

PREFERRED APARTMENT COMMUNITIES INC
Form 10-Q
November 07, 2013

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

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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

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

Maryland	27-1712193
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3625 Cumberland Boulevard, Suite 1150, Atlanta, GA 30339	
(Address of principal executive offices) (Zip Code)	
Registrant's telephone number, including area code: (770) 818-4100	

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

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 November 5, 2013 was 11,044,715.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Preferred Apartment Communities, Inc.

Consolidated Balance Sheets

(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Real estate		
Land	\$31,300,000	\$13,052,000
Building and improvements	134,309,132	60,284,587
Furniture, fixtures, and equipment	19,374,423	8,771,346
Construction in progress	208,527	3,023
Gross real estate	185,192,082	82,110,956
Less: accumulated depreciation	(12,077,716)	(6,288,998)
Net real estate	173,114,366	75,821,958
Real estate loans, net	68,368,471	35,106,197
Real estate loans to related parties, net	3,645,069	—
Total real estate and real estate loans, net	245,127,906	110,928,155
Cash and cash equivalents	5,453,006	2,973,509
Restricted cash	2,286,117	540,232
Notes receivable	11,210,388	2,450,000
Note receivable from related party	1,500,000	—
Revolving line of credit to related party	4,079,877	936,827
Accrued interest receivable on real estate loans	2,523,449	718,901
Tenant receivables, net of allowance of \$60,006 and \$18,623	13,271	11,453
Acquired intangible assets, net of amortization of \$12,093,210 and \$5,537,067	596,745	—
Deferred loan costs, net of amortization of \$755,848 and \$258,492	1,725,369	681,632
Deferred offering costs	4,614,113	3,347,965
Other assets	695,899	703,256
Total assets	\$279,826,140	\$123,291,930
Liabilities and equity		
Liabilities		
Mortgage notes payable	\$127,516,000	\$55,637,000
Accounts payable and accrued expenses	2,666,698	1,110,964
Revolving credit facility	24,910,667	14,801,197
Accrued interest payable	421,258	202,027
Dividends and partnership distributions payable	2,025,591	851,484
Security deposits and prepaid rents	567,847	330,108
Other deferred income	29,459	301,575
Total liabilities	158,137,520	73,234,355
Commitments and contingencies (Note 11)		

Equity

Stockholders' equity

Series A Redeemable Preferred Stock, \$0.01 par value per share; 150,000 shares authorized;

72,030 and 19,762 shares issued; 71,960 and 19,762 shares

outstanding at September 30, 2013 and December 31, 2012, respectively 720 198

Common Stock, \$0.01 par value per share; 400,066,666 shares authorized;

11,044,715 and

5,288,444 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively 110,447 52,885

Additional paid in capital 135,483,844 59,412,744

Accumulated deficit (15,020,422) (9,408,253)

Total stockholders' equity 120,574,589 50,057,574

Non-controlling interest 1,114,031 1

Total equity 121,688,620 50,057,575

Total liabilities and equity \$279,826,140 \$123,291,930

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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues:				
Rental revenues	\$5,426,402	\$2,309,943	\$14,789,074	\$6,783,328
Other property revenues	630,970	297,159	1,596,022	843,379
Interest income on loans and notes receivable	2,531,116	634,224	5,819,146	1,110,501
Interest income on loans and note from related party	163,787	1,925	207,700	1,925
Total revenues	8,752,275	3,243,251	22,411,942	8,739,133
Operating expenses:				
Property operating and maintenance	922,762	350,872	2,402,837	1,051,880
Property salary and benefits reimbursement to related party	600,547	247,165	1,633,530	738,643
Property management fees to related party	238,026	104,320	643,387	304,827
Real estate taxes	640,627	191,262	1,656,204	558,170
General and administrative	159,646	41,394	446,251	132,496
Equity compensation to directors and executives	290,860	315,600	889,946	921,207
Depreciation and amortization	3,682,087	905,988	12,678,709	2,800,404
Acquisition costs	10,682	—	212,818	912
Acquisition fees to related party	—	—	1,029,487	—
Management fees to related party	536,738	214,684	1,388,369	583,660
Insurance, professional fees and other	161,747	107,745	740,799	520,282
Total operating expenses	7,243,722	2,479,030	23,722,337	7,612,481
Operating income (loss)	1,508,553	764,221	(1,310,395)	1,126,652
Interest expense	1,538,567	615,300	3,923,331	1,688,957
Loss on early extinguishment of debt	—	—	604,337	—
Net (loss) income	(30,014)	148,921	(5,838,063)	(562,305)
Consolidated net loss attributable to non-controlling interests	127,738	—	225,894	—
Net income (loss) attributable to the Company	97,724	148,921	(5,612,169)	(562,305)
Dividends declared to preferred stockholders	(973,069)	(163,059)	(2,769,001)	(242,744)
Deemed non-cash dividend to holders of Series B Preferred Stock	—	—	(7,028,557)	—
Earnings attributable to unvested restricted stock	(4,352)	(4,626)	(13,496)	(12,302)
Net loss attributable to common stockholders	\$(879,697)	\$(18,764)	\$(15,423,223)	\$(817,351)
Net loss per share of Common Stock attributable to common stockholders, basic and diluted	\$(0.08)	\$—	\$(1.88)	\$(0.16)

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Dividends per share declared on Common Stock	\$0.15	\$0.14	\$0.445	\$0.40
Weighted average number of shares of Common Stock outstanding, basic and diluted	11,041,359	5,178,822	8,197,531	5,169,467

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

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