share acquisition statute.

ADVANCE NOTICE PROVISIONS

For nominations or other business to be properly brought before an annual meeting of stockholders by a stockholder, the Homestead Bylaws require such stockholder to deliver a notice to the Secretary, absent specified circumstances, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting setting forth: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, pursuant to Regulation 14A of the Exchange Act; (ii) as to any other business that the stockholder proposed to bring before the meeting, a brief description of the business desired to be brought before

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the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of the beneficial owner, if any, on whose behalf the nomination or proposal is made; and (iii) as to the stockholder giving the notice and beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder as they appear on Homestead's books, and of such beneficial owner and (y) the number of shares of each class of stock of Homestead which are owned beneficially and of record by such stockholder and such beneficial owner, if any.

SHARES AVAILABLE FOR FUTURE SALE

Upon completion of the Mergers, Homestead will have 17,749,735 shares of Homestead Common Stock (including the 2,243,038 shares held in escrow) and Homestead Warrants to purchase 10,000,000 shares of Homestead Common Stock issued and outstanding. All of the shares to be issued in the Distribution, other than any shares purchased by affiliates, will be tradeable without

restriction under the Securities Act. The shares of Homestead Common Stock currently issued and outstanding or reserved for issuance upon conversion of the convertible mortgage notes or exercise of options will be eligible for sale, subject to the volume resale, manner of sale and notice limitations of Rule 144 of the Securities Act.

In general, under Rule 144, a person (or persons whose shares are aggregated in accordance with the Rule) who has beneficially owned his or her shares of Homestead Common Stock for at least two years, including any such persons who may be deemed "affiliates" of Homestead (as defined in the Securities Act), would be entitled to sell within any three-month period a number of shares of Homestead Common Stock that does not exceed the greater of 1% of the then outstanding number of shares or the average weekly trading volume of the shares during the four calendar weeks preceding each such sale. After shares are held for three years, a person who is not deemed an "affiliate" of

Homestead is entitled to sell such shares under Rule 144 without regard to the volume limitations described above. Sales of shares of Homestead Common Stock by affiliates will continue to be subject to the volume limitations. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly, through the use of one or more intermediaries, controls, is controlled by or is under common control with, such issuer.

Homestead has granted SCG, which will beneficially own 8,102,557 shares of Homestead Common Stock after the Transaction, and each of PTR and ATLANTIC, certain registration rights. See "Certain Relationships and Transactions--SCG Investor Agreement" and "--ATLANTIC and PTR Investor Agreements".

No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for future sale will have on the market price prevailing from time to time. Sales of substantial amounts of shares (including shares issued upon the exercise of warrants and options), or the perception that such sales could occur, could adversely affect the prevailing market price of the shares.

INDEPENDENT PUBLIC ACCOUNTANTS AND EXPERTS

The following financial statements have been included herein and in the registration statement in reliance upon the reports of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing:

- (i) the combined balance sheets of the PTR-Homestead Village Group as of December 31, 1994 and 1995, the related combined statements of operations, owners' equity and cash flows for each of the years in the three-year period ended December 31, 1995 and the related combined schedule as of December 31, 1995;

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- (ii) the combined balance sheet of the Atlantic-Homestead Village Group as of December 31, 1995, the related combined statements of operations, owners' equity and cash flows for the period from April 3, 1995 (date of formation) through December 31, 1995 and the related combined schedule as of December 31, 1995;

- (iii) the combined balance sheets of the SCG-Homestead Village Group as of December 31, 1994 and 1995 and the related combined statements of operations, shareholder's equity and cash flows for each of the years in the three-year period ended December 31, 1995.

The balance sheet of Homestead Village Incorporated at June 30, 1996 appearing in the Prospectus of Homestead included in the Homestead Registration Statement has been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

Homestead has filed with the Commission the Homestead Registration Statement under the Securities Act with respect to the Homestead Securities being distributed hereby. This Prospectus omits certain information contained in the Registration Statement as permitted by the rules and regulations of the Commission. For further information with respect to Homestead and the Homestead Securities being distributed hereby, reference is made to the Registration Statement including the exhibits thereto. Statements herein concerning the contents of any contract or other document are not necessarily complete and in each instance reference is made to such contract or other documents filed with the Commission as an exhibit to the Registration Statement, or otherwise, each such statement being qualified by and subject to such reference in all respects.

As a result of the Mergers, Homestead will become subject to the informational requirements of the Exchange Act, and in accordance therewith will file reports and other information with the Commission. Reports, registration statements, proxy statements and other information filed by Homestead with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such material can also be obtained from the Commission's Web site at <http://www.sec.gov>.

Homestead intends to furnish its stockholders with annual reports containing consolidated financial statements audited by its independent certified public accountants and with quarterly reports containing unaudited condensed consolidated financial statements for each of the first three quarters of each fiscal year.

LEGAL MATTERS

The validity of the Homestead Common Stock and the Homestead Warrants offered hereby has been passed upon for Homestead by Mayer, Brown & Platt, Chicago, Illinois. Mayer, Brown & Platt has relied upon the opinion of Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland, as to certain matters of Maryland law. Mayer, Brown & Platt has represented and is currently representing ATLANTIC, PTR, SCG and Homestead and certain of their respective affiliates.

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HOMESTEAD VILLAGE INCORPORATED
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 1996
(UNAUDITED)

The unaudited Pro Forma Condensed Consolidated Balance Sheet is presented as if the following transactions had occurred on June 30, 1996; (I) the PTR-Homestead Village Group including land parcels which were under contract as of June 30, 1996 and expected to be acquired prior to the Closing Date, merged with and into Homestead; (II) the acquisition of net assets of the Atlantic-Homestead Village Group including land parcels which were under contract as of June 30, 1996 and expected to be acquired prior to the Closing Date had been completed; (III) the acquisition of the net assets of SCG-Homestead Village Group had occurred. Such pro forma information is based in part on the historical Combined Balance Sheets of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group and the SCG-Homestead Village Group. It should be read in conjunction with the financial statements listed in the index page F-1 of this Prospectus. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made.

In accordance with the Merger Agreement and the Funding Commitment Agreement, the PTR-Homestead Village Group will contribute a total of 54 facilities either in operation, under construction or in pre-development planning. Similarly, the Atlantic-Homestead Village Group will contribute a total of 26 facilities either in operation, under construction or in pre-development planning. Subsequent to the Closing Date, PTR and Security Capital Atlantic Incorporated ("ATLANTIC") will be obligated to provide the additional funding to complete the development of the facilities contributed. The Pro Forma Condensed Consolidated Balance Sheet excludes expected development costs related to the properties under development or planned to be developed and the related convertible mortgage notes for the period July 1, 1996 through ultimate completion of the facilities and therefore is not reflective of the entire transaction.

The unaudited Pro Forma Condensed Consolidated Balance Sheet is not necessarily indicative of what the actual financial position would have been assuming these transactions had been completed as of June 30, 1996, nor does it purport to represent the future financial position of Homestead.

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HOMESTEAD VILLAGE INCORPORATED
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 1996
(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>

<CAPTION>	THE PTR- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	PRO FORMA ADJUSTMENTS	CAPITALIZATION OF HOMESTEAD AND MERGER WITH THE PTR- HOMESTEAD VILLAGE GROUP	HOMESTEAD VILLAGE INCORPORATED PRO FORMA	ACQUISITION OF THE ATLANTIC- HOMESTEAD VILLAGE GROUP (G)	ACQUISITION OF THE SCG- HOMESTEAD VILLAGE GROUP (H)	OTHER PRO FORMA ADJUSTMENTS	PRO FORMA CONDENSED CONSOLIDATED
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS								

Current assets:								
Cash and cash equivalents.....	\$ 1,509	\$ --	\$ 1 (e)	\$ 1,510	\$19,722	\$ 12	\$ (1,500) (i)	\$ 19,744
Accounts receivable.....	868	--	--	868	--	526	--	1,394
Other current assets.....	172	--	--	172	--	13	--	185
	-----	-----	-----	-----	-----	-----	-----	-----
Total current assets.....	2,549	--	1	2,550	19,722	551	(1,500)	21,323
Property and equipment, net.....	135,936	11,835 (c)	--	147,771	31,688	531	--	179,990
Other assets.....	2,605	--	--	2,605	2,156	323	1,500 (i)	6,584
Trademark and other intangible assets..	--	--	--	--	--	20,468	--	20,468
Deferred financing costs.....	--	--	--	--	--	--	27,844 (j)	27,844
	-----	-----	-----	-----	-----	-----	-----	-----
Total assets....	\$141,090	\$11,835	\$ 1	\$152,926	\$53,566	\$21,873	\$ 27,844	\$256,209
	=====	=====	=====	=====	=====	=====	=====	=====
<CAPTION>								
LIABILITIES AND SHAREHOLDERS' EQUITY								

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Current liabilities:								
Development costs payable.....	\$ 1,739	\$ --	\$ --	\$ 1,739	\$ 1,165	\$ --	\$ --	\$ 2,904
Accrued real estate taxes.....	1,335	--	--	1,335	5	--	--	1,340
Accounts payable..	448	--	--	448	281	39	--	768
Other accrued expenses.....	807	--	--	807	416	6	--	1,229
Accrued interest payable.....	2,917	--	--	2,917	--	--	--	2,917
	-----	-----	-----	-----	-----	-----	-----	-----
Total current liabilities.....	7,246	--	--	7,246	1,867	45	--	9,158
Intercompany debt.....	30,110	(30,110) (d)	--	--	--	--	--	--
Convertible mortgage notes payable.....	77,289	(9,942) (b)	--	67,347	--	--	--	67,347
	-----	-----	-----	-----	-----	-----	-----	-----
Total liabilities.....	114,645	(40,052)	--	74,593	1,867	45	--	76,505
Shareholders' Equity:								
Common stock.....	--	--	95 (f)	95	42	18	23 (k)	178
Additional paid in capital/Contributed capital.....	19,725	11,835 (c) 9,942 (b) 30,110 (d)	1 (e) 71,517 (f) (71,612) (f)	71,518	51,657	21,810	28,144 (k) 27,844 (j) (28,167) (k)	200,973 (28,167)
Shares in escrow..	--	--	--	--	--	--	--	--
Retained earnings.....	6,720	--	--	6,720	--	--	--	6,720
	-----	-----	-----	-----	-----	-----	-----	-----
Total shareholders' equity.....	26,445	51,887	1	78,333	51,699	21,828	27,844	179,704
	-----	-----	-----	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$141,090	\$11,835	\$ 1	\$152,926	\$53,566	\$21,873	\$ 27,844	\$256,209
	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

-
- (a) Reflects the historical combined balance sheet of the PTR-Homestead Village Group as of June 30, 1996, which is presented elsewhere in this registration statement.
- (b) Reflects the conversion of convertible mortgage notes of the PTR-Homestead Village Group to capital contributed as a result of the Transaction. In accordance with the Merger Agreement, PTR will receive all of its shares of Homestead Common Stock at the Closing Date (representing 30% of the fair market value of its assets contributed at full funding). Based on the pro forma costs at the Closing Date, the face value of the convertible mortgages would be limited to \$67,347. Therefore, the balance of convertible mortgage notes payable at June 30, 1996 (\$77,289) less the maximum convertible mortgage notes payable at the Closing Date (\$67,347) equals the convertible mortgage notes converted to capital (\$9,942).
- (c) Reflects the land to be acquired by the PTR-Homestead Village Group subsequent to June 30, 1996 and prior to the Closing Date. The land consists of nine separate parcels of developed land that will be contributed to Homestead unencumbered by any mortgage or other financial obligation at the Closing Date. The PTR-Homestead Village Group intends to acquire these parcels utilizing capital contributed by its parent company, PTR.
- (d) Reflects the conversion of intercompany debt of the PTR-Homestead Village Group to contributed capital in accordance with the Merger Agreement.
- (e) Reflects the capitalization of Homestead through the issuance of 1,000 shares of Homestead Common Stock in exchange for \$1.
- (f) Reflects the issuance of 9,485,727 shares of Homestead Common Stock to PTR in exchange for the net assets of the PTR-Homestead Village Group. This transaction is accounted for as a reorganization of entities under common control and accordingly, assets and liabilities are reflected at the PTR-Homestead Village Group's historical cost. Additionally, PTR would receive 6,363,789 warrants to purchase additional shares of Homestead Common Stock at the exercise price of \$10 per share for its commitment to provide funding under the Funding Commitment Agreement. Management of PTR, ATLANTIC and other affiliates of SCG ("Management") determined the exercise price of the warrants and believes that \$10 per share represents adequate consideration for a share of Homestead Common Stock. See (j) below for determination of the value and accounting treatment of the Homestead Warrants described herein.
- (g) Reflects the acquisition of the net assets of the Atlantic-Homestead Village Group by Homestead based on the estimated fair market value of the net assets acquired through the issuance to ATLANTIC of Homestead Common Stock. Estimated fair market value for all parties in the transaction is based on the relative fair value of the net assets received by Homestead as used in determining the relative ownership percentages of PTR, ATLANTIC and SCG in Homestead. The methodology used was based upon the present values of the cash flows of the contributions made by each such party. With respect to each of PTR and ATLANTIC, SCG prepared those present values by discounting the future net cash flows for the 80 identified Homestead Village properties in operation, under construction or in pre-development planning at July 1, 1996 which will be contributed by each of them to Homestead in connection with the Mergers. With respect to SCG, SCG calculated the present value of the cash flows from the PTR and ATLANTIC REIT management fees and property management fees which SCG would have received from such 80 Homestead Village properties, net of operating overhead. Listed below is a reconciliation of the historical cost of the net assets acquired to the pro forma estimated fair market value acquisition cost, followed by explanations of the pro forma acquisition adjustments.

<TABLE>
<CAPTION>

BALANCE SHEET CAPTION	HISTORICAL COST	PRO FORMA ACQUISITION ADJUSTMENTS	PRO FORMA ACQUISITION COST
<S>	<C>	<C>	<C>
Property and equipment, net.....	\$18,584	\$13,104 (i)	\$31,688
Cash and cash equivalents.....	156	19,566 (ii)	19,722
Other assets.....	2,156	--	2,156
Total assets.....	\$20,896	\$32,670	\$53,566
Accounts payable.....	\$ 281	\$ --	\$ 281
Accrued expenses and other liabilities.....	1,586	--	1,586
Intercompany debt.....	17,420	(17,420) (iii)	--

Total liabilities.....	19,287	(17,420)	1,867
Total shareholders' equity.....	1,609	50,090 (iv)	51,699
Total liabilities and shareholders' equity.....	\$20,896	\$32,670	\$53,566

</TABLE>

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(i) Reflects estimated costs of \$9,028 relating to the acquisition of eight parcels of land under contract to be acquired for cash, subsequent to June 30, 1996 and prior to the Closing Date. Also included is \$4,076 which represents the amount by which the estimated fair market value of the net assets acquired exceeds the historical cost basis. This excess has been attributed to property and equipment as Management believes that the carrying amount of the remaining assets and liabilities approximates fair value because of the short maturity of these instruments. The acquisition cost was determined by Management. The fair market value of the property and equipment was estimated using a premium over cost, which Management believes is reasonable considering value added during the development process.

(ii) Reflects, for pro forma purposes, cash of \$19,566 contributed by ATLANTIC as partial consideration for the Homestead stock received. The cash payment is necessary to facilitate ATLANTIC's receipt of its entire share of common stock on the Closing Date in accordance with the Merger Agreement. (The actual cash dollar amount paid is expected to be reduced to approximately \$18,600 by the Closing Date as a result of development costs incurred between June 30, 1996 and the Closing Date.)

(iii) Reflects the conversion of all intercompany debt into contributed capital immediately prior to the Transaction.

(iv) Reflects the impact on shareholders' equity of adjustments (i), (ii) and (iii) above. Based upon the Merger Agreement, ATLANTIC will receive 4,201,220 shares of Homestead Common Stock having a value of \$51,699. Such value was determined based on the assumed value of the Homestead Common Stock of approximately \$12.31 per share (the "Assumed Value"), which is based solely on the estimated fair market value of the net assets contributed by PTR, ATLANTIC and SCG. This per share amount is not intended as an indication of the price at which shares of Homestead Common Stock may actually trade and no assurance can be given as to the price at which the shares of Homestead Common Stock will trade. Additionally, ATLANTIC will receive 2,818,517 Homestead Warrants to purchase additional shares of Homestead Common Stock at the exercise price of \$10 per share in exchange for entering into the Funding Commitment Agreement. Management determined the exercise price of the Homestead Warrants and concluded that \$10 per share represents adequate consideration for a share of Homestead Common Stock. See (j) below for determination of the value and accounting treatment of the Homestead Warrants described herein.

(h) Reflects the acquisition of the net assets of SCG-Homestead Village Group by Homestead based on the estimated fair market value of the net assets acquired through the issuance to SCG of Homestead Common Stock. For a description of the determination of the estimated fair market value of the net assets acquired, see (g) above. Listed below is a reconciliation of the historical cost of the net assets acquired to the pro forma estimated fair market value acquisition cost, followed by explanations of the pro forma acquisition adjustments.

<TABLE>
<CAPTION>

BALANCE SHEET CAPTION	HISTORICAL COST	PRO FORMA ACQUISITION ADJUSTMENTS	PRO FORMA ACQUISITION COST
<S>	<C>	<C>	<C>
Property and equipment, net.....	\$ 531	\$ --	\$ 531
Cash and cash equivalents.....	12	--	12
Accounts receivable.....	526	--	526
Other assets.....	336	20,468 (i)	20,804
Total assets.....	\$ 1,405	\$20,468	\$21,873
Accounts payable.....	\$ 39	\$ --	\$ 39
Accrued expenses and other liabilities.....	868	(862) (ii)	6
Intercompany debt.....	2,756	(2,756) (iii)	--

Total liabilities.....	3,663	(3,618)	45
	-----	-----	-----
Total shareholders' equity.....	(2,258)	24,086 (iv)	21,828
	-----	-----	-----
Total liabilities and shareholders' equity.....	\$ 1,405	\$20,468	\$21,873
	=====	=====	=====

</TABLE>

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(i) The net assets acquired primarily consist of trademarks, tradenames, development and property management expertise, as well as operating systems necessary to conduct the business of developing, owning and operating the Homestead Village properties. The estimated fair market value of the net assets acquired is approximately \$49,995 for which Homestead will issue 4,062,788 shares of \$.01 par value common stock. At the Closing Date, SCG will receive a pro rata portion (1,773,186) of the total shares, based upon the ratio (43.66%) of actual funding provided by PTR and ATLANTIC to Homestead as of June 30, 1996 to the total expected funding to be provided, as more fully described in the Prospectus (the 1,773,186 shares issued to SCG is expected to increase to 1,819,750 shares issued at the Closing Date as a result of development costs incurred between June 30, 1996 and the Closing Date). Correspondingly, the proportional amount of the estimated fair market value recorded at the Closing Date is approximately \$21,828, of which approximately \$20,468 has been attributed to the trademarks and other intangible assets listed above. Management intends to amortize the intangible assets on a straight-line basis over a period of 20 years. The \$20,468 has been attributed to these intangibles as Management believes that the carrying amount of the remaining assets and liabilities approximates fair value because of the short maturity of these instruments. The \$1,360 (\$21,828-\$20,468) difference represents the historical cost of the net assets of SCG after adjustment for (ii) and (iii) below. The identification of the trademark and other intangible assets listed above and the determination of the acquisition cost of the net assets was made by Management. A discounted cash flow method was used by Management to estimate fair market value.

(ii) Reflects an adjustment to reduce accrued expenses and other liabilities for employee-related liabilities which will not be assumed by Homestead. Such adjustment is reflected as an addition to contributed capital.

(iii) Reflects the conversion of all intercompany debt into contributed capital immediately prior to the Transaction.

(iv) Reflects the impact on shareholders' equity of adjustments (i), (ii) and (iii) above. Additionally, SCG will receive 817,694 Homestead Warrants to purchase additional shares of Homestead Common Stock at the exercise price of \$10 per share in exchange for the commitment to provide funding to Homestead during the time between the execution of the Merger Agreement and the Closing Date and the use of office facilities for one year. Management determined the exercise price of the Homestead Warrants and concluded that \$10 per share represents adequate consideration for a share of stock of Homestead. See (j) below for determination of the value and accounting treatment of the Homestead Warrants described herein.

(i) Reflects estimated expenses of consummating the Transaction.

(j) Reflects the financing costs incurred by Homestead as a result of the Funding Commitment Agreements with PTR and ATLANTIC and the other consideration received from SCG described in (iv) above. The 10,000,000 Homestead Warrants to be issued to PTR, ATLANTIC and SCG were valued based on the difference between the Assumed Value of Homestead Common Stock and the \$10 exercise price of the Homestead Warrants (\$23,100). Additional financing costs were incurred by Homestead equal to the difference in the Assumed Value of the Homestead Common Stock and the \$11.50 conversion price of the convertible mortgages to be assumed by Homestead at the Closing Date (\$4,744). \$25,955 of these costs will be amortized by Homestead using the effective interest rate method at an effective combined yield of 11.05% over the 10 year term of the convertible mortgages. The deferred costs related to the consideration provided by SCG (\$1,889) will be amortized over a period not to exceed one year.

(k) The remaining 2,289,602 shares of Homestead Common Stock will be issued to an escrow agent and held for SCG. As each property is funded under the Funding Commitment Agreements, the shares of Homestead Common Stock will be transferred to SCG. See "Certain Relationships and Transactions--Escrow Agreement".

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HOMESTEAD VILLAGE INCORPORATED
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 1995 and for the six months ended June 30, 1996 of Homestead Village Incorporated ("Homestead") are presented as if: I) Homestead was capitalized and the PTR-Homestead Village Group merged into Homestead; II) the PTR-Homestead Village Group acquired land parcels which were under contract as of June 30, 1996 and expected to close prior to the Closing Date; and III) Homestead acquired the net assets of the Atlantic-Homestead Village Group and the SCG-Homestead Village Group through the issuance of shares of Homestead Common Stock and Homestead Warrants as of January 1, 1995. The financial statements and related footnotes of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group and the SCG-Homestead Village Group are presented elsewhere in this registration statement. The statements also include estimated incremental expenses related to operating a publicly held company as if it were publicly held as of January 1, 1995. Such pro forma information is based in part upon the Historical Combined Statements of Operations of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group and the SCG-Homestead Village Group. It should be read in conjunction with the financial statements listed in the index on page F-1 of this Prospectus. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made.

The unaudited Pro Forma Condensed Consolidated Statements of Operations are not necessarily indicative of what Homestead's actual results of operations would have been assuming such transactions had been completed as of January 1, 1995, nor do they purport to present the results of operations for future periods. Results of operations and the related earnings or loss per share will be affected by a number of factors including, but not limited to, the total number of extended-stay lodging facilities opened and operated and the related operating results thereon, interest cost incurred on indebtedness, corporate operating and management expenses, development and acquisition costs and the number of shares issued. Additionally, the Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 1996 is not necessarily indicative of the results of operations for the full year.

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HOMESTEAD VILLAGE INCORPORATED
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1996
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	THE PTR- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	THE ATLANTIC- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	THE SCG- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	ELIMINATION ENTRIES	COMBINED HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA CONDENSED CONSOLIDATED
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUE:							
Room revenue.....	\$15,133	\$--	\$ --	\$ --	\$15,133	\$ --	\$15,133
Other.....	210	9	1,871	(1,870) (b)	220	--	220
Total Revenue.....	15,343	9	1,871	(1,870)	15,353	--	15,353
COSTS AND EXPENSES:							
Property operating expenses.....	6,420	--	--	--	6,420	--	6,420
Property management fees paid to affiliates.....	1,048	--	--	(1,048) (b)	--	--	--
Corporate operating expenses	397	38	6,229	--	6,664	(2,682) (c) 163 (d)	4,145
REIT management fees paid to affiliates.....	822	--	--	(822) (b)	--	--	--
Depreciation and amortization.....	1,841	--	35	--	1,876	512 (e)	2,388
Interest expense.....	2,340	--	107	--	2,447	(705) (f) 663 (i)	2,405
Total costs and expenses.....	12,868	38	6,371	(1,870)	17,407	(2,049)	15,358

Income (loss) before								(5)
income tax expense....	2,475	(29)	(4,500)	--	(2,054)	2,049		
Income tax expense.....	--	--	--	--	--	(196)	(g)	(196)
	-----	----	-----	-----	-----	-----		-----
NET INCOME (LOSS).....	\$ 2,475	\$ (29)	\$ (4,500)	\$ --	\$ (2,054)	\$ 1,851		\$ (201)
	=====	=====	=====	=====	=====	=====		=====
PRO FORMA NET INCOME PER COMMON SHARE.....								\$ (.01)
								=====
PRO FORMA WEIGHTED AVERAGE SHARES OUTSTANDING NOTE (H).....								33,606
								=====

</TABLE>

- (a) Reflects the historical combined statements of operations of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group and the SCG-Homestead Village Group, which are presented elsewhere in this registration statement.
- (b) Reflects the elimination of intercompany REIT and property management fee income and expense which will no longer be paid since Homestead will be self-managed.
- (c) Reflects the adjustment for development overhead costs incurred by the SCG-Homestead Village Group in conjunction with the acquisition of land and the development of the extended-stay lodging facilities that will now be incurred and capitalized by Homestead in accordance with generally accepted accounting principles. Development overhead costs consisted primarily of payroll and related benefits and are included in the historical financial statements of the SCG-Homestead Village Group.
- (d) Reflects the additional costs of operating as a public company for the six months ended June 30, 1996 including additional salaries and benefits (\$88) and legal, accounting and other professional fees (\$75).
- (e) Depreciation is computed utilizing the straight-line method over the estimated useful lives of 20 to 40 years for buildings and improvements and 2 to 7 years for equipment. This treatment is consistent with the historical financial statements and, therefore, no pro forma adjustment is necessary. Trademark and other intangible assets are being amortized over a period of 20 years. Amortization totaled \$512 for the six months ended June 30, 1996. Upon release of the escrowed shares to SCG additional trademark and other intangibles of \$28,167 would be recorded and amortization for the six months would increase by \$704. Net loss for the six months ended June 30, 1996, as adjusted for the increase in amortization, would be (\$905) or (\$.03) per common share.
- (f) Reflects the adjustment to reduce interest expense as a result of the conversion of \$9,942 of convertible mortgage notes, bearing interest at 9% and \$30,110 of intercompany debt, bearing interest at rates between 8% and 8.25% to contributed capital.
- (g) Prior to the proposed transaction, the PTR-Homestead Village Group and the Atlantic-Homestead Village Group were taxed as qualified real estate investment trust subsidiaries under the Internal Revenue Code of 1986, as amended. The SCG-Homestead Village Group was a subsidiary of a Subchapter C corporation, which has experienced operating losses since its inception. Therefore, as described further in the historical combined financial statements of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group and the SCG-Homestead Village Group, which appear elsewhere in this registration statement, no provision was required for federal or state income taxes.
- Homestead will be taxed as a Subchapter C corporation and, as such, will be subject to federal and any applicable state income taxes. The components of the pro forma adjustment for income taxes consist of the following:

<TABLE>

<S>	<C>
Income before income tax expenses.....	\$ (5)
Amortization of trademark and other intangible assets acquired from the SCG-Homestead Village Group not deductible for tax purposes.....	512

	507
Assumed federal and state income tax rate.....	38.6%

Pro forma adjustment.....	\$196
	=====

</TABLE>

- (h) Reflects the assumed number of weighted average common shares of Homestead Common Stock outstanding during the six months ended June 30, 1996 based upon the assumed issuance of 17,750 total shares of Homestead Common Stock, including the shares in escrow, at the beginning of the period. Additionally, reflects the assumed conversion of the 9% convertible mortgage notes into 5,856 shares of Homestead Common Stock at the conversion price or \$11.50 per share which is less than the Assumed Value or the Homestead Common Stock. Similarly, the 10,000 Homestead Warrants, which are exercisable at \$10 per share were considered common stock equivalents since the exercise price is less than the Assumed Value of the

- (i) Reflects the amortization of deferred financing costs described in note (j) to the Homestead Pro forma Condensed Consolidated Balance Sheet.

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HOMESTEAD VILLAGE INCORPORATED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1995

(UNAUDITED)

(IN THOUSANDS EXCEPT PER SHARE DATA)

<S>	THE PTR- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	THE ATLANTIC- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	THE SCG- HOMESTEAD VILLAGE GROUP HISTORICAL (A)	ELIMINATION ENTRIES	COMBINED HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA CONDENSED CONSOLIDATED
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUE:							
Room revenue.....	\$18,337	\$ --	\$ --	\$ --	\$18,337	\$ --	\$18,337
Other.....	366	4	2,021	(2,007) (b)	384	--	384
Total Revenue.....	18,703	4	2,021	(2,007)	18,721	--	18,721
COSTS AND EXPENSES:							
Property operating expenses.....	7,600	--	--	--	7,600	--	7,600
Property management fees paid to affiliates.....	1,018	--	--	(1,018) (b)	--	--	--
Corporate operating expenses.....	944	63	7,067	--	8,074	(2,211) (c)	6,188
REIT management fees paid to affiliates....	989	--	--	(989) (b)	--	--	--
Depreciation and amortization.....	2,343	--	39	--	2,382	1,023 (e)	5,294
Interest expense.....	2,958	--	70	--	3,028	1,889 (j)	3,447
						(530) (f)	
						949 (i)	
Total costs and expenses.....	15,852	63	7,176	(2,007)	21,084	1,445	22,529
Income (loss) before income tax expense....	2,851	(59)	(5,155)	--	(2,363)	(1,445)	(3,808)
Income tax expense.....	--	--	--	--	--	-- (g)	--
NET INCOME (LOSS).....	\$ 2,851	\$ (59)	\$ (5,155)	\$ --	\$ (2,363)	\$ (1,445)	\$ (3,808)
PRO FORMA NET LOSS PER COMMON SHARE.....							\$ (.11)
PRO FORMA WEIGHTED AVERAGE SHARES OUTSTANDING NOTE (H).....							33,606

</TABLE>

- (a) Reflects the historical combined statements of operations of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group and the SCG-Homestead Village Group, which are presented elsewhere in this registration statement.
- (b) Reflects the elimination of intercompany REIT and property management fee income and expense which will no longer be paid since Homestead will be self-managed.
- (c) Reflects the adjustment for development overhead costs incurred by the SCG-Homestead Village Group in conjunction with the acquisition of land and the development of the extended-stay lodging facilities that will now be incurred and capitalized by Homestead in accordance with generally accepted accounting principles. Development overhead costs consisted primarily of payroll and related benefits and are included in the historical financial statements of the SCG-Homestead Village Group.
- (d) Reflects the additional costs of operating as a public company for the year ended December 31, 1995 including additional salaries and benefits, (\$175) and legal, accounting and other professional fees (\$150).
- (e) Depreciation is computed utilizing the straight-line method over the estimated useful lives of 20 to 40 years for buildings and improvements and 2 to 7 years for equipment. This treatment is consistent with the historical financial statements and, therefore, no pro forma adjustment is

necessary. Trademark and other intangible assets are being amortized over a period of 20 years. Amortization totaled \$1,023 for the year ended December 31, 1995. Upon release of the escrowed shares to SCG additional trademark and other intangibles of \$28,167 would be recorded and annual amortization would increase by \$1,408. Net loss for the year ended December 31, 1995 as adjusted for the increase in amortization, would be \$(5,216) or \$(.16) per common share.

- (f) Reflects the adjustment to reduce interest expense as a result of the conversion of \$9,942 of convertible mortgage notes bearing interest at 9% and \$30,110 of intercompany debt bearing interest at rates between 8% and 8.25% to contributed capital.
- (g) Prior to the proposed transaction, the PTR-Homestead Village Group and the Atlantic-Homestead Village Group were taxed as qualified real estate investment trust subsidiaries under the Internal Revenue Code of 1986, as amended. The SCG-Homestead Village Group was a subsidiary of a Subchapter C corporation, which has experienced operating losses since its inception. Therefore, as described further in the historical combined financial statements of the PTR-Homestead Village Group, the Atlantic-Homestead Village Group, and the SCG-Homestead Village Group which appear elsewhere in this registration statement, no provision was required for federal or state income taxes.

Homestead will be taxed as a Subchapter C corporation and, as such, will be subject to federal and any applicable state income taxes. However, no pro forma income tax adjustment is required for the year ended December 31, 1995.

- (h) Reflects the assumed number of weighted average shares of Homestead Common Stock outstanding during twelve months ended December 31, 1995 based upon the assumed issuance of 17,750 total shares of Homestead Common Stock, including the shares in escrow, at the beginning of the period.

Additionally, reflects the assumed conversion of the 9% convertible mortgage notes into 5,856 shares of Homestead Common Stock at the conversion price or \$11.50 per share which is less than the Assumed Value of the Homestead Common Stock. Similarly, the 10,000 Homestead Warrants, which are exercisable at \$10 per share were considered common stock equivalents since the strike price is less than the Assumed Value of the Homestead Common Stock.

- (i) Reflects the amortization of deferred financing costs described in note (j) to the Homestead Pro forma Condensed Consolidated Balance Sheet.
- (j) Reflects the amortization of deferred costs related to the consideration provided by SCG as described in note (j) to the Homestead Pro forma Condensed Consolidated Balance Sheet.

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INDEPENDENT AUDITORS' REPORT

To the Owners of
The PTR-Homestead Village Group:

We have audited the accompanying combined balance sheets of the PTR-Homestead Village Group (as described in Note 1) as of December 31, 1994 and 1995 and the related combined statements of operations, owners' equity and cash flows for each of the years in the three-year period ended December 31, 1995. In connection with our audits, we also have audited the accompanying Schedule III, Real Estate and Accumulated Depreciation. These combined financial statements and combined financial statement schedule are the responsibility of the PTR-Homestead Village Group's management. Our responsibility is to express an opinion on these combined financial statements and combined financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the PTR-Homestead Village Group as of December 31, 1994 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles. Also in our opinion, the related combined financial statement schedule, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the

Chicago, Illinois
May 1, 1996

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THE PTR-HOMESTEAD VILLAGE GROUP

COMBINED BALANCE SHEETS

(IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
(UNAUDITED)			
ASSETS			

<S>	<C>	<C>	<C>
Current assets:			
Cash and cash equivalents.....	\$ 928	\$ 1,896	\$ 1,509
Accounts receivable.....	111	436	868
Other current assets.....	145	353	172
	-----	-----	-----
Total current assets.....	1,184	2,685	2,549
Property and equipment, net.....	59,099	105,002	135,936
Other assets.....	583	1,278	2,605
	-----	-----	-----
Total assets.....	\$60,866	\$108,965	\$141,090
	=====	=====	=====

<CAPTION>

LIABILITIES AND OWNERS' EQUITY			

<S>	<C>	<C>	<C>
Current liabilities:			
Development costs payable.....	\$ 2,564	\$ 3,389	\$ 1,739
Accrued real estate taxes.....	272	1,056	1,335
Accounts payable.....	349	578	448
Other accrued expenses.....	482	827	807
Accrued interest payable.....	--	--	2,917
	-----	-----	-----
Total current liabilities.....	3,667	5,850	7,246
Intercompany debt.....	45,131	80,144	30,110
Convertible mortgage notes payable.....	--	--	77,289
	-----	-----	-----
Total liabilities.....	48,798	85,994	114,645
Commitments and contingencies			
Owners' equity:			
Contributed capital.....	10,674	18,726	19,725
Retained earnings.....	1,394	4,245	6,720
	-----	-----	-----
Total owners' equity.....	12,068	22,971	26,445
	-----	-----	-----
Total liabilities and owners' equity.....	\$60,866	\$108,965	\$141,090
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE PTR-HOMESTEAD VILLAGE GROUP

COMBINED STATEMENTS OF OPERATIONS

(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER			SIX MONTHS	
	31,			ENDED	
	1993	1994	1995	1995	1996
	-----	-----	-----	-----	-----

	1993	1994	1995	1995	1996
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 409	\$ 974	\$ 2,851	\$ 1,920	\$ 2,475
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation.....	234	845	2,343	845	1,841
Change in:					
Accounts receivable.....	(31)	(62)	(325)	(352)	(432)
Accounts payable and accrued expenses.....	(17)	752	1,358	(272)	3,046
Other current assets.....	4	(128)	(208)	25	181
Net cash provided by operating activities..	599	2,381	6,019	2,166	7,111
CASH FLOWS FROM INVESTING ACTIVITIES:					
Other assets.....	(769)	(186)	(695)	(265)	(1,327)
Investment in property and equipment, net of development costs payable.	(14,982)	(35,288)	(47,421)	(19,064)	(34,425)
Net cash used in investing activities.....	(15,751)	(35,474)	(48,116)	(19,329)	(35,752)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from intercompany debt.....	15,275	33,832	43,065	17,034	28,254
Net cash provided by financing activities.....	15,275	33,832	43,065	17,034	28,254
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS...	123	739	968	(129)	(387)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS.....	66	189	928	928	1,896
ENDING BALANCE OF CASH AND CASH EQUIVALENTS.....	\$ 189	\$ 928	\$ 1,896	\$ 799	\$ 1,509
NON-CASH TRANSACTIONS:					
Conversion of intercompany debt to owners' equity....	\$ 1,107	\$ 7,991	\$ 8,052	\$ 9,798	\$ 999
Conversion of intercompany debt to convertible mortgage notes payable....	\$ --	\$ --	\$ --	\$ --	\$ 77,289

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE PTR-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

(UNAUDITED AS TO INTERIM PERIODS)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS:

The accompanying combined financial statements have been prepared by combining the accounts of PTR Homestead Village Incorporated and its consolidated limited partnership, PTR Homestead Village Limited Partnership, hereinafter collectively referred to as the PTR-Homestead Village Group. PTR Homestead Village Incorporated directly owns a 99% limited partner interest in PTR Homestead Village Limited Partnership and through a wholly-owned subsidiary, also owns a 1% general partner interest. PTR Homestead Village Incorporated is a wholly-owned subsidiary of Security Capital Pacific Trust, a real estate investment trust, ("PTR"). Each of the entities comprising the PTR-Homestead Village Group were formed in 1995. Prior to formation, the activities of these entities were performed within PTR. Such activities have been carved out of PTR for purposes of inclusion in the accompanying combined financial statements.

The accompanying historical financial statements of the PTR-Homestead Village Group are being presented on a combined basis as PTR Homestead Village Incorporated is expected to be subject to a merger transaction with certain affiliated groups of entities in which Homestead Village Incorporated will own and operate these properties subsequent to the merger transaction. (See "The Transaction" included elsewhere in the prospectus for a description of the merger transaction.) Management of PTR believes that the combined financial statements results in a more meaningful presentation than presenting the separate historical financial statements of each entity.

The PTR-Homestead Village Group develops, owns and manages extended-stay lodging facilities located primarily in the western part of the United States designed to appeal to value-conscious guests. Rooms are generally rented on a weekly basis to guests such as business travelers, professionals and others, with most guests staying multiple weeks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and cash invested in money market funds.

Property and Equipment

Property and equipment is carried at cost, which is not in excess of estimated fair market value. Costs directly related to the acquisition, renovation or development of real estate are capitalized. Repairs and maintenance costs are expensed as incurred.

Depreciation is computed utilizing a straight-line method over the estimated economic lives of depreciable property. Properties are depreciated principally over the following useful lives:

<TABLE>	<S>	<C>
	Buildings and improvements.....	20-40 years
	Furniture, fixtures and equipment and other.....	2-7 years

Interest

The PTR-Homestead Village Group capitalizes interest incurred during the land development or construction period for qualifying projects. Interest capitalized is included in the cost of properties in the accompanying combined financial statements. Total interest capitalized amounted to \$426,529, \$1,038,815 and \$2,142,628 for the years ended December 31, 1993, 1994 and 1995, respectively, and \$881,138 and \$1,234,166 for the six months ended June 30, 1995 and 1996, respectively. Interest paid amounted to approximately \$681,500, \$2,447,800 and \$5,100,600 for the years ended December 31, 1993, 1994 and 1995, respectively, and \$2,172,015 and \$657,139 for the six months ended June 30, 1995 and 1996, respectively.

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THE PTR-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Other Assets

Other assets consist primarily of costs incurred in connection with the pursuit of land to be acquired for development including refundable earnest money deposits of \$175,000 and \$795,000 at December 31, 1994 and 1995, respectively and \$1,075,000 at June 30, 1996. Costs incurred in connection with the pursuit of unsuccessful acquisitions or developments are expensed at the time the pursuit is abandoned.

Revenue Recognition

Room revenue and other income are recognized when earned, utilizing the accrual method of accounting. A provision for possible bad debts is made when collection of receivables is considered doubtful.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

Income Taxes

The companies comprising the PTR-Homestead Village Group are qualified subsidiaries of PTR, which has elected to be taxed as a real estate investment trust ("REIT").

REITs are not required to pay federal income taxes if minimum distribution and income, asset and shareholder tests are met. PTR has met each of those tests for each of the years and interim periods for which combined financial statements are presented. Accordingly, no income tax provision or benefit has been reflected in the combined financial statements of the PTR-Homestead Village Group for the periods presented.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, other assets, development costs payable, accounts payable and accrued expenses approximates fair value as of December 31, 1994, 1995 and June 30, 1996 because of the short maturity of these instruments. Similarly, the carrying value of the intercompany debt and convertible mortgage notes payable approximates fair value as of those dates as the interest rates approximate market rates for similar debt instruments.

Unaudited Interim Statements

The combined financial statements as of June 30, 1996 and for the six months ended June 30, 1995 and 1996 are unaudited. In the opinion of management all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of such combined financial statements have been included. The results of operations for the six months ended June 30, 1996 are not necessarily indicative of the PTR-Homestead Village Group future results of operations for the full year ending December 31, 1996.

THE PTR-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment is comprised of land held for future development, properties under construction and income producing Homestead Village extended-stay lodging facilities, located in the following markets:

<TABLE>

<CAPTION>

	PERCENTAGE OF TOTAL COST AT		
	DECEMBER 31,		JUNE 30,
	1994	1995	1996
<S>	<C>	<C>	<C> <C>
MARKET:			
Dallas, TX.....	38%	29%	23%
Houston, TX.....	41	29	22
San Antonio, TX.....	13	12	10
Austin, TX.....	3	9	9
Phoenix, AZ.....	2	8	12
Denver, CO.....	3	6	8
Albuquerque, NM.....	--	4	4
Bay Area, CA.....	--	3	7
Kansas City, KA.....	--	--	1
Seattle, WA.....	--	--	3
Salt Lake City, UT.....	--	--	1
	100%	100%	100%

</TABLE>

The following summarizes property and equipment (in thousands):

<TABLE>

<CAPTION>

DECEMBER 31,		JUNE 30,
1994	1995	1996
		(UNAUDITED)

<S>	<C>	<C>	<C>
PROPERTY AND EQUIPMENT:			
Land.....	\$ 7,044	\$ 14,812	\$ 19,815
Buildings and improvements.....	29,611	52,697	73,683
Furniture, fixtures and equipment.....	4,973	10,760	13,487
	-----	-----	-----
Operating properties.....	41,628	78,269	106,985
Construction in progress, excluding land.....	9,296	26,577	15,645
Land held for and under development.....	9,289	3,613	18,604
	-----	-----	-----
	60,213	108,459	141,234
Less: accumulated depreciation.....	(1,114)	(3,457)	(5,298)
	-----	-----	-----
Property and equipment, net.....	\$59,099	\$105,002	\$135,936
	=====	=====	=====

</TABLE>

The PTR-Homestead Village Group's strategy is to focus on the ownership of extended-stay lodging facilities. Properties are periodically evaluated for impairment by comparing the sum of the expected undiscounted future cash flows to the carrying value of the assets and in the event the carrying value exceeds such cash flows provisions for possible losses, measured as the amount by which the carrying value exceeds such cash flows, are made if required. No such impairment losses have been recognized to date. Statement of Financial Accounting Standards No. 121 entitled "Accounting For The Impairment Of Long-Lived Assets And For Long-Lived Assets To Be Disposed Of" has been adopted by the PTR-Homestead Village Group, as required by the statement effective January 1, 1996. The adoption of the statement had no impact on the combined financial statements at the date of adoption.

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THE PTR-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

4. INTERCOMPANY DEBT AND CONTRIBUTED CAPITAL:

The combined financial statements of the PTR-Homestead Village Group reflect intercompany debt assumed to have been borrowed from PTR to fund the acquisition and development of the Homestead Village properties.

Acquisition and development costs were assumed to have been financed through borrowings from PTR up through the completion date of each respective property. Upon completion of a property, 30% of the intercompany debt associated with the property was assumed to have been converted to contributed capital. This assumption was made to reflect the ultimate leverage ratio (70% convertible mortgage debt and 30% common equity) expected to exist within Homestead after the funding commitment is fulfilled. Borrowings were assumed to bear interest at the weighted average interest rate of PTR's line of credit and unsecured long term debt which rates ranged from 6.3% to 9.25% for the period from January 1, 1993 through June 30, 1996. Interest costs were either expensed or capitalized in accordance with the PTR-Homestead Village Group's accounting policy for capitalization of interest cost discussed above. Approximately \$77,289,000 of intercompany debt was converted to convertible mortgage notes payable in January 1996 (Note 5).

5. CONVERTIBLE MORTGAGE NOTES PAYABLE:

On January 24, 1996, the entities comprising the PTR-Homestead Village Group (the "Borrower") executed convertible mortgage notes payable in favor of PTR. Approximately \$177 million of these notes are outstanding at June 30, 1996 and are secured by currently owned Homestead Village properties. Additionally, these notes will further be secured by land to be acquired and developed. The terms of the notes provide for interest only payments of 9% per annum with payments beginning six months from the date of the note. The notes are due and payable on or before October 31, 2006.

The mortgage notes are convertible, at the option of PTR, into common shares of the Borrower at any time beginning April 1, 1997. The conversion price is equal to 115% of the value of the common shares at the date of the note, as determined by the Board of Directors of the Borrower.

6. REIT MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENTS:

PTR has a REIT management agreement with Security Capital Pacific Incorporated (the "REIT Manager"), a subsidiary of Security Capital Group Incorporated ("SCG"), which is a significant shareholder of PTR. The REIT Manager provides both strategic and day-to-day management of PTR, including research, investment analysis, acquisition and development, asset management, capital markets, and legal and accounting services. All officers of PTR are employees of the REIT Manager and PTR has no employees.

The REIT management agreement requires PTR to pay a stipulated base annual fee plus 16% of cash flow, as defined in the agreement. The PTR-Homestead Village Group's allocable share of the REIT management fee was based on 16% of its properties defined cash flow. Such fees, which are included in corporate operating expenses in the accompanying statements of operations, were as follows:

<TABLE>
<CAPTION>
YEAR ENDED DECEMBER 31,

<S> <C>
1993..... \$109,032
1994..... 332,252
1995..... 989,471
</TABLE>

<TABLE>
<CAPTION>
SIX MONTHS ENDED

<S> <C>
June 30, 1995..... \$526,697
June 30, 1996..... 822,117
</TABLE>

THE PTR-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONCLUDED)

Additionally, in 1995, the PTR-Homestead Village Group entered into property management agreements with Homestead Realty Services Incorporated ("Homestead Realty") to manage its operating properties. Prior to 1995, such agreements were with SCG Realty Services Incorporated ("SCG Realty"). Both Homestead Realty and SCG Realty are wholly-owned subsidiaries of SCG. Fees for such services are computed as a percentage (5.0%-7.0%) of gross revenues, as defined. Such fees, which are included in property operating expenses in the accompanying statements of operations, were as follows:

<TABLE>
<CAPTION>
YEAR ENDED DECEMBER 31,

<S> <C>
1993..... \$ 144,942
1994..... 459,513
1995..... 1,018,223
</TABLE>

<TABLE>
<CAPTION>
SIX MONTHS ENDED

<S> <C>
June 30, 1995..... \$ 425,666
June 30, 1996..... 1,048,244
</TABLE>

Accrued expenses include \$55,000 and \$470,000 at December 31, 1994 and 1995, respectively and \$526,000 at June 30, 1996 payable to these affiliates for the REIT and property management services including amounts owed for reimbursement of out-of-pocket expenses incurred by the REIT Manager.

7. COMMITMENTS AND CONTINGENCIES:

Finder's Agreements

Pursuant to a series of agreements between PTR and an unaffiliated person ("Finder") who developed the Homestead Village concept, Finder has performed certain services. The agreements which expire February 5, 2043, provide for the payment of fees to Finder as follows: (i) \$535,000 annually with respect to the four properties for which Finder assisted in the location, development and initial operations; (ii) an annual amount of \$7,500 per property (subject to certain conditions as defined in the agreements) for assistance in site location with respect to the first 35 properties constructed (other than the four properties referred to in (i) above); (iii) 20% of the net proceeds as defined per the agreements, upon the sale of the four properties to an unaffiliated third party; and (iv) 10% of the net proceeds as defined per the agreement, upon the sale of the additional 35 properties to an unaffiliated third party. No such sales have occurred to date. Fees paid under this agreement and reflected in the accompanying combined statements of operations for the years ended December 31, 1993, 1994 and 1995 aggregated approximately

\$120,000, \$646,000 and \$611,000, respectively, and \$300,000 and \$320,000 for the six months ended June 30, 1995 and 1996, respectively. Effective December 1994, the agreement to assist in the site location of any additional properties beyond the 39 properties was terminated. Additionally, Finder has agreed not to compete, directly or indirectly, with the Homestead Village properties in certain states in which PTR does business through December 31, 1996.

Other

At June 30, 1996, the PTR-Homestead Village Group had unfunded development commitments for developments under construction of approximately \$24.3 million.

The PTR-Homestead Village Group is subject to environmental regulations related to the ownership, operation, development and acquisition of real estate. As part of its due diligence procedures, the PTR-Homestead Village Group has conducted Phase I environmental assessments on each property prior to acquisition. The cost of complying with environmental regulations was not material to PTR-Homestead Village Group's results of operations for any of the periods presented. The PTR-Homestead Village Group is not aware of any environmental condition on any of its properties which is likely to have a material adverse effect on its financial condition or results of operations.

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SCHEDULE III

THE PTR-HOMESTEAD VILLAGE GROUP

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1995
(IN THOUSANDS)

<TABLE>
<CAPTION>

PROPERTIES	INITIAL COST TO THE PTR-HOMESTEAD VILLAGE GROUP:		GROSS AMOUNT AT WHICH CARRIED AT DECEMBER 31, 1995			ACCUMULATED DEPRECIATION	CONSTRUCTION YEAR	YEAR ACQUIRED
	LAND	SUBSEQUENT TO ACQUISITION COSTS	LAND	BUILDINGS AND IMPROVEMENTS	TOTALS			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Albuquerque, New Mexico:								
Osuna.....	\$ 832	\$ 3,039	\$ 840	\$ 3,031	\$ 3,871	(a)	(a)	1995
Austin, Texas:								
Burnet Road.....	525	3,543	723	3,345	4,068	66	1995	1994
Mid Town.....	600	3,135	645	3,090	3,735	(a)	(a)	1995
Pavilion (c).....	693	120	693	120	813	(a)	(a)	1995
Dallas, Texas:								
Skillman.....	400	2,683	400	2,683	3,083	278	1993	1992
Stemmons Freeway.....	356	4,136	424	4,068	4,492	296	(b)	(b)
Tollway.....	275	2,443	353	2,365	2,718	340	1993	1993
North Richland Hills...	470	3,020	544	2,946	3,490	300	1994	1993
Coit Road.....	425	2,961	496	2,890	3,386	300	1994	1993
West Arlington.....	585	3,400	652	3,333	3,985	118	1995	1993
South Arlington.....	550	3,274	642	3,182	3,824	120	1995	1994
Fort Worth.....	350	2,296	372	2,274	2,646	(a)	(a)	1994
Las Colinas.....	800	3,562	805	3,557	4,362	(a)	(a)	1994
Denver, Colorado:								
Denver Tech Center.....	876	2,622	921	2,577	3,498	(a)	(a)	1994
Iliff.....	615	2,910	624	2,901	3,525	(a)	(a)	1994
Houston, Texas:								
West by Northwest.....	519	2,913	568	2,864	3,432	283	1994	1993
Fuqua.....	416	2,929	491	2,854	3,345	250	1994	1993
Westheimer.....	796	3,205	897	3,104	4,001	208	1994	1993
Park Ten.....	791	3,102	860	3,033	3,893	172	1994	1993
Stafford.....	575	3,092	665	3,002	3,667	168	1994	1993
Bammel-Westfield.....	516	2,959	595	2,880	3,475	162	1994	1993
Medical Center.....	1,530	3,765	1,669	3,626	5,295	18	1995	1994
Willowbrook.....	575	3,350	669	3,256	3,925	51	1995	1994
Phoenix, Arizona								
Baseline (c).....	808	1,692	830	1,670	2,500	(a)	(a)	1995
Dunlap (c).....	915	1,153	933	1,135	2,068	(a)	(a)	1995
Scottsdale.....	883	3,376	975	3,284	4,259	37	1995	1994
San Antonio:								
Fredricksburg.....	800	3,239	892	3,147	4,039	170	1994	1993
I-10/De Zavala.....	844	3,587	983	3,448	4,431	55	1995	1994
281/Bitters.....	1,000	3,729	1,198	3,531	4,729	65	1995	1994
San Francisco (Bay Area), California:								
San Mateo.....	1,510	142	1,510	142	1,652	(a)	(a)	1995

Sunnyvale.....	1,274	87	1,277	84	1,361	(a)	(a)	1995
Austin, Texas:								
Round Rock (d).....	808	83	828	63	891	--	--	1995
	-----	-----	-----	-----	-----	-----	-----	
Total.....	\$22,912	\$85,547	\$24,974	\$83,485	\$108,459	\$3,457		
	=====	=====	=====	=====	=====	=====		

</TABLE>

- (a) As of December 31, 1995, the property was undergoing development.
- (b) Phase I (132 units) was developed in 1992 and Phase II (57 units) was developed in 1995.

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- (c) Represents properties owned by third party developers that are subject to presale agreements with PTR to acquire such properties. The investment as of December 31, 1995 represents development loans made by PTR to such developers.
- (d) 53.1 acres of undeveloped land.

The following is a reconciliation of the carrying amount and related accumulated depreciation of the PTR-Homestead Village Group's investment in property and equipment, at cost (in thousands):

<TABLE>
<CAPTION>

PROPERTY AND EQUIPMENT

	1993	1994	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at January 1,.....	\$ 7,007	\$24,168	\$ 60,213
Development expenditures including land acquisition.....	17,161	36,045	48,246
	-----	-----	-----
Balance at December 31,.....	\$24,168	\$60,213	\$108,459
	=====	=====	=====

<CAPTION>

ACCUMULATED DEPRECIATION

	1993	1994	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at January 1,.....	\$ 35	\$ 269	\$ 1,114
Depreciation for the year.....	234	845	2,343
	-----	-----	-----
Balance at December 31,.....	\$ 269	\$ 1,114	\$ 3,457
	=====	=====	=====

</TABLE>

As of December 31, 1995 the aggregate cost and net investment cost for federal income tax purposes of PTR-Homestead Village Group's investment in property and equipment amounted to \$107,623 and \$104,972, respectively.

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INDEPENDENT AUDITORS' REPORT

To the Owners of
The Atlantic-Homestead Village Group:

We have audited the accompanying combined balance sheet of the Atlantic-Homestead Village Group (as described in Note 1) as of December 31, 1995 and the related combined statements of operations, owners' equity and cash flows for the period from April 3, 1995 (date of formation) through December 31, 1995. In connection with our audit, we also have audited the accompanying Schedule III, Real Estate and Accumulated Depreciation. These combined financial statements and combined financial statement schedule are the responsibility of the Atlantic-Homestead Village Group's management. Our responsibility is to express an opinion on these combined financial statements and combined financial statement schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Atlantic-Homestead Village Group as of December 31, 1995, and the results of their operations and their cash flows for the period from April 3, 1995 (date of formation) through December 31, 1995, in conformity with generally accepted accounting principles. Also in our opinion, the related combined financial statement schedule, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG Peat Marwick LLP

Chicago, Illinois
May 1, 1996

F-23

THE ATLANTIC-HOMESTEAD VILLAGE GROUP

COMBINED BALANCE SHEETS

(IN THOUSANDS)

<u>ASSETS</u>	DECEMBER 31, 1995	JUNE 30, 1996
-----	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents.....	\$ 184	\$ 156
	-----	-----
Total current assets.....	184	156
Properties under development.....	2,627	18,584
Other assets.....	1,506	2,156
	-----	-----
Total assets.....	\$4,317	\$20,896
	=====	=====

<CAPTION>

LIABILITIES AND OWNERS' EQUITY

<S>	<C>	<C>
Current liabilities:		
Accounts payable.....	\$ 93	\$ 281
Development costs payable.....	15	1,165
Accrued real estate taxes.....	3	5
Accrued expenses.....	44	416
	-----	-----
Total current liabilities.....	155	1,867
Intercompany debt.....	2,627	17,420
	-----	-----
Total liabilities.....	2,782	19,287
	-----	-----
Commitments and contingencies		
Owners' equity:		
Contributed capital.....	1,594	1,697
Retained earnings (deficit).....	(59)	(88)
	-----	-----
Total owners' equity.....	1,535	1,609
	-----	-----
Total liabilities and owners' equity.....	\$4,317	\$20,896
	=====	=====

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE ATLANTIC-HOMESTEAD VILLAGE GROUP

COMBINED STATEMENTS OF OPERATIONS

(IN THOUSANDS)

<TABLE>
<CAPTION>

PERIOD FROM

APRIL 3, 1995
(DATE OF FORMATION)
THROUGH
DECEMBER 31, 1995

SIX MONTHS
ENDED
JUNE 30, 1996

	(UNAUDITED) <C>	(UNAUDITED) <C>
<S>	<C>	<C>
REVENUE:		
Miscellaneous.....	\$ 4	\$ 9
	----	----
Total revenue.....	4	9
	----	----
COSTS AND EXPENSES:		
Corporate operating expenses.....	63	38
	----	----
Total costs and expenses.....	63	38
	----	----
NET LOSS.....	\$ (59)	\$ (29)
	=====	=====

The accompanying notes are an integral part of the combined financial statements.

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THE ATLANTIC-HOMESTEAD VILLAGE GROUP

COMBINED STATEMENTS OF OWNERS' EQUITY

(IN THOUSANDS)

<TABLE>
<CAPTION>

	CONTRIBUTED CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL OWNERS' EQUITY
<S>	<C>	<C>	<C>
Balance at April 3, 1995 (date of formation).....	\$ --	\$--	\$ --
Contributed capital.....	1,594	--	1,594
Net loss.....	--	(59)	(59)
	-----	-----	-----
Balance at December 31, 1995.....	\$1,594	\$ (59)	\$1,535
Contributed capital (unaudited).....	103	--	103
Net loss (unaudited).....	--	(29)	(29)
	-----	-----	-----
Balance at June 30, 1996 (unaudited).....	\$1,697	\$ (88)	\$1,609
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE ATLANTIC-HOMESTEAD VILLAGE GROUP

COMBINED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

<TABLE>
<CAPTION>

	PERIOD FROM APRIL 3, 1995 (DATE OF FORMATION) THROUGH DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.....	\$ (59)	\$ (29)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Change in accounts payable and accrued		

expenses.....	140	562
	-----	-----
Net cash provided by operating activities.....	81	533
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets.....	(1,506)	(650)
Investment in properties, net of development costs payable.....	(2,612)	(14,807)
	-----	-----
Net cash used in investing activities....	(4,118)	(15,457)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from intercompany debt.....	2,627	14,793
Capital contributions.....	1,594	103
	-----	-----
Net cash provided by financing activities.....	4,221	14,896
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....		
EQUIVALENTS.....	184	(28)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS.	--	184
	-----	-----
ENDING BALANCE OF CASH AND CASH EQUIVALENTS....	\$ 184	\$ 156
	=====	=====

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE ATLANTIC-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

(UNAUDITED AS TO INTERIM PERIOD)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS:

The accompanying combined financial statements have been prepared by combining the accounts of Alabama Homestead Incorporated, Atlantic Homestead Village Incorporated and its consolidated limited partnership, Atlantic Homestead Village Limited Partnership, hereinafter collectively referred to as the Atlantic-Homestead Village Group. Through various wholly-owned subsidiaries, Atlantic Homestead Village Incorporated owns a 99% limited partner and a 1% general partner interest in Atlantic Homestead Village Limited Partnership. Alabama Homestead Incorporated and Atlantic Homestead Village Incorporated are wholly-owned subsidiaries of Security Capital Atlantic Incorporated, a real estate investment trust ("ATLANTIC"). The entities comprising the Atlantic-Homestead Village Group were formed commencing April 3, 1995.

The accompanying historical financial statements of the Atlantic-Homestead Village Group are being presented on a combined basis as Alabama Homestead Incorporated and Atlantic Homestead Village Incorporated are expected to be subject to a merger transaction with certain affiliated groups of entities in which Homestead Village Incorporated will own and operate the properties subsequent to the merger transaction (See "The Transaction" included elsewhere in the Prospectus for a description of the merger transaction). Management of ATLANTIC believes that the combined financial statements result in a more meaningful presentation than presenting the separate historical financial statements of each entity.

The Atlantic-Homestead Village Group develops, owns and manages extended-stay lodging facilities located in the southeastern region of the United States designed to appeal to value-conscious guests. Rooms are generally rented on a weekly basis to guests such as business travelers, professionals and others, with most guests staying multiple weeks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and cash invested in money market funds.

Properties Under Development

As of December 31, 1995 and June 30, 1996, the Atlantic-Homestead Village Group had three properties and 11 properties under development, respectively.

Costs directly related to the acquisition, development or improvement of real estate are capitalized. Property under development is carried at cost, which is not in excess of estimated fair market value.

Interest

The Atlantic-Homestead Village Group capitalizes interest incurred during the land development or construction period for qualifying projects. Interest capitalized is included in the cost of properties in the accompanying combined financial statements. All interest incurred was capitalized and amounted to \$35,528 for the period ended December 31, 1995 and \$365,696 for the six months ended June 30, 1996. No interest was paid through June 30, 1996. All interest was added to the intercompany debt balance as incurred.

Other Assets

Other assets consist primarily of costs incurred in connection with the pursuit of land to be acquired for development including refundable earnest money deposits of \$950,000 and \$1,319,000 at December 31, 1995 and June 30, 1996, respectively. Costs incurred in connection with the pursuit of unsuccessful acquisitions or developments are expensed at the time the pursuit is abandoned.

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THE ATLANTIC-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

(UNAUDITED AS TO INTERIM PERIOD)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The companies comprising the Atlantic-Homestead Village Group are qualified subsidiaries of ATLANTIC, a corporation which has elected to be taxed as a real estate investment trust ("REIT").

REITs are not required to pay federal income taxes if minimum distribution and income, asset and shareholder tests are met. ATLANTIC has met each of those tests for each of the periods for which combined financial statements are presented. Accordingly, no income tax provision or benefit has been reflected in the combined financial statements of the Atlantic-Homestead Village Group for the periods presented.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, development costs payable and accrued expenses approximates fair value as of December 31, 1995 and June 30, 1996 because of the short maturity of these instruments. Similarly, the carrying value of the intercompany debt approximates fair value as of those dates as the weighted average interest rates approximate market rates for similar debt instruments.

Unaudited Interim Statements

The combined financial statements as of June 30, 1996 and for the six months ended June 30, 1996 are unaudited. In the opinion of management all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of such combined financial statements have been included. The results of operations for the six months ended June 30, 1996 are not necessarily indicative of the Atlantic-Homestead Village Group future results of operations for the full year ending December 31, 1996.

3. INTERCOMPANY DEBT AND CONTRIBUTED CAPITAL:

The combined financial statements of the Atlantic-Homestead Village Group reflect intercompany debt assumed to have been borrowed from ATLANTIC to fund the acquisition and development of the Homestead Village properties. Borrowings were assumed to bear interest at the weighted average interest rate of ATLANTIC'S debt, which was approximately 8.00% and 7.5% at December 31, 1995 and June 30, 1996, respectively. Interest costs were capitalized in accordance with the Atlantic-Homestead Village Group's accounting policy for capitalization of interest cost discussed above. All net operating costs and expenses incurred were assumed to have been financed through capital

contributed by ATLANTIC.

4. CONVERTIBLE MORTGAGE NOTES PAYABLE:

On January 24, 1996, the Atlantic-Homestead Village Group (the "Borrower") executed convertible mortgage notes payable in favor of ATLANTIC. These notes are secured by the currently owned Homestead Village properties and will further be secured by land to be acquired and developed. The terms of the notes provide for interest only payments of 9% per annum with payments beginning six months from the issue date of each note. The notes are due and payable on or before October 31, 2006. There were no borrowings under these notes during the period ended June 30, 1996.

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THE ATLANTIC-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

(UNAUDITED AS TO INTERIM PERIOD)

The mortgage notes are convertible, at the option of ATLANTIC, into common shares of the Borrower at any time beginning April 1, 1997. The conversion price is equal to 115% of the value of the common shares at the date of the note, as determined by the Board of Directors of the Borrower.

5. REIT MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENTS

ATLANTIC has a REIT management agreement with Security Capital (Atlantic) Incorporated (the "REIT Manager"), a subsidiary of Security Capital Group Incorporated ("SCG"), which is a majority shareholder of ATLANTIC. The REIT Manager provides both strategic and day-to-day management of ATLANTIC, including research, investment analysis, acquisition and development, asset management, capital markets, and legal and accounting services. All officers of ATLANTIC are employees of the REIT Manager and ATLANTIC has no employees.

The REIT management agreement requires ATLANTIC to pay an annual fee of 16% of cash flow, as defined in the agreement. The Atlantic-Homestead Village Group's allocable share of the REIT management fee is based on 16% of its properties defined cash flow. No fees were payable for the periods ended December 31, 1995 or June 30, 1996 as no properties were operating during such periods.

6. COMMITMENTS AND CONTINGENCIES:

At June 30, 1996, the Atlantic-Homestead Village Group had unfunded development commitments for developments under construction of approximately \$16.4 million.

The Atlantic-Homestead Village Group is subject to environmental regulations related to the ownership, operation, development and acquisition of real estate. As part of its due diligence procedures, the Atlantic-Homestead Village Group has conducted Phase I environmental assessments on each property prior to acquisition. The cost of complying with environmental regulations was not material to the Atlantic-Homestead Village Group's results of operations for the periods presented. The Atlantic-Homestead Village Group is not aware of any environmental condition on any of its properties which is likely to have a material adverse effect on its financial condition or results of operations.

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SCHEDULE III

THE ATLANTIC-HOMESTEAD VILLAGE GROUP

REAL ESTATE AND ACCUMULATED DEPRECIATION (CONTINUED)

DECEMBER 31, 1995

(IN THOUSANDS)

<TABLE>
<CAPTION>

INITIAL COST TO ATLANTIC- HOMESTEAD VILLAGE GROUP: PROPERTIES	COSTS CAPITALIZED SUBSE- QUENT TO LAND ACQUISITION	GROSS AMOUNT AT WHICH CARRIED AT DECEMBER 31, 1995				
		LAND	TOTALS	BUILDINGS AND IMPROVEMENTS	ACCUMU- LATED DE- PRECIATION	CON- STRUCTION YEAR

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Atlanta, Georgia:								
Peachtree Corners.....	\$ 889	\$310	\$ 889	\$310	\$1,199	\$--	(a)	1995
Raleigh, North Carolina:								
Research Triangle Park.	805	38	805	38	843	--	(b)	1995
Tampa/St. Petersburg, Florida:								
North Airport.....	511	74	511	74	585	--	(b)	1995
	-----	----	-----	----	-----	----		
Total.....	\$2,205	\$422	\$2,205	\$422	\$2,627	\$ 0		
	=====	=====	=====	=====	=====	=====		

</TABLE>

- (a) As of December 31, 1995, the property was undergoing development.
(b) As of December 31, 1995, the property was undergoing planning.

As of December 31, 1995 the aggregate cost and net investment cost for federal income tax purposes of Atlantic-Homestead Village Group's investment in property under development approximates its book value.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
The SCG-Homestead Village Group:

We have audited the accompanying combined balance sheets of the SCG-Homestead Village Group (as described in Note 1) as of December 31, 1994 and 1995 and the related combined statements of operations, shareholder's equity (deficit) and cash flows for each of the years in the three-year period ended December 31, 1995. These combined financial statements are the responsibility of the SCG-Homestead Village Group's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the SCG-Homestead Village Group as of December 31, 1994 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Chicago, Illinois
May 1, 1996

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THE SCG-HOMESTEAD VILLAGE GROUP
COMBINED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>

<CAPTION>

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
	-----	-----	-----
			(UNAUDITED)
ASSETS			
	-----	-----	-----
<S>	<C>	<C>	<C>
Current assets:			
Cash.....	\$ --	\$ --	\$ 12
REIT and property management fees receivable...	55	470	526
Other current assets.....	--	67	13
	-----	-----	-----
Total current assets.....	55	537	551
Furniture and equipment, net.....	47	228	531

Other assets.....	--	14	323
Total assets.....	\$ 102	\$ 779	\$ 1,405
=====			
<CAPTION>			
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)			

<S>	<C>	<C>	<C>
Current liabilities:			
Accounts payable.....	\$ 13	\$ 92	\$ 39
Accrued expenses.....	238	807	868
Intercompany debt.....	--	1,147	2,756
Total current liabilities.....	251	2,046	3,663

Commitments and contingencies			
Shareholder's equity (deficit):			
Contributed capital.....	2,371	6,408	9,917
Retained earnings (deficit).....	(2,520)	(7,675)	(12,175)
Total shareholder's equity (deficit).....	(149)	(1,267)	(2,258)

Total liabilities and shareholder's equity (deficit).....	\$ 102	\$ 779	\$ 1,405
=====			
</TABLE>			

The accompanying notes are an integral part of the combined financial statements.

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THE SCG-HOMESTEAD VILLAGE GROUP
COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

<TABLE>					
<CAPTION>					
	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1995	1996

	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
REVENUE:					
REIT and property management fees.	\$ 254	\$ 792	\$ 2,007	\$ 952	\$ 1,871
Other revenue.....	--	--	14	5	--
Total revenue.....	254	792	2,021	957	1,871

COSTS AND EXPENSES:					
Payroll and related expenses.....	707	1,713	4,276	1,568	4,064
Office expenses.....	22	67	273	82	308
Travel and entertainment.....	14	60	232	69	156
Recruiting and relocation.....	53	85	822	262	304
Other expenses.....	57	187	601	130	654
Allocation of SCG overhead.....	69	342	972	253	885
Total costs and expenses.....	922	2,454	7,176	2,364	6,371

NET LOSS.....	\$ (668)	\$ (1,662)	\$ (5,155)	\$ (1,407)	\$ (4,500)
=====					
</TABLE>					

The accompanying notes are an integral part of the combined financial statements.

F-34

THE SCG-HOMESTEAD VILLAGE GROUP
COMBINED STATEMENTS OF SHAREHOLDER'S EQUITY (DEFICIT)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	CONTRIBUTED CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL SHAREHOLDER'S EQUITY (DEFICIT)
<S>	<C>	<C>	<C>
Balance at December 31, 1992.....	\$ 206	\$ (190)	\$ 16
Contributed capital.....	565	--	565
Net loss.....	--	(668)	(668)
Balance at December 31, 1993.....	771	(858)	(87)
Contributed capital.....	1,600	--	1,600
Net loss.....	--	(1,662)	(1,662)
Balance at December 31, 1994.....	2,371	(2,520)	(149)
Contributed capital.....	4,037	--	4,037
Net loss.....	--	(5,155)	(5,155)
Balance at December 31, 1995.....	6,408	(7,675)	(1,267)
Contributed capital (unaudited).....	3,509	--	3,509
Net loss (unaudited).....	--	(4,500)	(4,500)
Balance at June 30, 1996 (unaudited).....	\$9,917	\$ (12,175)	\$ (2,258)

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE SCG-HOMESTEAD VILLAGE GROUP
COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
<S>	1993	1994	1995	1995	1996
	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss.....	\$(668)	\$(1,662)	\$(5,155)	\$(1,407)	\$(4,500)
Adjustments to reconcile net loss to net cash used by operating activities:					
Depreciation and amortization...	--	8	39	6	16
Change in:					
REIT and property management fees receivable.....	6	(45)	(416)	(54)	(56)
Accounts payable and accrued expenses.....	97	154	648	217	8
Other current assets.....	--	--	(67)	(18)	54
Net cash used by operating activities.....	(565)	(1,545)	(4,951)	(1,256)	(4,478)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Other assets.....	--	--	(14)	(2)	(309)
Investment in furniture and equipment.....	--	(55)	(220)	(56)	(319)
Net cash used in investing activities.....	--	(55)	(234)	(58)	(628)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany debt.....	--	--	1,148	122	1,609
Capital contributions.....	565	1,600	4,037	1,192	3,509

Net cash provided by financing activities.....	565	1,600	5,185	1,314	5,118
NET INCREASE IN CASH.....	--	--	--	--	12
CASH AT BEGINNING OF PERIOD.....	--	--	--	--	--
CASH AT END OF PERIOD.....	\$ --	\$ --	\$ --	\$ --	\$ 12

</TABLE>

The accompanying notes are an integral part of the combined financial statements.

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THE SCG-HOMESTEAD VILLAGE GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS
(UNAUDITED AS TO INTERIM PERIODS)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS:

The accompanying combined financial statements have been prepared by combining the accounts of Homestead Village Managers Incorporated and Homestead Realty Services Incorporated, each incorporated in June 1995 and SCG-Homestead Village Incorporated, incorporated in February, 1996. These entities are wholly-owned subsidiaries of Security Capital Group Incorporated ("SCG") and are hereinafter collectively referred to as the SCG-Homestead Village Group. Prior to incorporation, the activities of these entities were performed within other subsidiaries of SCG. Such activities have been carved out of those subsidiaries for purposes of inclusion in the accompanying combined financial statements.

The accompanying historical financial statements of the SCG-Homestead Village Group are presented on a combined basis as these entities are expected to be subject to a merger transaction with certain affiliated groups of entities in which Homestead Village Incorporated will operate and manage properties subsequent to the merger transaction. (See "The Transaction," included elsewhere in the Prospectus for a description of the merger transaction.) Management of SCG believes that the combined financial statements result in a more meaningful presentation than presenting the separate historical financial statements of each subsidiary.

The SCG-Homestead Village Group provides fee-based strategic and day-to-day advisory services to affiliated real estate investment trusts (REITs) which develop, own and operate extended-stay lodging facilities ("Homestead Village Properties") designed to appeal to value-conscious guests. The services provided include research, investment analysis, acquisition and development, asset management, capital markets, property management and legal and accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and cash invested in money market funds.

Furniture and Equipment

Furniture and equipment is carried at cost, which is not in excess of estimated fair market value. Depreciation is computed utilizing a straight-line method over the estimated economic lives of depreciable property, generally five to seven years.

The following summarizes furniture and equipment as of December 31, 1994, 1995 and June 30, 1996 (in thousands):

<TABLE>

<CAPTION>

	DECEMBER 31,			
	1994		1995	
	1994		JUNE 30, 1996	
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Furniture and equipment.....	\$ 54	\$ 274	\$ 593	
Less: accumulated depreciation.....	(7)	(46)	(62)	
Furniture and equipment, net.....	\$ 47	\$ 228	\$ 531	

</TABLE>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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THE SCG-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

(UNAUDITED AS TO INTERIM PERIODS)

Income Taxes

None of the entities within the SCG-Homestead Village Group have generated taxable income since incorporation. The total net operating loss carryforward of these entities is approximately \$378,000 and \$1,359,000 as of December 31, 1995 and June 30, 1996, respectively, and expire in varying amounts through 2016. The deferred tax asset resulting from these net operating loss carryforwards has been fully reserved due to its uncertain realizability.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates their fair value as of December 31, 1994, 1995 and June 30, 1996 because of the short maturity of these instruments. Similarly, the carrying value of the intercompany debt approximates fair value as of those dates as the interest rates approximate market rates for similar debt instruments.

Unaudited Interim Statements

The combined financial statements as of June 30, 1996 and for the six months ended June 30, 1995 and 1996 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such combined financial statements have been included. The results of operations for the six months ended June 30, 1996 are not necessarily indicative of the SCG-Homestead Village Group's future results of operations for the full year ending December 31, 1996.

3. INTERCOMPANY DEBT AND CONTRIBUTED CAPITAL

The operating expenses incurred by the SCG-Homestead Village Group were assumed to have been financed through capital contributed by SCG through 1994. Commencing in 1995, such costs were financed in part through unsecured borrowings from SCG which are due on demand. The advances include interest at prime plus 1/4%, (8.75% and 8.5% at December 31, 1995 and June 30, 1996, respectively). No interest was paid, all interest was added to the intercompany debt balance as incurred. Interest expense was \$69,843 and \$106,984 for the year ended December 31, 1995 and the six months ended June 30, 1996, respectively, and is included in the "Other expense" caption in the combined statements of operations.

4. REIT MANAGEMENT AND PROPERTY MANAGEMENT FEES

SCG, the parent of the entities comprising the SCG-Homestead Village Group has entered into agreements with affiliated real estate investment trusts, Security Capital Pacific Trust ("PTR") and Security Capital Atlantic Incorporated ("ATLANTIC") to provide REIT management services. The services with respect to the Homestead Village Properties are provided by the employees of the SCG-Homestead Village Group and, therefore, the fees earned from providing such services have been included in the accompanying combined financial statements.

The REIT management fees are generally based on 16% of cash flow, as defined in the agreements. The fees earned by the SCG-Homestead Village Group which were based on the cash flow (as defined) of the Homestead Village Properties operated by PTR (no ATLANTIC properties were operational as of June 30, 1996) were as follows:

<TABLE>
<CAPTION>
YEAR ENDED
DECEMBER 31,

<S>	<C>
1993.....	\$109,032
1994.....	\$332,252
1995.....	\$989,471

</TABLE>

<TABLE>

<CAPTION>

SIX MONTHS ENDED

<S>	<C>
June 30, 1995.....	\$526,697
June 30, 1996.....	\$822,117

</TABLE>

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THE SCG-HOMESTEAD VILLAGE GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

(UNAUDITED AS TO INTERIM PERIODS)

Additionally, in 1995 Homestead Realty Services Incorporated ("Homestead Realty") entered into property management agreements with PTR's Homestead Village subsidiaries to manage their operating properties. Prior to 1995 such agreements were with SCG Realty Services Incorporated ("SCG Realty"), a subsidiary of SCG and a predecessor of Homestead Realty. Fees for such services are computed as a percentage (5.0%-7.0%) of gross revenues, as defined. Property management fees earned for each period were as follows:

<TABLE>

<CAPTION>

SIX MONTHS ENDED

<S>	<C>
June 30, 1995.....	\$ 425,666
June 30, 1996.....	\$1,048,244

</TABLE>

<TABLE>

<CAPTION>

YEAR ENDED
DECEMBER 31,

<S>	<C>
1993.....	\$ 144,942
1994.....	\$ 459,513
1995.....	\$1,018,223

</TABLE>

5. TRANSACTIONS WITH SCG

SCG serves as cash manager for the entities in the SCG-Homestead Village Group. In this capacity SCG collects all cash attributable to the SCG-Homestead Village Group business activities and makes all cash disbursements on behalf of the SCG-Homestead Village Group. Additionally, the SCG-Homestead Village Group is allocated overhead expenses and certain other costs from SCG related to occupancy and other services provided to the SCG-Homestead Village Group by SCG. In the opinion of management, the allocation of costs and expenses have been made on a basis which is believed to be reasonable however, the allocation is not necessarily indicative of the costs and expenses the SCG-Homestead Village Group may have incurred on its own account.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors

Homestead Village Incorporated

We have audited the accompanying balance sheet of Homestead Village Incorporated as of June 30, 1996. This balance sheet is the responsibility of the company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates

made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Homestead Village Incorporated as of June 30, 1996, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Dallas, Texas

August 22, 1996

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HOMESTEAD VILLAGE INCORPORATED

BALANCE SHEET

JUNE 30, 1996

<TABLE>	
<S>	<C>
ASSETS	
Cash.....	\$1,000
	=====
LIABILITIES AND SHAREHOLDER'S EQUITY	
Commitments and contingencies	
Shareholder's Equity:	
Common Stock, \$.01 par value, 250,000,000 shares authorized, 1,000	
shares issued and outstanding.....	\$ 10
Additional paid in capital.....	990

Total shareholder's equity.....	1,000

Total liabilities and shareholder's equity.....	\$1,000
	=====
</TABLE>	

See accompanying notes.

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HOMESTEAD VILLAGE INCORPORATED

NOTES TO BALANCE SHEET

JUNE 30, 1996

1. ORGANIZATION AND BASIS OF FINANCIAL PRESENTATION

Homestead Village Incorporated (formerly Homestead Village Properties Incorporated), a Maryland corporation ("Homestead"), was formed on January 26, 1996 to develop, own and manage extended-stay lodging facilities under the Homestead Village tradename. Homestead's extended-stay lodging rooms are designed to appeal to value-conscious guests such as business travelers, professionals and others on a weekly basis, with most guests staying multiple weeks. The issuance of the initial shares was funded on April 18, 1996. There have been no operations since the date of funding through June 30, 1996.

Homestead was formed to acquire, through a series of merger transactions, all of the extended-stay lodging assets operating or to be operated under the Homestead Village tradename. The net assets related to the Homestead Village properties are to be acquired through the merger of various wholly-owned subsidiaries of Security Capital Group Incorporated ("SCG"), Security Capital Pacific Trust ("PTR") and Security Capital Atlantic Incorporated ("ATLANTIC"), all affiliates of Homestead, in exchange for common stock of Homestead. PTR had 28 operating Homestead Village properties, six properties under construction and 20 in pre-development planning (as defined) as of August 1, 1996. ATLANTIC had one Homestead Village property in operation, six under construction and 19 in pre-development planning as of August 1, 1996. SCG will provide the trademark and development and property management expertise as well as operating systems necessary to develop, own and operate the properties.

Homestead was initially capitalized through the issuance of 1,000 shares of \$.01 par value common stock for \$1,000 to SCG. As of June 30, 1996, Homestead has 250,000,000 shares of common stock, \$.01 par value authorized.

Income Taxes

Homestead was formed as a Subchapter C corporation and, as such, will be subject to federal and any applicable state income taxes.

2. TRANSACTIONS WITH AFFILIATES

Homestead has entered into various agreements with affiliated companies in order to complete the transaction discussed above and to conduct the business of developing, owning and operating Homestead Village properties.

Merger and Distribution Agreement

On May 21, 1996, Homestead entered into a Merger and Distribution Agreement with PTR, ATLANTIC and SCG (collectively, the "Affiliated Companies") which provides for certain subsidiaries of the Affiliated Companies to be merged with and into Homestead in exchange for common stock. The subsidiaries of the Affiliated Companies develop, own and manage the Homestead Village properties.

Pursuant to the agreement, PTR will merge with and into Homestead the net assets related to Homestead Village properties in exchange for 9,485,727 shares of Homestead common stock. ATLANTIC will contribute net assets in exchange for 4,201,220 shares of Homestead common stock. Homestead will issue 4,062,788 shares of Homestead common stock in exchange for certain net assets of SCG which consist primarily of the Homestead Village trademark, and development and management expertise, as well as operating systems utilized in the ongoing development and operations of the extended-stay lodging facilities. Homestead will not assume any obligations related to the employees of the SCG subsidiaries including unpaid salaries, wages, benefits and any expense reimbursements.

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HOMESTEAD VILLAGE INCORPORATED

NOTES TO BALANCE SHEET--(CONTINUED)

PTR and ATLANTIC will receive all of their shares of Homestead common stock at the date of the transaction. SCG is to receive 1,819,750 shares of Homestead common stock based on the ratio of actual funding provided by PTR and ATLANTIC to the total expected funding to be provided at the date of the transaction. The remaining 2,243,038 shares of Homestead common stock will be issued to and held in escrow by an appointed escrow agent. The escrowed shares will be transferred to SCG pro rata based on the completion of PTR's and ATLANTIC's remaining funding commitments. In the event not all of the funding commitments are provided to Homestead by PTR or ATLANTIC, the remaining shares of Homestead common stock not transferred to SCG will be returned to Homestead along with any dividends paid. The escrow agent will vote all shares of Homestead common stock held in the escrow account proportionately in accordance with the vote of all other Homestead shareholders as instructed by Homestead. In the event that instructions are not received, the escrow agent will not vote such shares.

In conjunction with the Merger and Distribution Agreement, described above, Homestead, SCG, PTR and ATLANTIC entered into a Warrant Purchase Agreement dated May 21, 1996 whereby SCG, PTR and ATLANTIC are to receive warrants based on the relative fair value of the assets each is to contribute in the transaction. A total of 10,000,000 warrants are to be issued. The Homestead warrants may be used to purchase Homestead common stock for \$10 per share, may be exercised at any time and will expire twelve months from the record date for the distribution of the Homestead common stock and Homestead warrants to the shareholders of PTR and ATLANTIC. As consideration for the Homestead warrants issued, PTR and ATLANTIC have agreed to provide additional funding to Homestead for the development of properties and SCG will provide financing for the purchase of properties to be used as extended-stay facilities for the period from the date of the Merger and Distribution Agreement through the date of the transaction.

All shares of Homestead common stock and Homestead warrants issued to PTR and ATLANTIC in connection with the transaction will be issued directly to a distribution agent for the benefit of the holders of PTR and ATLANTIC common stock on the record date of the distribution. The remaining shares of Homestead common stock and Homestead warrants will be issued directly to SCG and the escrow agent.

The costs associated with the transaction are to be paid by each party incurring the expense, except for those costs related to filing, printing and distributing proxy and prospectus materials will be paid 63.64%, 28.18%, and

8.18% by PTR, ATLANTIC and SCG, respectively.

In conjunction with the agreement, Homestead will assume contractual obligations including development contracts. At June 30, 1996, the PTR subsidiary had approximately \$24.3 million and at June 30, 1996 the ATLANTIC subsidiary had approximately \$16.4 million of unfunded development commitments for developments under construction.

3. COMMITMENTS AND CONTINGENCIES

Finder's Agreements

In conjunction with the Merger and Distribution Agreement, PTR will assign its rights and obligations pursuant to a series of agreements with an unaffiliated person ("Finder") who developed the Homestead Village concept, and has performed certain services. The agreements which expire February 5, 2043, provide for the payment of fees to Finder as follows: (i) \$535,000 annually with respect to the four properties for which Finder assisted in the location, development and initial operations; (ii) an annual amount of \$7,500 per property (subject to certain conditions as defined in

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HOMESTEAD VILLAGE INCORPORATED

NOTES TO BALANCE SHEET--(CONTINUED)

the agreements) for assistance in site location with respect to the first 35 properties constructed (other than the four properties referred to in (i) above; (iii) 20% of the net proceeds as defined per the agreements, upon the sale of the four properties noted in (i) above to an unaffiliated third party; and (iv) 10% of the net proceeds as defined per the agreement, upon the sale of the additional 35 properties to an unaffiliated third party. No such sales have occurred to date. Effective December 1994, the agreement to assist in the site location of any additional properties beyond the 35 properties was terminated. Additionally, Finder has agreed not to compete, directly or indirectly, with the Homestead Village properties in certain states in which PTR and ATLANTIC do business through December 31, 1996.

Rights Agreement

On May 16, 1996 the Homestead Board of Directors declared and paid a dividend of one purchase right as defined per the Rights Agreement for each share of Homestead common stock outstanding to the holders of Homestead common stock of record on this date. The shares of Homestead common stock issued after May 16, 1996 and before the expiration of the purchase rights (May 16, 2006), will also be entitled to one purchase right for each share issued. Each purchase right entitles the holder to purchase one-hundredth of a participating preferred share of Homestead at \$50, subject to adjustment as defined in the agreement. The Board of Directors of Homestead through its Articles of Incorporation is authorized to issue one or more series and to determine the number of preferred shares of each series and the rights of each series. The purchase rights will be exercisable only after a person or group of affiliated persons acquires 20% or more of the outstanding shares of common stock or offers to acquire 25% or more.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF ATLANTIC SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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UNTIL , 1996 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE SHARES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

SHARES

COMMON STOCK
(PAR VALUE \$.01 PER SHARE)

PROSPECTUS

GOLDMAN, SACHS & CO.
REPRESENTATIVES OF THE UNDERWRITERS

LOGO

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 30. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table itemizes the expenses incurred by the Registrant in connection with the offering of the shares being registered. All the amounts shown are estimates (other than the SEC registration fee and the NASD fee).

<TABLE>
<CAPTION>

AMOUNT

<S>

<C>

SEC registration fee.....	\$39,656
NASD fee.....	12,000
New York Stock Exchange listing fee.....	*
Printing and engraving fees.....	*
Legal fees and expenses (other than Blue Sky).....	*
Accounting fees and expenses.....	*
Blue Sky fees and expenses (including fees of counsel).....	*
Miscellaneous expenses.....	*
Total.....	\$ *

</TABLE>

*To be included in amendment.

ITEM 31. SALES TO SPECIAL PARTIES.

See Item 32.

ITEM 32. RECENT SALES OF UNREGISTERED SECURITIES.

From October 26, 1993 (the date of the Registrant's inception) through June 28, 1994, Security Capital Group Incorporated purchased an aggregate of 26,133,150 shares of the Registrant's common stock at a price of \$10.00 per share. Such purchases were exempt from registration pursuant to Section 4(2) of the Securities Act. On May 12, 1994, Laing Properties, Inc. received 10,000,000 shares of the Registrant's common stock in partial consideration for ATLANTIC's acquisition of a portfolio of properties. Of the 10,000,000 shares issued to Laing Properties, Inc., 7,500,000 shares have been repurchased by the Registrant under a put obligation. In August 1994, the Registrant sold 1,000,000 shares of common stock in a private offering at a price of \$10.00 per share (including 663,425 shares which were sold to Security Capital Group Incorporated). From March 1995 through June 1995, the Registrant sold 14,545,455 shares of common stock in a private offering at a price of \$11.00 per share (including 8,621,409 shares which were sold to Security Capital Group Incorporated). From November 1995 through May 1996, the Registrant sold 21,724,556 shares of common stock in a private offering at a price of \$11.50 per share (including 1,839,423 shares which were sold to Security Capital Group Incorporated at a price of \$11.50 per share and 2,500,000 shares which were sold to Security Capital Group Incorporated at a price of \$11.568 per share). All such transactions were effected pursuant to the exemption from registration contained in Section 4(2) of the Securities Act and Rule 506 thereunder.

ITEM 33. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Registrant's officers and Directors are and will be indemnified under the Registrant's charter against certain liabilities. The Registrant's charter provides that the Registrant will, to the maximum extent permitted by Maryland law in effect from time to time, indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former Director or officer of the Registrant or (b) any individual who, while a Director or officer of the Registrant and at the request of the Registrant, serves or has served another corporation,

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partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, partnership, joint venture, employee benefit plan or other enterprise. The Registrant has the power, with the approval of the Registrant's Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Registrant in any of the capacities described in (a) or (b) above and to any employee or agent of the Registrant or its predecessors.

Maryland law requires a corporation (unless its charter provides otherwise, which the Registrant's charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or

in the right of the corporation. In addition, Maryland law requires the Registrant, as a condition to advancing expenses, to obtain (a) a written affirmation by the Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the Registrant as authorized by the Registrant's Bylaws and (b) a written statement by or on his or her behalf to repay the amount paid or reimbursed by the Registrant if it shall ultimately be determined that the standard of conduct was not met.

The Registrant has entered into indemnity agreements with each of its officers and Directors which provide for reimbursement of all expenses and liabilities of such officer or Director, arising out of any lawsuit or claim against such officer or Director due to the fact that he or she was or is serving as an officer or Director, except for such liabilities and expenses (a) the payment of which is judicially determined to be unlawful, (b) relating to claims under Section 16(b) of the Securities Exchange Act of 1934 or (c) relating to judicially determined criminal violations.

The form of Underwriting Agreement filed as an exhibit to this registration statement provides for the reciprocal indemnifications by the Underwriters of the Registrant, and its Directors, officers and controlling persons, and by the Registrant of the Underwriters, and their respective directors, officers and controlling persons, against certain liabilities under the Securities Act.

ITEM 34. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

The consideration to be received by the Registrant for the shares registered will be credited to the appropriate capital account.

ITEM 35. FINANCIAL STATEMENTS AND EXHIBITS.

See Index to Financial Statements and Index to Exhibits.

ITEM 36. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

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Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that: (1) for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and (2) for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-11 AND HAS DULY CAUSED THIS AMENDMENT TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF ATLANTA, STATE OF GEORGIA, ON THE 23RD DAY OF AUGUST, 1996.

Security Capital Atlantic

Incorporated

/s/ James C. Potts

By: _____
James C. Potts
Co-Chairman and Chief Investment
Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
----- /s/ James C. Potts ----- JAMES C. POTTS	Co-Chairman, Chief Investment Officer and Director	August 23, 1996
----- /s/ Constance B. Moore* ----- CONSTANCE B. MOORE	Co-Chairman, Chief Operating Officer and Director	
----- /s/ William Kell* ----- WILLIAM KELL	Vice President and Controller (Principal Financial and Accounting Officer)	
----- /s/ C. Ronald Blankenship* ----- C. RONALD BLANKENSHIP	Director	
----- /s/ M. A. Garcia III* ----- M. A. GARCIA III	Director	
----- /s/ Ned S. Holmes* ----- NED S. HOLMES	Director	
----- /s/ James C. Potts -----		August 23, 1996

*By: _____
JAMES C. POTTS
ATTORNEY-IN-FACT

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INDEX TO EXHIBITS

<TABLE> <CAPTION> EXHIBIT NO. -----	DOCUMENT DESCRIPTION -----	<C>
<C>	<S>	
1+	Form of Underwriting Agreement among Security Capital Atlantic Incorporated ("ATLANTIC") and Goldman, Sachs & Co., as representatives of the several underwriters named therein	
2.1	Merger and Distribution Agreement, dated as of May 21, 1996, among Security Capital Pacific Trust ("PTR"), ATLANTIC, Security Capital Group Incorporated ("SCG") and Homestead Village Properties Incorporated ("Homestead") (incorporated by reference to Exhibit 2 to Homestead's Form S-4 Registration Statement (File No. 333-4455; the "Homestead S-4"))	
2.2	Form of Articles of Merger (incorporated by reference to Exhibit 2.1 to the Homestead S-4)	
4.1*	Second Amended and Restated Articles of Incorporation of ATLANTIC	
4.2*	Articles of Amendment to Second Amended and Restated Articles of Incorporation of ATLANTIC	
4.3*	Second Amended and Restated Bylaws of ATLANTIC	
4.4*	Rights Agreement, dated as of March 12, 1996, between ATLANTIC and The First National Bank of Boston, as Rights Agent, including form of Rights Certificate	

4.5	Form of stock certificate for shares of common stock of ATLANTIC
4.6	Additional Corporate Promissory Note by Atlantic Homestead Village Incorporated in favor of ATLANTIC (incorporated by reference to Exhibit 4.5 to the Homestead S-4)
4.7	Consolidated Amended and Restated Promissory Note by Atlantic Homestead Village Incorporated in favor of ATLANTIC (incorporated by reference to Exhibit 4.6 to the Homestead S-4)
4.8	Amended and Restated Promissory Note by Atlantic Homestead Village Limited Partnership in favor of ATLANTIC (incorporated by reference to Exhibit 4.7 to the Homestead S-4)
5+	Opinion of Mayer, Brown & Platt as to the legality of the shares being registered
8	Opinion of Mayer, Brown & Platt as to certain tax matters
10.1*	Transfer and Registration Rights Agreement, dated as of December 15, 1995, among ATLANTIC and the investors listed on the signature pages thereto
10.2*	Supplemental Registration Rights Agreement, dated as of December 15, 1995, among ATLANTIC and the investors listed on the signature pages thereto
10.3	Second Amended and Restated REIT Management Agreement, dated as of June 30, 1996, between ATLANTIC and the REIT Manager
10.4*	Investor Agreement, dated as of October 28, 1993, between ATLANTIC and SCG
10.5	Form of Second Amended and Restated Credit Agreement, dated as of June 27, 1996, between ATLANTIC and Morgan Guaranty Trust Company of New York, as agent bank, including form of Revolving Credit Note
10.6+	Form of Indemnification Agreement entered into between ATLANTIC and each of its Directors
10.7	Security Capital Atlantic Incorporated Share Option Plan for Outside Directors

</TABLE>

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<TABLE>

<CAPTION>

EXHIBIT NO.	DOCUMENT DESCRIPTION	
-----	-----	
<C>	<S>	<C>
10.8	Warrant Purchase Agreement, dated as of May 21, 1996, among Homestead, ATLANTIC, PTR and SCG (incorporated by reference to Exhibit 10.6 to the Homestead S-4)	
10.9	Form of Protection of Business Agreement among ATLANTIC, PTR, SCG and Homestead (incorporated by reference to Exhibit 10.1 to the Homestead S-4)	
10.10	Form of Investor and Registration Rights Agreement between Homestead and ATLANTIC (incorporated by reference to Exhibit 10.7 to the Homestead S-4)	
10.11	Form of Funding Commitment Agreement between Homestead and ATLANTIC (incorporated by reference to Exhibit 10.4 to the Homestead S-4)	
21*	Subsidiaries of ATLANTIC	
23.1+	Consent of Mayer, Brown & Platt	
23.2	Consent of Ernst & Young LLP, Dallas, Texas	
23.3	Consent of Ernst & Young LLP, West Palm Beach, Florida	
23.4	Consent of KPMG Peat Marwick LLP	
23.5	Acknowledgement Letter of Ernst & Young LLP, Dallas, Texas	
24*	Power of Attorney pursuant to which amendments to this Registration Statement may be filed	
27	Financial Data Schedule	

</TABLE>

*Previously filed.

+To be filed by amendment.

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Page 33 contains a chart showing the expected population and job growth in ATLANTIC's primary target market cities versus the United States as a whole. The graph contains four bars showing expected population growth in ATLANTIC's primary target market cities of 34.4%, expected population growth in the U.S. as a whole of 16.9%, expected job growth in ATLANTIC's primary target market cities of 28.1% and expected job growth in the U.S. as a whole of 19.7%, each for the years 1995 through 2015.

ORGANIZED UNDER THE LAWS
OF THE STATE OF MARYLAND

SHARES OF COMMON STOCK

NUMBER

[LOGO]

Par Value \$0.01
SHARES A-

THIS CERTIFICATE IS TRANSFERABLE IN
BOSTON, MASS. AND NEW YORK, N.Y.

CUSIP 814137 10 5
SEE REVERSE FOR RESTRICTIONS AND
OTHER INFORMATION

SECURITY CAPITAL ATLANTIC INCORPORATED

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK OF

Security Capital Atlantic Incorporated, a corporation organized under the laws of the State of Maryland (the "Corporation") transferable on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon the surrender of this Certificate properly endorsed.

The Shares evidenced by this Certificate are subject to the charter of the Corporation (the "Charter") and the Bylaws of the Corporation and any amendments thereto. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officer.

Dated:

/s/ Constance B. Moore
CO-CHAIRMAN

COUNTERSIGNED AND REGISTERED
THE FIRST NATIONAL BANK OF BOSTON
BY

/s/ Jeffrey A. Klopff
SECRETARY
AUTHORIZED SIGNATURE

SECURITY CAPITAL ATLANTIC INCORPORATED

The Corporation will furnish to any stockholder, on request and without charge, a full statement of the information required by Section 2-211(b) of the Corporations and Associations Article of the Annotated Code of Maryland with respect to the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption of the stock of each class which the Corporation has authority to issue and, if the Corporation is authorized to issue any preferred or special class in series, (i) the differences in the relative rights and preferences between the shares of each series to the extent set and (ii) the authority of the Board of Directors

to set such rights and preferences of subsequent series. The foregoing summary does not purport to be complete and is subject to and qualified in its entirety by reference to the charter of the Corporation (the "Charter"), a copy of which will be sent without charge to each stockholder who so requests. Such request must be made to the Secretary of the Corporation at its principal office or to the Transfer Agent.

The securities represented by this certificate are subject to restrictions on ownership and transfer for the purpose of the Corporation's maintenance of its status as a real estate investment trust under the Internal Revenue Code of 1986, as amended. Except as otherwise provided pursuant to the Charter, no Person may Beneficially Own Shares in excess of 9.8% (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the number or value of the outstanding Shares of the Corporation (unless such person is an Existing Holder or an Excluded Holder). Any Person who attempts or proposes to Beneficially Own Shares in excess of the above limitations must notify the Corporation in writing at least 30 days prior to such proposed or attempted Transfer. All capitalized terms in this legend have the meanings defined in the Charter, a copy of which, including the restrictions on transfer, will be furnished to each stockholder on request and without charge. If the restrictions on transfer are violated, the securities represented hereby will be designated and treated as Excess Shares which will be held in trust by the Excess Share Trustee for the benefit of the Charitable Beneficiary.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT MIN ACT-	-----
TEN ENT -- as tenants by the entireties		(Cust) (Minor)
JT TEN -- as joint tenants with the		under Uniform Gifts to
right of survivorship and not		Minor Act
as tenants in common		-----

(State)

UNIF TRF MIN ACT-	-----
	(Cust) (Minor)
	(until age __) under
	Uniform Transfers to
	Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING ZIP CODE OF ASSIGNEE)

shares

of Common Stock of the Corporation represented by this Certificate, and do
hereby irrevocably constitute
and appoint _____

Attorney

to transfer said shares of Common Stock on the books of the Corporation with
full power of substitution in the premises.

Dated _____

NOTICE: The signature to this assignment must
correspond with the names as written upon the
face of this Certificate in every particular,
without alterations or enlargement or any
change whatever.

THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN
PREFERRED SHARE PURCHASE RIGHTS (THE "RIGHTS"), AS SET FORTH IN A RIGHTS
AGREEMENT (THE "RIGHTS AGREEMENT"), DATED AS OF MARCH 12, 1996, BETWEEN SECURITY
CAPITAL ATLANTIC INCORPORATED AND THE FIRST NATIONAL BANK OF BOSTON, AS RIGHTS
AGENT, THE TERMS OF WHICH ARE HEREBY INCORPORATED HEREIN BY REFERENCE AND A COPY
OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF SECURITY CAPITAL
ATLANTIC INCORPORATED. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS
AGREEMENT, SUCH RIGHTS WILL BE EVIDENCED BY SEPARATE CERTIFICATES AND WILL NO
LONGER BE EVIDENCED BY THIS CERTIFICATE. SECURITY CAPITAL ATLANTIC INCORPORATED
WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT
WITHOUT CHARGE AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN
CIRCUMSTANCES DESCRIBED IN THE RIGHTS AGREEMENT, RIGHTS ISSUED TO OR HELD BY ANY
PERSON WHO IS, WAS, OR BECOMES AN ACQUIRING PERSON OR ANY AFFILIATE OR ASSOCIATE
THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT), WHETHER HELD BY OR
ON BEHALF OF SUCH PERSON OR ANY SUBSEQUENT HOLDER, SHALL BECOME NULL AND VOID.

August 23, 1996

Board of Directors
Security Capital Atlantic Incorporated
Six Piedmont Center
Atlanta, Georgia 30305

Re: Security Capital Atlantic Incorporated
Registration Statement Form S-11 (No. 333-07071)

Ladies and Gentlemen:

In connection with the offering of Shares/1/ in Security Capital Atlantic Incorporated, a Maryland corporation ("ATLANTIC"), pursuant to the S-11 Registration Statement filed with the Securities Exchange Commission on June 28, 1996, as amended (the "Registration Statement"), you have requested our opinions concerning (i) the qualification and taxation of ATLANTIC as a REIT and (ii) the information in the Registration Statement under the headings "PROSPECTUS SUMMARY -- Tax Status of Atlantic" and "FEDERAL INCOME TAX CONSIDERATIONS."

In formulating our opinions, we have reviewed and relied upon the Registration Statement (including the Prospectus of Homestead), such other documents and information provided by you, and such applicable provisions of law as we have considered necessary or desirable for purposes of the opinions expressed herein.

In addition, we have relied upon certain representations made by ATLANTIC relating to the organization and actual and proposed operation of ATLANTIC and its relevant subsidiaries. For purposes of our opinions, we have not made an independent investigation of the facts set forth in such documents, representations from ATLANTIC or the Registration Statement. We have, consequently, relied upon your representations that the information presented in such documents, or otherwise furnished to us, accurately and completely describes all material facts.

/1/ Unless otherwise specifically defined herein, all capitalized terms have the meaning assigned to them in the Registration Statement.

Board of Directors

In rendering these opinions, we have assumed that the transactions contemplated by the foregoing documents will be consummated in accordance with the operative documents, and that such documents accurately reflect the material facts of such transactions. Our opinions expressed herein are based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations promulgated thereunder, and the interpretations of the Code and such regulations by the courts and the Internal Revenue Service, all as they are in effect and exist at the date of this letter. It should be noted that statutes, regulations, judicial decisions, and administrative interpretations are subject to change at any time and, in some circumstances, with retroactive effect. A material change that is made after the date hereof in any of the foregoing bases for our opinions, could adversely affect our conclusions.

Based upon and subject to the foregoing, it is our opinion that:

1. Beginning with ATLANTIC's taxable year beginning on May 12, 1994, ATLANTIC has been organized in conformity with the requirements for qualification as a REIT under the Code, and ATLANTIC's actual and proposed method of operation, as described in the Registration Statement and as represented by ATLANTIC has enabled it and will continue to enable it to satisfy the requirements for qualification as a REIT.

2. The information in the Registration Statement under the headings "PROSPECTUS SUMMARY -- Tax Status of Atlantic" and "FEDERAL INCOME TAX CONSIDERATIONS," to the extent that it constitutes matters of law or legal conclusions, has been reviewed by us and is correct in all material respects.

Other than as expressly stated above, we express no opinion on any issue relating to ATLANTIC or to any investment therein.

Board of Directors
Security Capital Atlantic Incorporated
August 23, 1996
Page 3

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein and under the caption "FEDERAL INCOME TAX CONSIDERATIONS" in the Registration Statement.

Very truly yours,

SECOND AMENDED AND RESTATED REIT MANAGEMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED REIT MANAGEMENT AGREEMENT (this "Agreement") is made and entered into as of the 30th day of June, 1996, by and between Security Capital Atlantic Incorporated, a Maryland corporation (the "Company"), and Security Capital (Atlantic) Incorporated, a Nevada corporation (the "REIT Manager").

W I T N E S S E T H:

WHEREAS, the Company is organized under the laws of the State of Maryland pursuant to Amended and Restated Articles of Incorporation dated as of May 4, 1994 (the "Articles of Incorporation"), and currently qualifies as a "real estate investment trust" as defined in the Internal Revenue Code of 1986, as amended (the "Code"), to make investments of the type permitted for qualified real estate investment trusts under the Code and not inconsistent with the Articles of Incorporation and the By-Laws of the Company (the "By-Laws");

WHEREAS, the Company, desiring to avail itself of the experience, sources of information, advice, assistance and certain facilities of, or available to, the REIT Manager and to have the REIT Manager undertake the duties and responsibilities hereinafter set forth, on behalf of and subject to the supervision of the Board of Directors of the Company (the "Board"), entered into a First Amended and Restated REIT Management Agreement dated as of June 30, 1995, as amended (the "Prior Agreement"), with the REIT Manager and the term of the Prior Agreement expires on the date hereof; and

WHEREAS, the REIT Manager and the Company desire to amend and restate the Prior Agreement to extend the term for an additional year and to clarify certain ambiguities and to more fully give effect to the intentions of the parties thereto;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Company and the REIT Manager agree that the Prior Agreement is hereby amended and restated in its entirety as follows:

I. DEFINITIONS

1.1 DEFINITIONS. As used in this Agreement, the following capitalized terms shall have the meanings set forth below.

(a) "Affiliate" means as to any person, any other person directly or

indirectly controlling, controlled by or under common control with such person.

(b) "Articles of Incorporation" shall have the meaning set forth in the recitals hereto.

(c) "Average Invested Assets" for any period shall mean the average of the aggregate book value of the assets of the Company invested, directly or indirectly, in equity interests in and loans secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves, computed by taking the average of such values at the end of each month during such period.

(d) "Board" shall have the meaning set forth in the recitals hereto.

(e) "By-Laws" shall have the meaning set forth in the recitals hereto.

(f) "Cash Equivalent Investments" means assets of the Company that consist of cash, interest-bearing deposits in banks, repurchase agreements with banks and readily-marketable securities.

(g) "Cash Flow" for any period means the sum of (i) Funds Available from Operations for such period (after deducting all income from Cash Equivalent Investments), plus (ii) the REIT Management Fees payable pursuant to Section 3.1 hereof, plus (iii) any expenses incurred by the Company that are unusual in light of the Company's historical experience prior to the incurrence thereof and are incurred at the request of a majority of the Independent Directors, plus (iv) 33% of the interest paid during such period on any subordinated debentures that are (x) issued after the execution of this Agreement and (y) convertible into Common Stock, provided, however, that this definition shall be equitably adjusted by mutual agreement in the event of a recapitalization or other event which results in a reclassification of the equity securities of the Company.

(h) "Cause" means either (i) an act of fraud, embezzlement or theft constituting a felony or an act intentionally against the interests of the Company which causes it material injury, (ii) a final determination by a court of competent jurisdiction that the REIT Manager has committed a material breach of this Agreement, (iii) a petition shall have been filed against the REIT Manager for an involuntary proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, and such petition shall not have been dismissed within 60 days of filing; or a court having jurisdiction shall have appointed a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the REIT Manager for any substantial portion of its property, or ordered the winding up or liquidation of its affairs; or (iv) the REIT Manager shall have commenced a voluntary proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall have made any general assignment for the benefit of creditors, or shall have failed generally to pay its debts as they become due.

(i) "Code" shall have the meaning set forth in the recitals hereto.

(j) "Common Stock" shall mean the Company's common stock, \$.01 par value per share.

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(k) "Company Property" means any real property or interest therein and associated personal property owned by the Company.

(l) "Director" means any Director holding office under the Articles of Incorporation at any particular time.

(m) "Exchange Act" shall have the meaning set forth in Section 2.13 hereof.

(n) "Funds Available from Operations" for any period means the dollar amount equal to the sum of (i) net earnings of the Company for such period, determined in accordance with generally accepted accounting principles, but excluding (A) interest income and/or dividends received from Atlantic Development Services Incorporated, and (B) from and after the consummation of the transactions contemplated by that certain Merger and Distribution Agreement (the "Merger Agreement") among the Company, Security Capital Pacific Trust, a Maryland real estate investment trust, Security Capital Group Incorporated, a Maryland corporation, and Homestead Village Properties Incorporated, a Maryland corporation, dated as of May 21, 1996, interest income received in connection with promissory notes now outstanding or hereafter issued pursuant to the Funding Commitment Agreement entered into by the Company in connection with the Merger Agreement from Atlantic Homestead Village Limited Partnership or Atlantic Homestead Village Incorporated to the Company, plus (ii) interest actually paid on the Company's senior unsecured long term debt instruments, plus (iii) non-cash items deducted in calculating net earnings for such period (including but not limited to depreciation) which are generally added to net earnings in determining funds from operations for distribution to shareholders pursuant to prevailing practice among publicly-held real estate investments trusts, minus (iv) regularly scheduled principal payments (excluding prepayments or balloon payments) on mortgage indebtedness which has a commercially reasonable amortization schedule, minus (v) an assumed amount of payments of principal and interest which would have been paid by the Company during such periods under senior unsecured long term debt instruments of the Company, if payments were equal to payments on a 20-year fully amortizing mortgage of equal principal amount and effective interest rate with a payment schedule requiring equal annual payments of combined principal and interest (but not costs of issuance), minus (vi) distributions actually paid with respect to any non-convertible preferred shares of stock of the Company. For calculations under clause (v) of the preceding sentence, all tranches of long term debt issued simultaneously shall be viewed collectively and shall be treated as one mortgage financing with an interest rate equal to the Company's weighted average effective interest rate for such tranches after giving effect to any interest rate protection or similar agreements. For example, the attached Exhibit A shows the assumed effective interest rate and monthly payment schedules on an assumed offering of \$200

million of senior notes, which would be deducted in calculating Funds Available from Operations if the Company were to consummate such an offering. Funds Available from Operations will not be increased or decreased by virtue of any of the following: realized gains or losses, capital expenditures or principal payments, except for principal payments under the Company's long term debt instruments as contemplated by clauses (iv) and (v) of the foregoing sentence.

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(o) "Indemnified Party" shall have the meaning set forth in Section 6.2(a) hereof.

(p) "Independent Director" means a Director who (i) is not affiliated, directly or indirectly, with the REIT Manager, whether by ownership of, ownership interest in, employment by, any material business or professional relationship with, or service as an officer or director of, the REIT Manager or a business entity that is an Affiliate of the REIT Manager, (ii) is not serving as a trustee or director for more than three real estate investment trusts organized by a Sponsor of the Company and (iii) performs no other services for the Company, except as Director. An indirect relationship shall include circumstances in which a member of the immediate family of a Director has one of the foregoing relationships with the REIT Manager or the Company.

(q) "Investment Policies" at any time shall have the meaning given thereto either in (i) the Articles of Incorporation or By-Laws as then in effect or (ii) a written statement adopted by the Board and delivered to the REIT Manager by the Company.

(r) "Net Income" for any period means total revenues (excluding gains or losses from the sale of Company assets) applicable to such period, less the expenses applicable to such period other than additions to reserves for depreciation or bad debts or other similar non-cash reserves.

(s) "REIT Management Fee" shall have the meaning set forth in Section 3.1 hereof.

(t) "Renewal Term" shall have the meaning set forth in Section 4.2 hereof.

(u) "Sponsor" means any person directly or indirectly instrumental in organizing, wholly or in part, a real estate investment trust, or any person who will manage or participate in the management of a real estate investment trust, and any Affiliate of any such person, but excluding (i) any person whose only relationship with such real estate investment trust is that of an independent property manager whose only compensation is for property management services and (ii) independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services.

(v) "Total Operating Expenses" for any period means all operating and general and administrative expenses of the Company as determined under generally accepted accounting principles but excluding (i) the expenses of raising capital

and financing, including, without limitation, financing for Company Properties, including related investment banking and legal fees, (ii) interest payments on all debt of the Company, (iii) taxes, (iv) non-cash expenditures, and (v) the costs related directly to Company Property acquisition, development, operation and disposition. The exclusion for costs related directly to Company Property acquisition, development, operation and disposition permits exclusion of expenses incurred with respect to specific individual Company Properties but does not permit the exclusion of operating, general and administrative expenses for the Company's operations in general.

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1.2 ACCOUNTING PRINCIPLES. Except as otherwise provided herein, all accounting and financial terms used herein shall be determined in accordance with generally accepted accounting principles.

II. DUTIES OF THE REIT MANAGER

2.1 GENERAL. The REIT Manager shall use its best efforts to perform each of the duties set forth in this Agreement and shall have the authority to take all actions and to execute all documents and instruments that it deems necessary or advisable in connection with the management and operations of the Company and the fulfillment of its duties as set forth herein, subject in each matter to the supervision of the Board and to the Investment Policies of the Company, and with respect to the acquisition, development, financing and disposition of real property, to the prior approval of the Board.

2.2 ANNUAL STRATEGIC PLAN. The REIT Manager will prepare annually a strategic plan that incorporates a specific business strategy, an annual operating budget, investment and disposition objectives and capitalization and funding strategies. This plan will be presented in the fourth quarter of the year prior to the year for which such plan applies to the Board for its review and approval. Consistent with the annual strategic plan, and subject to supervision by the Board, the REIT Manager will provide acquisition, development and disposition services including the following:

(a) Investigation and selection of possible acquisitions and developments, property analysis, market and economic surveys, on-site physical inspections, review and projection of income and operating expenses and, when desired, supervising and negotiating the arrangement of financing;

(b) Conducting negotiations with real estate brokers, owners of property and their agents, investment bankers and owners of privately and publicly held real estate companies;

(c) Engaging and supervising, on behalf of the Company, independent contractors which provide real estate brokerage, investment banking (as to which an Affiliate of the REIT Manager may be used if there is no charge to

the Company for its services, other than the REIT Management Fee) and leasing services, mortgage brokerage and other financial services and such other services as may be required relating to the Company Properties, provided, however, that the REIT Manager shall not share in any brokerage, investment banking or similar fees paid to any person engaged by the REIT Manager to perform such services for the Company; and

(d) Negotiating on behalf of the Company for the sale, exchange or other disposition of any Company Properties.

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2.3 ASSET MANAGEMENT. The REIT Manager may retain third-party property managers and leasing agents for administration, leasing and management of Company Properties. Subject to the approval of a majority of the Board, including a majority of the Independent Directors, the REIT Manager may provide property management and/or leasing services for Company Properties through an Affiliate of the REIT Manager on terms and conditions no less favorable to the Company than those available from qualified unaffiliated third parties; provided, however, that such services may not be provided through an Affiliate of the REIT Manager if doing so would jeopardize the Company's qualification as a real estate investment trust under Sections 856 through 860 of the Code. The Company and the REIT Manager will negotiate in good faith the terms of any future management agreements between the Company and Affiliates of the REIT Manager which are permitted pursuant to this Section 2.3.

2.4 GENERAL ADMINISTRATIVE DUTIES. The REIT Manager shall perform, or supervise the performance of, the necessary administrative functions in the day-to-day management of the Company and its operations, including, without limitation, internal and external financial reporting, property accounting, shareholder relations, supervision of stock registrar and transfer services and other necessary services, all in a manner consistent with the Company's current practice, subject to changes approved by a majority of the Board.

2.5 REAL ESTATE INVESTMENT ADVICE. The REIT Manager shall advise the Company with respect to policy decisions to be made by the Board, shall investigate and evaluate investment opportunities consistent with the real estate investment policies and the objectives of the Company and recommend them to the Board, and shall provide research, economic and statistical data in connection with the Company's real estate investments and policies.

2.6 SHORT-TERM INVESTMENTS. The REIT Manager may invest and reinvest any monies and securities of the Company in short-term investments pending investment in Company Properties. Unless a specific new policy is developed by the REIT Manager and approved by the Board, the REIT Manager may invest and reinvest any monies and securities of the Company, pending investment in Company Properties, in accordance with current practice and past policies developed by the REIT Manager and approved by the Board.

2.7 AGENCY. The REIT Manager shall act as agent of the Company in making,

acquiring, financing and disposing of investments, disbursing and collecting the Company's funds, paying the debts and fulfilling the obligations of the Company, supervising the performance of the managers of the Company Properties and handling, prosecuting and settling any claims of or against the Company, the Board, holders of the Company's securities or the Company's representatives or properties.

2.8 RETENTION OF SERVICES. The REIT Manager shall retain for and on behalf of the Company such services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, developers, banks and other lenders and others as the REIT Manager deems

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necessary or advisable in connection with the management and operations of the Company and the fulfillment of the REIT Manager's duties as set forth herein.

2.9 OFFICE AND PERSONNEL. The REIT Manager shall maintain on behalf of the Company such office space, equipment and personnel, including officers and employees of the REIT Manager or its Affiliates, as it deems necessary or advisable in connection with the management and operations of the Company and the fulfillment of the REIT Manager's duties as set forth herein.

2.10 BANK ACCOUNTS. The REIT Manager may establish one or more bank accounts in the name of the Company or in its own name and may deposit into and disburse from such accounts any monies on behalf of the Company, provided that no funds in any such account shall be commingled with funds of the REIT Manager, and the REIT Manager shall as requested by the Board render appropriate accountings to the Board of such deposits and disbursements.

2.11 BOOKS AND RECORDS. The REIT Manager shall maintain all accounting and reporting systems, books and records of the Company, including books of account and records relating to services performed by the REIT Manager, in form and quality at least equivalent to the Company's current practice, and shall make such books and records accessible for inspection by the Board at any time during ordinary business hours.

2.12 APPRAISALS AND REPORTING. As frequently as may be required by the Board or as the REIT Manager may deem necessary or advisable, the REIT Manager shall prepare, or cause to be prepared, with respect to each of the Company Properties (i) an appraisal prepared by an independent real estate appraiser, (ii) reports and information on Company operations and asset performance at least equivalent, with respect to quality and clarity of information, to the Company's current practice and (iii) other information reasonably requested by the Board.

2.13 REPORTS, ETC. The REIT Manager shall prepare, or cause to be prepared, all reports of the Company required under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other communications to the holders of the Company's securities, including, without limitation, proxy solicitation

materials, and all tax returns and any other reports or other materials required to be filed with any governmental body or agency, and shall prepare, or cause to be prepared, all materials and data necessary to complete such reports and other materials including, without limitation, an annual audit of the Company's books of account by a nationally recognized independent accounting firm.

2.14 FINANCING AND SECURITIES ISSUANCES. The REIT Manager shall provide services to the Company in connection with negotiations by the Company with investment banking firms, securities brokers or dealers and other institutions or investors in connection with the sale of securities of the Company and the securing of loans for the Company, provided, however, that the REIT Manager shall not share in any fees paid by the Company to third parties for such services.

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2.15 ADDITIONAL SERVICES. The REIT Manager shall perform such additional services as from time to time may be requested by the Board and agreed to by the REIT Manager, provided, however, that nothing herein shall require the REIT Manager to agree to any such request or to perform any additional services to which it has not previously agreed.

2.16 REIT QUALIFICATION, ETC. In the performance of its duties and responsibilities hereunder, the REIT Manager shall refrain from any action (i) which, in its judgment or in the judgment of the Board of which the REIT Manager has written notice, would adversely affect the qualification of the Company as a real estate investment trust under the Code, (ii) which would violate any law, rule or regulation of any governmental body or agency having jurisdiction over the Company or its securities, the violation of which could have a material adverse effect on the Company or (iii) which would otherwise not be permitted by the Articles of Incorporation.

2.17 MORTGAGES AND INSURANCE. The REIT Manager shall use its best efforts to (i) ascertain that any mortgage securing any investment of the Company shall be a valid lien upon the mortgaged property according to its terms, for which the REIT Manager may rely on mortgagee's policies of title insurance issued by reputable title insurance companies, and that any insurance or guaranty issued by any person upon which the Board relies is valid and in full force and effect and enforceable according to its terms, (ii) cause each Company Property to be duly insured, to the extent coverage is available on commercially reasonable terms, against loss or damage by fire, with extended coverage, and against such other insurable hazards and risks as is customary and appropriate in the circumstances, provided, however, that if the REIT Manager determines that a type of insurance coverage currently maintained by the Company is available, but no longer on commercially reasonable terms, the REIT Manager shall so advise the Board and act in accordance with the Board's instructions and (iii) carry out the policies from time to time specified in writing by the Board with regard to the protection of Company Properties. The REIT Manager shall be entitled to reasonably rely on qualified experts in performing its duties under this Section 2.17.

2.18 FIDELITY BOND. The REIT Manager shall maintain a fidelity bond with a responsible surety company in an amount approved by the Board covering all officers and employees of the REIT Manager handling funds of the Company and any investment documents or papers, which bonds shall protect against all losses of any such property from acts of such officers and employees through theft, embezzlement, fraud and dishonesty.

III. COMPENSATION

3.1 REIT MANAGEMENT FEE.

(a) The Company shall pay the REIT Manager an annual REIT Management Fee equal to the sum of (i) 16% of annual Cash Flow and (ii) the product of 0.20% per annum multiplied

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by the average daily balance of the Company's Cash Equivalent Investments, measured at the end of each month. All payments of the REIT Management Fee shall be subject to annual adjustment at year end as provided in Section 3.5 hereof. The REIT Management Fee shall be payable monthly in arrears in such amounts indicated by the annual operating budget approved by a majority of the Board, as revised no more than quarterly to reflect known material changes.

(b) Within 50 days following the end of each calendar quarter and within 100 calendar days after the end of each calendar year of the Company (following the receipt by the Company of an auditor's report, prepared by a nationally recognized independent accounting firm, with respect to the Company's financial statements for such year), the REIT Manager shall deliver to the Company a statement, certified by an officer of the REIT Manager, setting forth the following: (i) the amount of the estimated REIT Management Fee actually paid by the Company for all months during such quarter or year, as the case may be, (ii) the amount of the REIT Management Fee that should have been paid for such quarter or year, as the case may be, and (iii) the amount, if any, of accrued and unpaid REIT Management Fees. If the annual or quarterly statement, as the case may be, indicates an overpayment by the Company of the REIT Management Fee, such overpayment shall be offset against the next ensuing estimated REIT Management Fee to become due hereunder, or, if at any time no further REIT Management Fee can become due, the balance of any overpayment shall be paid without interest by the REIT Manager within 15 calendar days after demand therefor by the Company, such repayment to be due and payable whether or not this Agreement is still in full force and effect. If the annual or quarterly statement, as the case may be, indicates an underpayment by the Company of the REIT Management Fee with respect to the quarter or year covered thereby, the Company, within 15 calendar days after receipt of the statement, shall pay to the REIT Manager the amount of such underpayment. The REIT Management Fee for

any year shall not be recalculated on the basis of any post-year-end adjustments to the Company's taxable income arising, directly or indirectly, from an audit by the Internal Revenue Service.

3.2 PAYMENT FOR ADDITIONAL SERVICES. If the Board shall request the REIT Manager to render services to the Company other than those required to be rendered by the REIT Manager hereunder, such additional services, if performed, shall be compensated separately on terms to be agreed upon from time to time between the REIT Manager and the Company, which terms shall not be less favorable to the Company than either (a) the terms under which the REIT Manager is then performing similar services for other persons, taking into account the full range of services and prices therefor provided by the REIT Manager to such other persons or (b) the terms under which qualified unaffiliated persons are then performing such services for comparable organizations, provided that no separate fee shall be charged to the Company for any investment banking services provided by any Affiliate of the REIT Manager.

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3.3 EXPENSES OF THE REIT MANAGER. Without regard to the amount of compensation received hereunder by the REIT Manager, the REIT Manager shall bear the following expenses:

(a) wages, salaries and other compensation of the REIT Manager's officers and employees, including so-called fringe benefits such as life, disability, medical and health insurance, pension plans, social security taxes and workers' compensation insurance;

(b) rent and other overhead expenses of the REIT Manager; and

(c) travel and mailing costs pertaining to the REIT Manager's performance of its duties hereunder, except for expenses described in Section 3.4(a) below.

3.4 REIMBURSABLE EXPENSES. The REIT Manager shall pay, or cause to be paid out of the assets of the Company, the following operating expenses of the Company and, if the REIT Manager advances money for such expenses, it shall be entitled to reimbursement by the Company therefor:

(a) travel and other out-of-pocket expenses incurred by directors, officers and employees of the REIT Manager in connection with (i) seeking financing (including debt and equity) for the Company, (ii) evaluating, investigating, negotiating or closing the acquisition, financing, refinancing or disposition of a Company Property after the Board has approved the market in which such property is located for investment or (iii) attending Board, Board committee or shareholder meetings of the Company;

(b) costs of third-party legal, accounting, tax and similar services rendered for the Company;

(c) all other costs and expenses relating to the Company's operations, including, without limitation, the costs and expenses of acquiring, owning, managing, protecting, maintaining and disposing of the Company's investments, including travel, appraisal, reporting, audit and legal fees;

(d) all insurance costs incurred in connection with the operation of the Company;

(e) expenses connected with payments of interest or distributions in cash or any other form made or caused to be made by the Board to or on account of holders of securities of the Company, including, without limitation, expenses incurred in connection with any dividend reinvestment plan;

(f) expenses connected with communications to holders of securities of the Company and the investment community in general (including meetings between

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Affiliates of the REIT Manager and investors or analysts) and the other bookkeeping and clerical work necessary in maintaining relations with holders of securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including the cost of printing and mailing certificates for securities and proxy solicitation materials and reports to holders of the Company's securities;

(g) transfer agent and registrar's fees and charges; and

(h) expenses relating to any office or office facilities maintained for the Company or the Company Properties separate from the office or offices of the REIT Manager.

3.5 REFUND. With respect to any fiscal year in which a majority of the Independent Directors do not find such excess justified, the Board may require the REIT Manager either (a) to refund to the Company, to the extent of any fees received by the REIT Manager during such fiscal year, the amount, if any, by which the Total Operating Expenses of the Company for such fiscal year exceeded the greater of (i) 2% of the sum for such fiscal year of the Average Invested Assets of the Company or (ii) 25% of the Net Income of the Company for such fiscal year or (b) to reduce its fees by the amount of such excess during the balance of the fiscal year next following the fiscal year with respect to which such refund is to be made.

3.6 RESTRICTIONS.

(a) The REIT Manager shall not recommend or consummate any transaction which would involve the acquisition by the Company of property in which the REIT

Manager or any Affiliate thereof has an ownership interest, and neither the REIT Manager nor any Affiliate thereof shall purchase or otherwise acquire from the Company any Company Property; provided, however, that the REIT Manager may recommend and consummate transactions which involve the acquisition by the Company of property from or to Atlantic Development Services Incorporated ("Atlantic Development Services") or in which Atlantic Development Services has an ownership interest, provided that the Company owns a substantial majority of the economic interest in Atlantic Development Services and that a majority of the Board (including a majority of the Independent Directors) not otherwise interested in such transaction approve the transaction as being fair, competitive and commercially reasonable and no less favorable to the Company than acquisitions or dispositions between unaffiliated parties under similar circumstances.

(b) Other than advances of expenses pursuant to Section 3.4 hereof, the Company shall not make loans to, or borrow money from, the REIT Manager or any Affiliate thereof, unless a majority of the Board (including a majority of the Independent Directors) not otherwise interested in such transaction approve the transaction as being fair, competitive and commercially reasonable and no less favorable to the Company than loans between unaffiliated lenders and borrowers under the same circumstances.

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(c) The Company shall not invest in joint ventures with the REIT Manager or any Affiliate thereof, unless a majority of the Board (including a majority of the Independent Directors) not otherwise interested in such transaction approve the transaction as being fair and reasonable to the Company and on substantially the same terms and conditions as those received by the other joint venturers.

(d) All other material transactions between the Company and the REIT Manager, or any Affiliate thereof, shall require approval by a majority of the Board (including a majority of the Independent Directors) not otherwise interested in such transactions as being fair and reasonable to the Company and on terms and conditions no less favorable to the Company than those available from unaffiliated third parties.

IV. TERMINATION; TERM

4.1 TERMINATION. Notwithstanding any other provision to the contrary, this Agreement (i) may be terminated without Cause by the Company upon 60 calendar days' written notice to the REIT Manager, or by the REIT Manager upon 60 calendar days' written notice to the Company, and (ii) may be terminated by the Company for Cause immediately upon providing written notice to the REIT Manager. Any determination by the Company to terminate this Agreement shall be made by the vote of a majority of the Independent Directors or the holders of a majority of outstanding Common Stock. The REIT Manager shall immediately notify the Company of the occurrence of any event described in Sections 1.1(h)(iii) or (iv). In the event of termination of this Agreement, the REIT Manager will

cooperate with the Company and take all reasonable steps requested to assist the Board in making an orderly transition of the REIT management function.

4.2 RENEWAL TERMS. This Agreement shall continue in force for an initial term beginning on the date hereof and ending on June 30, 1997, and shall be renewable by the Company annually, subject to a determination by a majority of the Independent Directors that the REIT Manager's performance hereunder has been satisfactory and that the compensation payable to the REIT Manager hereunder is fair. Absent written notice of non-renewal as provided in this Section 4.2, this Agreement shall be automatically renewed for successive one-year terms ("Renewal Terms") upon the expiration of the initial term and each Renewal Term. Notice of non-renewal, if given, shall be given in writing by the Company to the REIT Manager not less than 60 calendar days before the expiration of the initial term of this Agreement or 60 calendar days before the expiration of any Renewal Term thereof.

4.3 COMPENSATION ON TERMINATION OR NON-RENEWAL. Until liquidation of the Company, in the event the Company terminates or fails to renew this Agreement on terms as favorable as those contained in this Agreement or hereafter in a renewal agreement, in either case other than for Cause, the Company shall pay the REIT Manager all fees then accrued and unpaid as of the year or portion thereof in which the termination occurred.

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V. ACTION UPON TERMINATION OR CANCELLATION

5.1 ACCOUNTING.

The REIT Manager shall immediately upon termination of this Agreement:

(a) pay over to the Company all monies collected and held for the account of the Company pursuant to this Agreement, after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled;

(b) deliver to the Company a full accounting, including a statement showing all payments collected by it and a statement of all monies held by it, covering the period following the date of the last accounting furnished to the Company;

(c) refund to the Company any amounts due pursuant to Section 3.5 hereof;

(d) deliver to the Company all property and documents of the Company then in the custody of the REIT Manager; and

(e) cooperate with the Company and take all reasonable steps requested to assist the Board in making an orderly transition of the REIT management

function.

VI. LIABILITY AND INDEMNIFICATION OF REIT MANAGER

6.1 LIMITATION ON LIABILITY. The REIT Manager shall have no responsibility other than to render the services and take the actions described herein in good faith and with the exercise of due care and shall not be responsible for any action of the Board in following or declining to follow any advice or recommendation of the REIT Manager. The REIT Manager, except by reason of its own gross negligence, bad faith or willful misconduct, shall not be liable for any action taken, omitted or suffered to be taken by it in good faith and believed by it to be authorized or within its discretion or rights or powers conferred upon it by this Agreement or in reasonable reliance upon the written opinion of counsel of recognized expertise.

6.2 INDEMNIFICATION.

(a) The Company shall reimburse, indemnify and hold harmless the REIT Manager and its directors, officers, shareholders, agents and employees and each other person or entity, if any, controlling the REIT Manager (an "Indemnified Party"), to the full extent lawful, from and against any and all losses, claims, damages or liabilities of any nature whatsoever with respect to or arising from any acts or omissions of the REIT Manager (including ordinary negligence) in its capacity as such, except with respect to losses, claims, damages or liabilities with respect to or arising out of the REIT Manager's gross negligence, bad faith or willful misconduct.

(b) Notwithstanding the indemnification provisions in Section 6.2(a) above, indemnification will not be allowed for any liability imposed by judgment, and costs associated

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therewith, including attorneys' fees, arising from or out of a violation of state or federal securities laws associated with the offer and sale of Company securities. Indemnification will be allowed for settlement and related expenses of lawsuits alleging securities law violations, and for expenses incurred in successfully defending such lawsuits, provided that a court either (i) approves the settlement and finds that indemnification of the settlement and related costs should be made or (ii) approves indemnification of litigation costs if a successful defense is made. If indemnification is unavailable as a result of this Section 6.2(b), the Company shall contribute to the aggregate losses, claims, damages or liabilities to which the REIT Manager or its officers, directors, agents, employees or controlling persons may be subject in such amount as is appropriate to reflect the relative benefits received by the Company and the party seeking contribution and the relative faults of the Company and the party seeking contribution, as well as any other relevant equitable considerations.

(c) Promptly after receipt by an Indemnified Party of notice of the commencement of any action, such Indemnified Party shall, if a claim in respect thereof is to be made against the Company, notify the Company in writing of the commencement thereof; but the omission so to notify the Company shall not relieve it from any liability that it may have to any Indemnified Party pursuant to Section 6.2(a) hereof, unless the failure to so notify would itself constitute gross negligence, bad faith or willful misconduct. In case any such action shall be brought against an Indemnified Party and it shall notify the Company of the commencement thereof, the Company shall be entitled to participate therein and, to the extent that it shall wish to assume the defense thereof, with counsel satisfactory to such Indemnified Party and, after notice from the Company to such Indemnified Party of its election so to assume the defense thereof, the Company shall not be liable to such Indemnified Party under Section 6.2(a) hereof for any legal expenses of other counsel or any of the expenses, in each case subsequently incurred by such Indemnified Party, unless (i) the Company and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Indemnified Party and representation of both parties by the same counsel would be inappropriate, in the reasonable opinion of the Indemnified Party, due to actual or potential differing interests between them.

(d) The obligations of the Company under this Section 6.2 shall be in addition to any liability which the Company otherwise may have.

6.3 REPRESENTATIONS, WARRANTIES AND COVENANTS OF COMPANY.

(a) The Company represents and warrants as of the date hereof that:

(i) this Agreement has been duly authorized, executed and delivered on behalf of the Company;

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(ii) the Company is fully authorized under the applicable laws governing the Company to enter into all of the types of investments and co-investments described in the Investment Policies;

(iii) the execution and performance of this Agreement by the Company will not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, any agreement or instrument to which the Company is subject;

(iv) the terms of this Agreement are in conformity with the applicable laws governing the Company; and

(v) the assets of the Company do not constitute "plan assets" within the meaning of the Department of Labor plan asset regulation published at 29 C.F.R. (S) 2510.3-101.

(b) The Company shall promptly advise the REIT Manager in writing of any agreements or changes in any agreements, instruments, governing law, regulations or interpretations thereof affecting the investments of the Company or the duties, responsibilities, liabilities or obligations of the REIT Manager, and any change or any contemplated change with respect to any of the foregoing or the operation or administration of the Company that could cause the assets of the Company to constitute "plan assets" as defined in paragraph 6.3(a)(v) above.

VII. MISCELLANEOUS PROVISIONS

7.1 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. Any modification or amendment of this Agreement shall be in writing executed by each of the parties.

7.2 ASSIGNMENT. This Agreement may not be assigned by either party except in the event of an assignment to a successor organization that takes over the property and carries on the affairs of the assignor, provided that following any such assignment by the REIT Manager, the persons who controlled the operations of the REIT Manager immediately prior thereto shall control the operations of the successor organization, including the performance of its duties under this Agreement. Any such assignment of this Agreement shall bind the assignee hereunder in the same manner as the assignor is bound hereunder. Notwithstanding the foregoing, without the Company's consent, the REIT Manager may assign all or any part of the compensation due it hereunder and the REIT Manager may assign or subcontract any or all of its rights and duties hereunder with respect to the Company's corporate efficiency properties to an Affiliate of the REIT Manager, provided that no such assignment or subcontract shall relieve the REIT Manager of its obligations hereunder.

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7.3 NO PARTNERSHIP OR JOINT VENTURE. The Company and the REIT Manager are not, and shall not be deemed to be, partners or joint venturers with each other.

7.4 SEVERABILITY. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of that term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

7.5 POLICY AND FINANCIAL INFORMATION. The Board shall keep the REIT Manager informed in writing concerning the investment and financing policies of the Company and shall promptly notify the REIT Manager of any intention to make any new investments, to sell or dispose of any existing investments or to enter into any agreement or understanding with any third party. The Company shall furnish the REIT Manager a certified copy of all financial statements, a signed

copy of each report prepared by independent public accountants, a certified copy of each amendment or supplement to the Articles of Incorporation, the By-Laws and the Investment Policies and such other information with regard to the Company's affairs as the REIT Manager from time to time reasonably may request.

7.6 NOTICES. Any notices and other communications to be given by any party hereunder shall be in writing delivered at the address of the respective party set forth on the signature page hereof, or at such other address as a party shall have specified to the other party in writing as the address for notices hereunder. Any such notice or other communication shall be deemed to have been given when personally delivered or one business day after being forwarded by overnight courier or five days after being sent by registered or certified United States mail, postage prepaid.

7.7 HEADINGS. The section headings used herein have been inserted for convenience of reference only and shall not be considered in interpreting this Agreement.

7.8 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without giving effect to the principles of conflict of laws thereof.

7.9 BOARD ACTION. Whenever action on the part of the Company or the Board is contemplated in this Agreement, unless otherwise indicated herein, action by a majority of the Directors, including a majority of the Independent Directors, shall constitute the action provided for herein.

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7.10 OTHER ACTIVITIES.

(a) Nothing in this Agreement shall prevent the REIT Manager or any Affiliate thereof from rendering advice to other investors (including other real estate investment trusts), even if such investors are in competition with the Company or any of the Company's real estate investments or from managing other investments, including investors and investments advised, sponsored or organized by the REIT Manager. The REIT Manager also may render such services to joint ventures and partnerships in which the Company is a co-venturer or partner and to the other entities in such joint ventures and partnerships. In addition, nothing in this Agreement shall limit the right of the REIT Manager or any of its subsidiaries or Affiliates to engage in any other business or to render services of any kind (including business activities competitive with those of the Company) to any corporation, partnership or other entity. The REIT Manager will inform the Board of any other advisory contracts or investments (other than purchases of marketable securities or securities which are registered pursuant to Section 12 of the Exchange Act) by the REIT Manager or its Affiliates. When informing the Board of any advisory contracts, the REIT Manager need not identify the advised entities by name, but shall provide the Board with sufficient information to permit the Board to evaluate the services performed or to be performed by the REIT Manager under such contract. Nothing in this

Agreement shall prevent the Board from considering the REIT Manager's activities for itself and for other entities in evaluating the REIT Manager's performance for purposes of deciding whether or not to renew this Agreement. The Company will maintain the confidentiality of all information provided to the Company pursuant to this paragraph, subject to disclosure only if required by applicable law or compelled by appropriate legal process.

(b) The REIT Manager and its Affiliates, directors, officers, employees, shareholders and subsidiaries shall be free of any obligation to provide the Company with the right of first refusal to acquire or invest in any investment opportunity that may come to any of them in any capacity, whether or not such investment opportunities are of a character which is within the investment policies of the Company. Directors, officers, employees and agents of the REIT Manager or any of its Affiliates may serve as Directors, officers, employees, agents, nominees or signatories of the Company. When executing documents or otherwise acting in such capacities for the Company, such persons shall use their respective titles for the Company. Such persons shall receive from the Company no compensation for their services to the Company in any such capacities.

7.11 INDEPENDENT DIRECTORS' APPROVAL. Notwithstanding anything to the contrary in this Agreement, a majority of the Independent Directors must approve the Company's annual strategic plan and operating budget; all property acquisitions, developments, dispositions and unbudgeted (non-emergency) capital expenditures in excess of \$50,000; and all Company financing, including the issuance of public and private debt or equity securities. In addition, to the extent that the Articles of Incorporation require approval of the majority of Independent Directors with respect to any matter pertaining to this Agreement, such matter shall be submitted for such approval and shall not be pursued until such approval is received.

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7.12 ARTICLES OF INCORPORATION GOVERN. To the extent that any provision in this Agreement is inconsistent with or contradicts a provision in the Articles of Incorporation, as the same may be amended and supplemented from time to time, the Articles of Incorporation shall govern and such provision of this Agreement shall be deemed to have been reformed to be consistent with the Articles of Incorporation.

7.13 AUTHORITY TO ACT. The Company shall furnish to the REIT Manager from time to time, upon request of the REIT Manager, certified copies of appointments or designations setting forth the names, titles and authorities of the individuals who are authorized to act on behalf of the Company with respect to the Company investments, together with specimen signatures of those individuals who are authorized to act on its behalf with respect to this Agreement. The REIT Manager shall furnish to the Company from time to time, upon request of the Company, certificates setting forth the names, titles and authorities of the persons authorized to act on its behalf and provide specimen signatures of those individuals who are authorized to act on its behalf with respect to this

Agreement.

7.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

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

Address for Notice:
Six Piedmont Center
Atlanta, Georgia 30305

SECURITY CAPITAL ATLANTIC
INCORPORATED

By: /s/ James C. Potts

James C. Potts
Co-Chairman and Chief Investment Officer

Address for Notice:
Six Piedmont Center
Atlanta, Georgia 30305

SECURITY CAPITAL (ATLANTIC)
INCORPORATED

By: /s/ Jeffrey A. Klopf

Jeffrey A. Klopf
Senior Vice President and Secretary

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated as of June 27, 1996

among

Security Capital Atlantic Incorporated,

The Banks Listed Herein

and

Morgan Guaranty Trust Company of New York,
as Agent

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of June 27, 1996, among SECURITY CAPITAL ATLANTIC INCORPORATED, the BANKS listed on the signature pages hereof and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent.

W I T N E S S E T H :

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WHEREAS, the Borrower, the Agent and the Banks that were parties thereto, entered into the Amended and Restated Credit Agreement, dated as of August 2, 1995, (the "Original Amended Credit Agreement"), whereby the Agent and

the Banks agreed to lend to the Borrower up to \$300,000,000 pursuant to the terms and conditions set forth therein;

WHEREAS, the Original Credit Agreement has been amended by the following: (i) the First Amendment to Amended and Restated Credit Agreement, dated as of February 1996, among the Borrower, the Agent and the Banks that were parties thereto and (ii) the Second Amendment to Amended and Restated Credit Agreement, dated as of May 29, 1996, among the Borrower, the Agent and the Banks that were parties thereto (the Original Amended Credit Agreement, as so amended, the "Existing Credit Agreement");

WHEREAS, the Borrower, the Agent and the Banks wish to, inter alia, increase the aggregate amount of the Available Commitments to \$350,000,000 on the terms and conditions set forth herein and to amend and restate the Existing Credit Agreement in its entirety as set forth in this Agreement; and

WHEREAS, upon the effectiveness of this Agreement, each reference in each of the other Loan Documents to the Existing Credit Agreement shall mean and be a reference to this Agreement.

NOW, THEREFORE, with reference to the foregoing recitals, in reliance thereon and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Existing Credit Agreement is hereby amended and restated in its entirety to read and further agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Acquisition Cost" means, with respect to each parcel of real property that becomes part of the Mortgaged Property, the purchase price (exclusive of the portion of the purchase price attributable to items customarily apportioned) paid by the Borrower or any Subsidiary Guarantor, as applicable, in acquiring such Mortgaged Property, plus related transaction costs capitalized in accordance with generally accepted accounting principles and recorded on the books of the Borrower or such Subsidiary Guarantor, as the case may be, and plus any Capital Expenditures attributable to such real property.

"Additional Properties" has the meaning set forth in Section 3.01(b).

"Adjusted CD Rate" has the meaning set forth in Section 2.06(b).

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Borrower) duly completed by such Bank.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. An Affiliate of the Borrower or any Subsidiary Guarantor includes, without limitation, (i) any officer or director of such Person and (ii) any record or beneficial owner of more than 10% of any class of Equity Interests of such Person; provided that, for purposes of this clause (ii), so long as Group owns beneficially more than 50% of each class of Equity Interests of the Borrower, an Affiliate of the Borrower for purposes of clause (ii) shall not include any record or beneficial owner of less than 20% of any class of Equity Interests of the Borrower. For purposes of this definition "control" of any Person means the power to direct the management and policies of such Person, directly or

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indirectly, whether through the ownership of Equity Interests, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means Morgan Guaranty Trust Company of New York in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"Aggregate Mortgaged Property Value" means, at any time, the aggregate of all Individual Mortgaged Property Values of parcels of real property then subject to a Mortgage.

"Agreement" means this Credit Agreement, as it may be amended, supplemented or otherwise modified from time to time.

"Alabama Pledge Agreement" means the Alabama Pledge Agreement, dated on or before the Current Closing Date, by Alabama Sub, and the Agent, as pledgee, as it may be amended, supplemented or otherwise modified from time to time.

"Alabama Sub" means SCA - Alabama Multifamily Trust.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"Appraised Value" of any parcel of real property means the value thereof as indicated on the most recent appraisal therefor delivered to the Agent and approved by Banks having more than 50% in aggregate amount of Commitments (i) on a Closing Date in connection with such property becoming subject to a Mortgage or (ii) pursuant to Section 9.15.

"Assessment Rate" has the meaning set forth in Section 2.06(b).

"Assignee" has the meaning set forth in Section 9.06(c).

"Available Commitment" means, with respect to each Bank, at any time, the amount obtained by multiplying such Bank's Commitment at such time by a fraction, the numerator of which is the Total Available Commitments at such time and the denominator of which is \$350,000,000.

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"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan" means a Loan which bears interest at the Base Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or the provisions of Section 2.05(c) or Article VIII.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrower" means Security Capital Atlantic Incorporated, a Maryland corporation, and its successors.

"Borrower Assignment of Rents and Leases" means the Assignment of Rents and Leases, dated on or before the Initial Closing Date, between the Borrower, as assignor, and the Agent, as assignee, as it may be amended, supplemented or otherwise modified from time to time.

"Borrower Cash Collateral Agreement" means the Cash Collateral Account Security, Pledge and Assignment Agreement, dated on or before the Initial Closing Date, between the Borrower, as pledgor, and the Agent, as pledgee, as it may be amended, supplemented or otherwise modified from time to time; it being agreed by the Banks that the Agent shall enter into a replacement Cash Collateral Account Security, Pledge and Assignment Agreement promptly after the Current Closing, pursuant to which First Union National Bank of Georgia shall act as cash collateral agent on behalf of the Agent.

"Borrower Mortgage" means the Indenture of Mortgage, Deed of Trust, Deed to Secure Debt, Security Agreement, Financing Statement, Fixture Filing and Assignment of Rents and Leases, dated on or before a Closing Date, between the

Borrower as mortgagor and grantor (and, with respect to the State of Florida, NC Sub and SC Sub as additional mortgagors and grantors), the Agent as mortgagee and beneficiary, and the Trustee thereunder, as it may be amended, supplemented or otherwise modified from time to time.

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"Borrower Pledge Agreement" means the Pledge Agreement, dated on or before the applicable Closing Date, between the Borrower, as pledgor, and the Agent, as pledgee, as it may be amended, supplemented or otherwise modified from time to time.

"Borrowing" has the meaning set forth in Section 1.03.

"Capital Expenditures" means, for any period, the sum of all expenditures (whether paid in cash or accrued as a liability) by the Borrower which are capitalized on the balance sheet of the Borrower in conformity with GAAP.

"CD Base Rate" has the meaning set forth in Section 2.06(b).

"CD Loan" means a Loan which bears interest at a rate calculated by reference to the CD Base Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election.

"CD Margin" has the meaning set forth in Section 2.06(b).

"CD Reference Bank" means Morgan Guaranty Trust Company of New York.

"Closing Date" means either the Initial Closing Date, the Current Closing Date or the applicable Subsequent Closing Date, as the case may be.

"Collateral" means all property and interests in property now owned or hereafter acquired in or upon which a Lien has been or is purported or intended to have been granted to the Agent on behalf of the Banks under the Loan Documents.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the signature pages hereof, as such amount may be reduced from time to time pursuant to Sections 2.08 and 2.09.

"Commitment Fee" has the meaning set forth in Section 2.07(a).

"Commitment Reduction Date" means the last day of each of six consecutive six-month periods, the first such day being the last day of the six-month period immediately following the Conversion Date and the last such day being the third anniversary of the Conversion Date.

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"Consolidated Capital Expenditures" means, for any period, the product of (A) the Unit Amount, and (B) the sum of the number of units contained in all completed properties as of the last day of each month during the applicable twelve month period, divided by 12, except to the extent that actual expenditures in the aggregate exceed for such period amounts raised by the Borrower and its Subsidiaries pursuant to (x) equity offerings, (y) borrowings from third parties (including borrowings pursuant to this Agreement) and (z) undistributed Funds From Operations, in which case the excess shall also be deemed to be Consolidated Capital Expenditures.

"Consolidated Debt" means, at any date, the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Interest Expense" means, for any period, the interest expense of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP, for such period.

"Consolidated Subsidiary" means each Subsidiary Guarantor and, at any date, any other Subsidiary or other entity which the Borrower owns the majority economic interest in or property, the accounts of which would be consolidated with those of the Borrower in its consolidated financial statements if such statements were prepared as of such date; it being understood that in no event shall a Consolidated Subsidiary include any third party developer constructing improvements on properties under contract to be purchased by the Borrower or any Consolidated Subsidiary.

"Consolidated Tangible Net Worth" means, at any date, the consolidated stockholders' equity of the Borrower and its Consolidated Subsidiaries, plus any accumulated depreciation, less their consolidated Intangible Assets, all determined as of such date. For purposes of this definition, "Intangible Assets" means the amount (to the extent reflected in determining such consolidated stockholders' equity) of (i) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of assets of a going concern business made within twelve months after the acquisition of such business) subsequent to March 31, 1995 in the book value of any asset owned by the Borrower or a Consolidated Subsidiary, (ii) all Investments in unconsolidated Subsidiaries and all equity investments in Persons which are not Consolidated Subsidiaries and (iii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names,

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anticipated future benefit of tax loss carry-forwards, copyrights, organization expenses and other intangible assets.

"Conversion Date" has the meaning set forth in Section 2.01(e).

"Conversion Option" has the meaning set forth in Section 2.01(e).

"Current Closing" means a closing as provided in Section 3.01(a) and which shall occur, if at all, on the Current Closing Date.

"Current Closing Date" means the date on or after the Effective Date on which the Agent shall have received the documents specified in, or pursuant to, Section 3.01(a) and the other conditions relating thereto set forth in Section 3.01(c) shall have been satisfied.

"Debt" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all Debt of others Guaranteed by such Person, and (vii) accounts payable, dividends of any kind or character or other proceeds payable with respect to any stock and accrued expenses which in the aggregate are in excess of four percent (4%) of the undepreciated value of the assets of the Borrower determined in accordance with GAAP.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Admin-

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istrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Agent; provided that any Bank may so designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.06(b).

"Effective Date" means the date this Agreement becomes effective in accordance with Section 9.11.

"Environmental Claim" means, with respect to any Person, any written notice, claim, demand or similar communication by any other Person alleging potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damage, property damages, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or release into the environment, of any Hazardous Substances at any location, whether or not owned by such Person or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law, in each case as to which there is a reasonable possibility of an adverse determination with respect thereto and which, if adversely determined, could have a Material Adverse Effect.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

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"Equity Funding" has the meaning set forth in Section 5.14.

"Equity Interests" means any and all shares of stock, income, equity or ownership interests, participations, rights or other equivalents (however designated) in a corporation or in any other Person (including, without limitation, general or limited partnership interests in any partnership).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office,

branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Agent.

"Euro-Dollar Loan" means a Loan which bears interest at a rate calculated by reference to the London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election.

"Euro-Dollar Margin" has the meaning set forth in Section 2.06(c).

"Euro-Dollar Reference Bank" means the principal London office of Morgan Guaranty Trust Company of New York.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.06(c).

"Event of Default" has the meaning set forth in Section 6.01.

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"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Agent.

"Fixed Rate Loans" means CD Loans or Euro-Dollar Loans or both.

"Funds From Operations" has the meaning set forth in Section 5.12.

"Group" means Security Capital Group Incorporated, a Maryland corporation, and its successors.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement

conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, asbestos or any substance having any con-

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stituent elements displaying any of the foregoing characteristics.

"Homestead" has the meaning set forth in Section 5.11(iv).

"Homestead Closing" has the meaning set forth in Section 5.14.

"Homestead Investment" has the meaning set forth in Section 5.11(iv).

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Individual Mortgaged Property Value" means, for any parcel of real property constituting part of the Mortgaged Property, the lesser of Acquisition Cost or Appraised Value thereof; provided, that with respect to any parcel of real property constituting part of the Mortgaged Property owned by any Subsidiary Guarantor, "Individual Mortgaged Property Value" shall be 95% of the lesser of Acquisition Cost or Appraised Value.

"Initial Closing" means the closing of the Original Amended Credit Agreement on the Initial Closing Date, whereby the Banks agreed to lend Borrower up to \$300,000,000 pursuant to the terms and conditions of the Original Credit Agreement.

"Initial Closing Date" means August 2, 1995.

"Interest Period" means (1) with respect to each Euro-Dollar Borrowing, the period commencing (x) on the date of such Borrowing specified in the applicable Notice of Borrowing or (y) on the date specified in the applicable Notice of Interest Rate Election and ending in either case 1, 2, 3 or 6 months thereafter, as the Borrower may elect in the applicable notice; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end

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of such Interest Period) shall, subject to clauses (c) and (d) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) if any Interest Period includes a date on which a payment of principal of the Loans is required to be made under Section 2.09 but does not end on such date, then (i) the principal amount (if any) of each Euro-Dollar Loan required to be repaid on such date shall have an Interest Period ending on such date and (ii) the remainder (if any) of each such Euro-Dollar Loan shall have an Interest Period determined as set forth above,

(2) with respect to each CD Borrowing, the period commencing (x) on the date of such Borrowing specified in the applicable Notice of Borrowing or (y) on the date specified in the applicable Notice of Interest Rate Election and ending, in either case, 30, 60 or 90 days thereafter, as the Borrower may elect in the applicable notice; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b)(i) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) if any Interest Period includes a date on which a payment of principal of the Loans is required to be made under Section 2.09 but does not end on such date, then (i) the principal amount (if any) of each CD Loan required to be repaid on such date shall have an Interest Period ending on such date and (ii) the remainder (if any) of each such CD Loan shall have an Interest Period determined as set forth above, and

(3) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter or any subsequent period of 30 days, in each case commencing on the last day of the preceding Interest Period; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b)(i) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) if any Interest Period includes a date on which a payment of principal of the Loans is

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required to be made under Section 2.09 but does not end on such date, then (i) the principal amount (if any) of each Base Rate Loan required to be repaid on such date shall have an Interest Period ending on such date and (ii) the remainder (if any) of each such Base Rate Loan shall have an Interest Period determined as set forth above.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit or otherwise, other than any Permitted Investment.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Domestic Loan, a Euro-Dollar Loan or a Swing Loan and "Loans" means Domestic Loans, Euro-Dollar Loans or Swing Loans or any combination of the foregoing.

"Loan Documents" means this Agreement, the Notes, each Notice of Borrowing, each Notice of Interest Rate Election, the Subsidiary Guaranty, the Borrower Mortgage, the Subsidiary Mortgages, the Borrower Assignment of Rents and Leases, the Subsidiary Assignments of Rents and Leases, the Borrower Pledge Agreement, the NC Pledge Agreement, the Alabama Pledge Agreement, the Borrower Cash Collateral Agreement, the Subsidiary Cash Collateral Agreements, the Property Management Contract Assignment and the REIT Management Cooperation Agreement.

"Loan Interest Expense" means, for any period, the interest expense accrued on outstanding Loans during such period, assuming, at any time that the actual interest rate in effect with respect to the Loans was less than 8.5% per year, that the interest rate then in effect with respect to such Loan was 8.5% per year.

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"London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Material Adverse Effect" means a material adverse effect on (i) the business, operations, properties, assets or financial condition of the Borrower and its Consolidated Subsidiaries taken as a whole, (ii) the value of the

applicable Mortgaged Property taken as a whole, or (iii) the ability of either the Borrower or any Subsidiary Guarantor to perform their respective obligations under the Loan Documents.

"Material Debt" means (i) Debt (other than the Notes) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount exceeding (x) \$5,000,000, in the case of recourse Debt, or \$10,000,000, in the case of nonrecourse Debt, and (ii) any Permitted Intercompany Debt.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of \$5,000,000.

"Mortgage" means the Borrower Mortgage or any Subsidiary Mortgage.

"Mortgage Funding" has the meaning set forth in Section 5.14.

"Mortgaged Property" means all parcels of real property, together with all improvements thereon and interests therein, now owned or leased or hereafter acquired in or upon which a Lien has been or is purported or intended to have been granted to the Agent on behalf of the Banks under the Mortgages. The phrase "a Mortgaged Property" or "any Mortgaged Property" or "each Mortgaged Property" or any term of like import means any one of such properties. The phrase "the Mortgaged Property" means all such properties or any one of such properties as the context may indicate.

"Mortgaged Property Cash Flow" means, for any period, the sum of (i) the consolidated Net Operating Income of the Borrower and the Subsidiary Guarantors (or prior owners thereof) for such period realized from parcels of real property to the extent they constitute during such period Mortgaged Property plus (ii) to the extent deducted in determining such consolidated Net Operating Income, depreciation, amortization and other similar non-cash charges minus (iii) to the extent not deducted in determining such consolidated Net Operating

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Income, the product of (A) the number of units contained in all Mortgaged Property, as indicated in the list delivered to the Agent pursuant to Section 3.01(a) (xii) on the most recent Closing Date and (B) the Unit Amount. Notwithstanding the foregoing, however, as to any Mortgaged Property which has not reached the first anniversary of its Stabilization Date, then, for purposes of determining Mortgaged Property Cash Flow as to such Mortgaged Property, the Net Operating Income with respect to such Mortgaged Property shall be annualized from the Stabilization Date until the first anniversary thereof; except that in the case of the Mortgaged Properties known as Colony Woods II, Waterford Hills and Waterford Point, the Net Operating Income with respect to any thereof shall be annualized from July 1, 1996.

"Multiemployer Plan" means at any time an employee pension benefit

plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"NCGP" means SCA-NC/T(1) Incorporated, a Maryland corporation, and its successors.

"NCLP" means SCA-NC/T(2) Incorporated, a Maryland corporation, and its successors.

"NC Pledge Agreement" means the NC Pledge Agreement, dated on or before the Initial Closing Date, among NCGP and NCLP, as pledgors, and the Agent, as pledgee, as it may be amended, supplemented or otherwise modified from time to time.

"NC Sub" means SCA NC/T Limited Partnership, a Delaware limited partnership.

"Net Operating Income" means, when used with respect to any parcel of real property, cash rents and other cash revenues, including interest income on the convertible mortgages making up a part of the Homestead Investment, received in the ordinary course therefrom (other than pre-paid rents and revenues and security deposits except to the extent applied in satisfaction of tenants' obligations for rent) minus all expenses paid or accrued related to the ownership, operation or maintenance of such property, including but not limited to taxes, assessments and the like, insurance, utilities, property management fees, payroll costs, maintenance,

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repair and landscaping expenses, marketing expenses, and general and administrative expenses (including an appropriate allocation for legal, accounting, advertising, marketing and other expenses incurred in connection with such property, but specifically excluding interest expense and fees paid to the REIT Manager and similar general overhead expenses of the Borrower).

"Notes" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" is defined in Section 2.02.

"Notice of Interest Rate Election" has the meaning set forth in Section 2.05.

"Other Taxes" has the meaning set forth in Section 8.04(b).

"Parent" means, with respect to any Bank, any Person controlling such

Bank.

"Participant" has the meaning set forth in Section 9.06(b).

"Partnership Agreement" means the Agreement of Limited Partnership of SCA NC/T Limited Partnership between NCGP and NCLP, dated as of April 22, 1994, as amended by the Amendment to Agreement of Limited Partnership, dated as of August 2, 1995, which Amendment previously has been approved by the Banks.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Exceptions", for any Mortgaged Property, has the meaning set forth in the Mortgage for such Mortgaged Property.

"Permitted Intercompany Debt" means (i) loans from the Borrower to each of NCGP, NCLP, SC Sub, and Alabama Sub, and (ii) loans from each of NCGP and NCLP to NC Sub, all of which loans shall be unsecured loans, which:

(A) are evidenced by a written agreement which provides that payment of any amounts in respect of such

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indebtedness shall be made only to the extent that Net Operating Income is available to pay such amounts after the payment of all amounts then due and payable on all other indebtedness of the borrower (subject, however, to the accrual of unpaid amounts under such indebtedness) and further provides that any amounts paid in violation hereof shall be held in trust by the payee thereof for the benefit of the Banks and disgorged to the Banks upon demand; and

(B) are evidenced by a written agreement which prohibits such Person from exercising any remedies, including accelerating any indebtedness and commencing any action (including the filing of a bankruptcy petition or similar proceeding) against the borrower for collection of interest, principal or other charges while any Note or any other amounts due hereunder are outstanding and prohibits such Person from filing a claim in a bankruptcy or similar proceeding commenced by the Borrower or, in whole or in part, by one or more Affiliates of the Borrower and requires that such Affiliate shall vote against any plan presented in such proceeding which would alter the terms of the Notes or the Loan Documents (provided that such Person may file a claim in a bankruptcy or similar proceeding commenced by an independent Person other than itself) unless such plan is endorsed by the Banks.

"Permitted Investments" means (i) loans, equity investments and capital contributions to Atlantic Development Services Incorporated, (ii) land and building loans to unaffiliated, third party real estate developers to fund the costs of the development and construction of improvements on properties which are subject to purchase contracts with the Borrower, and which loans are secured by mortgages on such properties, and (iii) the investment in the

ordinary course of the Borrower's business of undistributed Net Operating Income after payment of debt service on all Debt.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within

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the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Property Cash Flow" means, for any period, the sum of (i) the consolidated Net Operating Income of the Borrower and its Consolidated Subsidiaries for such period realized from parcels of real property plus (ii) to the extent deducted in determining such consolidated Net Operating Income, depreciation, amortization and other similar non-cash charges minus (iii) to the extent not deducted in determining such consolidated Net Operating Income, (x) Consolidated Capital Expenditures for such period related to such parcels of real property and (y) 95% of advisory fees and other overhead expenses.

"Property Management Contract" means the contract between the Borrower and the Property Manager, dated as of September 1, 1995, as the same may be amended and restated from time to time.

"Property Management Contract Assignment" means the Property Management Contract Assignment, dated on or before the Initial Closing Date, between the Borrower, as assignor, and the Agent, as assignee, duly acknowledged by the Property Manager as provided therein, as it may be amended, supplemented or otherwise modified from time to time.

"Property Manager" means SCG Realty Services Atlantic Incorporated, a Delaware corporation, and its successors.

"Reference Banks" means the CD Reference Bank or the Euro-Dollar Reference Bank, as the context may require, and "Reference Bank" means any one of such Reference Banks.

"Refunded Swing Loan" has the meaning set forth in Section

2.01(a)(iii).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"REIT" has the meaning set forth in Section 4.17.

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"REIT Management Contract" means the REIT Management Agreement by and between the Borrower and the REIT Manager, dated as of June 30, 1995, as the same may be amended and restated from time to time.

"REIT Management Cooperation Agreement" means the REIT Management Cooperation Agreement, dated on or before the Initial Closing Date, among the Borrower, the REIT Manager and the Agent, as it may be amended, supplemented or otherwise modified from time to time.

"REIT Manager" means Security Capital (Atlantic) Incorporated, a Nevada corporation, and its successors.

"Request to Extend" has the meaning set forth in Section 2.01(d).

"Required Banks" means at any time Banks having at least 66% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least 66% of the aggregate unpaid principal amount of the Loans.

"Revolver Termination Date" means June 27, 1998 or any subsequent anniversary of the Initial Closing Date to which the Revolver Termination Date has been extended pursuant to Section 2.01(d) or any prior anniversary to which the Revolver Termination Date has been advanced pursuant to Section 2.01(e), or, if any such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the Revolver Termination Date shall be the next preceding Euro-Dollar Business Day.

"Revolving Credit Period" means the period from and including the Initial Closing Date to but excluding the Revolver Termination Date.

"SC Sub" means SCA-South Carolina (1) Incorporated, a Maryland corporation, and its successors.

"Subsequent Closing" means a closing as provided in Section 3.01(b) and which shall occur, if at all, on the applicable Subsequent Closing Date.

"Stabilization Date" means the date when a Mortgaged Property shall have not been less than 85% occupied by rent paying tenants for not less than three consecutive months.

"Subsequent Closing Date" means such date, if any, on or after the Initial Closing Date on which the Agent shall have received the documents specified in or pursuant to Section 3.01(b) and the other conditions relating thereto in Section 3.01(c) shall have been satisfied.

"Subsidiary" means each Subsidiary Guarantor and any other corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Subsidiary Assignment of Rents and Leases" means an Assignment of Rents and Leases, dated on or before a Closing Date, between a Subsidiary Guarantor, as assignor, and the Agent, as assignee, as it may be amended, supplemented or otherwise modified from time to time.

"Subsidiary Cash Collateral Agreement" means a Cash Collateral Account Security, Pledge and Assignment Agreement, dated on or before a Closing Date, between a Subsidiary Guarantor, as pledgor, and the Agent, as pledgee, as it may be amended, supplemented or otherwise modified from time to time; it being agreed by the Banks that the Agent shall enter into a replacement Cash Collateral Account Security, Pledge and Assignment Agreement promptly after the Current Closing, pursuant to which First Union National Bank of Georgia shall act as cash collateral agent on behalf of the Agent.

"Subsidiary Guaranty" means the guaranty, dated on or before a Closing Date, delivered by each Subsidiary Guarantor to the Agent on behalf of the Banks, as it may be amended, supplemented or otherwise modified from time to time.

"Subsidiary Guarantor" means each of NCGP, NCLP, NC Sub, SC Sub, Atlantic-Alabama (6) Incorporated and Alabama Sub.

"Subsidiary Mortgage" means an Indenture of Mortgage, Deed of Trust, Deed to Secure Debt, Security Agreement, Financing Statement, Fixture Filing and Assignment of Rents and Leases, dated on or before a Closing Date, between a Subsidiary Guarantor as mortgagor and grantor, the Agent, as mortgagee and beneficiary, and the Trustee thereunder, as it may be amended, supplemented or otherwise modified from time to time.

"Survey" means a current survey (prepared in accordance with the ALTA appropriate specifications) for each Mortgaged Property, prepared or re-certified on a date not earlier than March 31, 1995 (or, in the case of any parcel of real property which is to become Mortgaged Property on the Current Closing Date or on a Subsequent Closing Date, prepared or re-certified not

earlier than 120 days, and delivered to the Agent not less than 30 days, prior to such Closing Date), by a land surveyor duly licensed in the state in which such Mortgaged Property is located, and acceptable to the Title Company for purposes of having the Title Company insure over all matters of survey in the Title Policy. The plat for such survey shall be certified to the Agent, on behalf of the Banks, and the Title Company.

"Swing Lender" means Morgan Guaranty Trust Company of New York, in its capacity as the Swing Lender under the Swing Loan Facility described in Section 2.01(a)(ii), and its successors in such capacity.

"Swing Loan" means a Loan made by the Swing Lender pursuant to Section 2.01(a)(ii).

"Swing Loan Commitment" means \$25,000,000 or if less, the aggregate amount of the Commitments.

"Swing Loan Refund Amount" has the meaning set forth in Section 2.01(a)(iii).

"Temporary Cash Investment" means any Investment in (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., (iii) demand and time deposits with, including certificates of deposit issued by, any office located in the United States of any bank or trust company which is organized under the laws of the United States or any state thereof and has capital, surplus and undivided profits aggregating at least \$1,000,000,000 or (iv) repurchase agreements with respect to securities described in clause (i) above entered into with an office of a bank or trust company meeting the criteria specified in clause (iii) above, provided in each case described in clauses (i) - (iv) above that such Investment matures within one year from the date of acquisition thereof by the Borrower or a Subsidiary, or (v) money market funds that invest primarily in Investments of the kind described in clauses (i) - (iv) above.

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"Title Company" means, with respect to each Mortgaged Property, Lawyers Title Insurance Corporation, except that, with respect to the parcel of real property in Memphis, Tennessee, known as "Autumnwood Village" and with respect to the Additional Properties, "Title Company" means Chicago Title Insurance Company.

"Title Policy" means, for each Mortgaged Property, an ALTA loan title insurance policy issued by the Title Company, having a liability in an amount not less than 100% of the Acquisition Cost thereof (and including a tie-in and first loss endorsement as approved by the Agent), and insuring, as of the time and date that the Mortgage for such Mortgaged Property is recorded, that fee (or, in the case of the parcel of real property in Nashville, Tennessee known as

Arbor Creek, leasehold) title to such Mortgaged Property is vested in the Borrower or the Subsidiary Guarantor, as applicable, and that the lien of such Mortgage is a valid first priority Lien on such Mortgaged Property, subject only to the Permitted Exceptions and such other Liens and exceptions as shall be acceptable to the Agent in its sole discretion and containing such endorsements as the Agent may reasonably request.

"Total Available Commitments" means, at any time of determination, the lesser of (i) 65% of the Aggregate Mortgaged Property Value at such time, (ii) the maximum aggregate principal amount of Loans that could have been outstanding during the most recent preceding twelve-month period as to which a certificate has been delivered pursuant to Section 5.01(c) in order for Mortgaged Property Cash Flow for such period from property which is Mortgaged Property at such time of determination to have been not less than 170% of the interest expense with respect to such maximum aggregate principal amount of Loans for such period, assuming that the interest rate applicable from time to time with respect to such maximum aggregate principal amount of Loans during such twelve-month period was the greater of (a) the average actual rate in effect during such twelve-month period with respect to the Loans actually outstanding during such twelve-month period, (b) the average actual rate in effect at the end of such twelve-month period and (c) 8.25% with respect to any twelve-month period, (iii) the aggregate amount of the Commitments at such time, or (iv) prior to the Subsequent Closing Date, \$350,000,000 less the aggregate amount, if any, by which the Commitments shall have been reduced prior to the Subsequent Closing Date.

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"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"Unit Amount" means \$200 for each period of twelve months (or a pro rata portion thereof for any shorter period) increased by 3% compounded annually commencing January 1, 1995 (i.e., the unit amount shall be \$200 for a period of twelve months ending on or prior to December 31, 1994, \$206 for a period of twelve months consisting of calendar year 1995, \$212.18 for a period of twelve months consisting of calendar year 1996, \$218.54 for a period of twelve months consisting of calendar year 1997, etc.).

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Unpledged Acquisition Cost" means, with respect to each unpledged property (as defined in Section 5.13 hereof), the purchase price (exclusive of the portion of the purchase price attributable to items customarily apportioned) paid by the Borrower or any of its Subsidiaries, as applicable, in acquiring such unpledged property, plus related transaction costs capitalized in accordance with generally accepted accounting principles and recorded on the books of the Borrower or such Subsidiary, as the case may be, and plus any Capital Expenditures attributable to such unpledged property.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks;

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provided that, if the Borrower notifies the Agent that the Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Borrower that the Required Banks wish to amend Article V for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks.

SECTION 1.03. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II (or a Swing Loan made solely by the Swing Lender) on the same date and for the same Interest Periods. Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans).

SECTION 1.04. No Novation. It is expressly understood and agreed that this Agreement is not intended as, and shall not in any respect be construed or interpreted to create or effect, a novation of the Original Credit Agreement or of the Borrower Mortgage, nor shall this Agreement extinguish, terminate or impair in any respect the validity or priority of the Lien or security interest of the Banks in the Mortgaged Property as set forth in the Borrower Mortgage or the obligations of Borrower as mortgagor thereunder, all of which are expressly reaffirmed by Borrower.

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments to Lend.

(a) During Revolving Credit Period. (i) During the Revolving Credit Period, each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time in amounts such that the aggregate principal amount of Loans by such Bank at any one time outstanding shall not exceed the amount of its Available Commitment. Each Borrowing under this Section

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2.01 (a) (i) shall be in an aggregate principal amount of \$2,000,000 or any larger multiple of \$1,000,000 (except that any such Borrowing may be in the aggregate amount available) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01(a) (i), prepay Loans to the extent permitted by Section 2.10, and reborrow at any time during the Revolving Credit Period under this subsection (a).

(ii) Swing Loans. During the Revolving Credit Period, the Swing Lender agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section 2.01(a) (ii) from time to time in amounts such that (i) the aggregate principal amount of Swing Loans does not at any time exceed the Swing Loan Commitment, and (ii) the sum of the aggregate outstanding principal amount of the Loans and Swing Loans at such time does not exceed the aggregate Available Commitments. Each Borrowing under this Section 2.01(a) (ii) shall be in an aggregate principal amount of \$1,000,000 or any larger multiple thereof (except that any such Borrowing may be in the aggregate available amount of Swing Loans determined in accordance with the immediately preceding sentence). Within the foregoing limits, the Borrower may borrow under this Section 2.01(a) (ii), repay or, to the extent permitted by Section 2.10, prepay Swing Loans and reborrow at any time during the Revolving Credit Period under this Section 2.1(a) (ii).

(iii) Conversion of Swing Loans to Loans. The Swing Lender shall, on behalf of the Borrower (which hereby irrevocably directs the Swing Lender to act on its behalf), on notice given by the Swing Lender no later than 12:00 Noon (New York City time), on the Domestic Business Day immediately following the funding of any Swing Loan, request each Bank to make, and each Bank hereby agrees to make, a Base Rate Loan, in an amount (with respect to each Bank, its "Swing Loan Refund Amount") equal to such Bank's ratable share of the aggregate Commitments with respect to the aggregate principal amount of the Swing Loans (the "Refunded Swing Loans") outstanding on the date of such notice, to repay the Swing Lender. Unless any of the events described in clause (g) or (h) of Section 6.01 with respect to the Borrower shall have occurred and be continuing (in which case the procedures of Section 2.01(a) (v) shall apply), each Bank

shall make such Base Rate Loan available to the Agent at its address specified in or pursuant to Section 9.01 in immediately available funds, not later than 12:00

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Noon (New York City time), on the Domestic Business Day immediately following the date of such notice. The Agent shall pay the proceeds of such Loans to the Swing Lender, which shall immediately apply such proceeds to repay Refunded Swing Loans. Effective on the day such Loans are made, the portion of the Swing Loans so paid shall no longer be outstanding as Swing Loans, shall no longer be due as Swing Loans under the Note held by the Swing Lender, and shall be due as Base Rate Loans under the respective Notes issued to the Banks (including the Swing Lender) in accordance with their ratable share of the aggregate Commitments. The Borrower authorizes the Swing Lender to charge the Borrower's accounts with the Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swing Loans to the extent amounts received from the Banks are not sufficient to repay in full such Refunded Swing Loans.

(iv) Purchase of Participations in Swing Loans. If, prior to the time Loans would have otherwise been made pursuant to Section 2.01(a)(iii), one of the events described in clause (g) or (h) of Section 6.01 with respect to the Borrower shall have occurred and be continuing, each Bank shall, on the date such Loans were to have been made pursuant to the notice referred to in Section 2.01(a)(iii) (the "Refunding Date"), purchase an undivided participating interest in the Swing Loans in an amount equal to such Bank's Swing Loan Refund Amount. On the Refunding Date, each Bank shall transfer to the Swing Lender, in immediately available funds, such Bank's Swing Loan Refund Amount, and upon receipt thereof the Swing Lender shall deliver to such Bank a Swing Loan participation certificate dated the date of the Swing Lender's receipt of such funds and in the Swing Loan Refund Amount of such Bank.

(v) Payments on Participated Swing Loans. Whenever, at any time after the Swing Lender has received from any Bank such Bank's Swing Loan Refund Amount pursuant to Section 2.01(a)(iv), the Swing Lender receives any payment on account of the Swing Loans in which the Banks have purchased participations pursuant to Section 2.01(a)(iv), the Swing Lender will promptly distribute to each such Bank its ratable share (determined on the basis of the Swing Loan Refund Amounts of all of the Banks) of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); provided, however, that in the event that such payment received by the Swing Lender is required to be returned, such Bank will return to the Swing Lender

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any portion thereof previously distributed to it by the Swing Lender.

(vi) Obligations to Refund or Purchase Participations in Swing Loans Absolute. Each Bank's obligation to transfer the amount of a Loan to the Swing Lender as provided in Section 2.01(a)(iii) or to purchase a participating interest pursuant to Section 2.01(a)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank, the Borrower or any other Person may have against the Swing Lender or any other Person, other than the Swing Lender's gross negligence or willful misconduct in connection with making any such Swing Loan, (ii) the occurrence or continuance of a Default or an Event of Default or the termination or reduction of the Commitments, (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any other Person, (iv) any breach of this Agreement by the Borrower, any other Bank or any other Person, or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) After Revolving Credit Period. If the Borrower has elected the Conversion Option, each Bank severally agrees, on the terms and conditions set forth in this Agreement, to maintain its Loans outstanding on the Conversion Date for a maximum term of three years; provided that the principal amount of such Bank's Loans shall not exceed the principal amount of its Loans outstanding on the Conversion Date; and provided, further, that the aggregate principal amount of such Bank's outstanding Loans shall at no time exceed the amount of its Available Commitment. On and after the Conversion Date, amounts prepaid or required to be repaid pursuant to Article II shall not be reborrowed, and amounts repaid pursuant to Section 8.02 shall not be reborrowed except as provided therein.

(c) [Intentionally Omitted]

(d) Extension of Revolver Termination Date. The Borrower may request a one-year extension of the Revolver Termination Date then in effect by delivering a written request therefor to the Agent not more than sixteen months or less than fifteen months prior to such Revolver Termination Date (a "Request to Extend"). The Agent shall notify the Banks of the receipt of such request and each Bank shall give notice in writing to the Agent not less than fourteen months prior to the Revolver Termination Date of such Bank's acceptance or rejection

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of such request. If all the Banks shall have notified the Agent on or prior to the date which is fourteen months prior to the Revolver Termination Date that they accept such request, the Revolver Termination Date shall be extended for one year. If any Bank shall not have notified the Agent on or prior to the date which is fourteen months prior to the Revolver Termination Date that it accepts such request, the Revolver Termination Date shall not be extended. The Agent shall notify the Borrower whether the Request to Extend has been accepted or rejected as well as which Bank or Banks rejected the Borrower's Request to Extend (each such Bank a "Rejecting Bank").

Notwithstanding the preceding paragraph, within 40 days after notification from the Agent that the Request to Extend has been rejected (a "Notice of Rejection"), and provided that the aggregate amount of Commitments of the Rejecting Banks do not exceed 20% of the total aggregate amount of Commitments then outstanding, the Borrower may by written notice to the Agent and any Rejecting Bank exercise either or a combination of the following options: (i) require any Rejecting Bank to assign all of its rights and obligations under this Agreement, the Notes and the other Loan Documents to any transferee selected by the Borrower and approved by the Agent (a "Transferee"), or (ii) prepay the entire amount of the outstanding Loan from each such Rejecting Bank, in which case each such Rejecting Bank's Commitment shall be \$0, in each of clause (i) and (ii) pursuant to the terms and conditions set forth below. Notwithstanding the foregoing, however, in no event the aggregate of all Commitments of all Banks (including any Transferee pursuant to clause (i) above) shall be less than \$280,000,000.

In the event the Borrower elects the option set forth in clause (i) above, the assignment shall occur pursuant to the terms of an Assignment and Assumption Agreement in substantially the form of Exhibit B hereto, effective no later than the 40th day after the Borrower receives a Notice of Rejection from the Agent, and otherwise pursuant to Section 9.06(c) hereof. On such effective date the Transferee shall pay to such Rejecting Bank the principal amount outstanding of the Loans assigned to it by such Rejecting Bank, together with accrued interest thereon, as well as the accrued Commitment Fee with respect to the Commitment of such Rejecting Bank, and, if such effective date is not the last day of the Interest Period for each of the Loans being assigned, the Borrower shall reimburse to the Rejecting Bank the losses and expenses specified in Section 2.12. The Borrower shall also deliver to the Agent on such effective date (y) an

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executed copy of such Assignment and Assumption Agreement and (z) written confirmation from such Transferee that it accepts the Request to Extend, and, upon such receipt with respect to all Transferees, the Agent shall notify the Borrower that the Request to Extend has been accepted.

(e) Conversion Option. If the Borrower delivers a Request to Extend as provided in Section 2.01(d), any Bank shall not have notified the Agent on or prior to the date which is fourteen months prior to the Revolver Termination Date that it accepts such request, and such Bank has not been paid in full to the extent of its outstanding Commitment or replaced by a Transferee accepting such extension pursuant to Section 2.01(d), then not later than 55 days after the Agent has notified the Borrower that the Request to Extend has been rejected, if (y) no Default has then occurred and is continuing, provided that if the Agent shall have actual notice of such Default, it shall have provided notice thereof to the Borrower, and (z) no Event of Default has then occurred and is continuing, the Borrower may notify the Agent that it elects both to

terminate the Revolving Credit Period one year prior to the Revolver Termination Date then in effect (the date of such termination being the "Conversion Date") and effective as of the Conversion Date to maintain its Loans then outstanding pursuant to Section 2.01(b) (the "Conversion Option").

SECTION 2.02. Notice of Borrowing. The Borrower shall give the Agent notice (a "Notice of Borrowing") not later than 12:00 noon (New York City time) on (w) the Domestic Business Day before each Base Rate Borrowing, (x) the third Domestic Business Day before each CD Borrowing, (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, and (z) the date of each Borrowing of a Swing Loan, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or Swing Borrowing, or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing,

(c) whether the Loans comprising such Borrowing are to be initially CD Loans, Base Rate Loans, Swing Loans or Euro-Dollar Loans, provided that, all Swing Loans shall bear interest based on the Base Rate, and

(d) in the case of a Fixed Rate Borrowing, the duration of the initial Interest Period applicable there-

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to, subject to the provisions of the definition of Interest Period.

No more than four (4) Swing Loans may be borrowed during any calendar month.

SECTION 2.03. Notice to Banks; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 12:00 Noon (New York City time) on the date of each Borrowing (or 1:00 P.M. (New York City time) on the date of each Swing Borrowing), each Bank (or, in the case of a Swing Loan, the Swing Lender) participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. Unless the Agent determines that any applicable condition specified in Article III has not been satisfied, the Agent will make the funds so received from the Banks available to the Borrower at the Agent's aforesaid address not later than 1:00 P.M. (New York City time).

(c) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.03 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

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SECTION 2.04. Notes.

(a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

(b) Each Bank may, by notice to the Borrower and the Agent, request that its Loans of a particular type, including Swing Loans, be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Note" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note pursuant to Section 3.01(a), the Agent shall forward such Note to such Bank. Each Bank shall record the date, amount and type of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as

and when required.

SECTION 2.05. Method of Electing Interest Rates. (a) The Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by all the Loans comprised in such Borrowing (subject in each case to the provisions of Article VIII and except for any Swing Loans), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to CD Loans as of any Domestic Business Day or to Euro-Dollar Loans as of any Euro-Dollar Business Day;

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(ii) if such Loans are CD Loans, the Borrower may elect to convert such Loans to Base Rate Loans or Euro-Dollar Loans or elect to continue such Loans as CD Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans;

(iii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or CD Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "Notice of Interest Rate Election") to the Agent at least three Euro-Dollar Business Days before the conversion or continuation selected in such notice is to be effective (unless the relevant Loans are to be converted from Domestic Loans of one type to Domestic Loans of the other type or converted from Euro-Dollar Loans to Domestic Loans or continued as Domestic Loans of the same type for an additional Interest Period, in which case such notice shall be delivered to the Agent at least three Domestic Business Days before such conversion or continuation is to be effective). Notwithstanding the foregoing, in the case of any conversion of a Euro-Dollar Loan or CD Loan to a Base Rate Loan, or the continuation of a Base Rate Loan, such notice need only be delivered to the Agent at least one Domestic Business Day before such conversion or continuation is to be effective. During the Revolving Credit Period a Notice of Interest Rate Election may, if it so specifies, divide the aggregate principal amount of the relevant Borrowing into two or more portions, each of which shall thereafter be deemed a "Borrowing"; provided that each such portion is allocated ratably among the Loans comprising such Borrowing and is at least \$2,000,000 or any larger multiple of \$1,000,000.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Borrowing to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

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(iii) if the Loans comprising such Borrowing are to be converted, the new type of Loans and, if such Loans of a new type are Fixed Rate Loans, the duration of the next Interest Period applicable thereto; and

(iv) if such Loans are to be continued as CD Loans or Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period,

and, if requested by the Agent, shall be accompanied by a certificate of the Borrower satisfactory to the Agent showing the calculation of Total Available Commitments as of the commencement of such Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the Borrower pursuant to subsection (a) above, the Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If the Borrower fails to deliver a timely Notice of Interest Rate Election to the Agent for any Borrowing consisting of Fixed Rate Loans, such Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto.

SECTION 2.06. Interest Rates.

(a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable for each Interest Period on the last day thereof and, with respect to the principal amount of any Base Rate Loan converted to a CD Loan or a Euro-Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 4% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the CD Margin plus the Adjusted CD Rate applicable to such Interest Period;

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provided that if any CD Loan or any portion thereof shall, as a result of clause (2) (b) or (2) (c) (i) of the definition of Interest Period, have an Interest Period of less than 30 days, such portion shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, at intervals of 90 days after the first day thereof. Any overdue principal of or interest on any CD Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 4% plus the higher of (i) the sum of the CD Margin plus the Adjusted CD Rate applicable to such Loan at the date such payment was due and (ii) the rate applicable to Base Rate Loans for such day.

"CD Margin" means 1.625%.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$\text{ACDR} = \frac{[\text{CDBR}]}{[1.00 - \text{DRP}]} * + \text{AR}$$

ACDR = Adjusted CD Rate
 CDBR = CD Base Rate
 DRP = Domestic Reserve Percentage
 AR = Assessment Rate

* The amount in brackets being rounded upward, if necessary, to the next higher 1/100 of 1%

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from the CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of the CD Loan of the CD Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in

effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with

deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of \$100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. (S) 327.3(d) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the Adjusted London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

"Euro-Dollar Margin" means 1.50%.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to the Euro-Dollar Reference Bank in the London interbank market at approximately 11:00 a.m.

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(London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of the Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal

Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 4% plus the higher of (i) the sum of the Euro-Dollar Margin plus the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due and (ii) the Euro-Dollar Margin plus the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (x) the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than one month as the Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to the Euro-Dollar Reference Bank are offered to the Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided above by (y) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 4% plus the rate applicable to Base Rate Loans for such day).

(e) Each Swing Loan shall bear interest on the outstanding principal amount thereof, and in the case of

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any amount of overdue Swing Loan, (overdue interest thereon) at a rate for each day equal to the rate that would be applicable to a Loan that is a Base Rate Loan on such day.

(f) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Each Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

SECTION 2.07. Fees.

(a) Up Front Fee. On the Current Closing Date, the Borrower shall pay to the Agent for the account of the Banks an arrangement fee equal to .50% of the sum of (x) the aggregate Commitments from each Bank which, as of the Current Closing Date, exceeds the aggregate Commitments from such Banks as of the day immediately preceding the Current Closing Date, or (y) as to the Banks which are not parties to the Original Credit Agreement, the sum of such Banks' aggregate Commitments.

((b) Commitment Fee. During the Revolving Credit Period, the Borrower shall pay to the Agent for the account of the Banks ratably in proportion to their Commitments a commitment fee (the "Commitment Fee") at the rate of 3/16 of 1% per annum on the daily average amount by which the aggregate amount of the Commitments exceeds the aggregate outstanding principal amount of the Loans and Swing Loans. The Commitment Fee shall accrue from and including the Initial Closing Date to but excluding the Revolver Termination Date (or such earlier date that the Commitments terminate in their entirety).

(c) Payments. Accrued fees under paragraph (a) above shall be payable on the last day of each consecutive three-month period, the first such day being three months from the date hereof and the last such day being the Revolver Termination Date.

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(d) Extension Fee. Within one week of the notification by the Agent to the Borrower that a Request to Extend has been accepted pursuant to Section 2.01(d), the Borrower shall pay to the Agent for the account of the Banks ratably in proportion to their Commitments an extension fee of 1/4 of 1% of the Commitments then outstanding.

(e) Conversion Fee. On the date that pursuant to Section 2.01(e) the Borrower notifies the Agent of its election of the Conversion Option, the Borrower shall pay to the Agent for the account of the Banks ratably in proportion to their Commitments a conversion fee of 1/4 of 1% of the Commitments that will be outstanding as of the Conversion Date.

SECTION 2.08. Optional Termination or Reduction of Commitments. During the Revolving Credit Period, the Borrower may, upon at least three Domestic Business Days' notice to the Agent, (i) terminate the Commitments at any time, if no Loans or Swing Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of \$1,000,000 or any larger multiple thereof, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans and the Swing Loans.

SECTION 2.09. Maturity; Mandatory Termination or Reduction of Commitments.

(a) The Commitments and Swing Commitment shall terminate on the

Revolver Termination Date or, if pursuant to Section 2.01(e) the Borrower has exercised the Conversion Option, except with respect to the Swing Loans, on the third anniversary of the Conversion Date, and any Loans then outstanding (together with accrued interest thereon) shall mature and be due and payable on such date.

(b) Intentionally Omitted.

(c) In the event that at any time any parcel of real property constituting Mortgaged Property is released from the lien of any Mortgage except pursuant to the terms of Section 9.09, the Commitment of each Bank shall be reduced immediately prior to such release by an amount equal to the product of the Individual Mortgaged Property Value of such parcel multiplied by a fraction, the numerator of which shall be such Bank's Commitment immediately prior to such release, and the denominator of which shall be the aggregate amount of the Commitments immediately prior to such release.

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(d) In the event that at any time the aggregate amount of Commitments shall be reduced under the circumstances and in the amount specified in Section 5(f), Section 5(g) or Section 5(h) of any Mortgage (each such amount, a "Section 5 Amount"), the Commitment of each Bank shall be reduced at such time by an amount equal to the product of such Section 5 Amount multiplied by a fraction, the numerator of which shall be such Bank's Commitment immediately prior to such reduction, and the denominator of which shall be the aggregate amount of the Commitments immediately prior to such reduction.

(e) On any date on or after the Conversion Date on which the Commitment of any Bank shall be greater than the principal amount of the Loan or Loans or Swing Loans of such Bank outstanding on such date (after giving effect to any repayment, prepayment and borrowing on such date), the Commitment of such Bank shall be automatically reduced to an amount equal to such outstanding principal amount.

(f) The Commitment of each Bank shall be further reduced, on (x) each of the first five Commitment Reduction Dates, by an amount equal to fifteen percent (15%) of the amount of such Bank's Commitment in effect on the Conversion Date (after giving effect to any reduction pursuant to subsection (e) on such date), and (y) the sixth Commitment Reduction Date, by an amount equal to twenty-five percent (25%) of the amount of such Bank's Commitment in effect on the Conversion Date (after giving effect to any reduction pursuant to subsection (e) on such date). No reduction of any Commitment pursuant to subsection (c), (d) or (e) shall reduce the amount of any subsequent mandatory reduction of such Commitment pursuant to this subsection (f).

(g) On each date of reduction of any Commitment, the Borrower shall repay such principal amount (together with accrued interest thereon) of each Bank's outstanding Loans or Swing Loans, if any, as may be necessary so that after such repayment the aggregate outstanding principal amount of such Bank's

Loans or Swing Loans does not exceed the amount of such Bank's Available Commitment as then reduced.

SECTION 2.10. Optional Prepayments.

(a) The Borrower may, upon at least one (1) Domestic Business Days' notice to the Agent, prepay any Base Rate Borrowing or Swing Loan in whole at any time or from time to time in part in amounts aggregating

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\$1,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) The Borrower may, upon at least three Domestic Business Days' notice to the Agent, in the case of a Borrowing comprised of CD Loans or upon at least three Euro-Dollar Business Days' notice to the Agent, in case of a Borrowing comprised of Euro-Dollar Loans, prepay the Loans comprising such Borrowing, on the last day of any Interest Period applicable to such Borrowing, in whole at any time, or from time to time in part in amounts aggregating \$2,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.11. General Provisions as to Payments.

(a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the

date for any payment of principal is extended by operation of law

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or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.12. Funding Losses. If the Borrower makes any payment of principal with respect to any Fixed Rate Loan or any Fixed Rate Loan is converted to a Base Rate Loan (pursuant to this Article II or Article VI or VIII or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.06(c), or if the Borrower fails to borrow or prepay any Fixed Rate Loans after notice has been given to any Bank in accordance with Section 2.03(a) or 2.10(c), the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow or prepay; provided that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be prima facie evidence of the matters certified therein.

SECTION 2.13. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day if and only if such payment is made in accordance with the provisions of the first sentence of Section 2.11(a)).

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ARTICLE III

CONDITIONS

SECTION 3.01. Closings.

(a) Conditions Precedent to Effectiveness of Agreement. The Current Closing as contemplated hereunder shall occur upon receipt by the Agent of the following documents, each dated as of the Current Closing Date (or dated as otherwise provided below) or a date otherwise satisfactory to the Agent and in each case satisfactory in form and substance to the Agent:

- (i) a duly executed Note for the account of each Bank, complying with the provisions of Section 2.04 (together with allonges thereto, to the extent applicable);
- (ii) a duly executed copy of this Agreement;
- (iii) a duly executed Confirmation of Guaranty;
- (iv) amendments to certain of the Mortgages, as required by the Agent;
- (v) endorsements to each of the title insurance policies with respect to each Mortgage, satisfactory to the Agent; and
- (vi) an opinion of Mayer, Brown & Platt, counsel for the Borrower, the Subsidiary Guarantors, the Property Manager and the REIT Managers, satisfactory to the Agent.

The Agent shall promptly notify the Borrower and the Banks of the Current Closing Date, and such notice shall be conclusive and binding on all parties hereto.

(b) Conditions Precedent to Future Loans. The Borrower shall have the option to have not more than two (2) Subsequent Closings which shall occur upon no less than fifteen (15) days' notice to the Agent given after receipt by the Agent of each of the following items (or appropriate supplements or modifications to items previously delivered), in each case satisfactory in form and substance to the Agent, with respect to each new property that will be subject to a Mortgage or to take into ac-

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count the addition of such property to Mortgaged Property (the "Additional Properties"):

- (i) the Borrower Mortgage, covering each Additional Property, duly executed by the Subsidiary Guarantor or the Borrower holding title thereto or a leasehold interest therein;
- (ii) the Borrower Assignment of Rents and Leases, covering each

Additional Property owned by the Borrower, duly executed by the Borrower; and a Subsidiary Assignment of Rents and Leases, covering each Additional Property owned by a Subsidiary Guarantor, duly executed by the Subsidiary Guarantor holding title thereto;

(iii) an amendment to the Borrower Cash Collateral Agreement, duly executed by the Borrower, incorporating the Additional Properties owned by the Borrower, together with letters of instruction in the form attached as Exhibit A thereto duly executed by the Borrower and each bank in which the Borrower maintains an Account as defined therein with respect to the Additional Properties;

(iv) a Subsidiary Cash Collateral Agreement, together with letters of instruction in the form attached as Exhibit A thereto duly executed by the applicable Subsidiary Guarantor and each bank in which the applicable Subsidiary Guarantor maintains an Account as defined therein;

(v) any amendments to the Property Management Contract Assignment, duly executed by the Borrower and duly acknowledged by the Property Manager as provided therein, and any amendments of the REIT Management Cooperation Agreement, duly executed by the Borrower and the REIT Manager, in each case to the extent not previously delivered to the Agent;

(vi) satisfactory reports of UCC filing, tax lien, judgment and litigation searches conducted by a search firm acceptable to the Agent with respect to the Additional Property, the Borrower and each Subsidiary Guarantor, such searches to be conducted in each of the locations specified by the Agent;

(vii) UCC-1 financing statements executed by the Borrower or any Subsidiary Guarantor, as applicable, as debtor, naming the Agent, as secured

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party, and filed in the appropriate jurisdictions as is necessary to create perfected security interests in all of the Collateral with respect to the Additional Properties, with respect to which security interests are governed by the UCC;

(viii) a list of all of the parcels of real property constituting the Additional Properties, including the addresses thereof and the names of the mortgagor under each related Mortgage and the number of units in each Additional Property;

(ix) certificates of insurance with respect to each Additional Property demonstrating the coverages required by the Mortgages;

(x) with respect to each Additional Property, a Title Policy;

(xi) with respect to each Additional Property, a Survey;

(xii) with respect to each Additional Property, an appraisal conforming to the regulations promulgated pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended;

(xiii) with respect to each Additional Property, an environmental report;

(xiv) with respect to each Additional Property, an engineer's report;

(xv) with respect to each Additional Property, evidence of compliance with zoning and other local laws;

(xvi) with respect to each Additional Property, certified rent rolls and the most recent annual operating statements;

(xvii) the certificate to be provided by the Borrower pursuant to Section 5.01(c);

(xviii) an opinion of Mayer, Brown & Platt, counsel for the Borrower, the Subsidiary Guarantors, the Property Manager and the REIT Manager, and of such other counsel to such entities, satisfactory to the Agent; and

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(xxiv) all documents the Agent may reasonably request relating to the existence and qualification to do business of the Borrower, the Subsidiary Guarantors, the Property Manager and the REIT Manager, the corporate authority for and the validity of this Agreement, the Notes and the other Loan Documents, or relating to any Collateral, and any other matters relevant in connection with any Loan Document, all in form and substance satisfactory to the Agent.

The Agent shall promptly notify the Borrower and the Banks of any Subsequent Closing Date, and such notice shall be conclusive and binding on all parties hereto.

(c) Additional Closing Conditions. Notwithstanding anything to the contrary herein contained:

(i) there shall not be more than two Subsequent Closings, and the Subsequent Closing Date shall occur, if at all, prior to the earlier of the Revolver Termination Date or the first date of delivery by the Borrower to the Agent of a Request to Extend;

(ii) on each Closing Date each of the Banks shall have

approved each of the properties that is to become subject to a Mortgage, which properties shall be improved by unencumbered income-producing multifamily buildings;

(iii) on each Closing Date the Borrower shall pay the accrued fees and expenses of counsel of the Agent; and

(iv) all opinions delivered by counsel and local counsel for the Borrower shall be in substantially the same form as those delivered at the Current Closing (allowing for changes required by local law in the case of local counsel opinions).

SECTION 3.02. Borrowings. The obligation of any Bank to make a Loan, other than a Refunding Swing Loan, on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) receipt by the Agent of a Notice of Borrowing as required by Section 2.02;

(b) if requested by the Agent or the Required Banks, receipt by the Agent of a certificate of the Borrower satisfactory to the Agent showing the calculation

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of Total Available Commitments as of the date of such Borrowing;

(c) the fact that, immediately after such Borrowing, the aggregate outstanding principal amount of the Loans and Swing Loans will not exceed the amount of the Total Available Commitments;

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(e) the fact that the representations and warranties of the Borrower and the Subsidiary Guarantors contained in this Agreement and any other Loan Document shall be true in all material respects on and as of the date of such Borrowing;

(f) there shall not be more than fifteen Borrowings (including Swing Loans) outstanding at any time; and

(g) receipt by the Agent of a certificate of the Borrower satisfactory to the Agent showing the calculation of the aggregate Borrowings hereunder (determined on a cumulative basis), together with evidence reasonably satisfactory to the Agent of payment by the Borrower on the Banks' behalf of any additional Florida intangible tax that may be due in connection with such Borrowing, pursuant to Florida Statutes (S) 199.143.

Each Borrowing hereunder shall be deemed to be a representation and

warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (b), (c), (d) and (e) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.01. Corporate Existence and Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Maryland, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

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SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower, each Subsidiary Guarantor, the Property Manager and the REIT Manager of each Loan Document to which it is or will be a party are within such Person's corporate powers or partnership powers, as applicable, have been duly authorized by all necessary corporate action or partnership action, as applicable, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation, or of the certificate of incorporation or by-laws or the certificate of limited partnership or limited partnership agreement, as applicable, of such Person or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Person or any of its Subsidiaries, or result in the creation or imposition of any Lien on any asset (including the Collateral) of such Person or any of its Subsidiaries, except as contemplated by the Loan Documents.

SECTION 4.03. Binding Effect. Each Loan Document constitutes, or when duly executed and delivered will constitute, with respect to the Borrower, each Subsidiary Guarantor, the Property Manager and the REIT Manager which is or will be a party thereto, a valid and binding obligation of such Person.

SECTION 4.04. Financial Information.

(a) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 1996 and the related unaudited consolidated statement of earnings and statement of cash flows for the three months then ended, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three month period.

(b) Since March 31, 1996 there has been no material adverse change in the business, operations, properties, assets or financial condition of (i) the Borrower and its Consolidated Subsidiaries, taken as a whole, (ii) the Mortgaged Property, taken as a whole, or (iii) any of the Subsidiary Guarantors, each taken as a whole. As of the Closing Date, Alabama Sub, after giving effect to the transactions contemplated by the Loan Documents, will be solvent (i.e., not "insolvent" within

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the meaning of Section 101(32) of the Bankruptcy Code or Section 271 of the Debtor and Creditor Law of the State of New York.

(c) The unaudited balance sheet of each Subsidiary Guarantor, dated as of June 30, 1996 a copy of which will be delivered to each of the Banks on or before September 1, 1996, fairly represents, in conformity with generally accepted accounting principles, the financial position of such Subsidiary Guarantor as of such date. Since such date there has been no material decrease in the net worth of such Subsidiary Guarantor as indicated on such balance sheet.

SECTION 4.05. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could have a Material Adverse Effect.

SECTION 4.06. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.07. Environmental Matters. Except as indicated in the environmental reports delivered to the Agent pursuant to Section 3.01(a)(xvii), (i) each of the Borrower, each Subsidiary, the Property Manager and the REIT Manager (x) is in compliance with all applicable Environmental Laws, except to the extent non-compliance would not have a Material Adverse Effect, (y) has all material permits, licenses, approvals, rulings, variances, exemptions or other

authorizations under applicable Environmental Laws to operate each Mortgaged Property as presently conducted or as reasonably anticipated to be

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conducted, (z) has received no written communication, from a governmental authority, alleging that the Borrower or any such Subsidiary or the Property Manager or the REIT Manager is not in full compliance with all Environmental Laws, and there are no events or circumstances, to the Borrower's or any Subsidiary's or the Property Manager's or the REIT Manager's knowledge, that may prevent or interfere with such full compliance in the future, except to the extent non-compliance would not have a Material Adverse Effect, (ii) there is no Environmental Claim pending or, to the Borrower's or any such Subsidiary's or the Property Manager's or the REIT Manager's knowledge, threatened against the Borrower or any such Subsidiary or the Property Manager or the REIT Manager, (iii) to the Borrower's or any such Subsidiary's or the Property Manager's or the REIT Manager's knowledge, there are no past or present actions, activities, circumstances, conditions, events or incidents including, without limitation, the release, emission, discharge or disposal of any Hazardous Substances, that could form the basis of any Environmental Claim against the Borrower or any such Subsidiary or the Property Manager or the REIT Manager, (iv) without in any way limiting the generality of the foregoing (A) there are no sites on any Mortgaged Property in which the Borrower or any such Subsidiary or the Property Manager or the REIT Manager has stored (except in full compliance with Environmental Laws), disposed or arranged for the disposal of any Hazardous Substances, (B) there are no underground storage tanks located on any Mortgaged Property, (C) there is no asbestos contained in or forming a part of any improvement on any Mortgaged Property, and (D) no polychlorinated biphenyls (PCBs) are used or stored on any Mortgaged Property. To the extent that the foregoing representation and warranty applies solely to the Property Manager or REIT Manager, as the case may be, and not to the Borrower or any Subsidiary, this representation and warranty applies to the Property Manager or such REIT Manager, as the case may be, solely in its capacity as Property Manager or REIT Manager with respect to the Mortgaged Property.

SECTION 4.08. Taxes. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, except if such assessment is being contested in good faith by appropriate proceedings and adequate reserves have been established with respect thereto. The charges, accruals and reserves on the books of the Borrower and its Subsid-

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aries in respect of taxes or other governmental charges are, in the opinion of

the Borrower, adequate.

SECTION 4.09. Subsidiaries. Each of the Borrower's corporate Subsidiaries, the Property Manager and the REIT Manager is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, each of the Borrower's partnership Subsidiaries is a limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and each such entity has all corporate or partnership powers, as applicable, and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Schedule 4.09 completely and accurately sets forth for each of the Subsidiary Guarantors the jurisdiction of its organization, the number and type of Equity Interests authorized and outstanding and their ownership. The Equity Interests owned by the Borrower or by NCGP or NCLP have been duly authorized and validly issued and are fully paid and nonassessable and will be so owned free and clear of all Liens, encumbrances, or title defects or adverse claims, except Liens granted to the Agent pursuant to the Loan Documents and inchoate tax liens. No Subsidiary Guarantor is subject to any contractual or legal restrictions on its ability to declare and pay dividends or other distributions in respect of its Equity Interests, and there is no agreement restricting the transfer or pledge of any Equity Interests of any Subsidiary Guarantor other than the Loan Documents. NCGP is the sole general partner, and NCLP is the sole limited partner, of NC Sub. No Person has any right to or claim against any asset of NC Sub except for the rights of NCGP and NCLP pursuant to the Partnership Agreement.

SECTION 4.10. Investments. Neither the Borrower nor any Consolidated Subsidiary has any Investment in any Person other than Investments specified in clauses (i), (ii), (iii) and (iv) of Section 5.11.

SECTION 4.11. Not an Investment Company. Neither the Borrower nor any Subsidiary or Affiliate of the Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.12. Full Disclosure. All information heretofore furnished by the Borrower to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Agent or any Bank will be, true and accurate,

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taken as a whole, in all material respects on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts which materially and adversely affect or may so affect (to the extent the Borrower can now reasonably foresee) the business, operations, properties, assets or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the value of any Mortgaged Property, or the ability of the Borrower or any Subsidiary Guarantor or the

Property Manager or the REIT Manager to perform its obligations under any Loan Document.

SECTION 4.13. Subsidiary Guarantor Representations True. All of the representations and warranties of the Subsidiary Guarantors in the Loan Documents are true and correct in all material respects.

SECTION 4.14. Senior Debt. The obligations of each Subsidiary Guarantor under the Subsidiary Guaranty, including the guarantee of all principal, interest, fees and other amounts payable pursuant to any Loan Document, constitute "Senior Debt" for all purposes of the Permitted Intercompany Debt issued by such Subsidiary Guarantor. No Subsidiary Guarantor has any other "Senior Debt" outstanding.

SECTION 4.15. Relationship of Borrower and Its Affiliates. The Borrower is an Affiliate of Group and is controlled by Group. At the date hereof, at least 60% of each class of Equity Interests of the Borrower is owned beneficially by Group. Each of the Property Manager and the REIT Manager is an Affiliate of Group and is controlled by Group.

SECTION 4.16. Contracts. Except as indicated on Schedule 4.16, there are no material leasing, asset management, property management or advisory contracts in connection with the Mortgaged Property other than the Property Management Contract and the REIT Management Contract. All contracts in connection with the operation of the Mortgaged Property (other than the Property Management Contract, the REIT Management Contract and the Investor Agreement between Group and the Borrower) are (i) to the Borrower's knowledge, market rate contracts with third parties on customary terms for similar contracts and (ii) in each case (except for contracts set forth on Schedule 4.16) terminable by the Borrower on no more than 30 days' notice.

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SECTION 4.17. Qualification as a REIT. The Borrower qualifies, and intends to elect treatment with the filing of its tax return for 1994, as a "real estate investment trust" for purposes of the Internal Revenue Code (a "REIT"). Each Subsidiary Guarantor (other than Subsidiary Guarantors that are considered to be partnerships for Federal tax purposes) qualifies as a "qualified REIT subsidiary" under sections 856-859 of the Internal Revenue Code, and assuming the Borrower were a REIT as of the date hereof, each Subsidiary Guarantor (other than Subsidiary Guarantors that are considered to be partnerships for Federal tax purposes) would be treated as a "qualified REIT subsidiary" as of the date hereof.

SECTION 4.18. No Plan Assets. The Borrower does not hold "plan assets" within the meaning of Section 2510.3-101 of the Regulations of the Department of Labor.

SECTION 4.19. Subsidiary Debt. No Subsidiary has any Debt outstanding other than Debt permitted under Section 5.25.

The Borrower shall also be deemed to represent and warrant that as of the first day of each Interest Period of each Borrowing (x) the aggregate outstanding principal amount of the Loans does not exceed the amount of the Total Available Commitments, (y) no Default has occurred and is continuing and (z) the representations and warranties of the Borrower and the Subsidiary Guarantors contained in this Agreement and any other Loan Document (except (i) the representations and warranties set forth in Section 4.04(c) and Section 4.05 as to any matter which has theretofore been disclosed in writing by the Borrower to the Banks, (ii) the representation and warranty set forth in Section 4.16 to the extent such contracts are otherwise permitted by this Agreement and (iii) the representation and warranty set forth in Section 4.07 to the extent a breach thereof would by virtue of the proviso to Section 6.01(c) not give rise to an Event of Default pursuant to Section 5.24) are true in all material respects on and as of such day.

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ARTICLE V

COVENANTS

The Borrower agrees that, so long as any Bank has any Commitment hereunder or any amount payable under any Note or hereunder remains unpaid:

SECTION 5.01. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statement of earnings and statement of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on (in a manner acceptable to the Securities and Exchange Commission, if the Borrower is required to file reports with the Securities and Exchange Commission), by Arthur Andersen, Coopers & Lybrand, Deloitte & Touche, Ernst & Young, KPMG Peat Marwick, Price Waterhouse or Kenneth Leventhal & Co.;

(b) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statement of earnings and statement of cash flows for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter (together with a quarterly summary of operations for each Mortgaged Property), setting forth in

the case of such financial statements in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all certified (subject to normal year-end or audit adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the controller of the Borrower;

(c) (X) on or prior to each Closing Date, a certificate showing (A) the calculation of Mortgaged Property Cash Flow for the twelve-month period ending on June 30, 1995 in the case of the Current Closing Date (which, as to the Current Closing Date, shall include, with respect to the Additional Properties, a pro forma calculation adding the Mortgaged Property Cash Flow with

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respect to any Additional Property for the portion of such twelve-month period that any Additional Property was not owned by the Borrower or the applicable Subsidiary Guarantor) and on the last day of the preceding month in the case of the Subsequent Closing Date for the parcels of real property constituting Mortgaged Property on such Closing Date and (B) the calculation of the maximum aggregate principal amount of Loans that could have been outstanding during such twelve-month period in order for Mortgaged Property Cash Flow for such period to have been not less than 170% of the interest expense with respect to such maximum aggregate principal amount of Loans for such period, assuming that the interest rate applicable from time to time with respect to such maximum aggregate principal amount of Loans during such twelve-month period was the greater of (i) the average actual rate in effect during such period with respect to the Loans outstanding during such period, (ii) the average actual rate in effect at the end of such period or (iii) 8.25% with respect to any twelve-month period; and (Y) no later than the forty-fifth (45th) day of every calendar quarter commencing on July 25, 1994, and the ninetieth (90th) day of every fiscal year following the Initial Closing Date, a certificate showing (A) the calculation of Mortgaged Property Cash Flow for the twelve-month period ending on the last day of the preceding quarter for the parcels of real property constituting Mortgaged Property on such last day, (B) the calculation of the maximum aggregate principal amount of Loans that could have been outstanding during such twelve-month period in order for Mortgaged Property Cash Flow for such period to have been not less than 170% of the interest expense with respect to such maximum aggregate principal amount of Loans for such period, assuming that the interest rate applicable from time to time with respect to such maximum aggregate principal amount of Loans during such twelve-month period was the greater of (i) the average actual rate in effect during such period with respect to the Loans actually outstanding during such period, (ii) the average actual rate in effect at the end of such period, or (iii) 8.25% with respect to any twelve-month period; and (C) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.07 through 5.13 on the last day of the preceding quarter;

(d) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the

controller of the Borrower stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which

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the Borrower is taking or proposes to take with respect thereto;

(e) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements (i) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (ii) confirming the calculations set forth in the most recent officer's certificate delivered pursuant to clause (c) above;

(f) within five days after any executive officer of the Borrower (including without limitation any member of the board of directors, any managing director, any senior vice president, the secretary or the controller) obtains knowledge of any Default, if such Default is then continuing, a certificate of the controller of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(g) within five days after any executive officer of the Borrower (including without limitation any member of the board of directors, any managing director, any senior vice president, the secretary or the controller) obtains knowledge of any Environmental Claim against the Borrower, any Subsidiary, the Property Manager or the REIT Manager, a certificate of the controller of the Borrower setting forth the details thereof and the action which such Person is taking or proposes to take with respect thereto.

(h) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(i) promptly upon the filing thereof, if any, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(j) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan

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has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the controller of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(k) simultaneously with the delivery of the items set forth in Section 5.01(a), the Borrower will furnish and will cause each Subsidiary Guarantor to furnish, as applicable, to the Agent operating information with respect to each Mortgaged Property as follows:

(i) annual operating statements (including income and expenses); and

(ii) a certified rent roll; and

(l) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Agent, at the request of any Bank, may reasonably request.

SECTION 5.02. Payment of Obligations. The Borrower will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, any obligation pursuant to any agreement by which it or any of its properties, or any Subsidiary or any of its Subsidiaries' properties, may be bound and any tax liabilities, imposi-

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tions, assessments, and public charges of every character, except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of

the same.

SECTION 5.03. Maintenance of Property; Insurance.

(a) The Borrower will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good order and condition, ordinary wear and tear excepted.

(b) The Borrower will comply, and will cause each Subsidiary Guarantor to comply, as applicable, with all insurance requirements set forth in each Mortgage. The Borrower will deliver to the Banks (i) upon request of any Bank through the Agent from time to time full information as to the insurance carried, (ii) within five days of receipt of notice from any insurer a copy of any notice of cancellation or material change in coverage from that existing on the date of this Agreement and (iii) forthwith, notice of any cancellation or nonrenewal of coverage by the Borrower.

SECTION 5.04. Conduct of Business and Maintenance of Existence. The Borrower will (x) continue, and will cause each Subsidiary Guarantor to continue, to engage in business of the same general type as now conducted by the Borrower and the Subsidiary Guarantors, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary Guarantor to preserve, renew and keep in full force and effect, their respective corporate or partnership existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business and (y) except to the extent that a failure to do so would not have a Material Adverse Effect, cause each Subsidiary other than a Subsidiary Guarantor to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and preserve, renew and keep in full force and effect their respective corporate or partnership existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; provided that nothing in this Section 5.04 shall prohibit (i) the merger of a Subsidiary other than a Subsidiary Guarantor into the Borrower or the merger or consolidation of a Subsidiary other than a Subsidiary Guarantor with or into another Person if the corporation surviving such consolidation or merger is a Subsidiary

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other than a Subsidiary Guarantor and if, in each case, after giving effect thereto, no Default shall have occurred and be continuing, (ii) the termination of the corporate existence of any Subsidiary other than a Subsidiary Guarantor if the Borrower in good faith determines that such termination is in the best interest of the Borrower and is not materially disadvantageous to the Banks, or (iii) the Homestead Investment.

SECTION 5.05. Compliance with Laws. The Borrower will comply, and cause each Subsidiary to comply, with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws, land use laws, all zoning and building codes

with respect to the Mortgaged Property and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings and except to the extent non-compliance would not have a Material Adverse Effect.

SECTION 5.06. Inspection of Property, Books and Records. The Borrower will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank at such Bank's expense and risk to visit and inspect any of their respective properties, including without limitation the Mortgaged Property, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times, upon reasonable prior notice and as often as may reasonably be desired.

SECTION 5.07. Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net Worth will at no time be less than \$325,000,000.

SECTION 5.08. Property Cash Flow Coverage. The ratio of Property Cash Flow to Consolidated Interest Expense will not, for any period of twelve consecutive months commencing with the twelve month period ending June 30, 1996, be less than 2.0:1; it being agreed that interest applicable to Properties under development shall be capitalized as to each building under construction thereon only until substantial completion thereof and such building being ready for its intended use, and

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thereafter, interest attributable thereto shall be expensed.

SECTION 5.09. Mortgaged Property Cash Flow Coverage. The ratio of Mortgaged Property Cash Flow to Loan Interest Expense will not, for any period of twelve consecutive months commencing with the twelve month period ending June 30, 1996, or any shorter period commencing on the Closing Date and ending on the last day of any calendar quarter preceding June 30, 1996, be less than 1.7: 1.

SECTION 5.10. Leverage. Consolidated Debt will at no time exceed 50% of the sum of consolidated stockholders' equity plus consolidated liabilities of the Borrower and its Consolidated Subsidiaries plus accumulated depreciation. Consolidated Debt (other than (i) Debt which is secured by a Lien on the assets of the Borrower or any of its Consolidated Subsidiaries but which is otherwise non-recourse to the Borrower or any of its Consolidated Subsidiaries, (ii) Debt consisting of or in respect of tax-exempt bonds or (iii) Debt which is in the final five (5) years or less of a full payment amortization schedule providing for periodic payments over the remaining life where no more than 50% of the original loan amount is amortized in said final period of five (5) years or less) with an original final maturity of five (5) years or less (not including

renewal or extension options), including Loans outstanding, will at no time exceed \$400,000,000.

SECTION 5.11. Investments. Neither the Borrower nor any Consolidated Subsidiary will make or acquire any Investment in any Person other than:

(i) Investments in Subsidiaries made primarily for the purpose of (A) prudent tax planning as disclosed to the Agent in writing at least ten (10) days prior to such transaction or (B) assuming or refinancing Debt described in Sections 5.25 (i) and (ii),

(ii) Temporary Cash Investments,

(iii) Permitted Investments,

(iv) an Investment (the "Homestead Investment") in Homestead Village Properties Incorporated ("Homestead"), which Investment when made shall not exceed (a) 30% of the common stock of Homestead, (b) 30% in warrants of Homestead, (c) \$115,000,000 in convertible mortgages with respect to the assets of Homestead, or (d)

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20% of the Consolidated Tangible Net Worth of the Borrower, and

(v) any Investment not otherwise permitted by the foregoing clauses of this Section if, immediately after such Investment is made or acquired, the aggregate net book value of all Investments permitted by this clause (v) does not exceed 10% of Consolidated Tangible Net Worth.

SECTION 5.12. Restricted Payments. The Borrower will not declare or make any Restricted Payment during any of its fiscal quarters which, when added to all Restricted Payments made during the three immediately preceding fiscal quarters, exceeds 95% of the Funds From Operations during its four fiscal quarters then most recently ended; provided that the foregoing shall not prohibit the Borrower from making the minimum amount of Restricted Payments required to be made in order for the Borrower to comply with the provisions of Section 5.22. Notwithstanding anything contained to the contrary in this Section 5.12, the Borrower may declare or make Restricted Payments during the fiscal quarter in which the Borrower shall contribute the Homestead Assets to Homestead, which Restricted Payments shall consist of a portion of the Homestead Investment consisting of common stock and/or warrants with respect to Homestead received by the Borrower in connection with such contributions. Notwithstanding anything contained to the contrary in this Section 5.12, the Borrower may declare or make Restricted Payments during the fiscal quarters ending September 30, 1997 which, when added to all Restricted Payments made during the three immediately preceding fiscal quarters, do not exceed 97% of the Funds From Operations during its four fiscal quarters then most recently ended. Such provision shall apply only with respect to Restricted Payments made on or before September 30, 1997 and shall have no effect with respect to the provisions of

this Section 5.12 as to any Restricted Payments made from and after October 1, 1997. For purposes of this provision "Restricted Payment" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its capital stock or in rights to subscribe for or purchase shares of its capital stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock or (b) any option, warrant or other right to acquire shares of the Borrower's capital stock, and "Funds From Operations" means the sum of Property Cash Flow (to which shall be added any Consolidated Capital Expenditures otherwise subtracted by definition, as well

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as income from Temporary Cash Investments, minus Consolidated Interest Expense, but specifically adding back loan amortization payments otherwise subtracted by definition).

SECTION 5.13. [Intentionally Omitted.]

SECTION 5.14. Consolidations, Mergers and Sales of Assets. The Borrower will not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or any substantial part of the assets of the Borrower and its Subsidiaries, taken as a whole, to any other Person. The Borrower will not permit any of its Subsidiary Guarantors to (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or any substantial part of such Subsidiary Guarantor's assets to any other Person, except as permitted by the proviso to Section 5.04. Notwithstanding anything contained to the contrary in this Section 5.14, the Borrower may and may permit the applicable Subsidiary Guarantors to, contribute or fund approximately \$158.6 million in exchange for the Homestead Investment. Of such amount, it is expected that Borrower will (i) contribute approximately \$29 million in real property assets to Homestead at the closing of the Homestead transaction (the "Homestead Closing"), (ii) fund approximately \$18.6 million to Homestead in return for common stock of Homestead ("Equity Funding") at the Homestead Closing and (iii) fund approximately \$111 million in the form of convertible mortgage loans to Homestead ("Mortgage Funding") over time. To the extent that Borrower contributes additional real property assets to Homestead at the Homestead Closing, Borrower's obligation to make the Equity Funding and the Mortgage Funding will be reduced dollar for dollar, with the Equity Funding being reduced first.

SECTION 5.15. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower to prepay all outstanding Debt owed to Group or any wholly-owned subsidiary thereof, and to acquire and develop parcels of real property improved or to be improved by income-producing multifamily buildings, to refinance the acquisition costs thereof, and for the Equity Funding and the Mortgage Funding, or for general corporate purposes. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock"

within the meaning of Regulation U.

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SECTION 5.16. Maintenance of Ownership of Subsidiary Guarantors; Performance of Subsidiary Guarantor Obligations. The Borrower will not sell or otherwise dispose of, or permit NCLP or NCGP to sell or otherwise dispose of, any Equity Interest of any Subsidiary Guarantor or permit any Subsidiary Guarantor to issue any new Equity Interest. The Borrower will cause each of the Subsidiary Guarantors to perform fully and promptly each of their obligations under any Loan Document.

SECTION 5.17. No Change in Partnership Agreement; Sole General Partner and Limited Partner. The Borrower will cause the Partnership Agreement not to be amended, modified or rescinded in any material respect and will cause NCGP to remain the sole general partner, NCLP to remain the sole limited partner, of NC Sub. All immaterial changes to the Partnership Agreement that are permitted hereunder shall require the prior written consent of the Agent which consent shall not be unreasonably withheld or delayed. Copies of all such changes shall be delivered promptly by the Borrower to each Bank.

SECTION 5.18. Maintenance of Subsidiary Guarantors as Special Purpose Entities. The Borrower will not permit (a) NC Sub, SC Sub or Alabama Sub to hold any assets other than the Mortgaged Property and ancillary property reasonably required in the operation thereof, (b) NCGP and NCLP to hold any assets except for their general partnership interests and limited partnership interests, respectively, in NC Sub, and the Permitted Intercompany Debt issued to each of NCGP and NCLP by NC Sub, (c) NCGP and NCLP to have any liabilities other than those resulting from the Loan Documents and Permitted Intercompany Debt issued by each of them to the Borrower, or Liens other than those created by the Loan Documents and (d) NC Sub, SC Sub or Alabama Sub to have any liabilities other than those customarily incurred in connection with the operation of the type of property constituted by the Mortgaged Property, liabilities resulting from the Loan Documents and Permitted Intercompany Debt, or Liens other than those created by the Loan Documents or, with respect to their respective Mortgaged Property, Permitted Exceptions.

SECTION 5.19. Restriction on Intercompany Debt; Subordination. The Borrower (x) will cause each of NCGP, NCLP, NC Sub, SC Sub not to, and (y) as lender to Homestead will not, modify or waive in any manner the terms of the Permitted Intercompany Debt, and will cause each of NLGP, NCLP, NC Sub, SC Sub to comply with the terms of the subordination provisions thereof. The Borrower will not, and will not permit NCGP or NCLP to,

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sell, transfer, assign or pledge any Permitted Intercompany Debt of which it is the obligee except pursuant to the Borrower Pledge Agreement or the NC Pledge Agreement, respectively.

SECTION 5.20. Affiliate Transactions. The Borrower will not, and will not permit any of its Subsidiary Guarantors to, enter into any transaction with or make any payment to any Affiliates of the Borrower or of any Subsidiary Guarantor or any Affiliates thereof, other than the Property Management Contract, the REIT Management Contract, the Investor Agreement between Group and the Borrower or Permitted Intercompany Debt or any payments made in accordance therewith or dividends on shares of capital stock to the extent not prohibited hereby. Notwithstanding the foregoing, the Borrower or any Subsidiary Guarantor may enter into transactions with Affiliates (other than purchases or sales of real property, loan transactions or transactions for services provided pursuant to the Property Management Contract) which involve (i) underwriting or placement agent agreements as to which no amounts are payable by the Borrower other than expenses payable to third parties or indemnity obligations, in each case not less favorable to the Borrower or any Subsidiary Guarantor than those which are generally available in the market, (ii) stock purchase, option or warrant agreements in which the Borrower is selling or agreeing to sell Equity Interests thereunder, (iii) collective insurance agreements, (iv) the contemplated transaction with Homestead, including, without limitation, the contribution of assets to Homestead, the Equity Funding, the Mortgage Funding, and the receipt of the Homestead Investment, or (v) any other contract as to which the Borrower gives the Agent 30 days prior notice of the terms thereof and, in the reasonable judgment of the Required Banks, such terms are not less favorable to the Borrower or any Subsidiary Guarantor than those which are generally available in the market. In addition, notwithstanding the foregoing, the Borrower may enter into (i) temporary or bridge loan transactions with Group or any wholly-owned subsidiary thereof, which loans shall be unsecured and subordinate (on the same terms and conditions as set forth in clauses (A) and (B) of the definition of "Permitted Intercompany Debt") to any and all Loans made by any Bank and terminable upon thirty (30) days' notice and (ii) any and all transactions with or through Atlantic Development Services Incorporated which are permitted by, and in accordance with the terms of, this Agreement. No such transaction with or through Atlantic Development Services Incorporated ("ADS") shall be permitted, unless (i) all loans or advances to ADS are secured by first priority liens and security interests

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(subject only to prior liens and security interests securing performance guaranties granted in the ordinary course of ADS' business) in real properties developed or acquired by ADS, (ii) the Borrower shall, at all times, beneficially own at least ninety percent (90%) of the economic interests in ADS, and (iii) the financial condition and results of operation of ADS shall be consolidated with those of the Borrower for purposes of the financial statements.

SECTION 5.21. Contracts. The Borrower will not, and will cause the Subsidiary Guarantors not to, modify the Property Management Contract or the REIT Management Contract in any manner that (i) increases fees payable thereunder (except, in the case of the Property Management Agreement, increases consistent with market rates), (ii) adversely affects the Borrower's termination

rights or (iii) reduces the duties of the REIT Manager or the Property Manager.

SECTION 5.22. Real Estate Investment Trust. At all times prior to electing treatment as a REIT, the Borrower (including without limitation its organization and method of operations and those of its subsidiaries) will satisfy the conditions specified in Sections 856 through 859 of the Internal Revenue Code in order to elect treatment as a REIT. Borrower will timely elect treatment as a REIT for the tax year 1994 and will for each tax year thereafter continue to qualify as, and maintain its election under Section 856(c)(1) of the Internal Revenue Code to be a REIT. At all times prior to electing treatment as a REIT, the Borrower will take all action that is necessary for each Subsidiary Guarantor (other than Subsidiary Guarantors that are considered to be partnerships for Federal tax purposes) to qualify as a "qualified REIT subsidiary" under sections 856-859 of the Internal Revenue Code, and will avoid all action that is inconsistent with such continued qualification. Borrower will cause each Subsidiary Guarantor (other than Subsidiary Guarantors that are considered to be partnerships for Federal tax purposes) to qualify as a "qualified REIT subsidiary" under sections 856-859 of the Internal Revenue Code for each tax year commencing with the tax year 1994.

SECTION 5.23. No Plan Assets. The Borrower will at no time hold "plan assets" within the meaning of Section 2510.3-101 of the Regulations of the Department of Labor.

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SECTION 5.24. Environmental Matters. At its sole cost and expense, the Borrower will comply with, and will cause each Subsidiary Guarantor (and with respect to any and all activities relating to the Mortgaged Property, the Property Manager and the REIT Manager) to comply with, all Environmental Laws, except to the extent non-compliance would not have a Material Adverse Effect. Without limiting the generality of the foregoing, the Borrower will not, and will cause each Subsidiary Guarantor, the Property Manager and the REIT Manager not to, use, store, discharge, install or transport on any Mortgaged Property, or permit to be used, stored, discharged, installed or transported on any Mortgaged Property, any Hazardous Substances other than Hazardous Substances of such types and in such quantities as are customarily used or stored in or at comparable, prudently-managed multifamily buildings. Furthermore, the Borrower will (i) immediately commence any and all remedial action needed according to the environmental reports delivered to the Agent pursuant to Section 3.01(a)(xvii), (ii) diligently pursue such action to completion and (iii) promptly deliver to the Agent notice of initiation as well as notice of completion of such action.

SECTION 5.25. Limitations on Subsidiary Debt. The Borrower will not permit any Subsidiary to have or incur any Debt (other than the Subsidiary Guaranties) other than (i) Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or developing an asset, provided that the amount of Debt so incurred or assumed does not exceed the acquisition or

development cost of such asset, (ii) Debt consisting, or in respect, of existing tax-exempt bonds, (iii) Debt the sole obligee of which is the Borrower and (iv) Permitted Intercompany Debt.

SECTION 5.26. Investments in Unimproved Real Property. The aggregate amount of the investments of the Borrower and its Consolidated Subsidiaries in unimproved real property, excluding real property which is being developed or will be developed within a reasonable period, will at no time exceed 10% of the total assets of the Borrower and its Consolidated Subsidiaries.

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ARTICLE VI

DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) (i) the Borrower shall fail to pay when due any principal of or interest on any Loan, or (ii) shall fail to pay for five (5) Business Days after written notice thereof has been given to the Borrower by the Agent, any fees or any other amount payable hereunder;

(b) the Borrower shall fail to observe or perform any covenant contained in Section 5.07, 5.08, 5.10, 5.12-5.16, 5.18, 5.19, 5.22, 5.23 and 5.25, inclusive;

(c) the Borrower shall fail to observe or perform the covenant contained in Section 5.09, 5.11, 5.17, 5.20, 5.21 or 5.24 for five (5) days after the Borrower shall have knowledge thereof; or the Borrower shall fail to observe or perform any other covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) or the Borrower or any Subsidiary Guarantor shall fail to perform any covenant or agreement contained in any other Loan Document to which it is a party for 30 days (or such shorter period as may be provided for therein) after written notice thereof has been given to the Borrower by the Agent at the request of any Bank; provided, however, that, in the event a Default hereunder arises due to a breach of the covenant contained in Section 5.24, which breach is caused by non-compliance with Environmental Laws affecting a Property (the "Contaminated Property") due solely to the action or inaction of one or more third parties, then the Borrower shall have up to sixty (60) days to (i) cure such breach (the "Cure Period") and (ii) provide the Agent with a report of an environmental consultant, reasonably acceptable to the Required Banks, which report demonstrates to the reasonable satisfaction of the Required Banks that such breach has been cured and that the Contaminated Property is in compliance with applicable Environmental Laws (satisfaction of (i) and (ii) collectively a "Cure"). During such Cure Period,

the Aggregate Mortgaged Property Value shall automatically be reduced by the Individual Mortgaged Property Value of the Contaminated Property and Borrower shall, within five (5) days of the beginning of the Cure Period, prepay any amounts required to be prepaid pursuant to Section 2.09. In the

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event the breach of Section 5.24 shall have been Cured prior to the end of the Cure Period, such reduction in the Aggregate Mortgaged Property Value shall automatically terminate. In the event the breach of Section 5.24 shall not have been Cured by the end of the Cure Period, and the Contaminated Property shall not have been released pursuant to Section 9.08 or Section 9.09, then such breach shall constitute an Event of Default hereunder;

(d) any representation, warranty, certification or statement made by the Borrower or any Subsidiary Guarantor in any Loan Document or in any certificate, financial statement or other document delivered pursuant to any Loan Document shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower or any Subsidiary shall fail to make any payment in respect of any Material Debt when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) the Borrower or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary

case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$5,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$5,000,000;

(j) a judgment or order for the payment of money in excess of \$5,000,000 shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days;

(k) (i) the Borrower is no longer an Affiliate of Group, is no longer controlled by Group, or Group no longer owns beneficially, and either of record or through a wholly-owned subsidiary of Group which holds of record, at least 20% of each class of Equity Interests of the Borrower having the right to vote on the election of directors and any other material actions, proposals, issues or activities of the Borrower and its Subsidiaries, (ii) the REIT Manager is no longer an Affiliate of Group or (iii) the Property Manager is no longer an Affiliate of Group or is no longer controlled by Group;

(l) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) other than Group shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of a percentage of any class of Equity Interests of the Borrower having the right to vote

on the election of directors and any other material actions, proposals, issues or activities of the Borrower and its Subsidiaries, equal to the percentage of such class then owned beneficially by Group minus 10%; or, during any period of 24 consecutive calendar months prior to the date of the consummation of the

Borrower's initial public offering of any of the Borrower's Equity Interests registered with the Securities and Exchange Commission, individuals who were directors of the Borrower on the first day of such period (and directors appointed by any number of such individuals) shall cease to constitute a majority of the board of directors of the Borrower; or, during any period of 24 consecutive calendar months commencing on or after such date of consummation, individuals who were directors of the Borrower on the first day of such period (and directors appointed or nominated by any number of such individuals) shall cease to constitute a majority of the board of directors of the Borrower; or

(m) any Loan Document shall for any reason cease to be in full force and effect, or shall cease to give the Agent the Liens, and the material rights, powers and privileges purported to be created thereby including, without limitation, a first perfected security interest in, and Lien on, all of the Collateral in accordance with the terms thereof, prior to all other Liens; then, and in every such event, the Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, or (ii) if requested by Banks holding Notes evidencing more than 50% in aggregate principal amount of the Loans, by notice to the Borrower declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

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SECTION 6.02. Notice of Default. The Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

ARTICLE VII

THE AGENT

SECTION 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. Agent and Affiliates. Morgan Guaranty Trust Company of New York shall have the same rights and powers under this Agreement as any other

Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Agent hereunder.

SECTION 7.03. Action by Agent. The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.04. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.05. Liability of Agent. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or of a lesser number of Banks requesting action pursuant to Section 6.01 or (ii) in the

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absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes, any other Loan Documents or any other instrument or writing furnished in connection herewith or therewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.06. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any other Loan Document or any action taken or omitted by such indemnitees hereunder or thereunder.

SECTION 7.07. Credit Decision. Each Bank acknowledges that it has,

independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.08. Successor Agent. The Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent, which successor Agent, provided no Event of Default shall have occurred and be continuing, shall be subject to approval by the Borrower, which approval shall not be unreasonably withheld or delayed. If no successor

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Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent. The Agent, whether appointed by the Required Banks or by the retiring Agent, shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent. In addition, if Morgan Guaranty Trust Company of New York ("Morgan"), as Agent, shall at any time hold Commitments equal to less than \$25,000,000 in the aggregate, it shall promptly notify the Banks and the Borrower thereof and shall offer to resign as Agent. If such offer shall be accepted by the Required Banks (for this purpose only, Morgan shall be deemed to have accepted its own offer to resign), a successor Agent shall be appointed in accordance with this Section 7.08.

SECTION 7.09. Agent's Fee. The Borrower shall pay to the Agent for its own account fees in the amounts and at the times previously agreed upon between the Borrower and the Agent.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Fixed Rate Borrowing:

(a) the Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) Banks having 50% or more of the aggregate amount of the Commitments advise the Agent that the Adjusted CD Rate or the Adjusted London Interbank Offered Rate, as the case may be, as determined by the Agent will

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not adequately and fairly reflect the cost to such Banks of funding their CD Loans or Euro-Dollar Loans, as the case may be, for such Interest Period, the Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make CD Loans or Euro-Dollar Loans, as the case may be, or to convert outstanding Loans into CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended and (ii) each outstanding CD Loan or Euro-Dollar Loan, as the case may be, shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediate-

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ly if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 8.03. Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (i) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (ii) with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment (excluding, with respect to any CD Loan, any such requirement reflected in an applicable Assessment Rate) or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Note or its obligation to make Fixed Rate Loans, and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Agent), and provided such Bank is generally exercising rights similar to those set forth in this Section 8.03 (a) against other borrowers similarly situated to the Borrower, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any

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change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking

into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Agent), and provided such Bank is generally exercising rights similar to those set forth in this Section 8.03(b) against other borrowers similarly situated to the Borrower, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be prima facie evidence of the matters certified therein. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 8.04. Taxes.

(a) Any and all payments by the Borrower to or for the account of any Bank or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise or similar taxes imposed on it, by the jurisdiction of such Bank's

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Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, or charges or

similar levies, including without limitation documentary, intangibles, recording, mortgage recording and transfer taxes, which arise from any extension of credit hereunder, any payment made hereunder or under any Note or from the execution or delivery or performance of, or the exercise of remedies under, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 15 days from the date such Bank or the Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower with Internal Revenue

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Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Bank at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 8.04(a).

(e) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form pursuant to Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.04(a) with respect to Taxes imposed by the United States; provided that, should a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section 8.04, then such Bank will change the jurisdiction of its Applicable Lending Office so as to eliminate or

reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Bank, is not otherwise disadvantageous to such Bank.

SECTION 8.05. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make or maintain Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its CD Loans or Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) CD Loans

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or Euro-Dollar Loans, as the case may be, shall be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks), and

(b) after each of its CD Loans or Euro-Dollar Loans, as the case may be, has been repaid (or converted into a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a CD Loan or Euro-Dollar Loan, as the case may be, on the first day of the next succeeding Interest Period applicable to the related CD Loans or Euro-Dollar Loans of the other Banks.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Agent, at its address or telex number set forth on the signature pages hereof, (y) in the case of any Bank, at its address or telex number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address or telex number as such party may hereafter specify for the purpose by notice to the Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answer back is received, (ii) if given by mail, 72

hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II or Article VIII shall not be effective until received.

SECTION 9.02. No Waivers. No failure or delay by the Agent or any Bank in exercising any right or remedy hereunder or under any Note, and no course of dealing with respect thereto, shall operate as a waiver thereof nor shall any single or partial exercise of any

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right or remedy hereunder or under any Note or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies provided herein, under any Note or in any other Loan Document are cumulative and may be exercised independently or concurrently and are not exclusive of any other rights or remedies provided by law.

SECTION 9.03. Expenses; Indemnification.

(a) The Borrower shall pay (i) all out-of-pocket expenses of the Agent, including reasonable fees and disbursements of special counsel and local counsel for the Agent, in connection with the preparation and administration of this Agreement and each other Loan Document, any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default or alleged Default hereunder, (ii) all appraisal fees, recording and filing fees, taxes, brokerage fees and commissions, abstract fees, title insurance premiums and fees, Uniform Commercial Code and other search fees, escrow fees, environmental report fees, engineering report fees, and all other costs and expenses of every character incurred in connection with the preparation, execution, delivery, filing, recordation or performance of any Loan Document and (iii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent and each Bank, including fees and disbursements of counsel, in connection with such Event of Default, and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of (i) this Agreement or any Loan Document or any actual or proposed use of proceeds of Loans hereunder, (ii) any violation by the Borrower or any Subsidiary or the Property Manager or the REIT Manager of any applicable Environmental Law or other law, (iii) any Environmental Claim or

other claim arising out of the management, use, control, ownership or operation of property or assets by the Borrower or any Subsidiary

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or the Property Manager or the REIT Manager, including, without limitation, all on-site and off-site activities involving Hazardous Substances, (iv) the breach of any representation, warranty or covenant set forth herein or in any Loan Document, (v) the grant to the Agent of any Lien on any property or assets of the Borrower or any Subsidiary Guarantor, or (vi) the exercise by the Agent and the Banks of their rights and remedies (including, without limitation, foreclosure) under any agreement creating any such Lien, provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

SECTION 9.04. Sharing of Set-Offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation. If any Rejecting Bank shall be repaid pursuant to Section 2.01(d), then, from and after the Conversion Date, the provisions of this Section 9.04 shall not apply as to such Rejecting Bank.

SECTION 9.05. Amendments and Waivers. Except as expressly provided in any other Loan Document, any provision of this Agreement or the Notes or any other Loan Document may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (or by the Agent after receiving approval therefor from the Required

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Banks) (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a

ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation (other than any Bank signing such amendment or waiver), (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, except as provided below, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment, (iv) change the aggregate amount by which or to which the Commitments are required to be reduced on or prior to any Commitment Reduction Date, (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement or (vi) release any Collateral except as otherwise provided in Sections 9.08 and 9.09. In addition, no such amendment or waiver shall, unless signed by the Swing Lender and each other Bank affected thereby, increase the Swing Loan Commitment, postpone the date fixed for the termination of the Swing Loan Commitment or otherwise affect any of its rights or obligations hereunder relating to the Swing Loan Commitment or the Swing Loans.

SECTION 9.06. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment on any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower

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hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii), (iv) or (vi) of Section 9.05 without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and the Notes and the other Loan Documents, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit B hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Agent and unless an Event of Default shall have occurred and be continuing, the Borrower, which in each case shall not be unreasonably withheld; provided that if an Assignee is an affiliate of such transferor Bank, no such consent shall be required; and provided further that if the Assignee is not an Affiliate of the transferor Bank and not a Bank, the amount of the Commitment being assigned shall not be less than the lesser of (i) the entire Commitment of the transferor Bank or (ii) \$10,000,000. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of \$2,500. If the Assignee is not incorporated under the laws of the United

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States of America or a state thereof, it shall deliver to the Borrower and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent (provided no Event of Default shall have occurred and be continuing) or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.07. Collateral. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any

"margin stock" (as defined in Regulation U) of the Borrower or any Subsidiary Guarantor or Affiliate as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.08 Release of Mortgaged Property. The Agent acknowledges that the Borrower or any Subsidiary Guarantor may sell, to any Person who is not an Affiliate of the Borrower or of any Subsidiary, any parcel of real property constituting Mortgaged Property from time to time and, in connection therewith, may request a release from the Lien of the related Mortgage, and the Agent agrees to provide the Borrower or such Subsidiary Guarantor, as applicable, with any releases and reconveyances from the Lien of the related Mortgage, subject in each case to the satisfaction by the Borrower or any Subsidiary Guarantor, as applicable, of the following conditions:

(a) the Borrower shall notify, or cause any Subsidiary Guarantor to notify, the Agent in writing of the impending sale of any Mortgaged Property and of the identity of the proposed purchaser not less than 15 days prior to such impending sale, which notification shall

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serve as a request to the Agent to release such Mortgaged Property from the Lien of the related Mortgage;

(b) neither the Borrower nor any Subsidiary Guarantor shall be in Default under any Loan Document at the time of such request or release (other than a Default specified in the proviso to Section 6.01(c) with respect to a Contaminated Property);

(c) the Mortgaged Property to be released shall include the entire parcel of real property subject to the Lien of the related Mortgage with respect to which a request for release is being made;

(d) the Borrower shall pay all expenses and fees incurred by the Agent in connection with any release;

(e) immediately prior to such release of Mortgaged Property, the Borrower shall make all payments that would be required to be made immediately after such release pursuant to Section 2.09(g) hereof; and

(f) immediately following such release, the aggregate of the Individual Mortgaged Property Values of the Mortgaged Property subject to the Subsidiary Mortgages shall not be greater than 35% of the Aggregate Mortgaged Property Value.

SECTION 9.09. Substitution of Mortgaged Property. The Agent acknowledges that NC Sub may sell at any time, to any Person who is not an Affiliate of the Borrower or of any Subsidiary, one, but only one, parcel of real property constituting Mortgaged Property and, in connection therewith, may request a release from the Lien of the related Mortgage, and the Agent agrees to

provide NC Sub with any release and reconveyance from the Lien of the related Mortgage, subject to the satisfaction by NC Sub of the following conditions:

(a) the Borrower shall cause NC Sub to notify the Agent in writing of the impending sale of such Mortgaged Property and of the identity of the proposed purchaser not less than 15 days prior to such impending sale, which notification shall serve as a request to the Agent to release such Mortgaged Property from the Lien of the related Mortgage;

(b) neither the Borrower nor any Subsidiary Guarantor shall be in Default under any Loan Document at the time of such request or release;

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(c) the Mortgaged Property to be released shall include the entire parcel of real property subject to the Lien of the related Mortgage with respect to which a request for release is being made;

(d) the Borrower shall pay all expenses and fees incurred by the Agent in connection with such release;

(e) one or two new properties with an (aggregate, if two) Individual Mortgaged Property Value and Property Cash Flow for the past twelve months at least equal to or greater than the Individual Mortgaged Property Value and Property Cash Flow of the property to be released shall become subject to the Borrower Mortgage; and

(f) each of the Banks shall have approved the new property that is to become subject to the Borrower Mortgage, which property shall be improved by unencumbered income-producing multifamily buildings, and each of the conditions in Section 3.01(b) shall have been met with respect to such new property as if the new property were being subjected to the Borrower Mortgage on the Subsequent Closing Date.

SECTION 9.10. Governing Law; Submission to Jurisdiction. This Agreement and each Note shall be governed by and construed in accordance with the laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

SECTION 9.11. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and

understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Agent of counter-

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parts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).

SECTION 9.12. WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 9.13. Survival. All indemnities set forth herein shall survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Loans and the termination of the Commitments hereunder.

SECTION 9.14. Further Assurances. At any time or from time to time upon the request of the Agent, the Borrower will, and will cause the Subsidiary Guarantors to, at its expense, promptly execute, acknowledge, and deliver such further documents and do such other acts and things as shall be necessary or advisable, in the Agent's discretion, in order to effect fully the purposes of this Agreement or any of the other Loan Documents. The Borrower will pay all fees and expenses (including reasonable attorneys fees) incurred by the Agent in connection therewith.

SECTION 9.15. Right to New Appraisals. On or after May 15, 1996, and from time to time thereafter (but, in the case of any Mortgaged Property, not sooner than two (2) years from the date of any prior appraisal thereof) the Agent shall at the request of any Bank and at the expense of the Borrower conduct a new appraisal of any or all of the Mortgaged Property.

SECTION 9.16. Confidentiality; Disclosure of Information. Each party hereto shall treat the transactions contemplated hereby and all financial and other information furnished to it about the Banks, the Borrower, any Subsidiary or any of the Mortgaged Property, as applicable, as confidential; provided, however, that such confidential information may be disclosed (a) as required by law or pursuant to generally accepted accounting procedures, (b) to officers, directors, employees, agents, partners, attorneys, accountants, engineers and other consultants of the parties hereto who need to know such information, provided such Persons are instructed to treat such information confidentially, or (c) by any Bank

to any Participant or Assignee or any prospective transferee (provided such prospective transferee agrees to treat such information confidentially), which disclosure to prospective transferees may include any and all information which has been delivered to such Bank by the Borrower pursuant to this Agreement or the other Loan Documents or which has been delivered to such Bank in connection with such Bank's credit evaluation of the Borrower prior to entering into this Agreement. Notwithstanding the foregoing, this Section 9.16 shall not apply to any Bank so long as any Event of Default hereunder or under any other Loan Documents shall have occurred and be continuing and, in any such event, such Bank shall be entitled to disclose any information furnished to it in connection with this Agreement as it deems necessary or appropriate in its sole and absolute discretion.

SECTION 9.17 Outstanding Amounts. The Borrower hereby represents and warrants that as of the day immediately preceding the Current Closing Date, (i) the aggregate outstanding balance of the Loans under the Original Credit Agreement is \$194,000,000, and (ii) from the Initial Closing Date through the day immediately preceding the Current Closing Date, \$247,000,000 in the aggregate (determined on a cumulative basis) has been borrowed under the Original Credit Agreement. The Borrower hereby agrees that it will not at any time take any position contrary to one that the conversion and/or continuation of Euro-Dollar Loans and Domestic Loans are not, and shall not be deemed to be, the making of a new Loan.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

SECURITY CAPITAL ATLANTIC
INCORPORATED

By: _____
Name:
Title:

7777 Market Center Avenue
El Paso, Texas 79912
Attention: Anne Schumacher

Commitments

\$40,000,000

BANKS:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: _____
Name:
Title:

\$35,000,000

THE FIRST NATIONAL BANK OF
BOSTON

By: _____
Name:
Title:

\$35,000,000

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION

By: _____
Name:
Title:

\$40,000,000

WELLS FARGO GROUP ADVISORS
FUNDING, INCORPORATED

By: Wells Fargo Real Estate
Group, Inc., as Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

\$35,000,000

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION

By: _____
Name:
Title:

\$40,000,000

FIRST UNION NATIONAL BANK OF
GEORGIA

By: _____
Name:
Title:

\$30,000,000

NATIONSBANK OF TEXAS, N.A.

By: _____
Name:
Title:

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\$25,000,000

DRESDNER BANK AG NEW YORK AND
GRAND CAYMAN BRANCHES

By: _____
Name:
Title:

By: _____
Name:
Title:

\$20,000,000

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

By: _____
Name:
Title:

By: _____
Name:
Title:

\$25,000,000

BAYERISCHE HYPOTHEKEN-UND
WECHSEL-BANK AKTIENGESELL-
SCHAFT, NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

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\$25,000,000

COMMERZBANK AKTIENGESELLSCHAFT,
LOS ANGELES BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

Total Commitments

\$350,000,000

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AGENT:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Agent

By: _____
Name: Timothy V. O'Donovan
Title: Vice President

60 Wall Street
New York, New York 10260-0060
Attention: William R. Barrett
Fax Number: (212) 648-5748

Domestic Lending Office:
J.P. Morgan Services Inc.
500 Stanton-Christiana Road
Newark, Delaware 19713
Attention: Jeannie Mattson
Fax Number: (302) 634-4222

Euro-Currency Lending Office:
Nassau, Bahamas Office
c/o J.P. Morgan Services Inc.
Euro-Loan Servicing Unit
500 Stanton-Christiana Road
Newark, Delaware 19713
Attention: Jeannie Mattson
Fax Number: (302) 634-4222

EXHIBIT A

NOTE

\$ _____

New York, New York

as of June __, 1996

For value received, SECURITY CAPITAL ATLANTIC INCORPORATED, a Maryland corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York.

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the First Mortgage Notes referred to in the Second Amended and Restated Credit Agreement, dated as of June 27, 1996, among the Borrower, the banks listed on the signature pages thereof and Morgan Guaranty Trust Company of New York, as Agent (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. This Note is secured by the Borrower Mortgage and certain other Loan Documents, and is entitled to the benefit of

EXHIBIT B

TRANSFER SUPPLEMENT

TRANSFER SUPPLEMENT (this "Transfer Supplement") dated as of _____, 199_ between _____ (the "Assignor") and _____ having an address at _____ (the "Purchasing Bank").

W I T N E S S E T H:

- - - - -

WHEREAS, the Assignor has made loans to Security Capital Atlantic Incorporated, a Maryland corporation (the "Borrower"), pursuant to the Second Amended and Restated Credit Agreement, dated as of June __, 1996 (as the same may be amended, supplemented or otherwise modified through the date hereof, the "Credit Agreement"), among the Borrower, the banks party thereto, and Morgan Guaranty Trust Company of New York, as Agent. All capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement;

WHEREAS, the Purchasing Bank desires to purchase and assume from the Assignor, and the Assignor desires to sell and assign to the Purchasing Bank, certain rights, title, interest and obligations under the Credit Agreement;

NOW, THEREFORE, IT IS AGREED:

1. In consideration of the amount set forth in the receipt (the "Receipt") given by Assignor to Purchasing Bank of even date herewith, and transferred by wire to Assignor, the Assignor hereby assigns and sells, without recourse, representation or warranty except as specifically set forth herein, to the Purchasing Bank, and the Purchasing Bank hereby purchases and assumes from

the Assignor, a ___% interest (the "Purchased Interest") of the Loans constituting a portion of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) including, without limitation, such percentage interest of the Assignor in any Loans owing to the Assignor, any Note held by the Assignor, any Loan Commitment of the Assignor and any other interest of the Assignor under any of the Loan Documents.

2. The Assignor (i) represents and warrants that as of the date hereof the aggregate outstanding principal amount of its share of the Loans owing to it (without giving effect to assignments thereof which have not yet become

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effective) is \$ _____; (ii) represents and warrants that it is the legal and beneficial owner of the interests being assigned by it hereunder and that such interests are free and clear of any adverse claim; (iii) represents and warrants that it has not received any notice of Default or Event of Default from the Borrower; (iv) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations (or the truthfulness or accuracy thereof) made in or in connection with the Credit Agreement, or the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, or the other Loan Documents or any other instrument or document furnished pursuant thereto; and (v) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any Subsidiary of Guarantor or the performance or observance by the Borrower or any Subsidiary of Guarantor of any of its obligations under the Credit Agreement or the other Loan Documents or any other instrument or document furnished pursuant thereto. Except as specifically set forth in this Paragraph 2, this assignment shall be without recourse to Assignor.

3. The Purchasing Bank (i) confirms that it has received a copy of the Credit Agreement, and the other Loan Documents, together with such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Transfer Supplement and to become a party to the Credit Agreement, and has not relied on any statements made by Assignor or Skadden, Arps, Slate, Meagher & Flom; (ii) agrees that it will, independently and without reliance upon any of the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower and will make its own credit analysis, appraisals and decisions in taking or not taking action under the Credit Agreement, and the other Loan Documents; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement, and the other Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; (iv) agrees that it will be bound by and perform in accordance with their terms all of the obligations which by the terms of the

Credit Agreement are required to be performed by it as a Bank; (v) specifies as its address for notices and lending office, the office set forth beneath its name on the signature page hereof; (vi) it has full power and authority to execute and deliver, and perform under, this Transfer Supplement, and

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all necessary corporate and/or partnership action has taken to authorize, and all approvals and consents have been obtained for, the execution, delivery and performance thereof; (vii) this Transfer Supplement constitutes its legal, valid and binding obligation enforceable in accordance with its terms; and (viii) the interest being assigned hereunder is being acquired by it for its own account, for investment purposes only and not with a view to the public distribution thereof and without any present intention of its resale in either case that would be in violation of applicable securities laws.

4. This Transfer Supplement shall be effective on the date (the "Effective Date") on which all of the following have occurred (i) it shall have been executed and delivered by the parties hereto, (ii) copies hereof shall have been delivered to the Agent and the Borrower, and (iii) the Purchasing Bank shall have paid to the Assignor the agreed purchase price as set forth in the Receipt.

5. On and after the Effective Date, (i) the Purchasing Bank shall be a party to the Credit Agreement and, to the extent provided in this Transfer Supplement, have the rights and obligations of a Bank thereunder and be entitled to the benefits and rights of the Banks thereunder and (ii) the Assignor shall, to the extent provided in this Transfer Supplement as to the Purchased Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

6. From and after the Effective Date, the Assignor shall cause the Agent to make all payments under the Credit Agreement, and the Notes in respect of the Purchased Interest assigned hereby (including, without limitation, all payments of principal, fees and interest with respect thereto and any amounts accrued but not paid prior to such date) to the Purchasing Bank.

7. This Transfer Supplement may be executed in any number of counterparts which, when taken together, shall be deemed to constitute one and the same instrument.

8. Assignor hereby represents and warrants to Purchasing Bank that it has made all payments demanded to date by Morgan Guaranty Trust Company of New York ("Morgan") as Agent in connection with the Assignor's pro rata share of the obligation to reimburse the Agent for its expenses. In the event Morgan, as Agent, shall demand reimbursement for fees and expenses from Purchasing Bank for any period prior to the Effective Date, Assignor hereby agrees to promptly pay Morgan, as Agent, such sums directly, subject, however, to Paragraph 12 hereof.

9. Assignor will, at the cost of Assignor, and without expense to Purchasing Bank, do, execute, acknowledge and deliver all and every such further acts, deeds conveyances, assignments, notices of assignments, transfers and assurances as Purchasing Bank shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring and confirming unto Purchasing Bank the property and rights hereby given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, assigned and/or intended now or hereafter so to be, on which Assignor may be or may hereafter become bound to convey or assign to Purchasing Bank, or for carrying out the intention or facilitating the performance of the terms of this Agreement or for filing, registering or recording this Agreement.

10. The parties agree that no broker or finder was instrumental in bringing about this transaction. Each party shall indemnify, defend the other and hold the other free and harmless from and against any damages, costs or expenses (including, but not limited to, reasonable attorneys' fees and disbursements) suffered by such party arising from claims by any broker or finder that such broker or finder has dealt with said party in connection with this transaction.

11. Subject to the provisions of Paragraph 12 hereof, if, with respect to the Purchased Interest only, Assignor shall on or after the Effective Date receive (a) any cash, note, securities, property, obligations or other consideration in respect of or relating to the Loan or the Loan Documents or issued in substitution or replacement of the Loan or the Loan Documents, (b) any cash or non-cash consideration in any form whatsoever distributed, paid or issued in any bankruptcy proceeding in connection with the Loan or the Loan Documents or (c) any other distribution (whether by means of repayment, redemption, realization of security or otherwise), Assignor shall accept the same as Purchasing Bank's agent and hold the same in trust on behalf of and for the benefit of Purchasing Bank, and shall deliver the same forthwith to Purchasing Bank in the same form received, with the endorsement (without recourse) of Assignor when necessary or appropriate. If the Assignor shall fail to deliver any funds received by it within the same Business Day of receipt, unless such funds are received by Assignor after 4:00 p.m., Eastern Standard Time, then the following business day after receipt, said funds shall accrue interest at the federal funds interest rate and in addition to promptly remitting said amount, Assignor shall remit such interest from the date received to the date such amount is remitted to the Purchasing Bank.

12. Assignor and Purchasing Bank each hereby agree to indemnify and hold harmless the other, each of its directors and each of its officers in connection with any claim or cause of action based on any matter or claim based on the acts of either while acting as a Bank under the Credit Agreement.

Promptly after receipt by the indemnified party under this Section of notice of the commencement of any action, such indemnified party shall notify the indemnifying party in writing of the commencement thereof. If any such action is brought against any indemnified party and that party notifies the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein, and to the extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof. In no event shall the indemnified party settle or consent to a settlement of such cause of action or claim without the consent of the indemnifying party.

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13. THIS TRANSFER SUPPLEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Wire Transfer Instructions:

By:

Name:

Title:

By:

Name:

Title:

Receipt Acknowledged this
____ day of _____, 199_:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Agent

By: _____
Name:
Title:

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SECURITY CAPITAL ATLANTIC INCORPORATED
SHARE OPTION PLAN FOR OUTSIDE DIRECTORS

SECURITY CAPITAL ATLANTIC INCORPORATED

SHARE OPTION PLAN FOR OUTSIDE DIRECTORS

1. PURPOSE OF THE PLAN. This Share Option Plan is intended to advance the interests of Security Capital Atlantic Incorporated (the "Company") and its shareholders by affording to the Directors who are not officers or employees of the Company or the REIT Manager or its affiliates an additional opportunity to participate in the ownership of the Company and to benefit from any appreciation in the market value of the Shares in order to motivate, retain and attract highly competent individuals upon whose judgment, initiative, leadership and continued efforts the success of the Company depends.

2. DEFINITIONS. Unless the context otherwise requires, the following words as used herein shall have the following meanings:

(a) "Administrator" - The Secretary of the Company or other person (who is not an Outside Director) designated by the Board of Directors of the Company to administer the Plan.

(b) "Annual Meeting" - The annual meeting of shareholders of the Company.

(c) "Articles of Incorporation" - The Company's Second Amended and Restated Articles of Incorporation, as amended or supplemented from time to time.

(d) "Disability" - Disability resulting from injury or illness which, as determined by the Administrator, renders the Optionee unable to serve as a Director of the Company.

(e) "Option" - An option to purchase Shares granted pursuant to the provisions hereof.

(f) "Optionee" - An Outside Director who has been granted an Option under this Plan and who has executed a written Option agreement with the Company.

(g) "Outside Director" - A Director of the Company who is not an officer or employee of the Company, the REIT Manager or any affiliate of the REIT Manager.

(h) "Plan" - The Security Capital Atlantic Incorporated Share Option Plan for Outside Directors set forth herein.

(i) "REIT Manager" - Security Capital (Atlantic) Incorporated.

(j) "Share Option Agreement" - The agreement described in Section 5 between the Company and the Optionee under which the Optionee may purchase Shares hereunder.

(k) "Shares" - The Company's present shares of common stock and any shares of capital stock or other securities of the Company hereafter issued or issuable upon, in respect of or in substitution or in exchange therefor.

3. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Administrator, who shall, in accordance with the provisions hereof, (i) direct the preparation of any appropriate documentation, including Share Option Agreements, to effectuate the grant of Options, (ii) process and supervise the exercise and termination of Options, (iii) make necessary adjustments to the Shares because of changes in capitalization of the Company and (iv) perform such other ministerial acts as are necessary to carry out the purposes of the Plan.

4. SHARES SUBJECT TO PLAN. There shall be reserved for use upon exercise of Options granted under the Plan 200,000 Shares (unless such maximum shall be increased or decreased by reason of changes in capitalization as provided in Section 9 hereof). The Shares subject to the Plan may be authorized but unissued Shares, or may be issued Shares which have been reacquired by the Company. Shares with respect to which an Option has been exercised shall not again be available for option hereunder, unless the Option shall expire or terminate for any reason without having been exercised in full (including Shares which are surrendered pursuant to Section 5(d)), in which case new Options may be granted hereunder covering such Shares.

5. OPTIONS.

(a) Option Grant and Agreement. On such date that a registration statement on Form S-11, or other applicable form to register the initial public offering of certain Shares of the Company, is declared effective by the Securities and Exchange Commission, and subsequently on each date of the Annual Meeting for the years 1997 through and including 2006, each Outside Director on such date (after the election of Directors in the Annual Meeting) shall be granted an Option to purchase 2,000 Shares for the exercise price and subject to the other provisions described below. Each Option granted hereunder shall be evidenced by a written Share Option Agreement dated as of the date of grant and executed by the Company and the Optionee, which Agreement shall set forth an offer to sell at the Option price, the number of Shares subject to the offer, the period of time during which the offer shall remain open, and such other terms and provisions that are consistent with the Plan.

(b) Option Price. The Option price per Share subject to each Option shall be the greater of par value or the closing price of the Shares on the New York Stock Exchange on the date of the Annual Meeting corresponding to the Option grant, as such price is reported in the Wall Street Journal on

the business day immediately following such date.

(c) Option Period. The term of each Option shall be five (5) years. Each Option shall be subject to earlier termination as hereinafter provided.

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(d) Share Appreciation Rights Under Certain Circumstances.

(i) In the event of the acquisition of fifty percent (50%) or more of the outstanding Shares as a result of any cash tender offer or exchange offer, other than one made by the Company, the Company shall give written notice to each Optionee promptly after the date on which the corporation, person or other entity making a cash tender offer or exchange offer acquires fifty percent (50%) or more of the outstanding Shares. Each Optionee shall thereafter have the right, for a period of thirty (30) days after the date of receipt of such notice from the Company, to either (i) exercise his or her Option in full, or (ii) surrender his or her Option, or the unexercised portion thereof, to the Company in exchange for a cash payment to be made by the Company to the Optionee within ten (10) days after receipt by the Company of the Option in an amount representing the difference between the Option price per Share under the Option and the cash price paid per Share in the tender offer, or in the event of an exchange offer, the value per Share of the securities and/or other property offered in such exchange offer.

(ii) In the event of the dissolution or liquidation of the Company, each Option granted under this Plan shall terminate as of such dissolution or liquidation date, provided that each Optionee shall have the right during the thirty (30) day period prior to such date to exercise his or her Option in full. At the end of such period, any unexercised Option, or any unexercised portion thereof, shall terminate and be of no further effect.

6. NON-TRANSFERABILITY OF OPTIONS. An Option shall not be transferable otherwise than by will or by the laws of descent and distribution, and an Option may be exercised, during the lifetime of the Optionee, only by the Optionee or by his or her guardian or legal representative. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, or the levy of any execution, attachment or similar process upon the Option shall be null and void and without effect.

7. EXERCISE OF OPTIONS; TERMINATION, DEATH OR DISABILITY. Each exercise of an Option, or any part thereof, shall be evidenced by a notice in writing to the Company. The purchase price of the Shares as to which an Option shall be exercised shall be paid in full in cash or by certified check at the time of exercise. The holder of an Option shall not have any of the rights of a

shareholder of the Company with respect to the Shares covered by the Option except to the extent that one or more certificates for such Shares shall have been delivered to him or her, or he or she has been determined by the Company's Transfer Agent to be a shareholder of record upon due exercise of the Option. If the Optionee's position as a Director shall be terminated for any reason other than death or Disability, the Optionee shall have the right, during the period ending three months after such termination, to exercise such Option, but in no event more than five years after the grant of such Option. In the event of the death or Disability of an Optionee, the Optionee or his or her guardian or legal representative in the event of Disability, or his or her personal representatives, heirs, legatees or distributees in the event

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of his or her death, shall have the right, up to twelve (12) months from the date of Disability or date of death, as the case may be, to exercise the Option to the extent that the Option was not exercised (but in any event not more than five years after the grant of such Option).

8. COMPLIANCE WITH SECURITIES AND OTHER LAWS. In no event shall the Company be required to sell or issue Shares under any Option if the issuance thereof would constitute a violation by either the Optionee or the Company of any provision of any law or regulation of any governmental authority or any national securities exchange or Article NINTH of the Company's Articles of Incorporation. As a condition of any sale or issuance of Shares under option, the Company may place legends on the Shares, issue stop transfer orders and require such agreements or undertakings from the Optionee as the Company may deem necessary or advisable to assure compliance with any such law or regulation, including, if the Company or its counsel deems it appropriate, representations from the Optionee that he or she is acquiring the Shares solely for investment and not with a view to distribution and that no distribution of the Shares acquired by him or her will be made unless registered pursuant to applicable federal and state securities laws, or in the opinion of counsel of the Company, such registration is unnecessary.

9. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION. The Option price shall be adjusted from time to time as follows:

(a) Subject to any required action by shareholders, the number of Shares covered by each outstanding Option, and the Option price, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares or the payment of a stock dividend (but only in Shares) or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company.

(b) Subject to any required action by shareholders, if the Company shall be the surviving corporation in any merger or consolidation, each outstanding Option shall pertain to and apply to the securities to which a holder of the number of Shares subject to the Option would have been entitled. A merger or consolidation in which the Company is not the surviving corporation

shall cause each outstanding Option to terminate, provided that each Optionee shall, in such event, have the right immediately prior to such merger or consolidation in which the Company is not the surviving corporation to exercise his or her outstanding Options in full.

(c) In the event of a change in the Shares as presently constituted which is limited to a change of all of its authorized Shares with par value into the same number of Shares with a different par value or without par value, the Shares resulting from any such change shall be deemed to be Shares within the meaning of this Plan.

To the extent that the foregoing adjustments relate to Shares, such adjustments shall be made by the Administrator, whose determination shall be final, binding and conclusive.

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The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

10. ADOPTION AND APPROVAL OF THE PLAN. The Plan was adopted by the Board of Directors of the Company on March 12, 1996, subject to the approval of a majority of the shareholders of the Company at the next Annual Meeting.

11. AMENDMENT OF THE PLAN. All provisions of the Plan (including the form of Option agreement) may at any time or from time to time be modified or amended by the Board of Directors; provided, however, that (i) modifications or amendments which affect the determination of the amount, price and timing of Options awarded under the Plan may not be made more than once every six (6) months except to comport with changes to the Internal Revenue Code of 1986, as amended, or the rules thereunder and (ii) no Option at any time outstanding under the Plan may be modified, impaired or cancelled without the consent of the holder thereof, and provided further, the Plan may not be amended (a) to increase the maximum number of Shares subject to the Plan, (b) to reduce the Option price of the Shares, contrary to the provisions of the Plan as hereinabove set forth, or (c) to materially modify the requirements as to eligibility for participation in the Plan.

12. PLAN TERMINATION. The Plan shall terminate on December 31, 2006 except as to Options outstanding on such date and no Option shall be granted under this Plan after that date.

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CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Independent Public Accountants and Experts" and to the use of our report dated August 22, 1996 with respect to the balance sheet as of June 30, 1996 of Homestead Village Incorporated ("Homestead") included in the Prospectus of Homestead which is made a part of the Amendment No. 1 to the Registration Statement (Form S-11 No. 333-07071) and the related Prospectus of Security Capital Atlantic Incorporated for the registration of its common stock.

Ernst & Young LLP

Dallas, Texas
August 22, 1996

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of (a) our report dated January 26, 1996, except for Note 3, as to which the date is February 5, 1996, with respect to the financial statements at December 31, 1995 and 1994 and for each of the years ended December 31, 1995 and 1994 and the period October 26, 1993 (inception) through December 31, 1993 and schedule of Security Capital Atlantic Incorporated ("ATLANTIC"), (b) our reports dated March 5, 1996 with respect to the Combined Historical Summaries of Gross Income and Direct Operating Expenses of the Group A and Group B Properties of ATLANTIC, (c) our report dated April 26, 1996 with respect to the Combined Historical Summary of Gross Income and Direct Operating Expenses of the Group C Properties of ATLANTIC and (d) our report dated August 13, 1996 with respect to the Combined Historical Summary of Gross Income and Direct Operating Expenses of the Group D Properties of ATLANTIC, all of which are included in the Amendment No. 1 to the Registration Statement (Form S-11 No. 333-07071) and the related Prospectus of ATLANTIC for the registration of its common stock.

Ernst & Young LLP

West Palm Beach, Florida
August 22, 1996

INDEPENDENT AUDITORS' CONSENT

The Board of Trustees and Shareholders of Security Capital Pacific Trust
The Board of Trustees and Shareholders of Security Capital Atlantic
Incorporated
The Board of Trustees and Shareholders of Security Capital Group Incorporated

With respect to the accompanying Amendment No. 1 to the registration statement (No. 333-07071) on Form S-11 of Security Capital Atlantic Incorporated which includes a prospectus related to Homestead Village Properties Incorporated, we consent to:

(i) the use of our report dated May 1, 1996 on the combined balance sheets of the PTR-Homestead Village Group as of December 31, 1994 and 1995, the related combined statements of operations, owner's equity and cash flows for each of the years in the three-year period ended December 31, 1995, and the related combined schedule as of December 31, 1995, which report is included herein;

(ii) the use of our report dated May 1, 1996 on the combined balance sheet of the Atlantic-Homestead Village Group as of December 31, 1995, the related combined statements of operations, owners' equity, and cash flows for the period from April 3, 1995 (date of formation) through December 31, 1995 and the related combined schedule as of December 31, 1995, which report is included herein;

(iii) the use of our report dated May 1, 1996 on the combined balance sheets of SCG-Homestead Village Group as of December 31, 1994 and 1995 and the related combined statements of operations, shareholder's equity and cash flows for each of the years in the three-year period ended December 31, 1995, which report is included herein; and

(iv) the reference to our firm under the heading "independent public accountants and experts" in the Registration Statement.

KPMG Peat Marwick LLP

Chicago, Illinois
August 23, 1996

August 22, 1996

Board of Directors and Shareholders
Security Capital Atlantic Incorporated

We are aware of the inclusion in the Registration Statement (Form S-11 No. 33-07071) of Security Capital Atlantic Incorporated for the registration of its common stock of our report dated July 23, 1996 relating to the unaudited condensed interim financial statements of Security Capital Atlantic Incorporated for the three and six month periods ended June 30, 1995 and 1996.

Pursuant to Rule 436 (c) of the Securities Act of 1933 our reports are not a part of the Registration Statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

Ernst & Young LLP

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