

PREFERRED APARTMENT COMMUNITIES INC

Form S-11

August 16, 2012

As filed with the Securities and Exchange Commission on August 16, 2012

**Registration No. 333-**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM S-11**

**FOR REGISTRATION  
UNDER THE SECURITIES ACT OF 1933  
OF SECURITIES OF CERTAIN REAL ESTATE  
COMPANIES**

**PREFERRED APARTMENT COMMUNITIES, INC.**

*(Exact Name of Registrant as Specified in its Governing Instruments)*

**3625 Cumberland Boulevard, Suite 400  
Atlanta, Georgia 30339  
(770) 818-4100**

*(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's Principal Executive Offices)*

**John A. Williams**  
**PREFERRED APARTMENT COMMUNITIES, INC.**  
**3625 Cumberland Boulevard, Suite 400**  
**Atlanta, Georgia 30339**  
**(770) 818-4100**

*(Name, Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Agent for Service)*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) 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 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 this Form is a post-effective amendment filed pursuant to Rule 462(d) 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.

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

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Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price <sup>(1)</sup>	Amount of Registration Fee
Units, each Unit consisting of one share of Series A Redeemable Preferred Stock, par value \$0.01 per share, and one Warrant to purchase 20 shares of Common Stock, par value \$0.01 per share <sup>(2)</sup>	\$850,000,000	\$97,410.00
Series A Redeemable Preferred Stock included as part of the Units <sup>(3)</sup>		
Warrants included as part of the Units <sup>(4)</sup>		(5)
Common Stock issuable upon exercise of the Warrants <sup>(8)</sup>	\$153,000,000	\$17,533.80 (6)
Common Stock issuable upon redemption of the Series A Redeemable Preferred Stock <sup>(7)(8)</sup>		
Total	\$1,003,000,000	\$114,943.80

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended, or the Securities Act.

(2) We are registering hereunder 850,000 Units.

(3) We are registering hereunder 850,000 shares of Series A Redeemable Preferred Stock.

(4) We are registering hereunder Warrants to purchase 17,000,000 shares of Common Stock.

(5) No separate registration fee required pursuant to Rule 457(g) of the Securities Act.

(6) Includes the offering price attributable to shares of Common Stock issuable upon exercise of the Warrants, assuming an exercise price of \$9.00 per share. The registration fee has been calculated in accordance with Rule 457(i) of the Securities Act.

(7) We also are registering hereunder an indeterminate number of shares of Common Stock that may be issuable upon the redemption of the Series A Redeemable Preferred Stock. The shares of Common Stock issuable upon redemption of the Series A Redeemable Preferred Stock will be issued for no additional consideration, and therefore no registration fee is required pursuant to Rule 457(i) of the Securities Act.

(8) Pursuant to Rule 416 of the Securities Act, such number of shares of Common Stock registered hereby also shall include an indeterminate number of shares of Common Stock that may be issued in connection with stock splits, stock dividends, recapitalizations or similar events or adjustments in the number of shares issuable as provided in the Warrants and in the articles supplementary setting forth the rights, preferences and limitations of the Series A Redeemable Preferred Stock.

**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 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

**Subject to Completion, Dated August 16, 2012**

**Maximum of 850,000 Units consisting of 850,000 Shares of Series A Redeemable Preferred Stock and Warrants to Purchase 17,000,000 Shares of Common Stock**

**(Liquidation Preference \$1,000 per share of Series A Redeemable Preferred Stock (subject to adjustment))**

Preferred Apartment Communities, Inc. is an externally managed Maryland corporation incorporated on September 18, 2009 and formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States.

We are offering a maximum of 850,000 shares of our Series A Redeemable Preferred Stock, par value \$0.01 per share, referred to as our Series A Redeemable Preferred Stock, and warrants, referred to as the Warrants, to purchase a maximum of 17,000,000 shares of our common stock in this offering. This prospectus also covers the shares of common stock that are issuable from time to time upon exercise of the Warrants and that may be issuable upon redemption of the Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock and the Warrants will be sold in units, or Units, with each Unit consisting of (i) one share of Series A Redeemable Preferred Stock with an initial stated value of \$1,000 per share, and (ii) one Warrant to purchase 20 shares of common stock, exercisable by the holder at an exercise price of 120% of the current market price per share of our common stock determined using the volume weighted average price of our common stock for the 20 trading days prior to the date of issuance of such Warrant, subject to a minimum exercise price of \$9.00 per share (subject to adjustment). Each Unit will be sold at a public offering price of \$1,000 per Unit for maximum gross offering proceeds of \$850 million. Units will not be issued or certificated. The shares of Series A Redeemable Preferred Stock and the Warrants are immediately separable and will be issued separately. The Warrants are not exercisable until one year from the date of issuance and expire four years from the date of issuance. The Series A Redeemable Preferred Stock will rank senior to our common stock with respect to payment of dividends and distribution of amounts upon liquidation, dissolution or winding up. Holders of our Series A Redeemable Preferred Stock will have no voting rights except as otherwise required by law.

Our common stock is traded on the NYSE MKT (previously known as NYSE AMEX), or NYSE MKT, under the symbol APTS. On August 13, 2012, the last reported sale price of our common stock on the NYSE MKT was \$8.20 per share. There is no established trading market for our Series A Redeemable Preferred Stock or any of the Warrants and we do not expect a market to develop. We do not intend to apply for a listing of the Series A Redeemable Preferred Stock or any of the Warrants on any national securities exchange.

We have elected and qualified to be taxed as a real estate investment trust for U.S. federal income tax purposes, or REIT, commencing with our tax year ended December 31, 2011.

Our charter contains various restrictions on the ownership and transfer of our securities. You should read the information under the section entitled Description of Securities Restrictions on Ownership and Transfer of our Securities in this prospectus for descriptions of these restrictions.

**Investing in our securities involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. See the section entitled Risk Factors beginning on page 21 of this prospectus for a discussion of the risks which should be considered in connection with your investment in our securities. You also should read carefully the risk factors described in our Securities and Exchange Commission, or SEC, filings, including our latest Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q before investing in our securities.**

**Neither the Securities and Exchange Commission, the Attorney General of the State of New York, nor any state securities commission has approved or disapproved of these securities, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.**

	Per Unit	Maximum Offering
Public offering price	\$1,000.00	\$850,000,000 <sup>(1)</sup>
Selling commissions <sup>(2)(3)</sup>	\$70.00	\$59,500,000
Dealer manager fee <sup>(2)(3)</sup>	\$30.00	\$25,500,000
Proceeds, before expenses, to us	\$900.00	\$765,000,000

- (1) Initial gross proceeds. If the Warrants are exercised in full at the minimum exercise price of \$9.00 per share of common stock, the company will receive additional gross proceeds equal to \$153.0 million. Selling commissions and the dealer manager fee will equal 7% and 3% of aggregate gross proceeds, respectively. Each is payable to our dealer manager. We or our affiliates also may provide permissible forms of non-cash compensation to registered representatives of our dealer manager and the participating broker-dealers. The value of such items will be considered underwriting compensation in connection with this offering, and the corresponding
- (2) payments of our dealer manager fee will be reduced by the aggregate value of such items. The combined selling commissions, dealer manager fee and such non-cash compensation will not exceed 10% of gross proceeds of this offering, which is referred to as FINRA's 10% cap. Our dealer manager will repay to the company any excess payments made to our dealer manager over FINRA's 10% cap if this offering is abruptly terminated before reaching the maximum amount of offering proceeds. We expect our dealer manager to authorize other broker-dealers that are members of FINRA, which we refer to as participating broker-dealers, to sell our Units. Our dealer manager may reallow all or a portion of its selling
- (3) commissions attributable to a participating broker-dealer. In addition, our dealer manager also may reallow a portion of its dealer manager fee earned on the proceeds raised by a participating broker-dealer, to such participating broker-dealer as a non-accountable marketing or due diligence allowance. The amount of the reallowance to any participating broker-dealer will be determined by the dealer manager in its sole discretion. The dealer manager of this offering is International Assets Advisory, LLC. The dealer manager is not required to sell any specific number or dollar amount of Units, but will use its reasonable best efforts to sell the Units offered. The minimum permitted purchase is generally \$5,000, but purchases of less than \$5,000 may be made in the discretion of the dealer manager. We expect to sell up to 850,000 Units in this offering by \_\_\_\_\_, 2014, which may be extended through \_\_\_\_\_, 2015, in our sole discretion. If we extend the offering period beyond \_\_\_\_\_, 2014, we will supplement this prospectus accordingly. We may terminate this offering at any time or may offer Units pursuant to a new registration statement.

We will sell Units through Depository Trust Company, or DTC, settlement, or DTC Settlement; or, under special circumstances, through Direct Registration System settlement, or DRS Settlement. Investors purchasing Units through DTC Settlement will coordinate with their registered representatives to pay the full purchase price for their Units by the settlement date, and such payments will not be held in escrow. Investors who are permitted to utilize the DRS Settlement method will complete and sign subscription agreements, which will be delivered to the escrow agent, UMB Bank N.A. In addition, such investors will pay the full purchase price for their Units to the escrow agent (as set forth

in the subscription agreement), to be held in trust for the investors benefit pending release to us as described herein.

# **International Assets Advisory, LLC**

as Dealer Manager

Prospectus dated , 2012

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**You should rely only on the information contained in or incorporated by reference into this prospectus, in any free writing prospectus prepared by us or information to which we have referred you. We have not, and the dealer manager has not, authorized any dealer, salesperson or other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the dealer manager and dealers are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in or incorporated by reference into this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.**

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## Market and Industry Data and Forecasts

*In this prospectus, we present certain economic and industry data and forecasts derived from cited third party sources, which data and forecasts are publicly available for free or upon payment as part of a subscription service.*

*None of such data and forecasts was prepared specifically for us. No third party source that has prepared such information has reviewed or passed upon our use of the information in this prospectus, and no third party source is quoted or summarized in this prospectus as an expert. All statements contained in this prospectus in connection with or related to such data and forecasts are attributed to us, and not to any such third party source or any other person.*

## Basis of Presentation

We use certain defined terms throughout this prospectus that have the following meanings:

our sponsor refers to John A. Williams, a veteran of the multifamily industry with over four decades of experience; our manager refers to Preferred Apartment Advisors, LLC, a Delaware limited liability company, our external manager and advisor;

WRA refers to Williams Realty Advisors, LLC, a full service investment management firm that is part of our sponsor's organization;

WAM refers to Williams Asset Management, LLC, a full service acquisition, asset management and disposition firm that is part of our sponsor's organization;

RAM refers to RAM Partners, LLC, a full-service property level management firm that provides third party property management services and that is part of our sponsor's organization;

PRM refers to Preferred Residential Management, LLC, formerly known as Williams Residential Management, LLC, a full-service property level management firm that handles all owned assets for us and within the Williams umbrella group and that is part of our sponsor's organization. Collectively, RAM and PRM manage over 27,500 multifamily units;

WOF refers to Williams Opportunity Fund, LLC, an affiliate of our sponsor, our manager and our company; and

WRF refers to Williams Realty Fund I, LLC, an affiliate of our sponsor, our manager and our company.

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## PROSPECTUS SUMMARY

*This summary highlights some of the information in this prospectus. It does not contain all the information that you should consider before investing in our securities. You should read carefully the detailed information set forth in the section entitled Risk Factors and other information included in this prospectus, and the information incorporated by reference into this prospectus, including our audited consolidated financial statements and the accompanying notes in our latest Annual Report on Form 10-K and our consolidated financial statements and the accompanying notes in our subsequent Quarterly Reports on Form 10-Q. Except where the context suggests otherwise, the terms company, we, us, and our refer to Preferred Apartment Communities, Inc., a Maryland corporation, together with its consolidated subsidiaries, including Preferred Apartment Communities Operating Partnership, L.P., a Delaware limited partnership of which we are the sole general partner, which we refer to in this prospectus as our operating partnership.*

### Our Company

We are 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 also 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 and invest not more than 10% of our total assets in other real estate-related investments, as determined by our manager as appropriate for us. We refer to these asset classes as our target assets. We conduct substantially all our operations through our operating partnership.

We are externally managed and advised by our manager, which is controlled by John A. Williams, our sponsor and a veteran of the multifamily industry with over four decades of experience, including the founding of the multifamily REIT, Post Properties, Inc. (NYSE:PPS), or Post Properties, and Leonard A. Silverstein. Pursuant to the terms of a management agreement between our manager and us, our manager is responsible for administering our day-to-day business operations, identifying and acquiring targeted real estate investments, overseeing the management of the investments, handling the disposition of the real estate investments and providing us with our management team and appropriate support personnel.

We also hope to benefit from Mr. Williams' current organization and platform that specializes in multifamily real estate investment and management. With operations in over 20 nationwide markets, Mr. Williams' organization includes WRA, WAM, RAM and PRM. We believe these organizations will provide the full range of services necessary to fulfill our investment objectives.

On April 5, 2011, we completed our initial public offering, or the IPO, of 4,500,000 shares of our common stock. The public offering price of the shares sold in the IPO was \$10.00 per share. We received total gross proceeds of \$45.0 million from the IPO. After deducting underwriting discounts and commissions and offering expenses payable by us, the aggregate net proceeds we received from the IPO were approximately \$39.8 million. Concurrently with the closing of the IPO, on April 5, 2011, in a separate private placement pursuant to Regulation D under the Securities Act, the company sold 500,000 shares of its common stock to WOF at the public offering price of \$10.00 per share, for total gross proceeds of \$5 million. Aggregate offering expenses in connection with the private placement were approximately \$0.3 million; therefore we received approximately \$4.7 million in net proceeds from the private



placement.

On May 4, 2011, in connection with the exercise of the over-allotment option granted to our underwriters in the IPO, we closed the sale of 107,361 shares of our common stock at \$10.00 per share. The total gross proceeds we received from this sale were approximately \$1.1 million. After deducting underwriting discounts and commissions and offering expenses payable, the aggregate net proceeds we received from this sale totaled approximately \$1.0 million.

On November 18, 2011, we commenced a public offering on a reasonable best efforts basis of up to 150,000 units, with each unit consisting of one share of Series A Redeemable Preferred Stock and one detachable warrant to purchase 20 shares of our common stock, or the Primary Series A Warrants. We refer in

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this prospectus to this offering and the units offered thereby as the Primary Series A Offering and the Primary Series A Units, respectively. On March 30, 2012, we satisfied the escrow conditions of the Primary Series A Offering, received and accepted aggregate subscriptions in excess of \$2.0 million and issued 2,155 shares of Series A Redeemable Preferred Stock and 2,155 Primary Series A Warrants to the holders of our new Series A Redeemable Preferred Stock. As of August 16, 2012, we had received from the Primary Series A Offering total gross proceeds of approximately \$10,827,000 from the sale of 10,827 Primary Series A Units. As of August 16, 2012, there were 139,173 Primary Series A Units available for sale.

We also intend to raise additional capital in the future.

We have registered A Preferred Apartment Community as a trademarked logo with the United States Patent and Trademark Office. Our manager has branded, and in the future will continue to brand, all apartment communities owned by the company as A Preferred Apartment Community and intends to make it an ultimate tagline for each of our communities that signifies certain brand and management standards. This strategy will allow each individual community to be part of a centralized marketing and advertising campaign, in addition to property level marketing and advertising campaigns. We expect that these campaigns will further enhance each individual property's presence in the marketplace, and we believe that this will allow our communities to be perceived as premier over other properties within the marketplace. Our manager has entered into a non-exclusive license agreement with the company as licensee with respect to all intellectual property of the manager other than trademarks. The license agreement will terminate automatically upon termination of our management agreement or will terminate upon a material breach of the license agreement that remains uncured for more than 30 days after receipt of notice of such breach. Our manager has entered into a separate non-exclusive license agreement with the company as licensee with respect to the manager's trademarks on substantially similar terms as the initial intellectual property license agreement.

On April 15, 2011, we acquired 100% of the membership interests in Stone Rise Apartments, LLC, a Delaware limited liability company (f/k/a Oxford Rise JV LLC), the fee-simple owner of a 216-unit multifamily community located in suburban Philadelphia, Pennsylvania, or Stone Rise, for a total purchase price of \$30.15 million, exclusive of acquisition-related and financing-related transaction costs. The membership interests in Oxford Rise JV LLC were owned by WOF.

On April 21, 2011, we acquired 100% of the membership interests in PAC Summit Crossing, LLC, a Georgia limited liability company (f/k/a Oxford Summit Partners, LLC), the fee-simple owner of a 345-unit multifamily community located in suburban Atlanta, Georgia, or Summit Crossing, for a total purchase price of \$33.2 million, exclusive of acquisition-related and financing-related transaction costs. WRF owned a majority of the membership interests in PAC Summit Crossing, LLC.

On April 29, 2011, we acquired Oxford Trail, a 204-unit multifamily community located in Hampton, Virginia, or Trail Creek, for a total purchase price of \$23.5 million, exclusive of acquisition-related and financing-related transaction costs. We purchased a fee-simple interest in the property from Oxford Trail JV LLC. WRF owned indirectly an approximately 10% membership interest in Oxford Trail JV LLC.

On June 30, 2011, we made a mezzanine loan investment of \$6.0 million to Oxford Hampton Partners LLC, a Georgia limited liability company, to partially finance the construction of a 96-unit multifamily community located adjacent to our existing Trail Creek multifamily community in Hampton, Virginia, or the Oxford Hampton Mezzanine Loan. Oxford Hampton Partners LLC was required to fully draw down the mezzanine loan on the closing date. WRF has contributed 100% of the cash equity in Oxford Hampton Partners LLC to date.

On March 26, 2012, we made a loan in the amount of \$650,000 to Oxford Properties, LLC, a Georgia limited liability company, to fund certain expenses in connection with transactions we are pursuing, or the Oxford Properties Loan.

On May 7, 2012, Summit Crossing Mezzanine Lending LLC, a wholly owned subsidiary of our operating partnership, made a mezzanine loan in the amount of \$6,103,027 to Oxford Summit Apartments II LLC, a Georgia limited liability company, in connection with the borrower's plans to construct a 140-unit multifamily community in suburban Atlanta, Georgia, or the Oxford Summit II Mezzanine Loan. The full amount of the mezzanine loan was funded by the lender to the borrower on the closing date.

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On May 21, 2012, we made a loan in an amount of up to \$575,000 to Madison Retail, LLC, a Georgia limited liability company, to fund certain expenses in connection with transactions we are pursuing, or the Madison Retail Loan.

On June 29, 2012, Iris Crosstown Mezzanine Lending, LLC, a wholly owned subsidiary of our operating partnership, made a real estate acquisition bridge loan in the amount of \$2,868,471 to Iris Crosstown Apartments, LLC, or Iris, a Georgia limited liability company, in connection with the borrower's acquisition of a parcel of land located in suburban Tampa, Florida, upon which a multifamily community is to be constructed, or the Iris Bridge Loan.

## **Market Opportunities**

As a result of the recent United States financial crisis and downturn in the United States economy, multifamily assets have seen a dramatic drop in their value. A combination of higher capitalization rates and downward pressure on renter incomes has adversely affected owners of multifamily assets and limited their options. Many recent transactions were highly leveraged with favorable initial financing terms. In many instances, the initial terms of these financings are about to expire or the debt is about to mature. These owners may have difficulty refinancing given the state of the real estate credit markets and their only options may be a sale at a discount to their original investment or foreclosure.

We believe our investments will benefit from the following:

- the lower levels of new supply projected for the next several years;
- the expected rebound in the general economy;
- the continual introduction of the "echo boom" generation into the market; and
- the decline in homeownership.

We believe this stress in the market will create multiple opportunities for investments.

## **Our Competitive Strengths**

We believe that we distinguish ourselves from our competitors through the following competitive advantages:

the experience of Mr. Williams and his management team who have significant expertise in multifamily real estate and real estate-related debt investments and capital markets;

benefits from Mr. Williams and his management team's relationships in the multifamily industry, which we expect to include access to a pipeline of investment opportunities; and

asset and property management teams focused on multifamily assets, including third party property management of over 22,500 multifamily units across 15 states, asset management of almost 4,500 multifamily units across four states and in-house property management of over 5,100 multifamily units across six states.

## **Our Investment Strategy**

Our investment strategy includes, without limitation, the following:

acquiring real-estate related assets where such assets or the owners of such assets are overleveraged or where such owners may be struggling to meet current debt service obligations on such assets, or, in certain circumstances, where such owners are financial institutions or conduits under either legal or economic compulsion to sell;

acquiring multifamily properties which we believe will generate sustainable cash flow from operations sufficient to allow us to cover the dividends that we expect to declare and pay and which we believe will have the potential for capital appreciation;

taking advantage of supply constraints in multifamily housing in part as a result of a lack of new construction over the past several years; and

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taking advantage of favorable financing available from the Federal Home Loan Mortgage Corporation, or Freddie Mac, and the Federal National Mortgage Association, or Fannie Mae.

We currently do not anticipate investing in unimproved property, developing new construction properties or acquiring new construction, however, we would consider a forward purchase or option to purchase contract on a to-be-built multifamily asset with appropriate provisions for minimum occupancy and income thresholds in order for us to expect the asset to be priced appropriately. In connection with entering into a forward purchase or option to purchase contract, we may be required to provide a deposit, a mezzanine loan or other assurances of our ability to perform our obligations under the forward purchase or option to purchase contract.

Although some of our initial acquisitions were from affiliates of our manager, we anticipate that our future asset acquisitions generally will be from unaffiliated third parties. However, we would still consider an acquisition from an affiliated third party if such acquisition made financial sense to us and was approved by our conflicts committee, which is comprised entirely of independent directors.

## **Our Target Markets**

Generally, we expect to target metropolitan statistical areas, or MSAs, of approximately one million people or more with favorable economic conditions. The conditions of a market we may monitor include, but are not limited to, job growth, household income, the pipeline of new supply for multifamily units, the pipeline of new supply for single family units, current and forecasted occupancy for multifamily units, current and forecasted rental rate growth for multifamily units, and other statistics that may be relevant to individual markets. In addition, we will analyze forecast data from our manager's affiliates gathered in their operations to support our assumptions. We also will utilize our management team's network of industry contacts and relationships to generate significant information about current and future market conditions. See the section entitled "Business - Our Target Markets" included elsewhere in this prospectus for a detailed discussion of our target markets.

## **Our Financing Strategy**

We intend to utilize leverage in making our investments. The number of different investments we will acquire will be affected by numerous factors, including the amount of funds available to us. By operating on a leveraged basis, we will have more funds available for our investments. This will allow us to make more investments than would otherwise be possible, resulting in a larger and more diversified portfolio. See the "Risk Factors" section of this prospectus for more information about the risks related to operating on a leveraged basis.

We intend to target leverage levels (secured and unsecured) between 50% and 65% of the value of our tangible assets (including our real estate assets, real estate loans and other real estate-related investments, accounts receivable and cash and cash equivalents) on a portfolio basis based on fair market value. As of June 30, 2012, our outstanding debt (both secured and unsecured) was approximately 46.8% of the value of our tangible assets on a portfolio basis based on fair market value. Neither our charter nor our by-laws contain any limitation on the amount of leverage we may use. Our investment guidelines, which can be amended by our Board of Directors without stockholder approval, limit our borrowings (secured and unsecured) to 75% of the cost of our tangible assets at the time of any new borrowing. These targets, however, will not apply to individual real estate assets or investments. Other than in connection with forward purchase contracts or purchase option agreements where we have provided a mezzanine loan for development, at the date of acquisition of each asset, we anticipate that the cost of investment for such asset will be substantially similar to its fair market value. However, subsequent events, including changes in the fair market value of our assets, could result in our exceeding these limits. In addition, we intend to acquire all our properties through separate special purpose entities and we intend to finance each of these properties using financing techniques for that

property alone without any cross-collateralization to our other properties or guarantees by us or our operating partnership. Finally, we intend to have no long-term corporate level debt. See the section entitled "Business - Our Financing Strategy" included elsewhere in this prospectus for a detailed discussion of our borrowing policies.

Our secured and unsecured aggregate borrowings are intended by us to be reasonable in relation to our net assets and are reviewed by our Board of Directors at least quarterly. In determining whether our

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borrowings are reasonable in relation to our net assets, our Board of Directors considers many factors, including without limitation, the lending standards of government-sponsored enterprises, such as Fannie Mae, Freddie Mac and other companies for loans in connection with the financing of multifamily properties, the leverage ratios of publicly traded and non-traded REITs with similar investment strategies, cash flow coverage, whether we have positive leverage (in that, our Board of Directors will compare the capitalization rates of our properties to the interest rates on the indebtedness of such properties) and general market and economic conditions. There is no limitation on the amount that we may borrow for any single investment.

## **Risk Management**

Risk management is a fundamental principle in our manager's construction of our portfolio and in the management of each investment. Diversification of our portfolio by investment size and location is critical to controlling portfolio-level risk. Over the long term, we intend that no single asset will exceed 15% of our total assets and that we will not have more than 25% of our total assets invested in any single MSA. However, until a sufficient number of properties are acquired, we anticipate that we will have single assets in excess of 15% of our total assets and more than 25% of our assets in a single MSA.

## **Summary Risk Factors**

Investing in our securities involves a high degree of risk. If we are unable to effectively manage the impact of these risks, we may not meet our investment objectives, and therefore, you should purchase these securities only if you can afford a complete loss of your investment. See the section entitled "Risk Factors" included elsewhere in this prospectus for a discussion of the risks that should be considered in connection with your investment in our securities. Some of the more significant risks relating to this offering and an investment in our securities include:

There is limited liquidity for our Series A Redeemable Preferred Stock and Warrants. There is no public trading market for our Series A Redeemable Preferred Stock or Warrants, and we do not currently intend to list our Series A Redeemable Preferred Stock or Warrants on a securities exchange. If you are able to sell your Series A Redeemable Preferred Stock or Warrants, you may have to sell them at a significant discount. Beginning one year from the date of original issuance and ending four years from the date of such issuance, the Warrants are exercisable for shares of our common stock, which currently are publicly traded on the NYSE MKT. Beginning two years from the date of original issuance, the shares of Series A Redeemable Preferred Stock will be redeemable by the holder, payable, in our sole discretion, in cash or equal value of common stock;

The Series A Redeemable Preferred Stock is a covered security and therefore not subject to registration under the state securities, or "Blue Sky," regulations in the various states in which it may be sold due to its seniority to our common stock, which is listed on the NYSE MKT. If our common stock is no longer listed on the NYSE MKT or another appropriate exchange, we would be required to register this offering in any state in which we subsequently offered our Units. This would require termination of this offering and could result in our raising an amount of gross proceeds that is substantially less than the gross proceeds expected to be raised if the maximum offering is sold. This would reduce our ability to purchase additional properties and limit the diversification of our portfolio. Although the Warrants are not covered securities, most states include an exemption from securities registration for warrants that are exercisable into a listed security. Therefore, the Warrants are subject to state securities registration in any state that does not provide such an exemption and this offering must be registered in order to sell the Warrants in these states;

We have a limited operating history and may not be able to operate our business successfully or consistently generate sufficient cash flow to make or sustain distributions to our stockholders;

Our cash flow from operations was insufficient to fully fund our quarterly dividends in the second and third quarters of 2011 and for the year-ended December 31, 2011, and may be insufficient to fund dividends in the future;



You may not have the opportunity to evaluate our investments other than as described in this prospectus or our SEC filings before you make your purchase of our Series A Redeemable Preferred Stock or Warrants, thus making your investment more speculative;

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Since our Series A Redeemable Preferred Stock or Warrants are not currently listed on a securities exchange and we do not currently intend to list the Series A Redeemable Preferred Stock or Warrants on a securities exchange, no public market currently exists and no active market may ever develop for shares of our Series A Redeemable Preferred Stock or Warrants;

If we, through our manager, are unable to find suitable investments, then we may not be able to achieve our investment objectives or pay distributions;

Our properties may be adversely affected by current economic conditions and uncertainty, as well as economic cycles and risks inherent to the geographical markets we intend to target and the apartment community sector;

Upon the sale of any individual property, holders of Series A Redeemable Preferred Stock do not have a priority over holders of our common stock regarding return of capital. Investors in the Series A Redeemable Preferred Stock should note that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital;

Except in limited circumstances, there is no clawback for distributions with respect to the special limited partnership interest in our operating partnership, which is held entirely by our manager, and such distributions are payable upon the sale of an asset even if investors have not received a return of their entire investment;

We may be unable to pay or maintain cash distributions or increase distributions over time;

We may borrow money, sell assets or use proceeds of this offering to make distributions to our stockholders if we are unable to make distributions with our cash flows from our operations. Such distributions could reduce the cash available to us and could constitute a return of capital to stockholders;

We are dependent upon our sponsor, our manager and their respective affiliates to conduct our operations, and therefore, any adverse changes in the financial health of our sponsor, our manager or their affiliates could hinder our operating performance and the return on your investment;

There are numerous conflicts of interest between the interests of investors and our interests or the interests of our manager, our sponsor and their respective affiliates, which we may not experience if we were self-managed;

The incentive structure of our manager's special limited partnership interest in our operating partnership may result in our manager recommending riskier or more speculative investments;

Our investment objectives and strategies may be changed without stockholder consent;

We are obligated to pay substantial fees to our manager and its affiliates, including fees payable without regard to our profitability;

There are significant risks associated with maintaining as high a level of leverage as we expect to maintain (generally 50% to 65% of our tangible assets value on a portfolio basis based on fair market value and our investment guidelines allow borrowings up to 75% of the cost of our tangible assets at the time of any new borrowing and our charter and our by-laws contain no limitations on the amount of leverage we may use);

As long as we maintain our status as a REIT, we will be subject to limitations on ownership and transferability of our shares of common stock;

We are subject to risks associated with the significant dislocations and liquidity disruptions currently existing or occurring in the United States credit markets;

We may fail to continue to qualify to be treated as a REIT; and

We may be deemed to be an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act, and thus subject to regulation under the Investment Company Act.

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## Our Structure

We were formed as a Maryland corporation on September 18, 2009. The following chart shows our structure after giving effect to this offering:

(1) NELL Partners is controlled by John A. Williams, our sponsor, and Leonard A. Silverstein, our President and Chief Operating Officer.

Our manager is controlled by NELL Partners. Other than the 1% Manager Revenue Interest (as defined in the (2) section entitled Our Sponsor, our Manager and the Management Agreement 1% Manager Revenue Interest included elsewhere in this prospectus) held by WOF, all interests of our manager are held by NELL Partners.

(3) The common stock investors in our IPO own registered shares of our common stock. The 500,000 shares of common stock acquired by WOF in the private placement offering are not registered shares.

(4) NELL Partners owns 36,666 shares of common stock. John A. Williams and Leonard A. Silverstein share joint voting and investment power of these shares. Additionally, our officers and directors collectively own 139,777 shares of common stock. See Principal Stockholders.

(5) Each property is expected to be held in a single-purpose entity.

As the special limited partner of our operating partnership, our manager is entitled to receive a participation in net sales proceeds of our investments. See the section entitled Our Sponsor, our Manager and the Management (6) Agreement Management Compensation Special Limited Partnership Interest included elsewhere in this prospectus for information relating to the calculation of distributions with respect to the special limited partnership interest and conditions under which it may be paid.

(7) Consists of holders of our existing Series A Redeemable Preferred Stock and investors that purchase Units in this offering. The shares of common stock issuable upon the redemption of the Series A Redeemable Preferred Stock and exercise of the Warrants will be registered shares.

## Management Agreement

We are externally managed and advised by our manager. Our manager is subject to the supervision and oversight of our Board of Directors at all times and has only such functions and authority as we delegate to it. We do not expect to have any employees.

We have entered into a third amended and restated management agreement, or the management agreement, with our manager. Pursuant to the management agreement, our manager provides us with a

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management team and appropriate support personnel to implement our business strategy and perform certain services for us, subject to oversight by our Board of Directors. Our manager is responsible for, among other duties (1) performing and administering all our day-to-day operations, (2) determining investment criteria in conjunction with our Board of Directors, (3) sourcing, analyzing and executing asset acquisitions, sales and financings, (4) performing asset management duties, (5) performing property management duties, and (6) performing financial and accounting management. Our manager has an investment committee that oversees our investment guidelines, our investment portfolio and its compliance with our investment guidelines and policies.

The initial term of the management agreement expires on April 5, 2016 and will be automatically renewed for a one-year term on each anniversary date thereafter unless previously terminated as described below. Our independent directors will review our manager's performance and fees that may be payable to our manager annually, and, following the initial term, the management agreement may be terminated annually upon the affirmative vote of at least 75% of our independent directors, based upon (1) unsatisfactory performance that is materially detrimental to us, or (2) our determination that the fees payable to our manager are not in accordance with market rates, subject to our manager's right to prevent such termination due to above-market fees by accepting a reduction of fees to at or below market rates agreed to by at least 75% of our independent directors. We must provide 180 days' prior written notice of any such termination. We also may terminate the management agreement at any time, including during the initial term, without the payment of any termination fee, with at least 30 days' prior written notice from our Board of Directors for cause, as defined in the management agreement, in the absence of our manager's cure. We do not have the right to decline to renew the management agreement. Our manager may decline to renew the management agreement by providing us with 180 days' prior written notice. Our manager may terminate the management agreement for good reason, with at least 60 days' prior written notice, in the absence of our cure. Unless the manager declines to renew the management agreement or the management agreement is terminated for cause, our manager will be paid accrued fees upon termination as described in the table below.

The following table summarizes the fees and expense reimbursements that we will pay to our manager (or persons affiliated with or related to our manager, including our officers):

Type of Compensation	Determination of Amount
Acquisition Fees	<p><i>Offering, Acquisition and Operational Stage</i></p> <p>Fees payable to our manager in the amount of 1.0% of the gross contract purchase price of the property, loan or other real estate-related investment purchased or made, as applicable, for services in connection with selecting, evaluating and acquiring or making such investment. For purposes of this prospectus, gross contract purchase price means the amount actually paid or allocated in respect of the acquisition of a property or the amount actually paid or allocated in respect of the purchase or issuance of loans or other real-estate related investments, in each case inclusive of acquisition expenses and any indebtedness assumed or incurred in respect of such investment, but exclusive of acquisition fees. The gross contract purchase price allocable for an investment held through a joint venture shall equal the product of (i) the gross contract purchase price, determined as stated above, and (ii) the direct or indirect ownership percentage in the joint venture held directly or indirectly us.</p>



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Type of Compensation	Determination of Amount
Acquisition Expenses <sup>(1)</sup>	<p>We will reimburse our manager for expenses actually incurred (including personnel costs) related to selecting, evaluating and making investments on our behalf, regardless of whether we actually make the related investment. Personnel costs associated with providing such services will be determined based on the amount of time incurred by the applicable employee of our manager and the corresponding payroll and payroll related costs incurred by our manager. In addition, we also will pay third parties, or reimburse our manager or its affiliates, for any investment-related expenses due to third parties, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finder's fees, title insurance expenses, survey expenses, property inspection expenses and other closing costs, regardless of whether we acquire the related assets.</p>
Asset Management Fee <sup>(2)</sup>	<p>We will pay our manager a monthly fee equal to one-twelfth of 0.50% of the total value of our assets (including cash or cash equivalents) based on the adjusted cost of our assets and amounts actually paid or allocated in respect of the issuance of loans, before reduction for depreciation, amortization, impairment charges and cumulative acquisition costs charged to expense in accordance with generally accepted accounting principles, or GAAP (adjusted cost will include the purchase price, acquisition expenses, capital expenditures and other customarily capitalized costs). This fee will be payable monthly in arrears, based on assets held by us on the last date of the prior month, adjusted for appropriate closing dates for individual investments.</p>
Property Management and Leasing Fee <sup>(2)</sup>	<p>We will pay our manager a monthly fee equal to 4% of the monthly gross revenues of our properties managed, for services in connection with the rental, leasing, operation and management of our properties and the supervision of any third parties that are engaged by our manager to provide such services. Our manager may subcontract the performance of its property management and leasing services duties to third parties or affiliates and pay all or a portion of its property management fee to such persons with whom it contracts for these services. Our manager will be responsible for all fees payable to third parties or affiliates in connection with subcontracted property management and leasing duties. The property management and leasing fee will be payable monthly in arrears, based on the actual gross revenues for the prior month.</p>
General and Administrative Expenses Fee <sup>(1)(2)(3)</sup>	<p>We will pay our manager a monthly fee equal to 2% of our monthly gross revenues.</p>
Disposition Fee on Sale of Assets	<p>We may pay our manager a commission upon the sale of one or more of our properties or other assets in an amount equal to the lesser of (a) one-half of the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset, and (b) 1% of the sale price of the asset. Payment of such fee may be made only if the</p>

manager provides a substantial amount of services in connection with the sale of the asset as determined by a majority of our independent directors. In addition, the amount paid when added to all other commissions paid to unaffiliated parties in connection with such sale shall not exceed the lesser of (1) the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset and (2) an amount equal to 6% of the sale price of such asset.

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Type of Compensation	Determination of Amount
Construction Fee, Development Fee and Landscaping Fee	<p>We will pay our manager a construction fee, development fee and landscaping fee at market rates customary and competitive in light of the size, type and location of the asset in connection with the construction, development or landscaping of a property, or for management and oversight of expansion projects and other capital improvements.</p>
Reimbursement of Certain Offering Expenses	<p>We will reimburse our manager up to 1.5% of gross offering proceeds for actual expenses incurred in connection with this offering. Such offering expenses include all expenses to be paid by us in connection with this offering, such as our legal, accounting, printing, mailing and filing fees, charges of our escrow agent and transfer agent, and reimbursement of bona fide, itemized and detailed due diligence expenses of our dealer manager.</p>
Accrued Fees Upon Termination	<p>If the management agreement is terminated by reason of a change of control of our company, by us without cause (upon the vote of at least 75% of our independent directors) in connection with the expiration of a renewal term, by the manager for good reason or upon our liquidation, the manager will be entitled to receive payment of any earned but unpaid compensation and expense reimbursements accrued as of the date of termination.</p>
Special Limited Partnership Interest	<p><i>Liquidation Stage</i></p> <p>Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) a 7% priority annual return, or Priority Return, on such capital and expenses; <i>provided, however</i>, that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received payment in full of all accrued and unpaid dividends on their preferred stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.</p> <p>The special limited partner shall be entitled to tax distributions, at our sole discretion as the general partner, provided such distributions do not prevent us from satisfying the requirements for qualification as a REIT. Any tax distributions shall offset future distributions to which the special limited partner is entitled.</p>



- (1) Amounts paid in respect of acquisition expenses and the general and administrative expenses fee include our portion of any expenses incurred by our manager on behalf of joint ventures in which we are a participant. The total amount of the asset management, property management and leasing and general and administrative fees and expenses paid or reimbursed to our manager will be capped at 1.5% of total value of our assets (including cash and cash equivalents) based on the adjusted cost of our assets before reduction for depreciation, amortization, impairment charges and cumulative acquisition costs charged to
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expense in accordance with GAAP (adjusted cost will include the purchase price, acquisition expenses, capital expenditures and other customarily capitalized costs).

In addition to the general and administrative expenses fee, we may reimburse our manager for certain costs and expenses it incurs in connection with the services it provides to us, including, but not limited to, personnel costs. (3) See the section entitled Our Sponsor, our Manager and the Management Agreement Management Agreement included elsewhere in this prospectus for details relating to these additional costs and expenses.

## **Conflicts of Interest**

NELL Partners, an entity controlled by Messrs. Williams and Silverstein and the sole member of our manager, owns 36,666 shares of our common stock. Conflicts of interest may exist between us and our sponsor, our manager and some of their respective affiliates, including NELL Partners and other affiliates of our manager. Some of these potential conflicts include:

The possibility that our manager's affiliates may own and operate properties that meet our investment profile or in markets in which we own investments and will compete for tenants and sales opportunities;

Competition for the time and services of personnel that work for us and our manager's affiliates;

Substantial compensation payable by us to our manager and its affiliates for their various services, which may not be on market terms and is payable, in many cases, whether or not our stockholders receive distributions;

The possibility that we may acquire or consolidate with our manager to internalize our management on terms that are other than arm's length;

The possibility that we may do business with entities that have pre-existing relationships with our manager's affiliates, which may result in a conflict between our business and the ongoing business relationships our manager's affiliates have with each other and other entities;

The possibility that our manager, its officers and their respective affiliates will face conflicts of interest relating to the purchase, leasing and disposition of properties and the acquisition of real estate-related debt and securities, and that such conflicts may not be resolved in our favor, thus potentially limiting our investment opportunities, impairing our ability to make distributions and reducing the value of our common stock, our Series A Redeemable Preferred Stock and the Warrants;

The possibility that our manager and its affiliates may make recommendations to us that we buy, hold or sell property or other investments that may result in payments to them;

The possibility that, if we acquire properties from, make investments in, or issue loans to, entities owned or sponsored by affiliates of our manager, the price may be higher or the interest rate may be lower, as applicable, than we would pay or earn if the transaction were the result of arm's-length negotiations with a third party, but we would do so only if our Board of Directors, including a majority of our independent directors, approves the investment and only if there is justification for such excess price or lower interest, as applicable;

The possibility that our manager, its officers and their respective affiliates, some of whom also are our officers (and our directors), will face conflicts of interest caused by their ownership or control of our manager and their roles with other programs and other entities, resulting in actions that are not in the long-term best interests of our stockholders;

Conflicts of interest also may arise in connection with the potential sale or refinancing of our properties or the enforcement of agreements with our manager and its affiliates; and

The possibility that, if our manager and its affiliates provide services in connection with the management of a particular property, we may retain assets which are not as profitable and sell assets which provide a greater return.

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See the section entitled **Certain Relationships and Related Transactions** **Conflicts of Interest** included elsewhere in this prospectus for details on these and other conflicts of interest.

# **Operating and Regulatory Structure**

## **REIT Qualification**

We have elected and qualified to be taxed as a REIT commencing with our tax year ended December 31, 2011. In addition, we may hold certain of our assets through taxable REIT subsidiaries, or TRSs, which may be subject to corporate-level income tax at regular rates. Our qualification as a REIT depends on our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code of 1986, as amended, or the Code, relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the concentration of ownership of our shares of capital stock. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute annually to their stockholders at least 90% of their REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. If we fail to qualify for taxation as a REIT in any taxable year, and the statutory relief provisions of the Code do not apply, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would they be required to be made. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income or property and to U.S. federal income and excise taxes on our undistributed income.

## **Restrictions on Ownership and Transfer of our Securities**

To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules under the Code, more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of any class or series of shares of our stock. Our Board of Directors may, in its sole discretion, waive the 9.8% ownership limit with respect to a particular stockholder if it is presented with certain representations and undertakings required by our charter and other evidence satisfactory to it that such ownership will not then or in the future jeopardize our qualification as a REIT.

Our charter also prohibits any person from, among other things:

beneficially or constructively owning shares of our capital stock that would result in our being **closely held** under Section 856(h) of the Code, or otherwise cause us to fail to qualify as a REIT; or transferring shares of our capital stock if such transfer would result in our capital stock being beneficially owned by fewer than 100 persons.

In addition, our charter provides that any ownership or purported transfer of our capital stock in violation of the foregoing restrictions will result in the shares so owned or transferred being automatically transferred to a charitable trust for the benefit of a charitable beneficiary (or, in the case of a transfer that would result in our capital stock being beneficially owned by fewer than 100 persons, be void), and the purported owner or transferee acquiring no rights in such shares. If a transfer to a charitable trust would be ineffective for any reason to prevent a violation of the restriction, the transfer resulting in such violation will be void from the time of such purported transfer.

TABLE OF CONTENTS**Distribution Policy**

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually to its stockholders at least 90% of its REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend to pay, over time, dividends in an amount equal to 100% of our net taxable income.

The following tables set forth the dividends that have been authorized by our Board of Directors and paid by us to date:

**Common Stock**

Quarter Ended	Amount Paid Per Share	Total Amount Paid	Date Paid	Cash Flow from Operations
06/30/2011	\$ 0.125	\$ 646,487	07/15/2011	\$ (697,122 )
09/30/2011	\$ 0.125	\$ 646,675	10/17/2011	\$ 553,596
12/31/2011	\$ 0.125	\$ 646,916	01/17/2012	\$ 794,172
03/31/2012	\$ 0.13	\$ 673,181	04/16/2012	\$ 927,394
06/30/2012	\$ 0.13	\$ 677,477	07/16/2012	\$ 869,992 <sup>(8)</sup>
09/30/2012	\$ 0.14	<sup>(7)</sup>	<sup>(7)</sup>	

**Series A Redeemable Preferred Stock**

Month Ended	Amount Paid Per Share	Total Amount Paid	Date Paid
04/30/2012	\$ 5.33 <sup>(1)</sup>	\$ 11,486	05/21/2012
05/31/2012	\$ 5.00/5.17 <sup>(2)</sup>	\$ 25,406	06/20/2012
06/30/2012	\$ 5.00/5.17 <sup>(3)</sup>	\$ 42,793	07/20/2012
07/31/2012	\$ 5.00/5.50 <sup>(4)(6)</sup>	\$ 50,879 <sup>(6)</sup>	08/20/2012 <sup>(6)</sup>
08/31/2012	\$ 5.00/7.50/5.17 <sup>(5)(6)</sup>	<sup>(6)</sup>	<sup>(6)</sup>

Comprised of \$5.00 per share for the month of April 2012 and \$0.33 per share prorated from the initial issuance of (1) shares of Series A Redeemable Preferred Stock on March 30, 2012 purchased in the Primary Series A Offering through the end of March 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on May 31, 2012 that purchased Primary Series A Units in connection with our initial Primary Series A Unit (2) closing on March 31, 2012 and (ii) a dividend of \$5.17 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of May 2012 and \$0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on April 30, 2012 through the end of April 2012.

(3) Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on June 29, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to May 30, 2012 and (ii) a dividend of \$5.17 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of June 2012 and \$0.17 per share prorated from the initial issuance of

such shares of Series A Redeemable Preferred Stock on May 31, 2012 through the end of May 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on July 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit

(4) closings prior to June 28, 2012 and (ii) a dividend of \$5.50 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of July 2012 and \$0.50 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on June 28, 2012 through the end of June 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable to all stockholders of record on August 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to July 17,

2012, (ii) a dividend of \$7.50 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of August 2012 and \$2.50 per share prorated from the initial issuance of such shares of Series A

(5) Redeemable Preferred Stock on July 17, 2012 through the end of July 2012 and (iii) a dividend of \$5.17 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of August 2012 and \$0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on July 31, 2012 through the end of July 2012.

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(6) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of the Series A Redeemable Preferred Stock.

(7) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of our common stock.

For the quarter ended June 30, 2012, we also paid dividends with respect to our Series A Redeemable Preferred (8) Stock in an aggregate amount of \$79,685, which together with the dividends paid with respect to our common stock during this period totaled \$757,162.

For the twelve-month period ended December 31, 2011, our cash flow from operations of approximately \$528,000 was a shortfall of approximately \$1.4 million, or 72.8%, to our dividends paid of \$1,940,078 during such period. The shortfall of cash flow from operations to dividends declared and paid was substantially due to the incurrence of approximately \$1.7 million in acquisition costs related to the three multifamily communities that we acquired in the second quarter of 2011. Subject to significant acquisition expenses, we currently anticipate that cash flow from operations will be sufficient to fund the dividend payments to our stockholders for the remainder of 2012. Although not currently anticipated, if our Board of Directors determines to authorize distributions in excess of the income or cash flow generated from our target assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms of debt financing or the sale of our assets.

Holders of Series A Redeemable 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 Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the initial stated value of \$1,000 per share, or the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on 20<sup>th</sup> day of the month following the month for which the dividend was declared (or the next business day if the 20<sup>th</sup> day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Any distributions we make will be at the discretion of our Board of Directors and will depend upon, among other things, our actual results of operations. These results and our ability to pay distributions will be affected by various factors, including the net income from our portfolio of investments, our operating expenses and any other expenditures. For more information, see the section entitled "Distribution Policy" included elsewhere in this prospectus.

We cannot assure you that we will make any distributions to our stockholders.

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Our consolidated ratio of earnings to fixed charges and preferred stock dividends for the six months ended June 30, 2012 and the year ended December 31, 2011 are set forth below. We did not have any shares of preferred stock outstanding at December 31, 2011. Since we commenced revenue-generating operations in April 2011, the ratio of earnings to fixed charges is not a meaningful measure for any period prior to 2011.

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Earnings:		
Net loss	\$ (790,911 )	\$ (8,495,424 )
Add:		
Combined fixed charges and preferred dividends (see below)	1,153,342	1,514,581
Total earnings	\$ 362,431	\$ (6,980,843 )
Fixed charges:		
Interest expensed	\$ 1,030,670	\$ 1,450,101
Amortization of deferred loan costs related to mortgage indebtedness	42,986	64,480
Total fixed charges	1,073,657	1,514,581
Preferred dividends	79,685	
Total Combined fixed charges and preferred dividends	\$ 1,153,342	\$ 1,514,581
Ratio of Earnings to Combined fixed charges and preferred dividends	(1)	(1)

(1) Due to the net losses incurred, the ratio of earnings to combined fixed charges and preferred dividends was less than 1:1. We would have needed to generate additional earnings of approximately \$791,000 for the six months ended June 30, 2012 and approximately \$8.5 million for the twelve months ended December 31, 2011 to achieve coverage of 1:1 for these respective periods.

Our ratio of earnings to combined fixed charges is computed by dividing earnings by the total of fixed charges and preferred stock dividends. For these purposes, earnings consist of net loss plus fixed charges, less the value of unamortized deferred loan costs. Net loss is computed in accordance with GAAP and includes such non-cash items as real estate depreciation, amortization of the value of customer relationships, leases in place and above (below) market rents and amortization of deferred loan costs. Net loss also includes one-time transactional costs relating to our IPO and organizational costs. Fixed charges consist of interest expense on mortgage debt secured by our three multifamily communities, capitalization and amortization of deferred loan costs, and preferred dividend requirements. Interest income is not included in this computation.



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## The Offering

### **Series A Redeemable Preferred Stock offered by us**

A maximum of 850,000 shares of Series A Redeemable Preferred Stock will be offered as part of the Units through our dealer manager in this offering on a reasonable best efforts basis.

*Ranking.* The Series A Redeemable Preferred Stock will rank senior to our common stock with respect to payment of dividends and rights upon liquidation, dissolution or winding up. Investors in the Series A Redeemable Preferred Stock should note that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.

*Stated Value.* Each share of Series A Redeemable Preferred Stock will have an initial Stated Value of \$1,000, subject to appropriate adjustment in relation to certain events, such as recapitalizations, stock dividends, stock splits, stock combinations, reclassifications or similar events affecting our Series A Redeemable Preferred Stock, as set forth in the articles supplementary setting forth the rights, preferences and limitations of the Series A Redeemable Preferred Stock, or the Articles Supplementary.

*Dividends.* Holders of Series A Redeemable 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 Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20<sup>th</sup> day of the month following the month for which the dividend was declared (or the next business day if the 20<sup>th</sup> day is not a business day). The timing and

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amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

*Redemption at the Option of a Holder.* Beginning two years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 10% redemption fee, plus any accrued but unpaid dividends.

Beginning three years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 5% redemption fee, plus any accrued but unpaid dividends.

Beginning four years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to the Stated Value, less a 3% redemption fee, plus any accrued but unpaid dividends.

Beginning five years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, the holder will have the right to require the company to redeem such shares of Series A Redeemable Preferred Stock at a redemption price equal to 100% of the Stated Value, plus any accrued but unpaid dividends.

If a holder of Series A Redeemable Preferred Stock causes the company to redeem such shares of Series A Redeemable Preferred Stock, we have the right, in our sole discretion, to pay the redemption price in cash or in equal value of our common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption, in exchange for the Series A Redeemable Preferred Stock.

In addition, subject to restrictions, beginning on the date of original issuance and ending two years thereafter, we will redeem such shares of Series A Redeemable Preferred Stock of a holder who is a natural person upon his or her death at the written request of the holder's estate at a cash redemption price equal to the Stated Value, plus accrued and unpaid dividends thereon through and including the date of redemption.

*Optional Redemption by the Company.* After ten years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed, we will

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have the right (but not the obligation) to redeem such shares of Series A Redeemable Preferred Stock at 100% of the Stated Value, plus any accrued but unpaid dividends. If we choose to redeem any shares of Series A Redeemable Preferred Stock, we have the right, in our sole discretion, to pay the redemption price in cash or in equal value of our common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption, in exchange for the Series A Redeemable Preferred Stock.

Our obligation to redeem any of the shares of Series A Redeemable Preferred Stock is limited to the extent that we do not have sufficient funds available to fund any such redemption or we are restricted by applicable law from making such redemption.

*Liquidation.* Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, before any distribution or payment shall be made to holders of our common stock or any other class or series of capital stock ranking junior to our shares of Series A Redeemable Preferred Stock, the holders of shares of Series A Redeemable Preferred Stock will be entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, a liquidation preference equal to the Stated Value per share, plus accrued but unpaid dividends.

*Voting Rights.* The Series A Redeemable Preferred Stock has no voting rights.

**Warrants offered by us**

A maximum offering of Warrants to purchase up to 17,000,000 shares of common stock will be offered as part of the Units through our dealer manager in this offering on a reasonable best efforts basis.

The Warrants will be exercisable beginning one year from the date of original issuance and ending four years from the date of such issuance.

The initial exercise price will equal 120% of the current market price per share of our common stock on the date of issuance of the Warrant, subject to a minimum exercise price of \$9.00 per share. The current market price will be determined using the weighted average price of the previous 20 days of trading volume.

**Capital stock to be outstanding after this offering**

1,000,000 shares of Series A Redeemable Preferred Stock, assuming the maximum offering of 850,000 Units in this offering and the maximum offering of 150,000 Units in the Primary Series A Offering, and  
5,212,139 shares of common stock<sup>(1)</sup>

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**Estimated use of proceeds**

Assuming the maximum offering, we estimate that we will receive net proceeds from the sale of Units in this offering of approximately \$752.25 million after deducting estimated offering expenses, including selling commissions and the dealer manager fee, payable by us of approximately \$97.75 million. We intend to invest the net proceeds of this offering in connection with the acquisition of multifamily properties, other real estate-related investments and for general working capital purposes. If all the net proceeds of this offering are used to directly acquire multifamily properties and other real estate-related investments, we estimate that these investments would have an aggregate gross value (inclusive of mortgage indebtedness) of approximately \$2.1 billion assuming the maximum offering. We intend to acquire such investments through the incurrence of indebtedness (secured and unsecured) of approximately 65% of the value of our tangible assets on a portfolio basis, with the balance of the acquisition cost thereof funded through the use of the net proceeds of this offering. Until appropriate assets can be identified, our manager may invest the net proceeds of this offering in interest-bearing short-term investments that are consistent with our intention to qualify as a REIT. Any interest-bearing short-term investment we make likely will provide a lower net return than we will seek to achieve from our target assets. See the section entitled "Estimated Use of Proceeds" included elsewhere in this prospectus.

**NYSE MKT symbol for common stock**

Our common stock is listed on the NYSE MKT under the trading symbol APTS. **There is no established public trading market for the offered shares of Series A Redeemable Preferred Stock or the Warrants and we do not expect a market to develop. We do not intend to apply for a listing of the Series A Redeemable Preferred Stock or the Warrants on any national securities exchange.**

(1) The number of shares of common stock to be outstanding immediately after this offering as shown above reflects the 5,212,139 shares of common stock outstanding as of August 3, 2012. This number includes the 33,046 shares of unvested restricted common stock issued to our independent directors in lieu of paying cash as compensation for annual service on our Board of Directors. This number excludes (a) shares of common stock that may be issued upon redemption of the Series A Redeemable Preferred Stock, offered pursuant to the Primary Series A Offering, (b) up to 3,000,000 shares of common stock issuable upon the exercise of the Primary Series A Warrants, assuming the maximum offering offered pursuant to the Primary Series A Offering, (c) shares of common stock that may be issued upon redemption of the Series A Redeemable Preferred Stock, offered hereby, and (d) up to 17,000,000 shares of common stock issuable upon the exercise of the Warrants, assuming the maximum offering offered hereby. This number also excludes (i) approximately 499,388 shares of common stock reserved for future issuance under our equity incentive plan; and (ii) 150,000 shares of our common stock issuable upon exercise of the outstanding warrant to purchase up to 150,000 shares of our common stock issued to International Assets Advisory, LLC, in its capacity as financial advisor in the IPO, or the IPO Warrant. The IPO Warrant has an exercise price of \$12.50 per share.

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## Capital Structure

The Series A Redeemable Preferred Stock ranks senior to our common stock and to the Class A Units and Class B Units issued by our operating partnership and on parity with the Series A Redeemable Preferred Limited Partnership Units issued by our operating partnership with respect to both payment of dividends and distribution of amounts upon liquidation. Our Board of Directors has the authority to issue shares of additional series of preferred stock that could be senior in priority to the Series A Redeemable Preferred Stock.

## Covered Security

The term covered security applies to securities exempt from state registration because of their oversight by federal authorities and national-level regulatory bodies pursuant to Section 18 of the Securities Act. Generally, securities listed on national exchanges are the most common type of covered security exempt from state registration. A non-traded security also can be a covered security if it has a seniority greater than or equal to other securities from the same issuer that are listed on a national exchange such as the NYSE MKT. Our Series A Redeemable Preferred Stock is a covered security because it is senior to our common stock and therefore is exempt from state registration. Typically, securities issued by non-traded REITs do not meet the requirements necessary to be classified as covered securities, and therefore they are subject to state registration. Although the Warrants are not covered securities, most states include an exemption for warrants that are exercisable into a listed security. Therefore, the Warrants are subject to state registration in any state that does not provide such an exemption and this offering must be registered under the securities regulations of such states in order to sell the Warrants in these states.

There are several advantages to both issuers and investors of a security being deemed a covered security. These include:

**More Investors** Covered securities can be purchased by a broader range of investors than can non-covered securities. The common stock of a non-traded REIT is not a covered security and is subject to suitability requirements that vary from state to state. These so-called Blue Sky regulations often prohibit the sale of securities to certain investors and may prohibit the sale of securities altogether until a specific volume of sales have been achieved in other states.

**Issuance Costs** Covered securities may have lower issuance costs since they avoid the expense of dealing with the various regulations of each of the 50 states and Washington, D.C. This could save time and money and allows issuers of covered securities the flexibility to enter the real estate markets at a time of their choosing. All investors of the issuer would benefit from any lower issuance costs that may be achieved.

There are several disadvantages to investors of a security being deemed a covered security. These include:

**Lack of Suitability Standards** Since there are no investor eligibility requirements, there is no prohibition on the sale of the securities to certain investors, including investors that may not be suitable to purchase the securities.

**No State Review** Investors will not receive an additional level of review and possible protection afforded by the various state regulators.

## Our Corporate Information

Our principal executive offices are located at 3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia 30339. Our telephone number is (770) 818-4100. Our website is [www.pacaps.com](http://www.pacaps.com). The contents of our website are not part of this prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.



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## RISK FACTORS

*The purchase of our securities involves a number of risks. You should carefully consider the following risk factors and the risk factors described in our latest Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus, in conjunction with the other information contained in, and incorporated by reference into, this prospectus before making an investment in our securities. The risks discussed in, and incorporated by reference into, this prospectus could adversely affect our business, operating results, prospects and financial condition. See Where You Can Find Additional Information and Incorporation of Certain Documents by Reference. This could cause the value of our securities to decline and/or you to lose part or all of your investment. The risks and uncertainties described below and incorporated by reference herein are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that, as of the date of this prospectus, we deem immaterial also may harm our business.*

### **There is no public market for our Series A Redeemable Preferred Stock or Warrants and we do not expect one to develop.**

There is no public market for our Series A Redeemable Preferred Stock or Warrants offered in this offering, and we currently have no plan to list these securities on a securities exchange or to include these shares for quotation on any national securities market. Additionally, our charter contains restrictions on the ownership and transfer of our securities, and these restrictions may inhibit your ability to sell the Series A Redeemable Preferred Stock or Warrants promptly or at all. Furthermore, the Warrants will expire four years from the date of issuance. If you are able to sell the Series A Redeemable Preferred Stock or Warrants, you may only be able to sell them at a substantial discount from the price you paid. Therefore, you should purchase the Units only as a long-term investment. After one year from the date of issuance, the Warrants will be exercisable at your option for shares of our common stock, which currently are publicly traded on the NYSE MKT. Beginning two years from the date of original issuance, the holder of shares of Series A Redeemable Preferred Stock may require us to redeem such shares, with the redemption price payable, in our sole discretion, in cash or in equal value of common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption. If we opt to pay the redemption price in shares of common stock, you may receive publicly traded shares as we currently expect to continue listing our common stock on the NYSE MKT.

### **We will be required to terminate this offering if our common stock is no longer listed on the NYSE MKT or another national securities exchange.**

The Series A Redeemable Preferred Stock is a covered security and therefore is not subject to registration under the state securities, or Blue Sky, regulations in the various states in which it may be sold due to its seniority to our common stock, which is listed on the NYSE MKT. If our common stock is no longer listed on the NYSE MKT or another appropriate exchange, we will be required to register this offering in any state in which we subsequently offer the Units. This would require the termination of this offering and could result in our raising an amount of gross proceeds that is substantially less than the amount of the gross proceeds we expect to raise if the maximum offering is sold. This would reduce our ability to purchase additional properties and limit the diversification of our portfolio.

Although the Warrants are not covered securities, most states include an exemption from securities registration for warrants that are exercisable into a listed security. Therefore, the Warrants are subject to state securities registration in any state that does not provide such an exemption and this offering must be registered in order to sell the Warrants in

these states.

**There may not be a broad market for our common stock, which may cause our common stock to trade at a discount and make it difficult for you to sell the common stock for which your Warrants are exercisable and for which your Series A Redeemable Preferred Stock may be redeemable at our option.**

Our common stock for which the Warrants are exercisable trades on the NYSE MKT under the symbol APTS. Listing on the NYSE MKT or another national securities exchange does not ensure an actual market for our common stock. Accordingly, an actual market for our common stock may not be maintained, the market for our common stock may not be liquid, the holders of our common stock may be unable to sell their



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shares of our common stock, and the prices that may be obtained following the sale of our common stock upon the exercise of your Warrants or the redemption of your Series A Redeemable Preferred Stock may not reflect the underlying value of our assets and business.

**Shares of Series A Redeemable Preferred Stock may be redeemed for shares of common stock, which rank junior to the Series A Redeemable Preferred Stock with respect to dividends and upon liquidation.**

Beginning two years from the date of original issuance, the holder of shares of Series A Redeemable Preferred Stock may require us to redeem such shares, with the redemption price payable, in our sole discretion, in cash or in equal value of common stock, based on the volume weighted average price of our common stock for the 20 trading days prior to the redemption. We may opt to pay the redemption price in shares of our common stock. The rights of the holders of shares of Series A Redeemable Preferred Stock rank senior to the rights of the holders of shares of our common stock as to dividends and payments upon liquidation. Unless full cumulative dividends on our shares of Series A Redeemable Preferred Stock for all past dividend periods have been declared and paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our common stock for any period. Upon liquidation, dissolution or winding up of our company, the holders of shares of our Series A Redeemable Preferred Stock are entitled to receive a liquidation preference of Stated Value, \$1,000 per share, plus all accrued but unpaid dividends at the rate of 6% per annum, prior and in preference to any distribution to the holders of shares of our common stock or any other class of our equity securities.

**We will be able to call your shares of Series A Redeemable Preferred Stock for redemption under certain circumstances without your consent.**

We will have the ability to call the outstanding shares of Series A Redeemable Preferred Stock after ten years from the date of original issuance of such shares of Series A Redeemable Preferred Stock. At that time, we will have the right to redeem, at our option, the outstanding shares of Series A Redeemable Preferred Stock, in whole or in part, at 100% of the Stated Value per share, plus any accrued and unpaid dividends.

**Our limited operating history makes it difficult for you to evaluate our likely performance and this investment.**

We were incorporated on September 18, 2009, and our manager was organized on May 18, 2010. Thus, we and our manager are both recently formed entities with limited operating histories and we both may be unable to successfully operate our businesses or achieve our investment objectives. The past performance of other real estate investment programs sponsored by our sponsor, John A. Williams, or his affiliates may not be indicative of the performance we may achieve. We have limited income, cash flow, funds from operations and cash available for distribution from which we can make distributions to you. We may not be able to conduct our business as planned and/or successfully carry out our business as planned.

You should consider our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies like ours that do not have a substantial operating history, many of which may be beyond our control.

Therefore to be successful in this market, we must among other things:

- identify and acquire investments that further our investment strategy;
- attract, integrate, motivate and retain qualified personnel to manage our day-to-day operations;

There may not be a broad market for our common stock, which may cause our common stock to trade at a discount

respond to competition both for investment opportunities and potential investors in our company; and  
build and expand our operations structure to support our business.

We cannot guarantee that we will succeed in achieving these goals, and our failure to do so could limit our ability to make or sustain distributions to you and cause you to lose all or a portion of your investment.

**The cash distributions you receive may be less frequent or lower in amount than you expect.**

Our Board of Directors will determine the amount and timing of distributions on our Series A Redeemable Preferred Stock. In making this determination, our directors will consider all relevant factors, the amount of cash available for distribution, capital expenditure and reserve requirements and general operational

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requirements. We cannot assure you that we will consistently be able to generate sufficient available cash flow to fund distributions on our Series A Redeemable Preferred Stock nor can we assure you that sufficient cash will be available to make distributions to you. With limited prior operations, we cannot predict the amount of distributions you may receive and we may be unable to pay, maintain or increase distributions over time. Our inability to acquire properties or real estate-related investments or operate profitably may have a negative effect on our ability to generate sufficient cash flow from operations to pay distributions on our Series A Redeemable Preferred Stock.

**We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the Series A Redeemable Preferred Stock and our common stock.**

Our governing documents do not have limitations on the amount of leverage we may use. As of June 30, 2012, we and our subsidiaries had outstanding approximately \$55.6 million of secured indebtedness and no unsecured indebtedness. We may incur additional indebtedness and become more highly leveraged, which could harm our financial position and potentially limit our cash available to pay dividends. As a result, we may not have sufficient funds remaining to satisfy our dividend obligations relating to the Series A Redeemable Preferred Stock and our common stock if we incur additional indebtedness.

**Upon the sale of any individual property, holders of Series A Redeemable Preferred Stock do not have a priority over holders of our common stock regarding return of capital.**

Holders of our Series A Redeemable Preferred Stock do not have a right to receive a return of capital prior to holders of our common stock upon the individual sale of a property. Depending on the price at which such property is sold, it is possible that holders of our common stock will receive a return of capital prior to the holders of our Series A Redeemable Preferred Stock, provided that any accrued but unpaid dividends have been paid in full to holders of Series A Redeemable Preferred Stock. It is also possible that holders of common stock will receive additional distributions from the sale of a property (in excess of their capital attributable to the asset sold) before the holders of Series A Redeemable Preferred Stock receive a return of their capital.

**Except in limited circumstances, there is no clawback for distributions with respect to the special limited partnership interest in our operating partnership, which is held entirely by our manager, and such distributions are payable upon the sale of an asset even if investors have not received a return of their entire investment.**

Our manager has a special limited partnership interest in our operating partnership entitling it to distributions from our operating partnership equal to 15% of any net sale proceeds from an asset (which equals the proceeds actually received by us from the sale of such asset after paying off outstanding debt related to the sold asset and paying any seller related closing costs, including any commission paid to our manager in connection with the sale of the asset, less expenses allocable to the sold asset) remaining after the payment of (i) the capital and expenses allocable to all realized investments (including the sold asset), and (ii) the 7% Priority Return on such capital and expenses; *provided, however*, that all accrued and unpaid dividends on our preferred stock have been paid in full. This distribution with respect to the special limited partnership interest is payable upon the sale of an asset even if holders of our preferred stock have not received a return of their capital, but only after the holders of our preferred stock have received

payment in full of all accrued and unpaid dividends on our preferred stock. There is no clawback for distributions with respect to the special limited partnership interest except in limited circumstances. As a result, distributions with respect to the special limited partnership interest may be payable upon the sale of an asset even if the holders of preferred stock and holders of common stock have not received a return of their entire investment, provided that any accrued but unpaid dividends have been paid to holders of Series A Redeemable Preferred Stock.

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**Distributions paid from sources other than our cash flow from operations, particularly from proceeds of this offering, will result in us having fewer funds available for the acquisition of properties and other real estate-related investments and may dilute your interests in us, which may adversely affect our ability to fund future distributions with cash flow from operations and may adversely affect your overall return.**

Holders of Series A Redeemable 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 Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20<sup>th</sup> day of the month following the month for which the dividend was declared (or the next business day if the 20<sup>th</sup> day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

For the 12-month period ended December 31, 2011, our cash flow from operations of approximately \$528,000 was a shortfall of approximately \$1.4 million, or 72.8%, to our dividends paid of \$1,940,078 paid during such period. The shortfall of cash flow from operations to dividends declared and paid was substantially due to the incurrence of approximately \$1.7 million in acquisition costs related to the three multifamily communities that we acquired.

As mentioned above, we have paid distributions from sources other than from our cash flow from operations. Until we acquire additional properties or other real estate-related investments, we may not generate sufficient cash flow from operations to pay distributions. Our inability to acquire additional properties or other real estate-related investments may result in a lower return on your investment than you expect. If we have not generated sufficient cash flow from our operations and other sources, such as from borrowings, the sale of additional securities, advances from our manager, our manager's deferral, suspension and/or waiver of its fees and expense reimbursements, to fund distributions, we may use the proceeds from this offering. Moreover, our Board of Directors may change our distribution policy, in its sole discretion, at any time. Distributions to holders of Series A Redeemable Preferred Stock that purchase shares in this offering made from proceeds of this offering are a return of capital to such stockholders, from which we will have already paid offering expenses in connection with this offering. We have not established any limit on the amount of proceeds from this offering that may be used to fund distributions, except that, in accordance with our organizational documents and Maryland law, we may not make distributions that would: (1) cause us to be unable to pay our debts as they become due in the usual course of business; (2) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences, if any; or (3) jeopardize our ability to qualify as a REIT.

If we fund distributions from the proceeds of this offering, we will have less funds available for acquiring properties or real estate-related investments. As a result, the return you realize on your investment may be reduced. Funding distributions from borrowings could restrict the amount we can borrow for investments, which may affect our

Distributions paid from sources other than our cash flow from operations, particularly from proceeds of this offering,

profitability. Funding distributions with the sale of assets or the proceeds of this offering may affect our ability to generate cash flows. Funding distributions from the sale of additional securities could dilute your interest in us if we sell shares of our common stock or securities convertible or exercisable into shares of our common stock to third party investors. Payment of distributions from the mentioned sources could restrict our ability to generate sufficient cash flow from operations, affect our profitability and/or affect the distributions payable to you upon a liquidity event, any or all of which may have an adverse effect on your investment.

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**We established the offering price for the Units pursuant to negotiations among us and our dealer manager; as a result, the actual value of your investment may be substantially less than what you pay.**

The selling price of the Units has been determined pursuant to negotiations among us and the dealer manager, based upon the following primary factors: the economic conditions in and future prospects for the industry in which we compete; our prospects for future earnings; an assessment of our management; the present state of our development; the prevailing conditions of the equity securities markets at the time of this offering; the present state of the market for non-traded REIT securities; current market valuations of public companies considered comparable to our company; and the price per Primary Series A Unit in our Primary Series A Offering. Because the offering price is not based upon any independent valuation, the offering price is not indicative of the proceeds that you would receive upon liquidation.

**Your percentage of ownership may become diluted if we issue new shares of stock or other securities, and issuances of additional preferred stock or other securities by us may further subordinate the rights of the holders of our common stock (which you may become upon receipt of redemption payments in shares of common stock, conversion of any of your shares of Series A Redeemable Preferred Stock or exercise of any of your Warrants).**

We may make redemption payments under the terms of the Series A Redeemable Preferred Stock in shares of our common stock. Although the dollar amounts of such payments are unknown, the number of shares to be issued in connection with such payments may fluctuate based on the price of our common stock. Any sales or perceived sales in the public market of shares of our common stock issuable upon such redemption payments could adversely affect prevailing market prices of shares of our common stock. The issuance of common stock upon such redemption payments also may have the effect of reducing our net income per share (or increasing our net loss per share). In addition, the existence of Series A Redeemable Preferred Stock may encourage short selling by market participants because the existence of redemption payments could depress the market price of shares of our common stock.

Our Board of Directors is authorized, without stockholder approval, to cause us to issue additional shares of our common stock or to raise capital through the issuance of additional preferred stock (including equity or debt securities convertible into preferred stock), options, warrants and other rights, on such terms and for such consideration as our Board of Directors in its sole discretion may determine. Any such issuance could result in dilution of the equity of our stockholders. Our Board of Directors may, in its sole discretion, authorize us to issue common stock or other equity or debt securities (a) to persons from whom we purchase apartment communities, as part or all of the purchase price of the community, or (b) to our manager in lieu of cash payments required under the management agreement or other contract or obligation. Our Board of Directors, in its sole discretion, may determine the value of any common stock or other equity or debt securities issued in consideration of apartment communities or services provided, or to be provided, to us.

Our charter also authorizes our Board of Directors, without stockholder approval, to designate and issue one or more classes or series of preferred stock in addition to the Series A Redeemable Preferred Stock offered in this offering (including equity or debt securities convertible into preferred stock) and to set or change the voting, conversion or other rights, preferences, restrictions, limitations as to dividends or other distributions and qualifications or terms or conditions of redemption of each class or series of shares so issued. If any additional preferred stock is publicly

offered, the terms and conditions of such preferred stock (including any equity or debt securities convertible into preferred stock) will be set forth in a registration statement registering the issuance of such preferred stock or equity or debt securities convertible into preferred stock. Because our Board of Directors has the power to establish the preferences and rights of each class or series of preferred stock, it may afford the holders of any series or class of preferred stock preferences, powers, and rights senior to the rights of holders of common stock or the Series A Redeemable Preferred Stock. If we ever create and issue additional preferred stock or equity or debt securities convertible into preferred stock with a distribution preference over common stock or the Series A Redeemable Preferred Stock, payment of any distribution preferences of such new outstanding preferred stock would reduce the amount of funds available for the payment of distributions on our common stock and our Series A Redeemable Preferred Stock. Further, holders of preferred stock are normally entitled to receive a preference payment if we liquidate, dissolve, or wind up before any payment is made to the common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence. In addition, under certain



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circumstances, the issuance of additional preferred stock may delay, prevent, render more difficult or tend to discourage a merger, tender offer, or proxy contest, the assumption of control by a holder of a large block of our securities, or the removal of incumbent management.

Stockholders have no rights to buy additional shares of stock or other securities if we issue new shares of stock or other securities. We may issue common stock, convertible debt or preferred stock pursuant to a subsequent public offering or a private placement, or to sellers of properties we directly or indirectly acquire instead of, or in addition to, cash consideration. Investors purchasing Units in this offering who do not participate in any future stock issuances will experience dilution in the percentage of the issued and outstanding stock they own. In addition, depending on the terms and pricing of any additional offerings and the value of our investments, you also may experience dilution in the book value and fair market value of, and the amount of distributions paid on, your shares of Series A Redeemable Preferred Stock and common stock, if any.

**If any of our public communication are held to be in violation of federal securities laws relating to public communications, we could be subject to potential liability. Investors in this offering should rely only on the statements made in this prospectus, as supplemented to date, in determining whether to purchase Units.**

From time to time, we or our representatives make public statements relating to our business and its prospects. Such communications are subject to federal securities laws. If any of our public communications are held by a court to be in violation of Section 5 of the Securities Act and a claim for damages is brought against us in connection therewith by one or more of our stockholders that purchased Units on the basis of such communications before receiving a copy of this prospectus, as supplemented to date, and potentially other stockholders, we could be subject to liability in connection with the Units we sold such persons during such period. Such stockholders would have a period of 12 months following the date of any violation determined by a court to have occurred to bring a Section 5 claim. Our liability in a Section 5 claim could include statutory interest from the date of such stockholder's purchase, in addition to possibly other damages determined by a court. In the event that any of our communications are claimed to have been made in violation of Section 5 of the Securities Act, we expect that we would vigorously contest such claim. Nevertheless, we could not give any assurance as to any court's ultimate determination with respect to any such claim. Accordingly, there is a risk that we could be subject to potential liability with respect to any Section 5 claim brought against us, and such liability may adversely affect our operating results or financial position.

### **Stockholders have limited control over changes in our policies and operations.**

Our Board of Directors determines our major policies, including with regard to investment objectives, financing, growth, debt capitalization, REIT qualification and distributions. Our Board of Directors may amend or revise these and other policies without a vote of the stockholders. Holders of our Series A Redeemable Preferred Stock have no voting rights. Our common stock is the only class of our securities that carries voting rights. Under our charter and the Maryland General Corporation Law, or MGCL, holders of our common stock generally have a right to vote only on the following matters:

the election or removal of directors;  
the amendment of our charter, except that our Board of Directors may amend our charter without stockholder approval to:

If any of our public communication are held to be in violation of federal securities laws relating to public communication

- change our name;
- change the name or other designation or the par value of any class or series of stock and the aggregate par value of our stock;
- increase or decrease the aggregate number of shares of stock that we have the authority to issue;
- increase or decrease the number of shares of any class or series of stock that we have the authority to issue; and
- effect certain reverse stock splits;

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our liquidation and dissolution; and  
our being a party to a merger, consolidation, sale or other disposition of all or substantially all our assets or statutory share exchange.

All other matters are subject to the discretion of our Board of Directors.

**The Series A Redeemable Preferred Stock will be subordinate in right of payment to any corporate level debt that we incur in the future, and your interests could be diluted by the issuance of additional preferred stock, including additional Series A Redeemable Preferred Stock, and by other transactions.**

The Series A Redeemable Preferred Stock will be subordinate in right of payment to any corporate level debt that we incur in the future. Future debt we incur may include restrictions on our ability to pay dividends on our preferred stock, including the Series A Redeemable Preferred Stock. The issuance of additional preferred stock on a parity with or senior to the Series A Redeemable Preferred Stock would dilute the interests of the holders of the Series A Redeemable Preferred Stock, and any issuance of preferred stock senior to the Series A Redeemable Preferred Stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series A Redeemable Preferred Stock. The terms of the Series A Redeemable Preferred Stock do not restrict our ability to authorize or issue shares of a class or series of preferred stock with rights to distributions or upon liquidation that are on parity with or senior to the Series A Redeemable Preferred Stock or to incur additional indebtedness. The Series A Redeemable Preferred Stock does not contain any provision affording the holders of the Series A Redeemable Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our assets or business, that might adversely affect the holders of the Series A Redeemable Preferred Stock.

**Our ability to redeem shares of Series A Redeemable Preferred Stock may be limited by Maryland law.**

Under Maryland law, a corporation may redeem stock as long as, after giving effect to the redemption, the corporation is able to pay its debts as they become due in the usual course (the equity solvency test) and its total assets exceed its total liabilities (the balance sheet solvency test). If the company is insolvent at any time when a redemption of shares of Series A Redeemable Preferred Stock is required to be made, the company may not be able to effect such redemption.

**Our success is dependent on the performance of our manager.**

Our manager has broad discretion over the use of proceeds from this offering, and you will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments that are not described in or incorporated by reference into this prospectus or other periodic filings with the SEC. We will rely on the management ability of our manager, subject to the oversight and approval of our Board of Directors. Accordingly, you should not purchase our securities unless you are willing to entrust all aspects of our day-to-day management to our manager. If our manager suffers or is distracted by adverse financial or operational problems in connection with its operations or the operations of our sponsor unrelated to us, our manager may be unable to allocate time and/or resources to our operations. If our manager is unable to allocate sufficient resources to oversee and perform our operations for any reason, we may be unable to achieve our investment objectives or to pay distributions to you.

**Our manager, our executive officers and their affiliates may face competing demands relating to their time, and if inadequate time is devoted to our business, your investment may be negatively impacted.**

We rely on our executive officers and the executive officers and employees of our manager and its affiliates for the day-to-day operation of our business. These persons also conduct or may conduct in the future day-to-day operations of other programs and entities sponsored by or affiliated with our manager or sponsor. Because these persons have or may have such interests in other real estate programs and engage in other business activities, they may experience conflicts of interest in allocating their time and resources among our business and these other activities. The amount of time that our manager and its affiliates spend on our business will vary from time to time and is expected to be more while we are raising money and acquiring investments. During times of intense activity in other programs and ventures, they may devote less time and

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fewer resources to our business than are necessary or appropriate to manage our business. We expect that as our real estate activities expand, our manager will attempt to hire additional employees who would devote substantially all their time to our business. There is no assurance that our manager will devote adequate time to our business. If our manager, our sponsor or any of their respective affiliates suffers or is distracted by adverse financial or operational problems in connection with its operations unrelated to us, it may allocate less time and resources to our operations. If any of the foregoing events occur, the returns on our investments, our ability to make distributions to stockholders and the value of your investment may suffer.

**Our manager, our executive officers and their affiliates may face conflicts of interest, and these conflicts may not be resolved in our favor, which could negatively impact your investment.**

Our executive officers and the employees of our manager, our sponsor and their respective affiliates on which we rely could make substantial profits as a result of investment opportunities allocated to entities other than us. As a result, these individuals could pursue transactions that may not be in our best interest, which could have a material adverse effect on our operations and your investment. Our manager and its affiliates may, in the future, be engaged in other activities that could result in potential conflicts of interest with the services that they will provide to us. In addition, our sponsor or his affiliates may compete with us for the acquisition and/or refinancing of properties.

**Our manager and its affiliates will receive substantial fees from us, which could result in our manager and its affiliates taking actions that are not necessarily in the best interest of our stockholders.**

Our manager and its affiliates will receive substantial fees from us, including distributions with respect to our manager's special limited partnership interest in our operating partnership, which entitles our manager to receive a participation in net sales proceeds. Further, our manager will receive an asset management fee based on the total value of our assets, and its affiliates will receive fees based on our revenues, which, in each case, could incent our manager to use higher levels of leverage to finance investments or accumulate assets to increase fees than would otherwise be in our best interests. These fees could influence our manager's advice to us, as well as the judgment of the affiliates of our manager who serve as our officers and directors. Among other matters, the acquisition or disposition fees and other possible fees payable to affiliates of our manager in connection with its services for the seller or buyer, could affect the judgment of our manager or its affiliates with respect to property acquisitions from, or the making of investments in, other programs sponsored by our sponsor. Therefore, considerations relating to their compensation from other programs could result in decisions that are not in the best interests of our stockholders, which could hurt our income and, as a result, our ability to make distributions to you and/or lead to a decline in the value of your investment.

**Our manager and its affiliates receive fees and other compensation based upon our investments, which may impact operating decisions, and as a result, affect your investment.**

John A. Williams controls our manager. In addition, Mr. Williams is our President, Chief Executive Officer and Chairman of the Board of Directors and the President and Chief Executive Officer of our manager. As a result, Mr. Williams has a direct interest in all fees paid to our manager and is in a position to make decisions about our investments in ways that could maximize fees payable to our manager and its affiliates. Some compensation is

payable to our manager whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our manager and its affiliates benefit from us retaining ownership and leveraging our assets, while our stockholders may be better served by the sale or disposition of, or lack of leverage on, the assets. For example, because asset management fees payable to our manager are based on total assets under management, including assets purchased using debt, our manager may have an incentive to incur a high level of leverage in order to increase the total amount of assets under management. In addition, our manager's ability to receive fees and reimbursements depends on our revenues from continued investment in real properties and real estate-related investments. Therefore, the interest of our manager and its affiliates in receiving fees may conflict with the interest of our stockholders in earning a return on their investment.

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**Our revenue and net income may vary significantly from one period to another due to investments in opportunity-oriented properties and portfolio acquisitions, which could increase the variability of our cash available for distributions.**

We may make investments in opportunity-oriented properties in various phases of development, redevelopment or repositioning and portfolio acquisitions, which may cause our revenues and net income to fluctuate significantly from one period to another. Projects do not produce revenue while in development or redevelopment. During any period when our projects in development or redevelopment or those with significant capital requirements increase without a corresponding increase in stable revenue-producing properties, our revenues and net income likely will decrease.

Many factors may have a negative impact on the level of revenues or net income produced by our portfolio of investments, including higher than expected construction costs, failure to complete projects on a timely basis, failure of the properties to perform at expected levels upon completion of development or redevelopment, and increased borrowings necessary to fund higher than expected construction or other costs related to the project. Further, our net income and stockholders' equity could be negatively affected during periods with large portfolio acquisitions, which generally require large cash outlays and may require the incurrence of additional financing. Any such reduction in our revenues and net income during such periods could cause a resulting decrease in our cash available for distributions during the same periods.

**If we fail to continue to qualify as a REIT, we will be subjected to tax on our income and the amount of distributions we make to our stockholders will be less.**

We have elected to be taxed as a REIT commencing with our tax year ended December 31, 2011 and intend to operate in a manner that would allow us to continue to qualify as a REIT. However, we may terminate our REIT qualification if our Board of Directors determines that not qualifying as a REIT is in our best interest, or inadvertently. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We currently intend to structure our activities in a manner designed to satisfy all requirements for qualification as a REIT. However, the REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Furthermore, any opinion of our counsel, including tax counsel, as to our eligibility to qualify or remain qualified as a REIT is not binding on the IRS and is not a guarantee that we will qualify, or continue to qualify, as a REIT. Accordingly, we cannot be certain that we will be successful in operating so we can qualify or remain qualified as a REIT. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income or quarterly asset requirements also depends on our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, if certain of our operations were to be recharacterized by the IRS such recharacterization would jeopardize our ability to satisfy all requirements for qualification as a REIT. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to continue to qualify as a REIT for any taxable year and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT qualification. Losing our REIT qualification would reduce our net earnings available for investment or

distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Although we intend to operate in a manner intended to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to determine to delay or revoke our REIT election. Even if we continue to qualify as a REIT, we expect to incur some taxes, such as state and local taxes, taxes imposed on certain subsidiaries and potential U.S. federal excise taxes.

We have obtained a favorable ruling from the IRS stating that the inclusion of certain assets on our GAAP balance sheet for the calendar quarter ended March 31, 2011 will not cause us to fail the gross asset



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tests, as described under the section of the prospectus entitled "Material U.S. Federal Income Tax Considerations – REIT Qualification Tests – Asset Tests," for such quarter.

**The allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that make up the Units may cause you to recognize phantom income with respect to the Series A Redeemable Preferred Stock for U.S. federal income tax purposes, even though you will not receive any cash payments corresponding to such income.**

If the allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that comprise the Units results in an issue price for the Series A Redeemable Preferred Stock that is lower than the price at which the Series A Redeemable Preferred Stock may be redeemed under certain circumstances, this difference in price, or the redemption premium, will be treated as a constructive distribution of additional stock on preferred stock under Code Section 305(c), unless the redemption premium is less than a statutory de minimis amount.

Any such constructive distribution may need to be taken into account under principles similar to the principles governing the inclusion of accrued original issue discount under Code Section 1272(a).

We intend to take a position, through an appropriate valuation methodology, on an allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and the Warrants that make up the Units. If the allocation results in a value for the Warrant in excess of the statutory de minimis amount, we will report the premium in gross income of U.S. holders as it accrues under a constant yield method and include the amount on the annual dividend reporting form, Form 1099-DIV. However, our position on the allocation of the purchase price to the Warrants is not binding on the IRS. If the IRS were to take a different position regarding such allocation, U.S. holders would be required to include a different amount of redemption premium in gross income as it accrues under a constant yield method and may be required to treat any gain recognized on the disposition of the Series A Redeemable Preferred Stock as ordinary income rather than as capital gain. In addition, a non-U.S.-holder's receipt of such constructive dividend may be subject to U.S. federal withholding tax to the same extent as an actual distribution.

**We may choose to make distributions in our own stock, in which case you may be required to pay U.S. federal income taxes in excess of the cash dividends you receive.**

In connection with our qualification as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions that are payable in cash and/or shares of our common stock (which could account for up to 80% of the aggregate amount of such distributions) at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay U.S. federal income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. stockholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be

The allocation of the purchase price for the Units between the shares of Series A Redeemable Preferred Stock and

less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our common stock.

Various tax aspects of such a taxable cash/stock distribution are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

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## **RESTRICTIONS IMPOSED BY THE USA PATRIOT ACT AND RELATED ACTS**

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, or the USA PATRIOT Act, the shares of Series A Redeemable Preferred Stock and Warrants offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any unacceptable investor, which means anyone who is:

a designated national, specially designated national, specially designated terrorist, specially designated global terrorist, foreign terrorist organization, or blocked person within the definitions set forth in the Foreign Assets Control Regulations of the U.S. Treasury Department;  
acting on behalf of, or an entity owned or controlled by, any government against whom the U.S. maintains economic sanctions or embargoes under the Regulations of the U.S. Treasury Department;  
within the scope of Executive Order 13224 Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001;  
subject to additional restrictions imposed by the following statutes or regulations, and executive orders issued thereunder: the Trading with the Enemy Act, the Iraq Sanctions Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operations, Export Financing and Related Programs Appropriation Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified or reviewed from time to time; or  
designated or blocked, associated or involved in terrorism, or subject to restrictions under laws, regulations, or executive orders as may apply in the future similar to those set forth above.

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## FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words believe, expect, anticipate, estimate, plan, continue, intend, should, could, may or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

- use of proceeds of this (or any) offering;
- our business and investment strategy;
- our projected operating results;
- actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;
- the state of the U.S. economy generally or in specific geographic areas;
- economic trends and economic recoveries;
- our ability to obtain and maintain financing arrangements, including through Fannie Mae and Freddie Mac;
- financing and advance rates for our target assets;
- our expected leverage;
- general volatility of the securities markets in which we invest;
- changes in the values of our assets;
- our expected portfolio of assets;
- our expected investments;
- interest rate mismatches between our target assets and our borrowings used to fund such investments;
- changes in interest rates and the market value of our target assets;
- changes in prepayment rates on our target assets;
- effects of hedging instruments on our target assets;
- rates of default or decreased recovery rates on our target assets;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a REIT;
- our ability to maintain our exemption from registration under the Investment Company Act;
- availability of investment opportunities in mortgage-related and real estate-related investments and securities;
- availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition; and
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.

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The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described in this prospectus under the sections entitled Prospectus Summary, Risk Factors and Business, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations as included in our latest Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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TABLE OF CONTENTS**ESTIMATED USE OF PROCEEDS**

The table below sets forth our estimated use of proceeds from this offering, assuming we sell the maximum of 850,000 Units in this offering at the public offering price of \$1,000 per Unit for maximum gross offering proceeds of \$850 million.

The Series A Redeemable Preferred Stock and Warrants will be sold in Units, with each Unit consisting of (i) one share of Series A Redeemable Preferred Stock with an initial Stated Value of \$1,000 per share, and (ii) one Warrant to purchase 20 shares of common stock, exercisable by the holder at an exercise price of 120% of the current market price per share of our common stock determined using the volume weighted average price of our common stock for the 20 trading days prior to the date of issuance of such Warrant, subject to a minimum exercise price of \$9.00 per share (subject to adjustment). Each Unit will be sold at a public offering price of \$1,000 per Unit. Units will not be issued or certificated. The shares of Series A Redeemable Preferred Stock and Warrants are immediately separable and will be issued separately.

**Estimated Application of Proceeds of this Offering**

	Maximum Offering		
	Amount	Percent	
Gross offering proceeds	\$ 850,000,000	100.00	%
Offering expenses:			
Selling commissions <sup>(1)</sup>	59,500,000	7.00	%
Dealer manager fee <sup>(1)</sup>	25,500,000	3.00	%
Other offering expenses <sup>(2)</sup>	12,750,000	1.50	%
Amount available for investment <sup>(3)</sup>	\$ 752,250,000	88.50	%
Cash down payment (equity)	\$ 710,114,286	83.54	%
Acquisition fees (real estate commissions) <sup>(4)</sup>	20,885,714	2.46	%
Working capital reserve	21,250,000	2.50	%
Proceeds invested	752,250,000	88.50	%
Offering expenses	97,750,000	11.50	%
Total application of proceeds	\$ 850,000,000	100.00	%

- Assumes selling commissions equal to 7.0% of gross offering proceeds and a dealer manager fee of 3.0% of gross offering proceeds. See the Plan of Distribution section of this prospectus for a description of these provisions. We or our affiliates also may provide permissible forms of non-cash compensation to registered representatives of our dealer manager and the participating broker-dealers, including gifts. In no event shall such gifts exceed an aggregate value of \$100 per annum per participating salesperson, or be pre-conditioned on achievement of a sales target. The value of such items will be considered underwriting compensation in connection with this offering, and the corresponding payments of our dealer manager fee will be reduced by the aggregate value of such items. The combined selling commissions, dealer manager fee and such non-cash compensation will not exceed FINRA's 10% cap. Our dealer manager will repay to the company any excess payments made to our dealer manager over FINRA's 10% cap if this offering is abruptly terminated before reaching the maximum amount of offering proceeds.
- (1) Includes all expenses (other than selling commissions and the dealer manager fee) to be paid by us or on our behalf in connection with the qualification and registration of this offering and the marketing and distribution of the Units, including, without limitation, expenses for printing and amending registration statements or supplementing

prospectuses, mailing and distributing costs, all advertising and marketing expenses, charges of transfer agents, registrars and experts and fees, expenses and taxes related to the filing, registration and qualification, as necessary, of the sale of the Units under federal and state laws, including taxes and fees and accountants and attorneys fees. We will reimburse our manager and its affiliates for such offering expenses in an amount up to 1.5% of gross offering proceeds to the extent such offering expenses have not been paid directly by us. Our manager and its affiliates will be responsible for any such offering expenses that exceed 1.5% of gross offering proceeds, without recourse against or reimbursement by us. All organization and offering expenses, including selling commissions and the dealer manager fee, will be capped at 11.5% of the gross proceeds of this offering.

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Although the net proceeds are expected to be used in connection with the acquisition of multifamily properties and other real estate-related investments and the payment of fees and expenses related thereto, the proceeds are available for our other capital needs, whether related to the repayment of debt or otherwise. For purposes of this table, however, we have assumed that we will use all the net proceeds for acquisitions of real property and other (3) real estate-related investments and the payment of related fees and expenses. Until required in connection with the acquisition of real property, other real estate-related investments or other capital needs, we intend to invest the net proceeds of this offering in a manner which will not adversely affect our ability to qualify, or maintain our qualification, as a REIT for federal tax purposes. Net proceeds do not include any amounts received by us in connection with any exercise of the Warrants.

Real estate commissions are defined as the total of all fees and commissions paid by any person to any person, including our manager or affiliates, in connection with the selection, purchase, construction or development of any property by us, whether designated as real estate commission, acquisition fees, finders fees, selection fees, (4) development fees, construction fees, non-recurring management fees, consulting fees or any other similar fees or commissions howsoever designated and howsoever treated for tax or accounting purposes. See the section entitled Our Sponsor, our Manager and the Management Agreement Management Compensation included elsewhere in this prospectus for a detailed discussion of the acquisition fees that may be paid by us.

Assuming the maximum offering, we estimate that we will receive net proceeds from the sale of our Units in this offering of approximately \$752.25 million, after deducting estimated offering expenses, including selling commissions and the dealer manager fee, payable by us of approximately \$97.75 million. Net proceeds do not include any amounts received by us in connection with any exercise of the Warrants.

We intend to invest substantially all the net proceeds of this offering in connection with the acquisition of multifamily properties, other real estate-related investments and general working capital purposes. If all the net proceeds of this offering are used to directly acquire multifamily properties and other real estate-related investments, we estimate that these investments would have an aggregate gross value (inclusive of mortgage indebtedness) of approximately \$2.1 billion assuming the maximum offering. We intend to acquire such investments through the incurrence of indebtedness (secured and unsecured) of approximately 65% of the value of our tangible assets on a portfolio basis, with the balance of the acquisition cost thereof funded through the use of the net proceeds of this offering.

Neither our charter nor our by-laws contain any limitation on the amount of leverage we may use. Our investment guidelines, which can be amended by our Board of Directors without stockholder approval, limit our borrowings (secured and unsecured) to 75% of the cost of our tangible assets at the time of any new borrowing. In addition, we intend to have no long-term corporate level debt.

Our manager may invest net proceeds of this offering in interest-bearing short-term investments that are consistent with our intention to qualify as a REIT, pending investment in our target assets. These initial investments are expected to provide a lower net return than we will seek to achieve from our target assets.



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## RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our consolidated ratio of earnings to combined fixed charges and preferred stock dividends for the six months ended June 30, 2012 and the year ended December 31, 2011 are set forth below. We did not have any shares of preferred stock outstanding at December 31, 2011. Since we commenced revenue-generating operations in April 2011, the ratio of earnings to fixed charges is not a meaningful measure for any period prior to 2011.

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Earnings:		
Net loss	\$ (790,911 )	\$ (8,495,424 )
Add:		
Combined fixed charges and preferred dividends (see below)	1,153,342	1,514,581
Total earnings	\$ 362,431	\$ (6,980,843 )
Fixed charges:		
Interest expensed	\$ 1,030,670	\$ 1,450,101
Amortization of deferred loan costs related to mortgage indebtedness	42,986	64,480
Total fixed charges	1,073,657	1,514,581
Preferred dividends	79,685	
Total Combined fixed charges and preferred dividends	\$ 1,153,342	\$ 1,514,581
Ratio of Earnings to Combined fixed charges and preferred dividends	(1)	(1)

(1) Due to the net losses incurred, the ratio of earnings to combined fixed charges and preferred dividends was less than 1:1. We would have needed to generate additional earnings of approximately \$791,000 for the six months ended June 30, 2012 and approximately \$8.5 million for the twelve months ended December 31, 2011 to achieve coverage of 1:1 for these respective periods.

Our ratio of earnings to combined fixed charges is computed by dividing earnings by the total of fixed charges and preferred stock dividends. For these purposes, earnings consist of net loss plus fixed charges, less the value of unamortized deferred loan costs. Net loss is computed in accordance with GAAP and includes such non-cash items as real estate depreciation, amortization of the value of customer relationships, leases in place and above (below) market rents and amortization of deferred loan costs. Net loss also includes one-time transactional costs relating to our IPO and organizational costs. Fixed charges consist of interest expense on mortgage debt secured by our three multifamily communities, capitalization and amortization of deferred loan costs, and preferred dividend requirements. Interest income is not included in this computation.

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Holders of Series A Redeemable 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 Series A Redeemable Preferred Stock at an annual rate of six percent (6%) of the Stated Value. Dividends on each share of Series A Redeemable Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. We paid the initial dividend on our Series A Redeemable Preferred Stock in the month following the first full month after we received and accepted aggregate subscriptions in excess of the minimum offering pursuant to the Primary Series A Offering, and thereafter have consistently paid monthly dividends on the Series A Redeemable Preferred Stock. We expect to continue to pay dividends on the Series A Redeemable Preferred Stock monthly, unless our results of operations, our general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. We also expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis payable on the 20<sup>th</sup> day of the month following the month for which the dividend was declared (or the next business day if the 20<sup>th</sup> day is not a business day). The timing and amount of such dividends will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Holders of our common stock are entitled to receive, when, and as authorized by our Board of Directors and declared by us out of legally available funds, cash dividends on each share of our common stock.

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually to its stockholders at least 90% of its REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend to pay, over time, dividends in an amount equal to 100% of our net taxable income.

The following tables set forth all dividends that have been authorized by our Board of Directors and paid by us to date.

**Common Stock**

Quarter Ended	Amount Paid Per Share	Total Amount Paid	Date Paid	Cash Flow from Operations
06/30/2011	\$ 0.125	\$ 646,487	07/15/2011	\$ (697,122 )
09/30/2011	\$ 0.125	\$ 646,675	10/17/2011	\$ 553,596
12/31/2011	\$ 0.125	\$ 646,916	01/17/2012	\$ 794,172
03/31/2012	\$ 0.13	\$ 673,181	04/16/2012	\$ 927,394
06/30/2012	\$ 0.13	\$ 677,477	07/16/2012	\$ 869,992 <sup>(8)</sup>
09/30/2012	\$ 0.14	<sup>(7)</sup>	<sup>(7)</sup>	

**Series A Redeemable Preferred Stock**

Month Ended	Amount Paid Per Share	Date Paid
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			Total Amount Paid	
04/30/2012	\$ 5.33	(1)	\$ 11,486	05/21/2012
05/31/2012	\$ 5.00/5.17	(2)	\$ 25,406	06/20/2012
06/30/2012	\$ 5.00/5.17	(3)	\$ 42,793	07/20/2012
07/31/2012	\$ 5.00/5.50	(4)(6)	\$ 50,879	(6) 08/20/2012 (6)
08/31/2012	\$ 5.00/7.50/5.17	(5)(6)	(6)	(6)

Comprised of \$5.00 per share for the month of April 2012 and \$0.33 per share prorated from the initial issuance of (1) shares of Series A Redeemable Preferred Stock on March 30, 2012 purchased in the Primary Series A Offering through the end of March 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of (2) record on May 31, 2012 that purchased Primary Series A Units in connection with our initial Primary Series A Unit closing on March 31, 2012 and (ii) a dividend of \$5.17 per share of Series

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A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of May 2012 and \$0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on April 30, 2012 through the end of April 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on June 29, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit (3) closings prior to May 30, 2012 and (ii) a dividend of \$5.17 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of June 2012 and \$0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on May 31, 2012 through the end of May 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on July 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit (4) closings prior to June 28, 2012 and (ii) a dividend of \$5.50 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of July 2012 and \$0.50 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on June 28, 2012 through the end of June 2012.

Comprised of (i) a dividend of \$5.00 per share of Series A Redeemable Preferred Stock to all stockholders of record on August 31, 2012 that purchased Primary Series A Units in connection with our Primary Series A Unit closings prior to July 17, 2012, (ii) a dividend of \$7.50 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of August 2012 and \$2.50 per share prorated from the initial issuance of such shares of Series A (5) Redeemable Preferred Stock on July 17, 2012 through the end of July 2012 and (iii) a dividend of \$5.17 per share of Series A Redeemable Preferred Stock, comprised of \$5.00 per share for the month of August 2012 and \$0.17 per share prorated from the initial issuance of such shares of Series A Redeemable Preferred Stock on July 31, 2012 through the end of July 2012.

(6) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of the Series A Redeemable Preferred Stock.

(7) This dividend was authorized by the Board of Directors and declared by the company, but has yet to be paid to the holders of our common stock.

For the quarter ended June 30, 2012, we also paid dividends with respect to our Series A Redeemable Preferred (8) Stock in an aggregate amount of \$79,685, which together with the dividends paid with respect to our common stock during this period totaled \$757,162.

For the 12-month period ended December 31, 2011, our cash flow from operations of approximately \$528,000 was a shortfall of approximately \$1.4 million, or 72.8%, to our dividends paid of \$1,940,078 during such period. The shortfall of cash flow from operations to dividends declared and paid was substantially due to the incurrence of approximately \$1.7 million in acquisition costs related to the three multifamily communities that we acquired in the second quarter of 2011. Subject to significant acquisition expenses, we currently anticipate that cash flow from operations will be sufficient to fund the dividend payments to our stockholders for the remainder of 2012. Although not currently anticipated, if our Board of Directors determines to authorize distributions in excess of the income or cash flow generated from our target assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms of debt financing or the sale of our assets. See Risk Factors Distributions paid from sources other than our cash flow from operations, particularly from proceeds of this offering, will result in us having fewer funds available for the acquisition of properties and other real estate-related investments and may dilute your interests in us, which may adversely affect our ability to fund future distributions with cash flow from operations and may adversely affect your overall return and Risk Factors We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the Series A Redeemable Preferred Stock and our common stock.

To the extent that, in respect of any calendar year, cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We generally will not be required to make distributions with respect to activities conducted through any TRS that we form following the

completion of this offering. For more information, see the section entitled "Material U.S. Federal Income Tax Considerations - General" included elsewhere in this prospectus.

To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular distributions of all or substantially all the remainder of our REIT taxable income to our stockholders out of assets legally available therefor. The amount of cash available for distribution will be decreased by any fees or expenses payable by us to our manager under the management

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agreement. Any distributions we make to our stockholders will be at the discretion of our Board of Directors and will depend upon our earnings, financial condition, liquidity, debt covenants, funding or margin requirements under credit facilities, repurchase agreements or other secured and unsecured borrowing agreements, maintenance of our REIT qualification, applicable provisions of the MGCL, and such other factors as our Board of Directors deems relevant. Our earnings, financial condition and liquidity will be affected by various factors, including the net income from our portfolio, our operating expenses and any other expenditures. See the section entitled Risk Factors included elsewhere in this prospectus.

We anticipate that our distributions generally will be taxable as ordinary income to our stockholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital. In addition, a portion of such distributions may be taxable stock dividends payable in our shares. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain. For more information, see the section entitled Material U.S. Federal Income Tax Considerations Taxation of U.S. Holders included elsewhere in this prospectus.

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## MARKET PRICE RANGE OF OUR COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the NYSE MKT under the symbol APTS. There currently is no market for our shares of Series A Redeemable Preferred Stock and we do not currently intend to list our shares of Series A Redeemable Preferred Stock on any securities exchange in the future. Please see Risk Factors. There is no public market for our Series A Redeemable Preferred Stock or Warrants and we do not expect one to develop.

Our common stock began trading on the NYSE MKT on April 1, 2011 with the closing of our IPO. The last reported sales price of our common stock on August 13, 2012 was \$8.20.

As of August 3, 2012, our common stock was held by approximately 100 stockholders of record. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we were unable to estimate the total number of beneficial owners represented by these stockholders of record.

The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock reported on the NYSE MKT, and the distributions we declared with respect to such shares:

Quarter Ended	High	Low	Distributions
June 30, 2011	\$ 10.39	\$ 8.17	\$ 0.125
September 30, 2011	\$ 9.01	\$ 5.68	\$ 0.125
December 31, 2011	\$ 6.96	\$ 5.61	\$ 0.125
March 31, 2012	\$ 8.97	\$ 5.62	\$ 0.13
June 30, 2012	\$ 8.45	\$ 6.72	\$ 0.13

TABLE OF CONTENTS**CAPITALIZATION**

The following table sets forth (a) our actual capitalization at June 30, 2012, and (b) our capitalization as adjusted to reflect the effect of the issuance of 850,000 shares of Series A Redeemable Preferred Stock in this offering, assuming the sale of the maximum offering, and the issuance of an additional 139,982 shares of Series A Redeemable Preferred

Stock in the Primary Series A Offering, each after deducting estimated offering expenses, including selling commissions and the dealer manager fee, payable by us. You should read this table together with the sections entitled Estimated Use of Proceeds and Selected Financial Information included elsewhere in this prospectus, as well as our consolidated financial statements and notes thereto and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus.

	June 30, 2012	
	Actual	Maximum
	(unaudited)	Offering
Stockholders' equity:		
Series A Redeemable Preferred Stock, par value \$0.01 per share; 1,000,000 shares authorized 10,018 or 1,000,000 issued and outstanding	\$ 100	\$ 10,000
Common Stock, par value \$0.01 per share; 400,066,666 shares authorized and 5,178,313 issued and outstanding	51,783	51,783
Additional paid-in capital <sup>(1)</sup>	51,953,388	938,095,458
Accumulated deficit	(9,972,849 )	(9,972,849 )
Non-controlling interest	1	1
Total equity	\$42,032,423	\$ 928,174,393

Included in the actual and as adjusted additional paid in capital for the as adjusted maximum offering column is the fair value of the Warrants that are included in the Units sold in this offering, which Warrants are immediately separable from our Series A Redeemable Preferred Stock and which Warrants have an aggregate estimated fair value of \$4,177,130 and \$27,847,535, respectively. Each Warrant is potentially exercisable into 20 shares of our common stock, beginning one year after the date of issuance and expires four years after the date of issuance. The weighted average fair value of each Warrant included in each Unit is \$27.85 (or \$1.39 on a per underlying share of common stock basis) and was calculated utilizing the Black-Scholes-Merton model with valuation assumptions as of June 30, 2012.

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## **SELECTED FINANCIAL INFORMATION**

The following table sets forth selected financial and operating data for the company on a historical basis. Financial and operating data as of and for the three months ended June 30, 2012 and 2011 are presented to illustrate our realization of a full quarter of operating financial results from our three acquired communities, as well as the trend in interest income from our real estate loans and notes receivable and the related effects on our financial condition.

The following selected financial and operating data should be read in conjunction with our consolidated financial statements and notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus.

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

The section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q is incorporated by reference into this prospectus.

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## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our primary market risk exposure is interest rate risk. Our floating-rate debt is tied to the 30-day London Interbank Offered Rate, or LIBOR. \$19.5 million of our floating-rate debt has LIBOR effectively capped at 4.48% (all-in rate of 7.25%) and approximately \$15.3 million of our floating-rate debt has LIBOR effectively capped at 4.05% (all-in rate of 6.85%), both through caps on the maximum interest rate on our debt under Freddie Mac's capped adjustable-rate mortgage program. We have limited market risk associated with debt maturity as all of our debt was incurred in April 2011 and does not mature until May 2018. We have no business operations which subject us to trading risk.

We have and will continue to manage interest rate risk as follows:

maintain a reasonable ratio of fixed-rate, long-term debt to total debt so that floating-rate exposure is kept at an acceptable level;

place interest rate caps on floating-rate debt; and  
take advantage of favorable market conditions for long-term debt and/or equity.  
We use various financial models and advisors to achieve our objectives.

If interest rates under our floating-rate LIBOR-based indebtedness fluctuated by 100 basis points, our interest costs, based on outstanding borrowings at June 30, 2012, would increase by approximately \$348,000 on an annualized basis, or decrease by approximately \$84,000 on an annualized basis. The difference between the interest expense amounts related to an increase or decrease in our floating-rate interest cost is because LIBOR was 0.245% at June 30, 2012, therefore we have limited the estimate of how much our interest costs may decrease because we use a floor of 0% for LIBOR.

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## **BUSINESS**

### **Our Company**

We are a Maryland corporation formed primarily to acquire 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 also 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 and invest not more than 10% of our total assets in other real estate-related investments, as determined by our manager as appropriate for us. We refer to these asset classes as our target assets.

Our promoters were John A. Williams and Leonard A. Silverstein. Since our formation, John A. Williams has served as the Chief Executive Officer of our company and as the Chairman of our Board of Directors. Mr. Williams also served as the President of our company from our formation until August, 2012. Leonard A. Silverstein has served as President and Chief Operating Officer of our company since August, 2012. Mr. Silverstein also served as Executive Vice President, General Counsel and Secretary of our company and as the Vice Chairman of our Board of Directors from formation until August, 2012. We are externally managed and advised by our manager, which is controlled by John A. Williams, our sponsor and a veteran of the multifamily industry with over four decades of experience, including the founding of the multifamily REIT, Post Properties, and Leonard A. Silverstein. Pursuant to the terms of a management agreement between our manager and us, our manager is responsible for administering our day-to-day business operations, identifying and acquiring targeted real estate investments, overseeing the management of the investments, handling the disposition of the real estate investments and providing us with our management team and appropriate support personnel.

We also hope to benefit from Mr. Williams' current organization and platform that specializes in multifamily real estate investment and management. With operations in over 20 nationwide markets, Mr. Williams' organization includes WRA, WAM, RAM and PRM. We believe these organizations provide the full range of services necessary to fulfill our investment objectives and we hope to benefit from their depth and breadth of experience in a number of ways, including, but not limited to: (i) our manager's intent to contract directly with each of these firms to provide a substantial portion of the services our manager is required to provide in connection with running our day-to-day operations under the management agreement with us, and (ii) key employees of these firms serving as our officers and as officers of our manager.

We have registered "A Preferred Apartment Community" as a trademarked logo with the United States Patent and Trademark Office. Our manager has branded, and in the future will continue to brand, all apartment communities owned by the company as "A Preferred Apartment Community" and intends to make it an ultimate tagline for each of our communities that signifies certain brand and management standards. This strategy will allow each individual community to be part of a centralized marketing and advertising campaign, in addition to property level marketing and advertising campaigns. We expect that these campaigns will further enhance each individual property's presence in the marketplace, and we believe that this will allow our communities to be perceived as premier over other properties within the marketplace. Our manager has entered into a non-exclusive license agreement with the company as licensee with respect to all intellectual property of the manager other than trademarks. The license agreement will terminate automatically upon termination of our management agreement or will terminate upon a material breach of the license

agreement that remains uncured for more than 30 days after receipt of notice of such breach. Our manager has entered into a separate non-exclusive license agreement with the company as licensee with respect to the manager's trademarks on substantially similar terms as the initial intellectual property license agreement.

Upon the acquisition of each of our communities, we plan to implement what we believe to be an innovative and unique marketing and branding strategy by rolling out the PAC Concierge, PAC Rewards and PAC Partners programs (as described below). We completed what we believe to be a successful roll-out and implementation of our PAC Concierge, PAC Rewards and PAC Partners programs at all of our communities

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by January 2012. We anticipate implementing these programs at any newly acquired community approximately thirty days following acquisition.

The PAC Concierge program is a complimentary service for our residents designed to offer them the type of personal concierge services that you would expect at a high end resort. The concierge services are provided by a professionally trained team ready to coordinate services such as running errands and making dinner reservations, golf tee times and travel arrangements, as well as many other services. Our concierge service is available to our residents 24/7 by telephone, email or web access through our unique resident web portal.

The PAC Rewards program allows residents to accumulate and redeem rewards points for services and upgrades to their home, such as painting an accent wall, carpet cleaning or installing a ceiling fan or kitchen backsplash. Residents may accumulate Preferred Rewards, for example, when they sign their lease, pay their rent online, enroll in our direct debit/automatic payment program, renew their leases, or when a resident's referral signs a new lease.

The PAC Partners program establishes reciprocal relationships between a Preferred Apartment Community and neighborhood businesses to provide our residents with benefits such as discounts, perks and other incentives as an enticement to frequent those businesses and to support the local community.

## **Our Properties**

On April 15, 2011, we completed the acquisition of 100% of the membership interests in Stone Rise Apartments, LLC, a Delaware limited liability company (f/k/a Oxford Rise JV LLC), the fee-simple owner of a 216-unit multifamily apartment community located in suburban Philadelphia, Pennsylvania for a total purchase price of \$30.15 million, exclusive of acquisition-related and financing-related transaction costs.

On April 21, 2011, we completed the acquisition of 100% of the membership interests in PAC Summit Crossing, LLC, a Georgia limited liability company (f/k/a Oxford Summit Partners LLC), the fee-simple owner of a 345-unit multifamily apartment community located in suburban Atlanta, Georgia for a total purchase price of \$33.2 million, exclusive of acquisition-related and financing-related transaction costs.

On April 29, 2011, we, through our indirectly wholly owned subsidiary Trail Creek Apartments, LLC, completed the acquisition of Oxford Trail, a 204-unit multifamily townhome community located in Hampton, Virginia for a total purchase price of \$23.5 million, exclusive of acquisition-related and financing-related transaction costs.

## **Real Estate Loan Investments**

### **Oxford Hampton Mezzanine Loan**

On June 30, 2011, we, through our indirectly wholly owned subsidiary, Trail Creek Mezzanine Lending, LLC, made the \$6.0 million Oxford Hampton Mezzanine Loan to Oxford Hampton Partners LLC, a Georgia limited liability company, in connection with the borrower's plans to construct a 96-unit multifamily community in Hampton, Virginia located adjacent to our existing Trail Creek community. The borrower was required to fully draw down the Oxford Hampton Mezzanine Loan on June 30, 2011. WRF has contributed 100% of the cash equity in Oxford Hampton Partners LLC to date.

The Oxford Hampton Mezzanine Loan matures on June 29, 2016, with no option to extend and pays interest at a fixed rate of 8.0% per annum. Interest will be paid monthly with principal and any accrued but unpaid interest (including

the exit fee) due at maturity. Under the terms of a purchase option agreement entered into concurrently with and in connection with the closing of the Oxford Hampton Mezzanine Loan, the lender has an option (but not an obligation) to purchase the property between and including April 1, 2014 and June 30, 2014 for \$17,825,600, which is the amount of the aggregate project costs as set forth in the approved construction budget on the closing date. If the property is sold to, or refinanced by, a third party before July 1, 2014, the lender will be entitled to receive an exit fee equal to the amount required to provide it with a 14% cumulative internal rate of return on the loan. If the property is sold to, or refinanced by, a third party on or after July 1, 2014, then the lender will be entitled to receive an exit fee equal to the amount required to provide it with a 12% cumulative internal rate of return on the loan. The calculation of the cumulative internal rate of return will include the fees received by the lender at the closing of the Oxford Hampton Mezzanine Loan. Since the minimum exit fee, assuming the purchase option is not exercised is the

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amount needed to provide a 12% cumulative internal rate of return, the lender will accrue each period the additional exit fee earned based on the 12% rate assuming the loan was paid off at period end. The accrued exit fee will be recorded as interest income in the consolidated statements of operations the company. As of June 30, 2012, the lender earned approximately \$64,250 of additional exit fee income.

If the lender exercises the purchase option and acquires the property, any accrued and unpaid exit fee will be treated as additional basis in the acquired project.

The Oxford Hampton Mezzanine Loan is secured by a pledge of 100% of the membership interests of the borrower. Partial prepayment of the Oxford Hampton Mezzanine Loan is not permitted without the lender's consent. The Oxford Hampton Mezzanine Loan is subordinate to a senior loan of up to an aggregate amount of \$10 million that is held by an unrelated third party. W. Daniel Faulk, Jr. and Richard A. Denny, both unaffiliated third parties, have guaranteed to us the completion of the project in accordance with the plans and specifications. This guaranty is subject to the rights held by the senior lender pursuant to a customary intercreditor agreement between the lender and the senior lender.

In connection with the closing of the Oxford Hampton Mezzanine Loan, the lender received a loan fee of 2% of the loan amount, or \$120,000, and a loan commitment fee of \$14,333. From the loan fee paid in connection with the closing of the Oxford Hampton Mezzanine Loan, we paid a fee of \$60,000, or 1.0% of the maximum loan amount, to our manager, as an acquisition fee pursuant to the management agreement of which WOF received \$600 through its special limited liability company interest in our manager. In addition, the borrower used proceeds of the Oxford Hampton Mezzanine Loan to pay approximately \$302,300 to WRF to retire an outstanding short-term loan from WRF that matured on the closing date of the Oxford Hampton Mezzanine Loan. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

**Oxford Summit II Mezzanine Loan**

On May 7, 2012, Summit Crossing Mezzanine Lending LLC, a wholly owned subsidiary of our operating partnership, made the \$6,103,027 Oxford Summit II Mezzanine Loan to Oxford Summit Apartments II LLC, a Georgia limited liability company, in connection with the borrower's plans to construct a 140-unit multifamily community in suburban Atlanta, Georgia. The full amount of the Oxford Summit II Mezzanine Loan was funded by the lender to the borrower on the closing date.

A portion of the proceeds of the Oxford Summit II Mezzanine Loan were used by the borrower to purchase from Oxford Forsyth Development LLC the land on which the borrower will construct the property. The seller used a portion of the purchase price to pay down a portion of a loan guaranteed by John A. Williams, which originally was obtained by the seller to acquire, in part, the land on which the property is to be constructed. The terms of the Oxford Summit II Mezzanine Loan and the overall transaction structure were approved by our conflicts committee, which consists entirely of independent directors not otherwise interested in the transaction.

In connection with the closing of the Oxford Summit II Mezzanine Loan, the lender received a loan fee of 2% of the maximum loan amount, or \$122,061. In addition, we paid a fee of \$61,030, or 1.0% of the maximum loan amount, to our manager as an acquisition fee in accordance with the terms of the management agreement of which WOF received \$610 through its special limited liability interest in our manager. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

The Oxford Summit II Mezzanine Loan matures on May 8, 2017, with no option to extend, and bears interest at a fixed rate of 8.0% per annum. Interest will be paid monthly with principal and any accrued but unpaid interest due at maturity. The Oxford Summit II Mezzanine Loan is secured by a pledge of 100% of the membership interests in the



borrower. Prepayment of the Oxford Summit II Mezzanine Loan is permitted in whole, but not in part, without lender consent. The Oxford Summit II Mezzanine Loan is subordinate to a senior loan of up to an aggregate amount of approximately \$12.4 million that is held by an unrelated third party. W. Daniel Faulk, Jr. and Richard A. Denny, both unaffiliated third parties, have guaranteed to us the completion of the project in accordance with the plans and specifications and have provided a full payment

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guaranty. These guaranties are subject to the rights held by the senior lender pursuant to a customary intercreditor agreement between the lender and the senior lender.

Under the terms of a purchase option agreement entered into concurrently and in connection with the closing of the Oxford Summit II Mezzanine Loan, the lender has an option (but not an obligation) to purchase the property between and including October 1, 2014 and February 28, 2015 for a pre-negotiated purchase price of \$19,254,155. If the property is sold to, or refinanced by, a third party at any time, or is paid off at any time, the lender will be entitled to an exit fee to increase the aggregate interest paid on the Oxford Summit II Mezzanine Loan to 14.0% per annum, provided, however, that such exit fee shall not be required to be paid if the lender or a wholly owned direct or indirect subsidiary of the lender acquires the property. Since the exit fee, assuming the purchase option is not exercised, is the amount needed to increase the aggregate interest paid on the Oxford Summit II Mezzanine Loan to 14.0% per annum, the lender will accrue each period the additional exit fee earned based on the 14.0% rate assuming the loan was paid off at period end. The accrued exit fee will be recorded as interest income in the consolidated statements of operations of the company. If the lender exercises the purchase option and acquires the property, any accrued and unpaid exit fee will be treated as additional basis in the acquired project. As of June 30, 2012, the lender earned approximately \$55,596 of additional exit fee income.

### **Iris Bridge Loan**

On June 29, 2012, Iris Crosstown Mezzanine Lending, LLC, a wholly-owned subsidiary of our operating partnership, made the \$2,868,471 Iris Bridge Loan to Iris in connection with the borrower's acquisition of a parcel of land located in suburban Tampa, Florida, upon which a multifamily community is to be constructed.

The Iris Bridge Loan matures on December 31, 2012, with no option to extend and pays interest at a rate of 8.0% per annum. Interest will be paid monthly with the principal and any accrued but unpaid interest (including the exit fee) due at maturity. If the property is sold to, or refinanced by, a third party, the lender will be entitled to an exit fee to increase the aggregate interest paid on the Iris Bridge Loan to 14.0% per annum.

The Iris Bridge Loan is secured by a mortgage, an assignment of project documents and unconditional guaranties of payment and performance by W. Daniel Faulk, Jr., Richard A. Denny and J. Michael Morris, unaffiliated parties and principals of the borrower.

In connection with the closing of the Iris Bridge Loan, we received a loan fee of 2% of the loan amount, or \$57,369, and we paid a fee of \$28,685, or 1.0% of the loan amount, to our manager as an acquisition fee pursuant to the management agreement of which WOF received \$286 through its special limited liability company interest in our manager. The net fees received by us will be recognized as an adjustment of yield over the term of the loan using the effective interest method.

## **Other Loan Investments**

### **Oxford Properties Loan**

On March 26, 2012, we made the \$650,000 Oxford Properties Loan to Oxford Properties, LLC, a Georgia limited liability company, in the form of a promissory note. The loan bears interest at 15% per annum and interest only payments were due beginning May 1, 2012, and continue on a monthly basis until the maturity date of September 30, 2012. Oxford Properties, LLC may prepay the loan at any time, in whole or in part, without penalty. The amounts payable under the terms of the loan are backed by a personal guaranty of repayment issued by the principals of Oxford

Properties, LLC.

**Madison Retail Loan**

On May 21, 2012, we made the up to \$575,000 Madison Retail Loan to Madison Retail, LLC, a Georgia limited liability company, in the form of a promissory note. The amount drawn by Madison Retail, LLC as of June 30, 2012 was \$255,290. The loan bears interest at 15% per annum and interest only payments were due beginning June 1, 2012, and continue on a monthly basis until the maturity date of September 30, 2012. Madison Retail, LLC may prepay the loan at any time, in whole or in part, without penalty. The amounts payable under the terms of the loan are backed by a personal guaranty of repayment issued by the principal of Madison Retail, LLC.

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## **Market Opportunities**

In the wake of the financial system troubles and downturn in the United States economy after 2007 – 2008, multifamily assets saw a dramatic drop in their value as the combination of higher capitalization rates and dwindling incomes created formidable headwinds for operators across the country. Many transactions consummated in 2005 – 2008 were highly leveraged with favorable financing terms. In many instances, these deals are financially troubled or the debt associated with these deals is about to mature. These transactions present problems for undercapitalized owners as the ability to refinance has diminished significantly and the only options that may be available are a sale at a dramatic discount to their basis or foreclosure. However, based on the lack of new supply projected for the next several years, the introduction of the echo boom generation into the market and the dwindling rate of homeownership, we believe multiple opportunities will be created for acquisitions.

*Supply Constraints:* With the economic conditions curtailing financing and construction, we believe the new supply pipeline will remain below historical averages for the next few years. As can be seen from the charts below, for the last three years, permits for multifamily construction have averaged approximately 175,000 units annually. In addition, we believe that annually the U.S. apartment stock loses an average of 118,000 units per year to obsolescence or conversion to other uses. We believe that this combination should result in a few years of net completions of new units being well below historical averages. As the economy rebounds and demand for apartment inventory increases, we believe that there will be a shortage of new supply to keep up with the expected increased demand. We believe this window of opportunity will allow owners with desirable product to experience rent growth and enhanced occupancy levels as the market expands and supply struggles to keep pace.

## **Historical US MultiFamily Permits\***

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## Historical Permitting Comparison\*

\* Based on U.S. Census Bureau data as presented by Axiometrics, Inc.

*Economic Improvement:* While the overall economy struggles to show consistent signs of improvement, we believe that the multifamily sector seems to be the most resilient sector in the real estate market. We believe that the historical correlation between job growth and absorption has not applied. As demonstrated in the chart below, since the third quarter of 2008, apartment absorption on a year-over-year basis has outperformed the corresponding drop in employment, with absorption posting only modest declines in the face of dramatic job losses.

## Apartment Absorption Rate vs. Job Growth Rate\*

\* Based on Witten Advisors Second Quarter 2012 U.S. Apartments Markets Forecast Presentation and U.S. Bureau of Labor Statistics.

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*Rate of Homeownership:* We believe that one of the most significant contributors to the projection for new demand for rental units is the level of homeownership in the United States. As of June 30, 2012, the home ownership rate was approximately 65.5%, down from a high of approximately 69.2% in 2004 (figures based on U.S. Census Bureau data and the Witten Advisors Second Quarter 2012 U.S. Apartments Markets Forecast Presentation). Based on industry sources, we believe that, while the current economic weakness should ease, an increase in homeownership rates is unlikely for a much longer period of time and the current downward trend shown in the chart below will continue.

## U.S. Historical & Projected Homeownership Rate

\*Source: Figures based on U.S. Census Bureau data and related Arthur C. Nelson forecast (Metropolitan Research Center, University of Utah).

Given the more stringent underwriting standards from lenders and scrutiny from regulators that has been occurring since the beginning of the last recession, the erosion of wealth in the housing sector over the last four years, the decline in overall household income and the dramatic increase in unemployment, we expect the propensity to rent likely will continue to increase in the near term. Based on current U.S. Census Bureau data, from a demographic standpoint, there is a large population bubble of Americans under the age of 30 who we expect to be candidates for home ownership now or in the near future; however, we believe it is likely that the current climate will compel them to delay the decision to purchase a home until they are on firmer economic footing. In addition, we believe the requirements for a mortgage may continue to be stringent and that this group may find it more attractive to rent for a longer period of time until they can qualify for a desirable home. All these factors lead us to believe that an improvement in demand for the apartment market will occur as the rental pool grows in a climate where little supply is being created.

*Echo Boom Generation:* As shown in the chart of U.S. Census Bureau data below, there are approximately 84.7 million echo boomers in the population currently, more than their Baby Boomers parents who number approximately 71.2 million. The echo boomers were born between 1977 and 1996 and the bulk of them are currently working their way into the market (age range in 2008 was 12 - 31). According to the U.S. Department of Education, for school year 2010 - 2011 more people were expected to attend universities in the United States than at any other time in history. We do not expect this trend to abate

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anytime in the near future. As these people graduate and work their way into the market, we believe the pool of educated, employed and qualified renters will increase dramatically.

## Population by Age

\*Based on U.S. Census Bureau, Population Division 2010 Census Data.

[http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC\\_10\\_SF1\\_QTP1&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_SF1_QTP1&prodType=table)

## Our Competitive Strengths

We believe that we distinguish ourselves from our competitors through the following competitive advantages:

experienced management team with significant expertise in real estate and real estate-related debt investments and capital markets;

access to a pipeline of investment opportunities;  
benefits from our relationship with our manager and its affiliates; and  
dedicated asset management team.

## Our Investment Strategy

We will seek to maximize returns for our stockholders by taking advantage of the current environment in the domestic real estate market. While occupancy and capitalization rates in the multifamily sector have rebounded from recessionary lows, apartment values remain below previous market highs due to significant declines in rental rates, collections and net operating incomes that have yet to fully recover. As the real estate market and economy stabilize, we intend to employ efficient management techniques to grow income and create asset value. Our investment strategy includes, without limitation, the following:

acquiring real estate-related assets where such assets or the owners of such assets are overleveraged or where such owners may be struggling to meet current debt service obligations on such assets, or, in certain circumstances, where such owners are financial institutions or conduits under either legal or economic compulsion to sell;  
acquiring assets in opportunistic, performing and stable markets throughout the United States;

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acquiring multifamily properties which we believe will generate sustainable cash flow from operations sufficient to allow us to cover the dividends that we expect to declare and pay and which we believe will have the potential for capital appreciation;

taking advantage of the lack of significant new multifamily development in the last few years; and taking advantage of the anticipated availability of financing from Freddie Mac and Fannie Mae that fits within our financing strategy. See the section entitled "Business - Our Financing Strategy" included elsewhere in this prospectus for a detailed discussion of our financing strategy.

We believe that financing will be available from Fannie Mae and Freddie Mac because they currently maintain that they will provide liquidity to the market in the form of debt capital at rates that meet our existing financing strategy.

While market conditions may change and affect this availability, we believe Fannie Mae and Freddie Mac will continue to operate and provide debt for the multifamily sector. Fannie Mae and Freddie Mac are providing financing in a period where their current interest rate quotes are at or near historical lows, providing favorable economics for acquisitions where we anticipate that property operations will improve.

In implementing our investment strategy, we will use our manager's and its affiliates' expertise in identifying attractive investment opportunities with the target classes described below, as well as their transaction sourcing, underwriting, execution and asset management and disposition capabilities. We expect that our manager will make decisions based on a variety of other factors, including expected risk-adjusted returns, credit fundamentals, liquidity, availability of adequate financing, borrowing costs and macroeconomic conditions. In addition, all investment decisions will be made with a view to obtaining and maintaining qualification as a REIT.

We believe there are numerous opportunities within the multi-family sector to acquire assets that fit our investment strategy. While cap rates have come down recently, interest rates generally remain below cap rates, providing an opportunity for buyers to achieve positive leverage (borrow at a cost of capital below the cap rate on the asset). In addition, we believe that net operating income, or NOI, growth for multifamily assets in general will be between 5% and 8% annually through 2014.

\*Based on Witten Advisors Second Quarter 2012 U.S. Apartments Markets Forecast Presentation and U.S. Bureau of Labor Statistics.



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We believe that opportunity to purchase assets today at a price below replacement cost and generally below the recent highs in multifamily pricing that occurred in 2006 to 2008, combined with the general forecast of improving NOI growth, supports our investment strategy. However, our investment strategy is dynamic and flexible, which we anticipate will enable us to adapt to shifts in economic, real estate and capital market conditions and to exploit inefficiencies. Consistent with this strategy, our investment decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different economic and capital market conditions. We believe this approach allows us to identify undervalued opportunities in all market cycles, often before other investors identify such opportunities.

In particular, we will look to acquire:

assets of varying age depending on the return profile and the specific strategy for each asset;  
assets in the top submarkets of each metropolitan statistical area (MSA) defined by highest rent per square foot, highest resident income level, highest property values for single family housing, etc.;  
properties that should be modern in architecture and appearance with no functional obsolescence or design flaws;  
assets comprised of 200 – 600 units per property to allow increased operating efficiency, with target properties outside this profile evaluated and priced appropriately;  
multifamily properties which we believe will generate sustainable cash available for distribution sufficient to allow us to cover the dividends that we expect to declare and pay and which we believe will have the potential for capital appreciation;  
assets with target capitalization rates varying by market and asset type – in light of today’s interest rate environment, we believe core assets in the more stable markets could range between 5.0% and 7.0% and more opportunistic assets could have significantly higher acquisition capitalization rates;  
assets with exit capitalization rates forecasted based on market performance, interest rate assumptions, and asset strategy but that generally mirror entry capitalization rates (except on more opportunistic targets); and  
assets in urban infill areas and suburban markets.

It is our policy to acquire our target assets primarily for income, and only secondarily for possible capital gain. We currently do not anticipate investing in unimproved property, developing new construction properties or acquiring new construction, however, we would consider a forward purchase or option to purchase contract on a to-be-built multifamily asset with the appropriate provisions for minimum occupancy and income thresholds in order for us to expect the asset to be priced appropriately. In connection with entering into a forward purchase or option to purchase contract, we may be required to provide a deposit, a mezzanine loan or other assurances of our ability to perform our obligations under the forward purchase or option to purchase contract. See the section entitled “Business – Real Estate Loan Investments” elsewhere in this prospectus for a detailed description of the terms of the Oxford Hampton Mezzanine Loan and the Oxford Summit II Mezzanine Loan.

Our target asset acquisitions would fit into three categories consisting of:

*Core Assets:* Core assets can best be described as being relatively new properties (less than ten years old) in major markets and top submarkets. These properties typically are in infill and close-in suburban locations with significant barriers to entry and little-to-no deferred maintenance issues or significant capital expenditures necessary to maintain market presence. The properties are typically well managed and maintained by the seller. Based on the current interest rate environment, we would expect capitalization rates to range from 5.0% to 7.0%;

*Value Add Assets:* Value add assets can best be described as slightly older assets (up to 25 years old) in major markets, but submarkets can be infill or suburban. Value add assets typically have some deferred maintenance issues, capital expenditure needs and/or modest operational or occupancy deficiencies that may require more management intensive efforts than core assets. These operational



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deficiencies could include, but are not limited to, below market occupancy rates, unqualified or inexperienced management teams on site or at the corporate level, deferred maintenance and capital expenditure needs. Capital expenditure needs in value add assets should be no more than \$10,000 to \$20,000 per unit, depending on market conditions and material costs. The capitalization rates for value add assets are expected to be higher (6.0% to 8.0% currently) than core assets with higher expected returns; and

*Opportunistic Assets:* Opportunistic assets can be older assets, but we would seek to avoid functional obsolescence in an asset due to defective construction and inherent flaws. Examples of functional obsolescence could include, but are not limited to, flat roofs in garden style apartments, floor plans that are significantly smaller than the market average and a high percentage of two bedroom/one bath units relative to the market. Defective construction or inherent flaws could include, but is not limited to, aluminum wiring in apartments for electricity, blu-poly piping and poor installation of mechanical systems or appliances. It is possible that we would acquire an asset with some of these flaws with the intention of correcting the issues or updating the asset. We would expect this type of asset to have serious physical or operational deficiencies that will require intensive efforts to correct either through management changes, renovation or a combination of both. Capital expenditure needs in opportunistic assets will probably exceed \$20,000 per unit, depending on market conditions and material costs. Serious physical and operational deficiencies could include, but are not limited to, reroofing a property, repainting the interior and exterior of a property, replacing all the appliances in a property and completely renovating the common areas. Capitalization rates for these assets could be 7.0% or higher due to the potentially serious operational deficiencies with an opportunistic asset. Current cap rates for opportunistic assets may be difficult to determine and may vary widely.

We also may invest in real estate-related debt, including, but not limited to, previously originated first mortgage loans and loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration or otherwise guaranteed or insured on multifamily properties that meet our investment criteria, which are performing or non-performing, previously originated mezzanine loans on multifamily properties that meet our investment criteria (second or subsequent mortgages), which are performing or non-performing, and tranches of securitized loans (pools of collateralized mortgaged-backed securities) on multifamily properties that meet our investment criteria, which are performing or non-performing. We do not have a formal policy with respect to the proportion of assets which may be invested in each type of mortgage or any single mortgage. We will seek to invest in debt when there is a reasonable expectation that either the satisfaction of the debt under its current terms or the foreclosure of the asset securing the debt would result in a favorable return to us. We will analyze the current operations of any asset securing the debt that we seek to purchase in order to determine the likelihood of a default or foreclosure (in the case where there is not one currently) and price our bid for such debt based on the expectations of either a successful payoff by the current borrower or a need to foreclose on the asset. We do not have a formal portfolio turnover policy, and currently do not intend to adopt one.

We anticipate that future acquisitions of assets by us generally will be from unaffiliated third parties, but we would still consider an acquisition from an affiliated third party if such acquisition made financial sense to us and was approved by our conflicts committee, which is comprised entirely of independent directors.

The investment committee will periodically review our investment portfolio and its compliance with our investment guidelines (or our investment policies), and provide our Board of Directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. Our investment guidelines, the assets in our portfolio, the decision to utilize leverage, and the appropriate levels of leverage are periodically reviewed by our Board of Directors as part of their oversight of our manager. Our Board of Directors may amend or revise our investment guidelines without a vote of the stockholders. If our Board of Directors amends or revises our investment guidelines, the board will describe such amendments or revisions in our next Quarterly Report on Form 10-Q, a Form 8-K or a press release.



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## **Our Target Markets**

We will use a variety of metrics and measures to assist us in determining the appropriateness of the markets we will target for acquisitions, the sub-markets within those markets and the individual assets we will acquire. Generally, we intend to target MSAs of one million people or more with favorable economic conditions. The conditions we may monitor in determining the economic conditions of a market include, but are not limited to, job growth, household income, the pipeline of new supply for multifamily units, the pipeline of new supply for single family units, current and forecasted occupancy for multifamily units, current and forecasted rental rate growth for multifamily units, and other statistics that may be relevant to individual markets. In addition, we will analyze data from our affiliate operations to corroborate any assumptions. Our affiliate operations include third party property management of 22,500 multifamily units across 15 states, asset management of almost 4,500 multifamily units across six states and in-house property management of over 5,100 multifamily units across six states. In addition to the analysis of current economic conditions and forecasts and the data provided by our affiliates' operations, we will utilize a network of industry contacts and relationships to generate significant information about current and future market conditions. The map below provides our most current analysis of the markets where we believe opportunities exist for us to acquire properties. These markets have different favorable and unfavorable traits which might cause us to make different acquisition decisions in each market, depending on the type of asset available in the market, the submarket it is located in within that market, the pricing we anticipate for that asset and our view on how the asset, the submarket and the broader market will perform. The areas in blue on the map below indicate additional markets we are currently targeting for properties to acquire, however, no assurance can be given that suitable properties will be acquired in such areas. These markets have been selected because our affiliated operations currently have a significant presence in these markets or we have determined that the market presents a good opportunity for property acquisitions. We anticipate this presence will provide us more accurate and timely market data when evaluating potential acquisitions and speed and efficiency in putting in place a property management team post-acquisition. The map below is a guide and will change as additional information becomes available to us regarding national, market or local trends. As of the date of this prospectus, we currently own properties in Atlanta, Georgia MSA, Hampton, Virginia MSA, and Philadelphia, Pennsylvania MSA and we may purchase properties in markets other than those shown on the map below. See the section entitled "Description of Real Estate Investments - Properties Owned" included elsewhere in this prospectus for a detailed discussion of the properties we have acquired.

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**Target MSA Map**

\* Target MSAs in the above map are as of June 30, 2012

**Our Financing Strategy**

We intend to utilize leverage in making our investments. The number of different investments we will acquire will be affected by numerous factors, including the amount of funds available to us. By operating on a leveraged basis, we will have more funds available for our investments. This will allow us to make more investments than would otherwise be possible, resulting in a larger and more diversified portfolio. See the Risk Factors section of this prospectus for more information about the risks related to operating on a leveraged basis.

We intend to target leverage levels (secured and unsecured) between 50% and 65% of the value of our tangible assets (including our real estate assets, real estate loans and other real estate-related investments, accounts receivable and cash and cash equivalents) on a portfolio basis based on fair market value. As of June 30, 2012 our outstanding debt (both secured and unsecured) was approximately 46.8% of the value of our tangible assets on a portfolio basis based on fair market value. Neither our charter nor our by-laws contain any limitation on the amount of leverage we may use. Our investment guidelines, which can be amended by our Board of Directors without stockholder approval, limit our borrowings (secured and unsecured) to 75% of the cost of our tangible assets at the time of any new borrowing. These targets, however, will not apply to individual real estate assets or investments. The amount of leverage we will seek for particular investments in our target assets will depend on our manager's assessment of a variety of factors which may include the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in the portfolio, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and the health of the commercial real estate market in general. In addition, factors such as our outlook on interest rates, changes in the yield curve slope, the level and volatility of interest rates and their associated credit spreads, the underlying collateral of our assets and our outlook on credit spreads relative to our outlook on interest rate and economic performance could all impact our decision and strategy for financing the target assets. At the date of acquisition of each asset, we anticipate that the cost of investment for such asset will be substantially similar to its fair market value. However, subsequent events, including changes in the fair market value of our

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assets, could result in our exceeding these limits. Finally, we intend to acquire all our properties through separate special purpose entities and we intend to finance each of these properties using financing techniques for that property alone without any cross-collateralization to our other properties. In addition, neither we nor our operating partnership intend to provide any guaranties of property level indebtedness. Finally, we intend to have no long-term corporate level debt.

The leverage may be obtained from a variety of sources including (but not limited to) Freddie Mac, Fannie Mae, commercial banks, credit companies, insurance companies, pension funds, endowments, financial services companies and other institutions who wish to provide debt financing for our assets.

Our secured and unsecured aggregate borrowings are intended by us to be reasonable in relation to our net assets and are reviewed by our Board of Directors at least quarterly. In determining whether our borrowings are reasonable in relation to our net assets, our Board of Directors considers many factors, including without limitation, the lending standards of government-sponsored enterprises, such as Fannie Mae, Freddie Mac and other companies for loans in connection with the financing of multifamily properties, the leverage ratios of publicly traded and non-traded REITs with similar investment strategies, cash flow coverage, whether we have positive leverage (in that, our Board of Directors will compare the capitalization rates of our properties to the interest rates on the indebtedness of such properties) and general market and economic conditions. There is no limitation on (i) the amount that we may borrow for any single investment, or (ii) the number of mortgages that may be placed on any one piece of property.

## **Risk Management**

Risk management is a fundamental principle in our manager's construction of our portfolio and in the management of each investment. Diversification of our portfolio by investment size and location is critical to controlling portfolio-level risk. Over the long term, it is our policy that no single asset will exceed 15% of our total assets and that we will not have more than 25% of our total assets invested in any single MSA. However, until a sufficient number of properties are acquired, we anticipate that we will have single assets in excess of 15% of our total assets and more than 25% of our assets in a single MSA. There is no limitation on (i) the percentage of assets of any one type of investment which we may invest in, and (ii) in the case of securities, the percentage of securities of any one issuer which we may acquire.

## **Investment Committee**

Our manager has an investment committee which will meet periodically, at least every quarter, to discuss investment opportunities. The investment committee will periodically review our investment portfolio and its compliance with our investment guidelines described above, and provide our Board of Directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. From time to time, as it deems appropriate or necessary, our Board of Directors also will review our investment portfolio and its compliance with our investment guidelines and the appropriateness of our investment guidelines and strategies.

## **Policies With Respect to Certain Other Activities**

If our Board of Directors determines that additional funding is required, we may raise such funds through additional offerings of equity or debt securities or the retention of cash flow (subject to provisions in the Code concerning distribution requirements and the taxability of undistributed REIT taxable income) or a combination of these methods. If our Board of Directors determines to raise additional equity capital, it has the authority, without stockholder

approval, to issue additional common stock or preferred stock in any manner and on such terms and for such consideration as it deems appropriate, at any time. We will seek to maintain a balance between the number of outstanding shares of common stock and other types of equity securities of the company issued and outstanding as we seek to fund our capital needs. However, we can make no assurances that we will be able to achieve or maintain this balance. For example, uncertainties in the marketplace could affect the timing, amount and value of any equity securities to be issued, and the success or lack of success of any capital raising program, including, without limitation, this offering. Moreover, general economic conditions affecting our business, financial condition and operations could affect the balance between the number of outstanding shares of common stock and other types of equity securities of the company issued and outstanding.



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In addition, we may finance the acquisition of investments using the various sources of financing discussed above. Our investment guidelines, the assets in our portfolio, the decision to utilize leverage, and the appropriate levels of leverage are periodically reviewed by our Board of Directors as part of their oversight of our manager and may be changed without stockholder approval.

We may offer equity or debt securities in exchange for property or may redeem or otherwise reacquire shares of our common stock for cash. We also may redeem shares of our Series A Redeemable Preferred Stock for cash or in equal value of our common stock. In addition to the Series A Redeemable Preferred Stock issuable in this offering and issued and issuable pursuant to the Primary Series A Offering, we may establish one or more other classes or series of preferred stock, including convertible preferred stock. Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we may in the future invest in securities (including partnership interests, limited liability company interests, common stock and preferred stock) of other REITs or other entities (including for the purpose of exercising control over such entities) that invest in multifamily properties or otherwise have similar investment objectives. We have no current plans to invest in entities that are not engaged in real estate activities. There are no limitations on the amount or percentage of our total assets that may be invested in any one issuer, other than imposed by the gross income and asset test we must meet in order to remain qualified as a REIT under the Code. We do not intend that our investments in securities will require us to register as an investment company under the Investment Company Act, and we would intend to divest such securities before any such registration would be required. We do not intend to underwrite securities of other issuers.

We intend to make available to our stockholders our annual reports, including our audited financial statements. After our IPO, we became subject to the information reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act. Pursuant to those requirements, we are now required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

Our Board of Directors may change any of these policies without prior notice to you or a vote of our stockholders.

## **Operating and Regulatory Structure**

### **REIT Qualification**

We have elected and qualified to be taxed as a REIT commencing with our tax year ended December 31, 2011. In addition, we may hold certain of our assets through TRSs, which may be subject to corporate-level income tax at regular rates. Our qualification as a REIT depends on our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our method of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our stockholders. If we fail to qualify for taxation as a REIT in any taxable year, and the statutory relief provisions of the Code do not apply, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would they be required to be made. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income or property and to U.S. federal income and

excise taxes on our undistributed income.

### **Investment Company Act Considerations**

We intend to conduct our operations so that we and each of our subsidiaries are exempt from registration as an investment company under the Investment Company Act. Under Section 3(a)(1)(A) of the Investment Company Act, a company is an investment company if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if

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it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of government securities and cash items) on an unconsolidated basis, or the 40% test. Investment securities exclude U.S. Government securities and securities of majority owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We intend to acquire real estate and real-estate related assets directly, for example, by acquiring fee interests in real property, or by purchasing interests, including controlling interests, in REITs or other real estate operating companies, such as real estate management companies and real estate development companies, that own real property. We also may acquire real estate assets through investments in joint venture entities, including joint venture entities in which we may not own a controlling interest. We anticipate that our assets generally will be held in our wholly owned and majority owned subsidiaries, each formed to hold a particular asset.

We intend to conduct our operations so that our company and most, if not all, of its wholly owned and majority owned subsidiaries will comply with the 40% test. We will continuously monitor our holdings on an ongoing basis to determine the compliance of our company and each wholly owned and majority owned subsidiary with this test.

Because we expect that most of our assets will be real estate investments, we expect that most, if not all, of the company's wholly owned and majority owned subsidiaries will not be relying on exemptions under either Section 3(c)(1) or 3(c)(7) of the Investment Company Act. Consequently, interests in these subsidiaries (which are expected to constitute most, if not all, of our assets) generally will not constitute investment securities. Accordingly, we believe that our company and most, if not all, of its wholly owned and majority owned subsidiaries will not be considered investment companies under Section 3(a)(1)(C) of the Investment Company Act.

In addition, we believe that neither we nor any of our wholly owned or majority owned subsidiaries will be considered investment companies under Section 3(a)(1)(A) of the Investment Company Act because they will not engage primarily, or propose to engage primarily, or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we and our subsidiaries will be primarily engaged in non-investment company businesses related to real estate. Consequently, we and our subsidiaries expect to be able to conduct their respective operations such that none of them will be required to register as an investment company under the Investment Company Act.

The determination of whether an entity is our majority owned subsidiary is made by us. The Investment Company Act defines a majority owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority owned subsidiary of such person. The Investment Company Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat companies in which we own at least a majority of the outstanding voting securities as majority owned subsidiaries for purposes of the 40% test. We have not requested that the SEC staff approve our treatment of any entity as a majority owned subsidiary and the SEC staff has not done so. If the SEC staff were to disagree with our treatment of one or more companies as majority owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to comply with the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

We intend to conduct our operations so that neither we nor any of our wholly owned or majority owned subsidiaries fall within the definition of investment company under the Investment Company Act. If we or any of our wholly owned or majority owned subsidiaries inadvertently falls within one of the definitions of investment company, we intend to rely on the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, which is available for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and

interests in real estate. In addition to prohibiting the issuance of certain types of securities, this exclusion generally requires that at least 55% of an entity's assets must be comprised of mortgages and other liens on and interests in real estate, also known as qualifying assets, and at least 80% of the entity's assets must be comprised of qualifying assets and a broader category of assets that

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we refer to as real estate-related assets under the Investment Company Act. Additionally, no more than 20% of the entity's assets may be comprised of miscellaneous assets.

We will classify our assets for purposes of the Investment Company Act, including the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, in large measure based upon no-action positions taken by the SEC staff in the past. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than twenty years ago. No assurance can be given that the SEC staff will concur with our classification of our assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify our assets for purposes of the Investment Company Act. If we are required to re-classify our assets, we may no longer be in compliance with the exclusion from the definition of an investment company provided by Section 3(c)(5)(C) of the Investment Company Act.

For purposes of determining whether we satisfy the 55%/80% tests, we will classify the assets in which we invest as follows:

*Real Property.* Based on the no-action letters issued by the SEC staff, we will classify our fee interests in real properties as qualifying assets. In addition, based on no-action letters issued by the SEC staff, we will treat our investments in joint ventures, which in turn invest in qualifying assets such as real property, as qualifying assets only if we have the right to approve major decisions affecting the joint venture; otherwise, such investments will be classified as real estate-related assets. We expect that no less than 55% of our assets will consist of investments in real property, including any joint ventures that we control.

*Securities.* We intend to treat as real estate-related assets debt and equity securities of both non-majority owned publicly traded and private companies primarily engaged in real estate businesses, including REITs and other real estate operating companies, and securities issued by pass-through entities of which substantially all the assets consist of qualifying assets or real estate-related assets.

*Loans.* Based on the no-action letters issued by the SEC staff, we will classify our investments in various types of whole loans as qualifying assets, as long as the loans are fully secured by an interest in real estate at the time we originate or acquire the loan. However, we will consider loans with loan-to-value ratios in excess of 100% to be real estate-related assets. We will treat our mezzanine loan investments as qualifying assets so long as they are structured as Tier 1 mezzanine loans in accordance with the guidance published by the SEC staff in a no-action letter that discusses the classifications of Tier 1 mezzanine loans under Section 3(c)(5)(C) of the Investment Company Act.

Consistent with no-action positions taken by the SEC staff, we will consider any participation in a whole mortgage loan, including B-Notes, to be a qualifying real estate asset only if (1) we have a participation interest in a mortgage loan that is fully secured by real property; (2) we have the right to receive our proportionate share of the interest and the principal payments made on the loan by the borrower, and our returns on the loan are based on such payments; (3) we invest only after performing the same type of due diligence and credit underwriting procedures that we would perform if we were underwriting the underlying mortgage loan; (4) we have approval rights in connection with any material decisions pertaining to the administration and servicing of the loan and with respect to any material modification to the loan agreements; and (5) if the loan becomes non-performing, we have effective control over the remedies relating to the enforcement of the mortgage loan, including ultimate control of the foreclosure process, by having the right to: (a) appoint the special servicer to manage the resolution of the loan; (b) advise, direct or approve the actions of the special servicer; (c) terminate the special servicer at any time with or without cause; (d) cure the default so that the mortgage loan is no longer non-performing; and (e) purchase the senior loan at par plus accrued interest, thereby acquiring the entire mortgage loan.

We will base our treatment of any other investments as qualifying assets and real estate-related assets on the characteristics of the underlying collateral and the particular type of loan (including whether we have foreclosure rights with respect to those securities or loans that have underlying real estate collateral) and we will make these determinations in a manner consistent with guidance issued by the SEC staff.

Qualification for exemption from the definition of investment company under the Investment Company Act will limit our ability to make certain investments. For example, these restrictions may limit the ability of

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our company and our subsidiaries to invest directly in mortgage-related securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset-backed securities, distressed debt, subordinated debt and real estate companies or in assets not related to real estate. Although we intend to monitor our portfolio, there can be no assurance that we will be able to maintain this exemption from registration for our company or each of our subsidiaries.

A change in the value of any of our assets could negatively affect our ability to maintain our exemption from regulation under the Investment Company Act. To maintain compliance with the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or may have to forego opportunities to acquire assets that we would otherwise want to acquire and would be important to our investment strategy.

To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the definition of investment company and the exceptions to that definition, we may be required to adjust our investment strategy accordingly. Additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the investment strategy we have chosen.

If we are required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), and portfolio composition, including restrictions with respect to diversification and industry concentration and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan.

## **Competition**

Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. We are subject to significant competition in acquiring our target assets. In particular, we will compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds, commercial and investment banks, hedge funds, mortgage bankers, commercial finance and insurance companies, governmental bodies and other financial institutions. We also may compete with John A. Williams and his affiliates for investment opportunities. See the section entitled **Risk Factors** included elsewhere in this prospectus. In addition, there are several REITs with similar investment objectives, including a number that have been recently formed, and others may be organized in the future. These other REITs will increase competition for the available supply of real estate-related assets suitable for purchase or origination. Some of our anticipated competitors have greater financial resources, access to lower costs of capital and access to funding sources that may not be available to us. In addition, some of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the Investment Company Act. Furthermore, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, or pay higher prices, than we can. Current market conditions may attract more competitors, which may increase the competition for our target assets. An increase in the competition for such assets may increase the price of such assets, which may limit our ability to generate attractive risk-adjusted returns for our stockholders, thereby adversely affecting the market price of our outstanding stock.

In the face of this competition, we expect to have access to our manager's and its affiliates' professionals and their industry expertise, which we believe will provide us with a competitive advantage and help us assess investment risks

and determine appropriate pricing for potential investments. We expect that these relationships will enable us to compete more efficiently and effectively for attractive investment opportunities. In addition, we believe that current market conditions may have adversely affected the financial condition of certain competitors. Thus, not having a legacy portfolio also may enable us to compete more effectively for attractive investment opportunities. Although we believe we are well positioned to compete effectively in each facet of our business, there can be no assurance that we will be able to achieve our business goals or expectations due to the extensive competition in our market sector. For additional information concerning these competitive risks, see Risk Factors.



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## **Employees**

We are externally managed by our manager pursuant to the management agreement between our manager and us. All our officers are employees of our manager or its affiliates. See the section entitled "Our Sponsor, our Manager and the Management Agreement" Management Agreement included elsewhere in this prospectus.

## **Legal Proceedings**

Neither we nor our subsidiaries nor, to our knowledge, our manager is currently subject to any legal proceedings that we or our manager consider to be material. To our knowledge, none of our properties is currently subject to any legal proceeding that we consider material.

## **Other Information**

Our principal executive offices are located at 3625 Cumberland Boulevard, Suite 400, Atlanta, Georgia 30339. Our telephone number is (770) 818-4100. Our website is *www.pacaps.com*. The contents of our website are not part of this prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.

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## DESCRIPTION OF REAL ESTATE INVESTMENTS

### Properties Owned

The following table provides information as of June 30, 2012 regarding our three multifamily communities.

- (1) Exclusive of additional amounts recoverable from tenants for utilities and rent concessions that may be offered to tenants.
- (2) The purchase price of acquired properties is based on the aggregate value of the tangible and identifiable intangible assets and liabilities acquired.
- (3) Each of the multifamily communities is operated under a management agreement between our manager and PRM, or the property manager, an affiliate of our manager.  
Mortgage debt amount and interest rate at June 30, 2012. Interest rate varies monthly and is calculated by adding
- (4) 2.77% to the British Bankers' Association's one month LIBOR Rate for United States Dollar deposits, or LIBOR, for Stone Rise and 2.80% to LIBOR for Trail Creek. LIBOR was 0.245% on June 30, 2012.
- (5) Variable monthly interest rates are capped at 7.25% and 6.85% for Stone Rise and Trail Creek, respectively.  
See the section entitled "Certain Relationships and Related Transactions - Agreements With Institutional and Other Investors - Real Estate Property Investments" contained elsewhere in this prospectus.

### Summit Crossing

On April 21, 2011, we completed the acquisition of 100% of the membership interests in PAC Summit Crossing, LLC, a Georgia limited liability company (f/k/a Oxford Summit Partners LLC), the fee-simple owner of Summit Crossing, a 345-unit multifamily community located in suburban Atlanta, Georgia, for a total purchase price of \$33.2 million, exclusive of acquisition-related and financing-related transaction costs.

We funded the purchase price from proceeds of the IPO and concurrent private placement transaction and a non-recourse first mortgage loan in the original principal amount of approximately \$20.9 million. The loan bears interest at a fixed rate of interest equal to 4.71% per annum. The loan requires monthly payments of accrued interest only from the period of June 1, 2011 to May 1, 2014. Beginning on June 1, 2014, the loan will require monthly payments of accrued interest and principal based on a 30-year amortization period. The loan matures on May 1, 2018.

The loan may not be partially prepaid, but may be prepaid in full at any time. However, any prepayment before February 1, 2018 will require us to pay a prepayment premium. The prepayment premium is the greater of (1) 1% of the loan balance and (2) the present value of the difference in payments implied between the stated interest rate on the loan and the equivalent rate on a U.S. Treasury security whose maturity coincides with the maturity of the loan at the time the prepayment is being calculated. In the case where a U.S. Treasury security does not have a maturity date equal to the maturity date of the loan, the interpolation of the yield between the securities immediately shorter and immediately longer than the maturity of the loan shall be used. At maturity a balance of approximately \$14.3 million will be due on the loan, assuming no prior principal prepayment on the loan.

Summit Crossing is a multifamily community consisting of 345 units located in suburban Atlanta, Georgia. The community consists of 26 garden and townhome buildings on a 19-acre landscaped setting. A



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gated and controlled access community, Summit Crossing is comprised of a unit mix of 83 one-bedroom garden apartment homes, 40 one-bedroom townhomes, 53 two-bedroom garden apartment homes, 166 two-bedroom townhomes and 3 three-bedroom garden apartment homes. The property was constructed in 2007 and its apartment homes have an average size of 1,034 square feet. We believe that the Summit Crossing property is suitable and adequate for use as a multifamily apartment complex. No major renovations, improvements or developments are planned for the Summit Crossing property.

There are currently nine other apartment communities in the area that we believe are competitive with Summit Crossing, with seven of those properties located two to three miles south in Alpharetta/North Fulton County. Including Summit Crossing, these ten properties total 3,842 units, have an average unit size of 1,094 square feet and an average year of construction of 2000. In addition to existing competitive properties, the market in which Summit Crossing is located currently has three properties in its competitive submarket that are entitled for multifamily development. These projects would represent an aggregate of 1,000 units and all three could potentially start in the next 6-12 months. In addition, an affiliate of the seller of Summit Crossing owns one adjacent parcel entitled for multi-family development that would allow for the future development of a 172 unit community. The company has made a mezzanine loan on an additional 140 unit property adjacent to Summit Crossing. The property broke ground in the second quarter of 2012 and is expecting to deliver units around mid-year 2013.

All the leased space is residential with leases ranging from an initial term of three months to one year. The average historical occupancy rate (determined by the total number of units actually occupied at the specified point in time indicated) for the last five years is as follows:

At December 31, 2011	95.3	%
At December 31, 2010	94.8	%
At December 31, 2009	93.8	%
At December 31, 2008	85.4	%
At December 31, 2007	76.5	%

No single tenant occupies 10% or more of Summit Crossing.

The average historical effective net annual rental rate per unit (including any tenant concessions and abatements) at Summit Crossing is as follows:

Year ending December 31, 2011	\$ 10,800
Year ending December 31, 2010	\$ 10,476
Year ending December 31, 2009	\$ 10,212
Year ending December 31, 2008	\$ 10,536
Year ending December 31, 2007	\$ 10,728

Property taxes paid on Summit Crossing for the fiscal year ended December 31, 2011 were \$153,449.44. Summit Crossing was subject to a tax rate of 2.6624% of its assessed value.

Under a contract with our manager, PRM, an affiliate of our manager, will act as property manager of Summit Crossing. In the opinion of the management of the company, Summit Crossing is adequately covered by insurance.

TABLE OF CONTENTS**Stone Rise**

On April 15, 2011, we completed the acquisition of 100% of the membership interests in Stone Rise Apartments, LLC, a Delaware limited liability company (f/k/a Oxford Rise JV LLC), the fee-simple owner of Stone Rise, a 216-unit multifamily apartment community located in suburban Philadelphia, Pennsylvania, for a total purchase price of \$30.15 million, exclusive of acquisition-related and financing-related transaction costs.

We funded the purchase price from proceeds of the IPO and concurrent private placement transaction and a non-recourse first mortgage in the original principal amount of \$19.5 million. The loan bears interest at an adjustable interest rate that is calculated each month. The adjustable interest rate is set at 277 basis points above the British Banker's Association's one month LIBOR and is capped at 7.25% per annum. The loan requires monthly payments of accrued interest only from the period of June 1, 2011 to May 1, 2014. Beginning on June 1, 2014, the loan will require monthly payments of accrued interest and principal based on a 30-year amortization period. The loan matures on May 1, 2018. The loan may not be partially prepaid, but may be prepaid in full at any time. However, any prepayment before February 1, 2018 will require us to pay a prepayment premium. Prepayment premiums are as follows: Year 1 5% of principal being prepaid; Year 2 4% of principal being prepaid; Year 3 3% of principal being prepaid; Year 4 2% of principal being prepaid; and Year 5 to maturity 1% of principal being prepaid. At maturity a balance of approximately \$17.0 million will be due on the loan, assuming no prior principal prepayment on the loan.

Stone Rise is an existing multifamily apartment complex consisting of 216 units located in suburban Philadelphia, Pennsylvania. The community consists of 8 garden buildings on a 20-acre landscaped setting. Stone Rise is comprised of a unit mix of 72 one-bedroom garden apartment homes and 144 two-bedroom garden apartment homes. The property was constructed in 2008 and its apartment homes have an average size of 1,078 square feet. We believe the Stone Rise property is suitable and adequate for use as a multifamily apartment complex. No major renovations, improvements or developments are planned for the Stone Rise property.

There are currently six other apartment communities in the area that we believe are competitive with Stone Rise. All these properties are located south of Stone Rise nearer to Interstate 76 and Highway 202. Including Stone Rise, the seven properties total 1,602 units, have an average unit size of 1,027 square feet and an average year of construction of 2002. Further, in Chester County, Pennsylvania, the county in which Stone Rise is located, no new construction of multifamily properties is currently on-going or planned. In addition, new construction is constrained due to a current lack of sewer availability that requires any new construction to bear the burden of constructing and maintaining a waste water treatment plant and drip irrigation system. In addition to the specific competitive conditions described above, general competitive conditions affecting Stone Rise include those identified in the section entitled Competition included elsewhere in this prospectus.

All the leased space is residential with leases ranging from an initial term of three months to one year. The average historical occupancy rate (determined by the total number of units actually occupied at the specific point in time indicated) for the last five years is as follows:

At December 31, 2011	92.4	%
At December 31, 2010	94.0	%
At December 31, 2009	79.2	%
At December 31, 2008	21.8	%
At December 31, 2007	N/A	

No single tenant occupies 10% or more of Stone Rise.

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The average historical effective net annual rental rate per unit (including any tenant concessions and abatements) at Stone Rise is as follows:

Year ending December 31, 2011	\$ 15,047
Year ending December 31, 2010	\$ 14,640
Year ending December 31, 2009	\$ 14,556
Year ending December 31, 2008	\$ 16,284
Year ending December 31, 2007	N/A

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Property taxes paid on Stone Rise for the fiscal year ended December 31, 2011 were \$358,580.78. Stone Rise was subject to a base property tax rate of 1.6109% of its assessed value.

Under a contract with our manager, PRM, an affiliate of our manager, will act as property manager of Stone Rise. In the opinion of the management of the company, Stone Rise is adequately covered by insurance.

**Trail Creek**

On April 29, 2011, we, through our indirectly wholly owned subsidiary Trail Creek Apartments, LLC, completed the acquisition of Trail Creek, a 204-unit multifamily townhome community located in Hampton, Virginia, for a total purchase price of \$23.5 million, exclusive of acquisition-related and financing-related transaction costs.

We purchased a fee-simple interest in the property from Oxford Trail JV LLC and funded the purchase price from proceeds of the IPO and concurrent private placement transaction and a non-recourse first mortgage in the original principal amount of approximately \$15.3 million. The loan bears interest at an adjustable interest rate that is calculated each month. The adjustable interest rate is set at 2.80% above LIBOR, and is capped at 6.85% per annum. The loan requires monthly payments of accrued interest only from the period of June 1, 2011 to May 1, 2014. Beginning on June 1, 2014, the loan will require monthly payments of accrued interest and principal based on a 30-year amortization period. The loan matures on May 1, 2018. The loan may not be partially prepaid but may be prepaid in full at any time. However, any prepayment before February 1, 2018 will require us to pay a prepayment premium. Prepayment premiums are as follows: Year 1 5% of the loan balance; Year 2 4% of the loan balance; Year 3 3% of the loan balance; Year 4 2% of the loan balance; and Year 5 to maturity 1% of the loan balance. At maturity a balance of approximately \$18.1 million will be due on the loan, assuming no prior principal prepayment on the loan.

Trail Creek is a multifamily community consisting of 204 units located in Hampton, Virginia. The community consists of 20 two-story townhome buildings on approximately 16.92 acres. Trail Creek is comprised of a unit mix of 84 one-bedroom townhomes and 120 two-bedroom townhomes. The property was constructed in 2006 and its townhomes have an average size of 988 square feet. We believe the Trail Creek property is suitable and adequate for use as a multifamily apartment complex. No major renovations, improvements or developments are planned for the Trail Creek property.

There are currently seven other apartment communities in the area that we believe are competitive with Trail Creek, with five of those properties located within approximately two to three miles of Trail Creek. Including Trail Creek, these eight properties total 1,981 units, have an average unit size of 1,009 square feet and an average year of construction of 2004. In addition to existing competitive properties, the market in which Trail Creek is located currently has three properties either planned or under construction that total 412 units. One of these properties is the 96 unit community the company funded a mezzanine loan on in June of 2012, which has almost completed construction and in which units are being delivered. Completion is scheduled for the third quarter of 2012.

All the leased space is residential with leases ranging from an initial term of three months to one year. The average historical occupancy rate (determined by the total number of units actually occupied at the specified point in time indicated) for the last five years is as follows:

At December 31, 2011	97.6	%
At December 31, 2010	97.3	%
At December 31, 2009	94.8	%

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At December 31, 2008	92.1	%
At December 31, 2007	69.3	%

No single tenant occupies 10% or more of Trail Creek.



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The average historical effective net annual rental rate per unit (including any tenant concessions and abatements) at Trail Creek is as follows:

Year ending December 31, 2011	\$ 13,063
Year ending December 31, 2010	\$ 12,528
Year ending December 31, 2009	\$ 12,336
Year ending December 31, 2008	\$ 12,360
Year ending December 31, 2007	\$ 12,180

Property taxes paid on Trail Creek for the fiscal year ended December 31, 2011 were \$223,496.80. Trail Creek was subject to a tax rate of 1.04% of its assessed value.

Under a contract with our manager, PRM, an affiliate of our manager, will act as property manager of Trail Creek. In the opinion of the management of the company, Trail Creek is adequately covered by insurance.

**Depreciation**

The following table sets forth for each asset class within our three owned multifamily communities, the (i) tax basis for U.S. federal income tax purposes, (ii) the method of tax depreciation and (iii) the depreciable life applicable to each asset class for income tax purposes. Each property was individually material to the company as of March 31, 2012.

Property	Address	City	State	Asset Description	Federal Tax Basis	Method <sup>(1)</sup>	Life Claimed (years)
Stone Rise	900 Selwyn Place	Glenmoore	PA	Building	\$20,954,898	ADS	40
Stone Rise	900 Selwyn Place	Glenmoore	PA	Furniture	1,007,273	ADS	6
Stone Rise	900 Selwyn Place	Glenmoore	PA	Furniture	1,836,000	ADS	10
Stone Rise	900 Selwyn Place	Glenmoore	PA	Land Improvements	305,380	ADS	20
Stone Rise	900 Selwyn Place	Glenmoore	PA	Land	2,652,000	Not Applicable	
Trail Creek	2 Abbott Drive	Hampton	VA	Building	\$19,342,279	ADS	40
Trail Creek	2 Abbott Drive	Hampton	VA	Furniture	387,204	ADS	6
Trail Creek	2 Abbott Drive	Hampton	VA	Furniture	1,482,600	ADS	10

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Trail Creek	2 Abbott Drive	Hampton	VA	Land Improvements	253,856	ADS	20
Trail Creek	2 Abbott Drive	Hampton	VA	Land	3,450,000	Not Applicable	
Summit Crossing	3920 Ivy Summit Court	Cumming	GA	Building	\$26,456,939	ADS	40
Summit Crossing	3920 Ivy Summit Court	Cumming	GA	Furniture	941,609	ADS	6
Summit Crossing	3920 Ivy Summit Court	Cumming	GA				