

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

PREFERRED APARTMENT COMMUNITIES INC

CIK: **1481832** | IRS No.: **271712193** | State of Incorporation: **MD** | Fiscal Year End: **1231**
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SIC: **6798** Real estate investment trusts

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 7, 2011**

Preferred Apartment Communities, Inc.
(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or other Jurisdiction
of Incorporation)

333-168407
(Commission File Number)

27-1712193
(I.R.S. Employer
Identification No.)

3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia
(Address of Principal Executive Offices)

30339
(Zip Code)

Registrant's telephone number, including area code: **(770) 818-4100**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02 Results of Operations and Financial Conditions.

On November 7, 2011, the Company announced its financial results for the third quarter of 2011. A copy of the Company's earnings press release is furnished as Exhibit 99.1 to this report on Form 8-K. A copy of the Company's Supplemental Financial Data for the third quarter of 2011 is furnished as Exhibit 99.2 to this report on Form 8-K.

This information, including Exhibits 99.1 and 99.2 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. This information, including the exhibits, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any of those filings.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

99.1 Press Release issued November 7, 2011

99.2 Preferred Apartment Communities, Inc.'s Supplemental Financial Data for the period ended September 30, 2011

SIGNATURE

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

PREFERRED APARTMENT COMMUNITIES, INC.
(Registrant)

Date: November 7, 2011

By: /s/ John A. Williams

John A. Williams

President and Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release issued November 7, 2011
99.2	Preferred Apartment Communities, Inc.'s Supplemental Financial Data for the period ended September 30, 2011

Preferred Apartment Communities, Inc. Reports Results for Third Quarter 2011

Atlanta, GA, November 7, 2011

Preferred Apartment Communities, Inc. (AMEX: APTS) today reported results for the quarter ended September 30, 2011. Unless otherwise indicated, all per share results are reported based on the weighted average shares of Common Stock outstanding on a fully-diluted basis for the period.

"We are pleased with our results for the third quarter, the first full quarter of operations since going public April 5, 2011, where we reported Cash Available for Distribution of \$0.150 per share" said John A. Williams, Preferred Apartment Communities' President and CEO. Williams added, "Given our performance expectations for the fourth quarter, we currently believe that our Cash Available for Distribution again will be sufficient to cover our projected dividend for the fourth quarter of 2011. We are especially pleased with total property revenue growth of approximately 4.0% and total property net operating income growth of approximately 4.3%, both in the third quarter over our pro forma second quarter results."

Third Quarter 2011

The Company reported that both Cash Available for Distribution, or CAD, and Adjusted Funds from Operations, or AFFO, were approximately \$774 thousand, or \$0.150 per share, for the third quarter 2011.

For the third quarter 2011, the Company reported Funds from Operations, or FFO, as defined by the National Association of Real Estate Investment Trusts, or NAREIT, of approximately \$717 thousand, or \$0.139 per share.

The Company reported total property revenues increased approximately 4% in the third quarter over the pro forma second quarter results. The Company also reported total property net operating income, or NOI, grew approximately 4.3% in the third quarter over the pro forma second quarter results. The pro forma second quarter results referenced above assume the Company acquired all three multifamily communities on April 1, 2011.

AFFO is calculated by beginning with FFO and eliminating certain items that we believe by their nature are not comparable from period to period or tend to obscure the Company's actual operating performance. CAD is calculated by beginning with AFFO and adjusting for certain REIT establishment costs that impact the Company's determination of the amount of funds it has available for distribution to its stockholders. NOI is calculated as rental and other revenues from our three acquired multifamily communities, less property operating and maintenance expenses, property management fees, real estate taxes, and property insurance. A reconciliation of net loss attributable to the Company to FFO, AFFO, CAD and NOI is included in the financial tables accompanying this press release on our website.

For the third quarter of 2011, the Company reported a net loss of \$0.56 per share.

Unit Offering

On September 1, 2011, we filed a registration statement, which has been subsequently amended, with the SEC offering a minimum of 2,000 and a maximum of 150,000 Units, with each Unit consisting of one share of our series A redeemable preferred stock, or Preferred Stock, and one warrant, or Warrant, to purchase 20 shares of our common stock, par value \$.01 per share, or Common Stock and are immediately separable and will be issued separately. The price per Unit is \$1,000. The Preferred Stock will rank senior to the Common Stock with respect to payment of dividends and distribution of amounts upon liquidation, dissolution and winding up. Holders of the Preferred Stock are entitled to receive, when and as authorized by our board of directors and declared by us out of legally available funds, cumulative cash dividends on each share of Preferred Stock at an annual rate of six percent (6%) of the Stated Value, which is \$1,000. Dividends on each share of Preferred Stock will begin accruing on the date of issuance. The Warrant is exercisable by the holder at an exercise price of 120% of the current market price per share of the Common Stock on the date of issuance of such warrant with a minimum exercise price of \$9.00 per share. The current market price per share is determined using the volume weighted average closing market price for the 20 trading days prior to the date of issuance of the Warrant. The Warrants are not exercisable until one year from the date of issuance and expire four years from the date of issuance.

Marketing and Branding

We continued the successful rollout and implementation of our PAC Concierge, PAC Rewards and PAC Partners programs. We currently anticipate that all of these programs will be fully implemented at all of our communities by the end of 2011.

Quarterly Dividend on Common Stock

On August 4, 2011, the Company declared a quarterly dividend on its Common Stock of \$0.125 per share for the third quarter 2011. The dividend was paid on October 17, 2011 to all common stockholders of record as of September 30, 2011.

Fourth Quarter 2011 CAD per Share Guidance

We project our CAD to be in the range of \$0.135 - \$0.15 per share for the fourth quarter 2011, which reflects an increase from our initial guidance of \$0.125 - \$0.14 per share.

Conference Call and Supplemental Data

Preferred Apartment Communities will hold its quarterly conference call on Tuesday, November 8, 2011 at 11:00 a.m. Eastern Time. To participate in the conference call, please dial in to the following:

Live Conference Call Details

Domestic Dial-in Number: (800) 860-2442
International Dial-in Number: (412) 858-4600
Company: Preferred Apartment Communities, Inc.

Date: Tuesday, November 8, 2011

Time: 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time)

The live broadcast of Preferred Apartment Communities' quarterly conference call will be available online, on a listen-only basis, at the company's website, www.pacapt.com. Please visit the Investor section of our website and then click on the "Upcoming Webcasts" link to listen to the call. A replay of the call will be archived on Preferred Apartment Communities' website under Investors/Audio Archives.

Preferred Apartment Communities also produces a Supplemental Financial Data package that provides additional information regarding the Company's overall financial position. This Supplemental Financial Data is considered an integral part of this earnings release and is available on the Company's website at www.pacapt.com under "Investors: Financials", or by contacting Leonard A. Silverstein in Investor Relations at 1-770-818-4147.

About Preferred Apartment Communities, Inc.

Preferred Apartment Communities, Inc. is a Maryland corporation formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States. As part of our property acquisition strategy, we may enter into forward purchase contracts or purchase options for to-be-built multifamily communities and we may make mezzanine loans, provide deposit arrangements, or provide performance assurances, as may be necessary or appropriate, in connection with the construction of these properties. As a secondary strategy, we may acquire senior mortgage loans, subordinate loans or mezzanine debt secured by interests in multifamily properties, membership or partnership interests in multifamily properties and other multifamily related assets. Preferred Apartment Communities intends to elect and qualify as a real estate investment trust for U.S. federal income tax purposes, commencing with our tax year ending December 31, 2011.

Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures in this press release. The non-GAAP financial measures include FFO, AFFO and CAD. The definitions of these non-GAAP financial measures are summarized below. The Company believes that these measures are helpful to investors in measuring financial performance and comparing such performance to other REITs.

Funds From Operations

Analysts, managers, and investors have, since the first real estate investment trusts were created, made certain adjustments to reported net income amounts under GAAP in order to better assess these vehicles' liquidity and cash flows. FFO is one of the most commonly utilized Non-GAAP measures currently in practice. In its 2002 "*White Paper on Funds From Operations*", the National Association of Real Estate Investment Trusts, or NAREIT, standardized the definition of how net income/loss should be adjusted to arrive at FFO, in the interests of uniformity and comparability. The NAREIT definition of FFO (and the one we report) is:

Net income/loss:

- Excluding impairment charges and gains/losses from sales of property;
- Plus depreciation and amortization of real estate assets; and
- After adjustments for unconsolidated partnerships and joint ventures

Not all companies necessarily utilize the standardized NAREIT definition of FFO, and so caution should be taken in comparing our reported FFO results to those of other companies. Our FFO results are comparable to other companies that follow the NAREIT definition of FFO and report these figures on that basis. FFO is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which we believe to be net loss attributable to the Company.

Adjusted Funds From Operations

AFFO makes further adjustments to FFO results in order to arrive at a more refined measure of operating and financial performance. There is no industry standard definition of AFFO and practice is divergent across the industry. We calculate AFFO as:

FFO plus:

- Acquisition costs;
- Organization costs;
- Directors and executive fees and expenses paid in stock;
- Amortization of loan closing costs;
- REIT establishment costs;
- Depreciation/amortization on non-real estate assets; and
- Net mezzanine loan fees received

Less:

- Non-cash mezzanine loan interest income; and
- Recurring capital expenditures

AFFO figures we report are not necessarily comparable to those reported by other companies. AFFO is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes is net loss attributable to the Company.

Cash available for Distribution

We calculate CAD by reversing the AFFO adjustment for REIT establishment costs. These costs include one-time exchange listing fees and other miscellaneous expenses. CAD is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes is net loss attributable to the Company.

Property Net Operating Income ("NOI")

We calculate NOI as rental and other revenues from our three acquired multifamily communities, less property operating and maintenance expenses, property management fees, real estate taxes, and property insurance. Management believes NOI provides a useful measure of gauging the financial performance of individual properties and their contributions to the Company's consolidated results of operations. NOI is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes is net loss attributable to the Company.

Forward-Looking Statements

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. As a general matter, forward-looking statements reflect our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements may be identified by the use of forward-looking terminology such as "may", "will", "expects", "plans", "estimates", "anticipates", "projects", "intends", "believes", "outlook" and similar expressions.

The forward-looking statements contained in this press release are based upon our historical performance, current plans, estimates, expectations and other factors we believe are appropriate under the circumstances. The inclusion of this forward-looking information is inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking: Our business and investment strategy; our projected operating results; estimates relating to our ability to make distributions to our stockholders in the future; availability of qualified personnel; local and national market conditions and trends in our industry; demand for and lease-up of apartment homes, supply of competitive housing product, and other economic conditions; availability of debt and/or equity financing and availability on favorable terms; changes in our asset values; our ability to maintain our qualification as a REIT for U.S. federal income tax purposes; and economic trends and economic recoveries.

Additional discussions of risks and uncertainties appear in our filings with the Securities and Exchange Commission, including our final prospectus dated March 31, 2011 and filed with the Securities and Exchange Commission on April 4, 2011, and the preliminary prospectus included in our registration statement on Form S-11 initially filed with the Securities and Exchange Commission on September 1, 2011, as amended (Registration No. 333-176604), with respect to our offering of Units, both under the heading "Risk Factors." All information in this release is as of November 7, 2011. The Company does not undertake a duty to update forward-looking statements, including its projected operating results. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company may, in its discretion, provide information in future public announcements regarding its outlook that may be of interest to the investment community.

SOURCE: Preferred Apartment Communities, Inc.

Preferred Apartment Communities, Inc.
Leonard A. Silverstein 770-818-4147
Executive Vice President
Email: lsilverstein@pacapts.com

THIRD QUARTER 2011

Supplemental Financial Data



STONE RISE A PREFERRED APARTMENT COMMUNITY

Suburban Philadelphia, PA



Preferred Apartment Communities
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Table of Contents

Company Profile, Third Quarter Highlights and CAD Guidance	3
Consolidated Statements of Operations	4
Reconciliation of Funds From Operations, Adjusted Funds From Operations, And Cash Available for Distribution to Net loss attributable to the Company	5
Consolidated Balance Sheets	6
Notes to Consolidated Statements of Operations and Reconciliation of Funds From Operations, Adjusted Funds From Operations, and Cash Available for Distribution to Net loss attributable to the Company	7
Reconciliation of Property Net Operating Income to Net loss attributable to the Company	8
Definitions of Non-GAAP Measures	9

Forward-Looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Estimates of future earnings and performance are, by definition, and certain other statements in this press release may constitute, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, achievements or transactions to be materially different from the results, performance, achievements or transactions expressed or implied by the forward looking statements. Factors that impact such forward looking statements include, among others, our business and investment strategy; legislative or regulatory actions; the state of the U.S. economy generally or in specific geographic areas; economic trends and economic recoveries; our ability to obtain and maintain debt or equity financing; financing and advance rates for our target assets; our leverage level; changes in the values of our assets; availability of attractive investment opportunities in our target assets; our ability to qualify and maintain our qualification as a REIT for U.S. federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act; availability of quality personnel; our understanding of our competition; and market trends in our industry, interest rates, real estate values, the debt securities markets and the general economy.

Except as otherwise required by the federal securities laws, the Company assumes no liability to update the information in this supplemental package.

The Company refers you to the documents filed by the Company from time to time with the Securities and Exchange Commission, specifically the sections entitled "Risk Factors" in the final prospectus dated March 31, 2011 to our registration statement on Form S-11, as amended (Registration No. 333-168407), with respect to our initial public offering that was filed with the SEC on April 4, 2011, and page 24 of the preliminary prospectus included in our registration statement on Form S-11, initially filed with the SEC on September 1, 2011, as amended (Registration No. 333-176604), with respect to our offering of Units, both, as may be updated or supplemented in the Company's Form 10-Q filings, which discuss these and other factors that could adversely affect the Company's results.

Preferred Apartment Communities, Inc.

Preferred Apartment Communities, Inc. (AMEX:APTS) is a Maryland corporation formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States. As part of our property acquisition strategy, we may enter into forward purchase contracts or purchase options for to-be-built multifamily communities and we may make mezzanine loans, provide deposit arrangements, or provide performance assurances, as may be necessary or appropriate, in connection with the construction of these properties. As a secondary strategy, we may acquire senior mortgage loans, subordinate loans or mezzanine debt secured by interests in multifamily properties, membership or partnership interests in multifamily properties and other multifamily related assets. We intend to elect and qualify as a real estate investment trust for U.S. federal income tax purposes effective as of January 1, 2011.

Highlights of the third quarter 2011:

- Recorded CAD of \$773,723, or \$0.15 per share, exceeding the high end of our previous guidance as we recorded our first full quarter of operating results from our portfolio of multifamily properties and our real estate loan.
- Declared a quarterly dividend of \$646,675, or \$0.125 per common share, which was paid on October 17, 2011 to all common stockholders of record as of September 30, 2011.
- Filed a registration statement with the SEC to allow us to offer a maximum of 150,000 Units, each Unit consisting of one share of Series A Redeemable Preferred Stock plus one detachable warrant to purchase 20 shares of our common stock. Each Unit will be sold at a public offering price of \$1,000 per Unit. The Series A Redeemable Preferred Stock will carry a 6% annual dividend.
- Continued the successful rollout and implementation of our PAC Concierge, PAC Rewards and PAC Partners programs. We currently anticipate that all of these programs will be fully implemented at all of our communities by the end of 2011.
- Currently expect CAD to be sufficient to cover our projected fourth quarter dividend.
- Total property revenues increased approximately 4% in the third quarter over the pro forma second quarter results. The pro forma second quarter results assume that PAC acquired all three multifamily communities on April 1, 2011.
- Total property net operating income grew approximately 4.3% in the third quarter over the pro forma second quarter results. As noted above, the pro forma second quarter results assume that PAC acquired all three multifamily communities on April 1, 2011.

CAD guidance:

- CAD is projected to be in the range of \$0.135 - \$0.15 per share for the fourth quarter of 2011, which reflects an increase from our initial guidance of \$0.125 - \$0.14 per share.

(See Reconciliation to net loss attributable to the Company and definitions of non-GAAP measures on pages 5 and 8)

Consolidated Statements of Operations
(unaudited)

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenues:				
Rental revenues (See note 1)	\$ 2,250,514	\$ -	\$ 3,942,177	\$ -
Other property revenues (See note 1)	258,619	-	443,894	-
Interest income on real estate loan	124,495	-	125,828	-
Total revenues	2,633,628	-	4,511,899	-
Operating expenses:				
Property operating and maintenance	579,992	-	1,016,793	-
Property management fees	100,519	-	175,572	-
Real estate taxes	181,484	-	324,630	-
General and administrative	51,436	-	86,821	-
Depreciation and amortization	3,623,732	-	6,425,841	-
Acquisition costs	18,272	179,233	1,680,432	179,233
Organizational costs	-	150,804	94,372	150,804
Property insurance	37,748	-	66,426	-
Professional fees	72,952	-	304,702	-
Other	36,544	948	70,402	948
Total operating expenses	4,702,679	330,985	10,245,991	330,985
Operating loss	(2,069,051)	(330,985)	(5,734,092)	(330,985)
Management fees	177,475	-	322,741	-
Corporate insurance	39,069	-	128,247	-
Interest expense	537,591	1,570	972,233	1,570
Other expense	77,518	-	157,239	-
Net loss	(2,900,704)	(332,555)	(7,314,552)	(332,555)
Less consolidated net loss attributable to non-controlling interests	-	-	-	-
Net loss attributable to the Company	\$ (2,900,704)	\$ (332,555)	\$ (7,314,552)	\$ (332,555)
Net loss per share of Common Stock, basic and diluted	\$ (0.56)	\$ (9.07)	\$ (2.17)	\$ (9.98)
Weighted average number of shares of Common Stock outstanding, basic and diluted	5,146,845	36,666	3,375,384	33,308

See Notes to Consolidated Statements of Operations and Reconciliation of Funds From Operations, Adjusted Funds From Operations, and Cash Available for Distribution to net loss attributable to the Company

Reconciliation of Funds From Operations, Adjusted Funds From Operations,
and Cash Available for Distribution to Net Loss Attributable to the Company

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Net loss attributable to the Company	\$ (2,900,704)	\$ (7,314,552)
Add:		
Depreciation of real estate assets	961,446	1,715,674
Amortization of acquired intangible assets	2,656,351	4,698,174
Funds from operations	\$ 717,093	\$ (900,704)
FFO per share - basic and diluted (a)	0.139	(0.267)
Add:		
Acquisition costs	18,272	1,680,432
Organization costs	-	94,372
Directors' fees and expenses paid in stock	77,519	157,501
Amortization of loan closing costs (See note 2)	21,445	42,986
REIT establishment costs (See note 3)	-	25,849
Depreciation/amortization on non-real estate assets	5,935	11,993
Net mezzanine loan fees received (See note 4)	-	74,333
Less:		
Non-cash mezzanine loan interest income (See note 4)	(4,489)	(4,489)
Recurring capital expenditures (See note 5)	(62,052)	(89,000)
Adjusted funds from operations	\$ 773,723	\$ 1,093,273
AFFO per share - basic and diluted (a)	\$ 0.150	\$ 0.324
Less:		
REIT establishment costs (See note 3)	-	(25,849)
Cash available for distribution	\$ 773,723	\$ 1,067,424
CAD per share - basic and diluted (a)	\$ 0.150	\$ 0.316
Dividends:		
Declared	\$ 646,675	\$ 1,293,162
Per share	\$ 0.125	\$ 0.25
a) Calculated based upon weighted average shares outstanding - basic and diluted	5,146,845	3,375,384
Actual shares outstanding at September 30, 2011, including 26,000 unvested shares of restricted stock	5,173,399	5,173,399

See Notes to Consolidated Statements of Operations and Reconciliation of Funds From Operations, Adjusted Funds From Operations, and Cash Available for Distribution to net loss attributable to the Company



Preferred Apartment Communities, Inc.
Consolidated Balance Sheets
(unaudited)

	September 30, 2011	December 31, 2010
Assets		
Real estate		
Land	\$ 13,052,000	\$ -
Building and improvements	60,243,867	-
Furniture, fixtures, and equipment	8,351,395	-
Gross real estate	81,647,262	-
Less: accumulated depreciation	(1,725,746)	-
Net real estate	79,921,516	-
Real estate loan	6,000,000	-
Total real estate and real estate loan, net	85,921,516	-
Cash and cash equivalents	5,046,153	22,275
Restricted cash	609,488	-
Tenant receivables	35,680	-
Acquired intangible assets, net of amortization of \$4,698,174	838,893	-
Deferred loan costs, net of amortization of \$42,986	573,153	-
Deferred offering costs	682,668	620,237
Other assets	463,998	187,300
Total assets	\$ 94,171,549	\$ 829,812
Liabilities and equity		
Liabilities		
Mortgage notes payable	\$ 55,637,000	\$ -
Accounts payable and accrued expenses	1,106,299	-
Note payable, related party	-	465,050
Revolving line of credit, related party	-	200,000
Non-revolving line of credit, related party	-	805,898
Accrued interest payable	168,956	15,064
Dividends payable	646,675	-
Security deposits and prepaid rents	156,960	-
Deferred real estate loan income	69,844	-
Total liabilities	57,785,734	1,486,012
Commitments and contingencies		
Equity (deficit)		
Stockholder's equity (deficit)		
Common Stock, \$0.01 par value per share; 400,066,666 shares authorized; 5,147,399 shares issued and outstanding at September 30, 2011; 36,666 shares issued and outstanding at December 31, 2010	51,474	366
Additional paid in capital	50,458,803	109,632
Syndication and offering costs	(6,043,712)	-
Accumulated deficit	(8,080,751)	(766,199)

Total stockholders' equity (deficit)	36,385,814	(656,201)
Non-controlling interest	<u>1</u>	<u>1</u>
Total equity (deficit)	36,385,815	(656,200)
Total liabilities and equity	<u><u>\$ 94,171,549</u></u>	<u><u>\$ 829,812</u></u>

See Notes to Consolidated Statements of Operations and Reconciliation of Funds From Operations, Adjusted Funds From Operations, and Cash Available for Distribution to net loss attributable to the Company

Notes to Consolidated Statements of Operations and Reconciliation of Funds From Operations, Adjusted Funds From Operations, and Cash Available for Distribution to Net loss attributable to the Company

- 1) Rental and other property revenues for the nine-month period ended September 30, 2011 are comprised of activity from the dates of acquisition (April 15, 21, and 29, 2011, for Stone Rise, Summit Crossing, and Trail Creek, respectively) through the reporting date.
- 2) The Company incurred loan closing costs of \$616,139 on its mortgage loans, which are secured on a property-by-property basis by the three acquired multifamily communities. These loan costs are being amortized over the life of the loans, and the non-cash amortization expense is an addition to FFO in the calculation of AFFO.
- 3) Certain costs involved with establishing the Company as a publicly-traded real estate investment trust were incurred and are added to FFO in the calculation of AFFO. These costs primarily consist of fees for one-time professional services.

On June 30, 2011, in conjunction with its real estate loan investment, the Company received a loan fee of \$120,000, \$60,000 of which was paid to its manager as an acquisition fee, and also a loan commitment fee of \$14,333. The net proceeds of \$74,333 are an additive adjustment to FFO in calculating AFFO, which will be recognized in income over the life of the loan as an adjustment of yield using the effective interest method. Correspondingly, the non-cash income recognized under the effective interest method is deducted in calculating AFFO.
- 4) The Company deducts from FFO recurring capital expenditures that are necessary to maintain the properties' revenue streams.
- 5) Excluded from the calculation of AFFO are non-recurring capital expenditures of \$212,174 and \$266,910 for the three-month and nine-month periods ended September 30, 2011, respectively.

Reconciliation of Property Net Operating Income to Net Loss Attributable to the Company

	Three months ended	
	September 30, 2011	June 30, 2011 (pro forma)
Property net operating income	\$ 1,558,339	\$ 1,493,984
Add: Interest income on real estate loan	124,495	1,333
Less: Depreciation and amortization	3,623,732	3,554,101
Acquisition costs	18,272	1,442,444
Organization costs	-	7,072
Professional fees	72,952	187,239
Other	36,544	30,061
Operating loss	(2,068,666)	(3,725,600)
Management fees	177,475	145,266
Corporate insurance	39,069	27,178
Interest expense	537,591	536,882
Other expense	77,903	79,721
Net loss	(2,900,704)	(4,514,647)
Less consolidated net loss attributable to non-controlling interests	-	-
Net loss attributable to the Company	\$ (2,900,704)	\$ (4,514,647)

For comparative purposes, a pro forma three-month period ended June 30, 2011 is presented, as if the three multifamily communities were acquired on April 1, 2011.

See Definitions of Non-GAAP Measures.

Definitions of Non-GAAP Measures

Funds From Operations (“FFO”)

Analysts, managers, and investors have, since the first real estate investment trusts were created, made certain adjustments to reported net income amounts under U.S. GAAP in order to better assess these vehicles’ liquidity and cash flows. FFO is one of the most commonly utilized Non-GAAP measures currently in practice. In its 2002 “*White Paper on Funds From Operations*”, the National Association of Real Estate Investment Trusts (“NAREIT”) standardized the definition of how Net income/loss should be adjusted to arrive at FFO, in the interests of uniformity and comparability. The NAREIT definition of FFO (and the one reported by the Company) is:

Net income/loss:

- Excluding impairment charges and gains/losses from sales of property;
- Plus depreciation and amortization of real estate assets; and
- After adjustments for unconsolidated partnerships and joint ventures

Not all companies necessarily utilize the standardized NAREIT definition of FFO, and so caution should be taken in comparing the Company’s reported FFO results to those of other companies. The Company’s FFO results are comparable to other companies that follow the NAREIT definition of FFO and report these figures on that basis. FFO is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes to be net income/loss attributable to the Company.

Adjusted Funds From Operations (“AFFO”)

AFFO makes further adjustments to FFO results in order to arrive at a more refined measure of operating and financial performance. There is no industry standard definition of AFFO and practice is divergent across the industry. The Company calculates AFFO as:

FFO, plus:

- Acquisition costs;
- Organization costs;
- Fees to directors and executives paid in stock;
- Amortization of mortgage loan costs;
- REIT establishment costs;
- Depreciation and amortization of non-real estate assets; and
- Net loan origination fees;

Less:

- Non-cash mezzanine loan interest income; and
- Annually recurring capital expenditures

AFFO figures reported by the Company are not generally comparable to those reported by other companies. AFFO is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes to be net income/loss attributable to the Company.

Cash Available for Distribution (“CAD”)

The Company refines AFFO further by reversing the AFFO adjustment for REIT establishment costs. CAD is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes to be net income/loss attributable to the Company.

Property Net Operating Income (“NOI”)

The Company calculates NOI as rental and other revenues from the three acquired multifamily communities, less property operating and maintenance expenses, property management fees, real estate taxes, and property insurance. Management believes NOI provides a useful measure of gauging the financial performance of individual properties and their contributions to the Company’s consolidated results of operations. NOI is a non-GAAP measure that is reconciled to its most comparable GAAP measure, which the Company believes to be net income/loss attributable to the Company.

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