

PREFERRED APARTMENT COMMUNITIES INC  
Form 10-Q  
May 11, 2015

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

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FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 001-34995

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Preferred Apartment Communities, Inc.  
(Exact name of registrant as specified in its charter)

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Maryland 27-1712193  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
3284 Northside Parkway NW, Suite 150, Atlanta, GA 30327  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (770) 818-4100

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The number of shares outstanding of the registrant's Common Stock, as of May 8, 2015 was 22,225,924.

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

	March 31, 2015	December 31, 2014
Assets		
Real estate		
Land	\$86,434,683	\$79,272,457
Building and improvements	431,348,175	377,030,987
Tenant improvements	3,232,506	3,240,784
Furniture, fixtures, and equipment	50,155,356	36,864,668
Construction in progress	268,613	66,647
Gross real estate	571,439,333	496,475,543
Less: accumulated depreciation	(31,720,212)	(26,388,066)
Net real estate	539,719,121	470,087,477
Real estate loans, net of deferred fee income (\$21,536,641 and \$20,313,722 carried at fair value)	141,986,808	128,306,697
Real estate loans to related parties, net	30,273,403	24,924,976
Total real estate and real estate loans, net	711,979,332	623,319,150
Cash and cash equivalents		
Restricted cash	4,682,937	4,707,865
Notes receivable	9,908,893	14,543,638
Note receivable and revolving line of credit from related party	15,807,114	14,153,922
Accrued interest receivable on real estate loans	8,855,896	8,038,447
Acquired intangible assets, net of amortization of \$19,470,022 and \$17,030,176	11,629,424	12,702,980
Deferred loan costs, net of amortization of \$1,966,396 and \$1,618,858	5,500,930	5,107,068
Deferred offering costs	5,981,954	6,333,763
Tenant receivables (net of allowance of \$187,621 and \$103,452) and other assets	6,904,984	4,390,309
Total assets	\$788,866,257	\$696,410,412
Liabilities and equity		
Liabilities		
Mortgage notes payable	\$404,525,906	\$354,418,668
Revolving line of credit	—	24,500,000
Term loan	19,000,000	—
Real estate loan participation obligation	11,314,528	7,990,798
Accounts payable and accrued expenses	5,423,293	4,941,703
Accrued interest payable	1,154,157	1,116,750
Dividends and partnership distributions payable	5,041,220	4,623,246
Acquired below market lease intangibles, net of amortization of \$842,212 and \$660,259	5,710,683	5,935,931
Security deposits and other liabilities	1,604,063	1,301,442

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Total liabilities	453,773,850	404,828,538
Commitments and contingencies (Note 12)		
Equity		
Stockholders' equity		
Series A Redeemable Preferred Stock, \$0.01 par value per share; 989,408 shares authorized; 244,812 and 193,334 shares issued; 243,887 and 192,846 shares outstanding at March 31, 2015 and December 31, 2014, respectively	2,439	1,928
Common Stock, \$0.01 par value per share; 400,066,666 shares authorized; 22,131,190 and 21,403,987 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	221,312	214,039
Additional paid in capital	345,307,073	300,576,349
Accumulated deficit	(12,053,082	) (11,297,852 )
Total stockholders' equity	333,477,742	289,494,464
Non-controlling interest	1,614,665	2,087,410
Total equity	335,092,407	291,581,874
Total liabilities and equity	\$788,866,257	\$696,410,412

The accompanying notes are an integral part of these consolidated financial statements.

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Preferred Apartment Communities, Inc.  
Consolidated Statements of Operations  
(Unaudited)

	Three months ended March 31,		
	2015	2014	
Revenues:			
Rental revenues	\$ 13,141,120	\$ 5,869,291	
Other property revenues	1,969,767	645,042	
Interest income on loans and notes receivable	4,875,086	4,293,442	
Interest income from related party	1,358,542	432,307	
Total revenues	21,344,515	11,240,082	
Operating expenses:			
Property operating and maintenance	2,079,359	912,549	
Property salary and benefits reimbursement to related party	1,117,573	625,261	
Property management fees (including \$480,051 and \$258,121 to related parties)	570,406	262,121	
Real estate taxes	2,076,677	659,049	
General and administrative	458,204	188,839	
Equity compensation to directors and executives	590,308	444,222	
Depreciation and amortization	7,945,428	2,308,526	
Acquisition and pursuit costs (including \$47,005 and \$0 to related party)	423,592	188,031	
Acquisition fees to related parties	760,300	57,268	
Asset management fees to related party	1,350,890	688,749	
Insurance, professional fees and other expenses	705,552	393,971	
Total operating expenses	18,078,289	6,728,586	
Asset management and general and administrative expense fees deferred	(345,960	) —	
Net operating expenses	17,732,329	6,728,586	
Operating income	3,612,186	4,511,496	
Interest expense	4,377,115	1,715,651	
Net (loss) income	(764,929	) 2,795,845	
Consolidated net loss (income) attributable to non-controlling interests	9,699	(38,862	)
Net (loss) income attributable to the Company	(755,230	) 2,756,983	
Dividends declared to Series A preferred stockholders	(3,172,897	) (1,420,536	)
Earnings attributable to unvested restricted stock	(6,863	) (4,678	)
Net (loss) income attributable to common stockholders	\$(3,934,990	) \$ 1,331,769	
Net (loss) income per share of Common Stock available to common stockholders:			
Basic	\$(0.18	) \$0.09	
Diluted	\$(0.18	) \$0.09	

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Dividends per share declared on Common Stock	\$0.175	\$0.16
Weighted average number of shares of Common Stock outstanding:		
Basic	21,813,974	15,316,816
Diluted	21,813,974	15,562,608

The accompanying notes are an integral part of these consolidated financial statements.

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Preferred Apartment Communities, Inc.  
Consolidated Statements of Stockholders' Equity  
For the three months ended March 31, 2015 and 2014  
(Unaudited)

	Series A Redeemable Preferred Stock	Common Stock	Additional Paid in Capital	Accumulated (Deficit)	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance at January 1, 2014	\$ 893	\$ 152,945	\$ 177,824,720	\$(13,391,341)	\$ 164,587,217	\$ 1,465,502	\$ 166,052,719
Issuance of Units	122	—	12,157,658	—	12,157,780	—	12,157,780
Syndication and offering costs	—	—	(1,394,971 )	—	(1,394,971 )	—	(1,394,971 )
Equity compensation to executives and directors	—	22	82,265	—	82,287	—	82,287
Conversion of Class A Units to Common Stock	—	941	504,540	—	505,481	(505,481 )	—
Current period amortization of Class B Units	—	—	—	—	—	—	—