

INDEPENDENCE REALTY TRUST, INC
Form 8-K/A
May 12, 2014

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

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): February 28, 2014

Independence Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction

of incorporation)

001-36041
(Commission

File Number)

26-4567130
(I.R.S. Employer

Identification No.)

Cira Centre

2929 Arch St., 17th Floor

Philadelphia, PA
(Address of principal executive offices)

19104
(Zip Code)

Registrant's telephone number, including area code: (215) 243-9000

N/A

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 2.01 Completion of Acquisition or Disposition of Assets.

On February 28, 2014, Independence Realty Trust, Inc., or IRT, through its wholly-owned subsidiary, IRT OKC Portfolio Owner, LLC, acquired fee simple interests in a portfolio of five apartment properties located in Oklahoma and referred to in this report as the Oklahoma portfolio. IRT filed a Current Report on Form 8-K on March 4, 2014, or the initial report, reporting this acquisition. IRT hereby amends the initial report to provide the historical financial statements and pro forma financial information required by Item 9.01(a) and (b) of Form 8-K. This Form 8-K/A should be read in conjunction with the initial report.

Item 9.01 Financial Statements and Exhibits.

In accordance with Rule 3-14 and Article 11 of Regulation S-X, IRT hereby files the following financial statements and pro forma information relating to the acquisition of the Property.

(a) Financial Statements of Businesses Acquired.

Independent Auditor's Report

Combined statement of revenue and certain expenses (the Historical Summary) of the Oklahoma portfolio for the year ended December 31, 2013.

Notes to the Historical Summary.

(b) Pro Forma Financial Information.

Unaudited pro forma consolidated balance sheet as of December 31, 2013.

Unaudited pro forma consolidated statement of operations for the year ended December 31, 2013

Notes to Unaudited Pro Forma Financial Information

(d) Exhibits.

The exhibit filed as part of this Current Report on Form 8-K is identified in the Exhibit Index immediately following the signature page of this report. Such Exhibit Index is incorporated herein by reference.

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.

Independence Realty Trust, Inc.

May 12, 2014

By: /s/ James J. Sebra
James J. Sebra
Chief Financial Officer and Treasurer

Independent Auditor's Report

To the Stockholders of

Independence Realty Trust, Inc.

Philadelphia, Pennsylvania

Report on the Combined Historical Summary

We have audited the accompanying combined statement of revenue and certain expenses (the Combined Historical Summary) of the Oklahoma Portfolio (including properties commonly referred to as The Augusta Apartments, Heritage Park Apartments, The Invitational Apartments, Raindance Apartments and Windrush Apartments), for the year ended December 31, 2013, and the related notes to the Combined Historical Summary.

Management's Responsibility for the Combined Historical Summary

Management is responsible for the preparation and fair presentation of the Combined Historical Summary in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Combined Historical Summary that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Combined Historical Summary based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Historical Summary is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Historical Summary. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Combined Historical Summary, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Combined Historical Summary in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Combined Historical Summary.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Historical Summary referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 to the Combined Historical Summary of the Oklahoma Portfolio for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

As described in Note 1 to the Combined Historical Summary, the accompanying Combined Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in Form 8-K/A of Independence Realty Trust, Inc.) and is not intended to be a complete presentation of the Oklahoma Portfolio's revenue and expenses. Our opinion is not modified with respect to this matter.

/s/ McGladrey LLP

Philadelphia, Pennsylvania

May 12, 2014

THE OKLAHOMA PORTFOLIO
COMBINED STATEMENT OF REVENUE AND CERTAIN EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUE:	
Rental income	\$ 10,792,481
Reimbursement income	369,350
Other income	524,473
Total Revenue	11,686,304
CERTAIN EXPENSES:	
Operating and maintenance	4,647,486
Taxes and insurance	1,745,852
Management fees	466,736
Bad debt expenses	18,059
Total Certain Expenses	6,878,133
Revenue in excess of Certain Expenses	\$ 4,808,171

The accompanying notes are an integral part of this statement.

THE OKLAHOMA PORTFOLIO
NOTES TO COMBINED STATEMENT OF REVENUE AND CERTAIN EXPENSES**FOR THE YEAR ENDED DECEMBER 31, 2013****NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION**

The accompanying statement of revenue and certain expenses (the Combined Historical Summary) includes the revenue and certain expenses of the following properties (hereinafter referred to as the Oklahoma Portfolio):

Property Name	Type	Units	Location
The Augusta Apartments	Multi-family	197	Oklahoma City, OK
Heritage Park Apartments	Multi-family	453	Oklahoma City, OK
The Invitational Apartments	Multi-family	344	Oklahoma City, OK
Raindance Apartments	Multi-family	504	Oklahoma City, OK
Windrush Apartments	Multi-family	160	Edmund, OK

1,658

On October 16, 2013 a definitive agreement was entered into with a seller and Independence Realty Trust (IRT) for the acquisition of a portfolio of five multi-family properties (the Oklahoma Portfolio) for a purchase price equal to \$65.0 million.

The Combined Historical Summary has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission (the SEC), which requires certain information with respect to real estate operations to be included with certain filings with the SEC. The Combined Historical Summary includes the historical revenue and certain expenses of the Oklahoma Portfolio, exclusive of items which may not be comparable to the proposed future operations of the Oklahoma Portfolio. Material amounts that would not be directly attributable to future operating results of the Oklahoma Portfolio are excluded, and the Combined Historical Summary is not intended to be a complete presentation of the Oklahoma Portfolio's revenue and expenses. Items excluded consist principally of interest on mortgages, depreciation, and asset management fees for the Oklahoma Portfolio.

The Combined Historical Summary presents the revenue and certain expenses of the Oklahoma Portfolio during the identified period and may not be comparable to future periods. Management is not aware of any material factors relating to the Oklahoma Portfolio other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

In the preparation of the accompanying Combined Historical Summary, subsequent events were evaluated through May 12, 2014, the date the financial statements were available to be issued.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***a. Revenue Recognition***

Rental income attributable to residential leases is recorded when due from residents, generally upon the first day of the month. Leases are for periods of up to one year, with rental payments due monthly. Other income results from fees for late payments, cleaning, damages, storage, parking, and laundry facilities and is recorded when earned.

THE OKLAHOMA PORTFOLIO

NOTES TO COMBINED STATEMENT OF REVENUE AND CERTAIN EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

b. Property Management Fees

For the year ended December 31, 2013, property management fees were \$466,736.

c. Bad Debt Expense

The Oklahoma Portfolio recognizes bad debt expense for uncollectible receivables. Management's estimate of bad debt expense is based on expected and inherent risks of collectability for receivables from tenants. For the year ended December 31, 2013, bad debt expenses were \$18,059.

d. 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 assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates.

NOTE 3: COMMITMENTS AND CONTINGENCIES

Litigation

The Oklahoma Portfolio may be subject to various claims and legal proceedings that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Oklahoma Portfolio.

INDEPENDENCE REALTY TRUST, INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

AS OF DECEMBER 31, 2013

The following unaudited pro forma financial statements of Independence Realty Trust, Inc. (together with its consolidated subsidiaries, the Company, we, our, or us) have been prepared to provide pro forma financial information with regard to: (i) the exchange by RAIT of 5,274,900 common units in our operating partnership for 5,274,900 shares of our common stock on May 7, 2013, (ii) the issuance of 4,000,000 shares of our common stock in August 2013, (iii) the acquisition of The Crossings at Ridgewood Apartments (the Crossings), which we acquired on November 22, 2013, (iv) borrowings drawn on our \$20 million secured revolving credit facility, which we entered into on October 25, 2013 and the \$8.6 million loan secured by our Berkshire Square property, which was drawn on December 27, 2013, (v) the payment of cash dividends on our common stock in January, February and March 2014, which were declared by our board of directors on January 15, 2014, (vi) the acquisition of the Reserve at Eagle Ridge (Reserve at Eagle Ridge), which we acquired on January 31, 2014 and the \$18.9 million of mortgage indebtedness obtained on February 7, 2014 related thereto, (vii) issuance of 8,050,000 shares of our common stock on January 29, 2014 and (viii) the acquisition of the Oklahoma Portfolio (including properties commonly referred to as The Augusta Apartments, Heritage Park Apartments, The Invitational Apartments, Raindance Apartments and Windrush Apartments), which we acquired on February 28, 2014 (collectively, the Transactions).

The unaudited pro forma consolidated balance sheet as of December 31, 2013 is presented as if the Transactions described in items (v), (vi), (vii) and (viii) had occurred on December 31, 2013. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2013 is presented as if the Transactions had occurred on January 1, 2013. The transactions described in items (i), (ii), (iii) and (iv) were completed prior to December 31, 2013 and are reflected in our historical unaudited consolidated balance sheet as of December 31, 2013.

The unaudited pro forma consolidated financial statements included in this Current Report on Form 8-K/A are presented for informational purposes only. The unaudited pro forma adjustments are based on information and assumptions that we consider reasonable and factually supportable. This information includes various estimates and assumptions and may not necessarily be indicative of the financial condition or results of operations that would have occurred if each of the Transactions occurred on the date or at the beginning of the period indicated or which may be obtained in the future. The unaudited pro forma consolidated balance sheet and statement of operations and accompanying notes should be read in conjunction with our historical consolidated financial statements and the statements of revenue and certain expenses of The Crossings at Ridgewood Apartments, as filed in a Current Report on Form 8-K/A on December 2, 2013, the Reserve at Eagle Ridge, as filed in a Current Report on Form 8-K/A on April 16, 2014 and the Oklahoma Portfolio included in this Current Report on Form 8-K/A.

The statements contained in this filing may include forward-looking statements within the meaning of the U.S. federal securities laws. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. As forward-looking statements, these statements involve risks and uncertainties that could cause actual results to differ materially from the expected results. These risks and uncertainties include, but are not limited to, uncertainties affecting real estate businesses generally, risks relating to acquisition activities and risks relating to leasing and re-leasing activities.

INDEPENDENCE REALTY TRUST, INC.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2013

(Dollars in thousands, except share and per share data)

			Reserve at EagleThe Oklahoma		
	Historical(A)	Adjustments(B)	Ridge(C)	Portfolio(D)	Pro Forma
ASSETS:					
Investments in real estate, net of accumulated depreciation of \$15,775	\$ 174,321	\$	\$ 28,543	\$ 69,162	\$ 272,026
Cash and cash equivalents	3,334	60,220	(10,150)	(19,237)	34,167
Restricted cash	1,122				1,122
Accounts receivable and other assets	1,731				1,731
Deferred costs and intangible assets, net of accumulated amortization of \$720	1,363		457	1,269	3,089
Total Assets	\$ 181,871	\$ 60,220	\$ 18,850	\$ 51,194	\$ 312,135
LIABILITIES AND EQUITY:					
Mortgage indebtedness	\$ 103,303	\$	\$ 18,850	\$ 48,312	\$ 170,465
Accounts payable and accrued expenses	2,374				2,374
Accrued interest payable	63				63
Dividends payable	515				515
Other liabilities	708				708
Total Liabilities	106,963		18,850	48,312	174,125
Equity:					
Stockholders Equity:					
Preferred stock, \$0.01 par value					
Common stock, \$0.01 par value	96	241			337
Additional paid-in capital	78,112	63,165			141,277
Retained earnings (accumulated deficit)	(3,300)	(3,186)		2,882	(3,604)
Total equity	74,908	60,220		2,882	138,010
Total liabilities and equity	\$ 181,871	\$ 60,220	\$ 18,850	\$ 51,194	\$ 312,135

The accompanying notes are an integral part of this consolidated financial statement.

INDEPENDENCE REALTY TRUST, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Dollars in thousands, except share and per share data)

	The Crossings at			Other		Pro	Company
	Ridgewood	Reserve	The Oklahoma	Insignificant	Pro		Company
	Historical	East	Portfolio	Acquisitions	Adjustments		Pro
	(A)	(B)	(C)	(D)	(E)		Forma
REVENUE:							
Rental income	\$ 17,843	\$ 3,072	\$ 3,661	\$ 10,793	\$ 1,637	\$	\$ 37,006
Tenant reimbursement income	943	202	117	369	34		1,665
Other income	1,157	170	189	524	106		2,146
Total revenue	19,943	3,444	3,967	11,686	1,777		40,817
EXPENSES:							
Property operating expenses	9,429	1,796	2,110	6,878	701		20,914
General & administrative expenses	648						648
Asset management fees	272					951 (J)	1,223
Acquisition expenses	248					267 (K)	515
Depreciation and amortization	4,413					4,793 (L)	9,206
Total expenses	15,010	1,796	2,110	6,878	701	6,011	32,506
Operating income	4,933	1,648	1,857	4,808	1,076	(6,011)	8,311
Interest expense	(3,659)					(2,663) (M)	(6,322)
Net income (loss)	1,274	1,648	1,857	4,808	1,076	(8,674)	1,989
Income (loss) allocated to preferred shares	(10)					10 (N)	
Income (loss) allocated to non- controlling interests	(649)					649 (O)	
Net Income (loss) allocable to common shares	\$ 615	\$ 1,648	\$ 1,857	\$ 4,808	\$ 1,076	\$ (8,015)	\$ 1,989
Earnings Per Share:							
Basic	\$ 0.12						\$ 0.11

Diluted	\$ 0.12	\$ 0.11
---------	---------	---------

Weighted-Average

Shares:

Basic	5,330,814	17,689,409 (P)
-------	-----------	----------------

Diluted	5,330,814	17,689,409 (P)
---------	-----------	----------------

The accompanying notes are an integral part of this consolidated financial statement.

INDEPENDENCE REALTY TRUST, INC.
NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION**(Dollars in thousands, except share and unit data)**

The following notes discuss the pro forma adjustments to our unaudited pro forma consolidated balance sheet as of December 31, 2013.

- (A) Represents our historical audited consolidated balance sheet as of December 31, 2013 included in our Annual Report on Form 10-K. Includes our acquisitions of Berkshire Square Apartments, which we acquired on September 19, 2013, The Crossings, which we acquired on November 22, 2013, and the exchange by RAIT of 5,274,900 common units in our operating partnership for 5,274,900 shares of our common stock on May 7, 2013.
- (B) Represents (i) proceeds from our January 2014 common stock offering of \$63,406 and (ii) \$3,186 of cash dividends declared by our board of directors for the months of January, February and March 2014. For the purposes of calculating the dividends we have assumed that 17,702,540 shares of our common stock are outstanding as of each of the record dates, which includes the 8,050,000 shares from the January 2014 common stock offering.
- (C) Represents the acquisition of the Reserve at Eagle Ridge in January 2014 for \$29,000. We paid the purchase price with \$10,150 of cash and \$18,850 of borrowings secured by a first mortgage that matures in March 2024 and accrues interest at a rate of 4.7%. We have allocated the total purchase price based upon estimated fair value in accordance with ASC 805, as shown in the table below. The allocations reflected in these unaudited pro forma consolidated financial statements have not been finalized and are based upon preliminary estimates of fair value. Consequently, amounts preliminarily allocated to identifiable tangible and intangible assets and liabilities could change significantly.

Land	\$ 5,800
Building and improvements	22,743
Subtotal	28,543
Intangible asset In place leases	457
Total	\$ 29,000

- (D) Represents the acquisition of the Oklahoma Portfolio in February 2014. The contract price was \$65,000 and required the assumption of \$45,763 of first mortgage indebtedness on the properties. The fair value of the mortgage was \$48,312. Upon the acquisition, we recorded an initial gain of \$2,882 to retained earnings. We have allocated the total purchase price based upon estimated fair value in accordance with ASC 805, as shown in the table below. The allocations reflected in these unaudited pro forma consolidated financial statements have not been finalized and are based upon preliminary estimates of fair value. Consequently, amounts preliminarily allocated to identifiable tangible and intangible assets and liabilities could change significantly.

Land	\$ 14,086
Building and improvements	55,076
Subtotal	69,162
Intangible asset In place leases	1,269
Total	\$ 70,431

The following notes discuss the pro forma adjustments to our unaudited pro forma consolidated statement of operations for the year ended December 31, 2013.

(E) Represents our historical consolidated statement of operations for the year ended December 31, 2013 included in our Annual Report on Form 10-K.

(F) We acquired The Crossings on November 22, 2013. This column reflects the operations of the Crossings from January 1, 2013 through November 22, 2013. The operations of the Crossings after the date of acquisition are included in our historical consolidated statement of operations for the year ended December 31, 2013. The column was computed as follows:

	Results of Operations for the Nine- Month Period Ended September 30, 2013(a)	Results of Operations for the Period for October 1, 2013 through November 22, 2013(b)	Total Pro Forma Adjustment
REVENUE:			
Rental income	\$ 2,568	\$ 504	\$ 3,072
Tenant reimbursement income	169	33	202
Other income	142	28	170
Total revenue	2,879	565	3,444
CERTAIN EXPENSES:			
Property operating expenses	1,501	295	1,796
Total certain expenses	1,501	295	1,796
Revenue over certain expenses	\$ 1,378	\$ 270	\$ 1,648

- (a) Represents the unaudited historical statement of revenues and certain expenses of the Crossings as filed in a Current Report on Form 8-K/A on December 2, 2013.
- (b) Represents financial data for the Crossings for the period for October 1, 2013 through November 22, 2013, the date on which we acquired the property.
- (G) We acquired the Reserve at Eagle Ridge on January 31, 2014. This column represents the audited historical statement of revenue and certain expenses of the Reserve at Eagle Ridge for the year ended December 31, 2013, as filed in a Current Report on Form 8-K/A on April 16, 2014.
- (H) Represents the audited historical combined statement of revenue and certain expenses of the Oklahoma Portfolio for the year ended December 31, 2013 appearing in this Current Report on Form 8-K/A.
- (I) Represents a pro forma adjustment to reflect the historical property operations for Berkshire Square Apartments that was acquired on September 19, 2013 for \$13,250. The property operations for the period after September 19, 2013 are already included in our historical financial statements and the pro forma adjustments below represent the historical property operations prior to September 19, 2013.

**Results of
Operations for the
Period from
January 1, 2013
to September
18,
2013**

REVENUE:	
Rental income	\$ 1,637
Tenant reimbursement income	34
Other income	106
Total revenue	1,777
CERTAIN EXPENSES:	
Property operating expenses	\$ 701
Total certain expenses	701
Revenue over certain expenses	\$ 1,076

- (J) Reflects asset management fees payable to our advisor as a result of the acquisitions of Berkshire Square in September 2013, The Crossings in November 2013, the Reserve at Eagle Ridge in January 2014 and the Oklahoma Portfolio in February 2014, assuming they were acquired on January 1, 2013. Pursuant to our advisory agreement, asset management fees are payable at the annual rate of 0.75% on the gross assets acquired after August 14, 2013. The acquisitions of Berkshire Square, The Crossings, the Reserve at Eagle Ridge and the Oklahoma Portfolio will increase gross assets by \$132,784, or approximately \$996 of asset management fees on an annual basis. For the year ended December 31, 2013, additional asset management fees of \$951 would be due associated with these acquisitions.
- (K) Reflects actual acquisition costs of \$77 for the Reserve at Eagle Ridge, acquired on January 31, 2014, and \$190 for the Oklahoma Portfolio, acquired on February 28, 2014.
- (L) Reflects depreciation expense for Berkshire Square, The Crossings, the Reserve at Eagle Ridge and the Oklahoma Portfolio based on a 40 year useful life for buildings and a five year useful life for furniture, fixtures and equipment.

Also includes the amortization of the in-place lease values over the estimated life of six months during the year ended December 31, 2013, \$281 for Berkshire Square, \$452 for the Crossings, \$457 for the Reserve at Eagle Ridge and \$1,269 for the Oklahoma Portfolio. The pro-forma adjustment for depreciation and amortization includes the amount needed to record a full year of depreciation and to fully amortize the in-place lease values in 2013 as each of these properties are assumed to be acquired on January 1, 2013.

- (M) The pro forma adjustment for interest expense reflects the following transactions as if they occurred on January 1, 2013: (i) \$2,500 of revolving credit facility borrowings for the acquisition of the Crossings in November 2013, (ii) \$8,612 of mortgage indebtedness associated with Berkshire Square in December 2013 (iii) \$18,850 of mortgage indebtedness associated with the acquisition of the Reserve at Eagle Ridge in January 2014 and (iv) \$45,763 of mortgage indebtedness associated with the acquisition of the Oklahoma Portfolio in February 2014. The pro forma adjustment was calculated as follows for the year ended December 31, 2013:

	Indebtedness	Interest Rate	Pro Forma Interest Expense
Line of Credit borrowings(1)	\$ 2,500	2.94%	\$ 64
Berkshire Square mortgage (2)	8,612	4.42%	366
Reserve at Eagle Ridge	18,850	4.67%	880
Oklahoma Portfolio (3)	48,312	2.80%	1,353
Total/Weighted Average	\$ 78,274	3.43%	\$ 2,663

- (1) Interest on the line of credit accrues at an annual rate of 1 month LIBOR plus 275 basis points. The interest rate above reflects an average 1 month LIBOR of 0.19% for 2013. On November 22, 2013 we had \$2,500 of debt outstanding on this credit facility. As such, interest expense from November 22, 2013 through December 31, 2013 is included in our historical operating results. The pro forma interest expense adjustment, therefore, includes the period from January 1, 2013 to November 21, 2013.
- (2) Berkshire Square was acquired on September 19, 2013. Financing was obtained on December 27, 2013. As such, interest expense from December 27, 2013 through December 31, 2013 is included in our historical operating results. The pro forma interest expense adjustment, therefore, includes the period from January 1, 2013 to December 26, 2013.
- (3) The Oklahoma Portfolio first mortgage has an unpaid principal balance of \$45,763, a contractual rate of 5.6% and matures of April 1, 2016. Upon the acquisition, we recorded the assumed mortgage at fair value based on a market rate of 2.8% for the remaining term. This resulted in a \$2,549 premium being recorded for the assumed mortgage. The total carrying amount of the first mortgage is \$48,312.
- (N) In August 2013, we redeemed, in full, our Series A Preferred Shares at par. This adjustment reflects that redemption as if it occurred on January 1, 2013.
- (O) In August 2013, we redeemed, in full, our Series B Preferred Units of our operating partnership at par. This adjustment reflects that redemption as if it occurred on January 1, 2013.

- (P)** The weighted-average shares outstanding for the year ended December 31, 2013 reflect the following transactions as if they occurred on January 1, 2013: (i) the conversion in May 2013 of RAIT s 5,274,900 common units in our operating partnership into 5,274,900 shares of our common stock, (ii) the issuance of 4,000,000 shares of our common stock in August 2013 and (iii) the issuance of 8,050,000 shares of our common stock in January 2014.

EXHIBIT INDEX

Exhibit	Description
23.1	Consent of McGladrey LLP.