PREFERRED APARTMENT COMMUNITIES INC
Form S-3
June 09, 2016

As filed with the Securities and Exchange Commission on June 8, 2016
Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form S-3

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

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PREFERRED APARTMENT
COMMUNITIES, INC.

(Exact Name of Registrant as Specified in its Charter)
Maryland
(State or other jurisdiction of incorporation or organization)
27-1712193
(I.R.S. Employer Identification Number)
3284 Northside Parkway NW, Suite 150
Atlanta, Georgia 30327
(770) 818-4100

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)
John A. Williams
Chief Executive Officer
PREFERRED APARTMENT COMMUNITIES, INC.
3284 Northside Parkway NW, Suite 150
Atlanta, Georgia 30327
(770) 818-4100

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

_____

With copies to:

Jeffrey R. Sprain, Esq.	Peter M. Fass, Esq.
PREFERRED APARTMENT	James P. Gerkis, Esq.
COMMUNITIES, INC.	PROSKAUER ROSE LLP
3284 Northside Parkway NW, Suite 150	Eleven Times Square
Atlanta, Georgia 30327	New York, New York 10036-8299
Tel: (770) 818-4100	Tel: (212) 969-3000
Fax: (770) 818-4105	Fax: (212) 969-2900

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement as determined by the registrant.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. ¨

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 of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please 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 registration statement pursuant to General Instruction I.D. or a post effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

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.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Aggregate Offering Price[1]	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[2]	$2,000,000,000	$201,400.00
Series A Redeemable Preferred Stock included as part of the Units[3]	-	-
Warrants included as part of the Units[4]	-	-
Common Stock issuable upon exercise of the Warrants[8]	$680,000,000	$68,476.00[5]
Common Stock issuable upon redemption of the Series A Redeemable Preferred Stock[6][7]	-	-
Common Stock issuable upon the exercise of previously issued and outstanding Warrants[8]	$262,000,670	[8]
Common Stock issuable upon redemption of previously issued and outstanding Series A Redeemable Preferred Stock[9]	-	-
Total	$2,942,000,670	$269,876.00

(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 2,000,000 Units.

(3) We are registering hereunder 2,000,000 shares of Series A Redeemable Preferred Stock.

(4) We are registering hereunder Warrants to purchase 40,000,000 shares of Common Stock.

(5) Includes the offering price attributable to shares of Common Stock issuable upon exercise of the Warrants, assuming an exercise price of $17.00 per share. The registration fee has been calculated in accordance with Rule 457(i) of the Securities Act.

(6) 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.

(7) 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.

(8) Shares of Common Stock that may be issued upon the exercise of Warrants issued pursuant to Registration Statement No. 333-183355 that have not previously been exercised and have not yet expired or have not yet been issued. The proposed maximum aggregate offering price assumes a $16.07 exercise price for unissued Warrants. Pursuant to Rule 415(a)(5)-(6), no additional filing fee is required to be paid for these shares of Common Stock because the issuance of these shares were previously registered on the aforementioned registration statement and the fees were paid in connection with such registration statement.

(9) We also are registering hereunder an indeterminate number of shares of Common Stock that may be issuable upon the redemption of the issued and outstanding Series A Redeemable Preferred Stock issued pursuant to Registration Statement No. 333-183355. The shares of Common Stock issuable upon redemption of the prior issued and outstanding 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.

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 an amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. No person may 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.

SUBJECT TO COMPLETION, DATED , 2016

PRELIMINARY PROSPECTUS

Maximum of 2,000,000 Units consisting of 2,000,000 Shares of Series A Redeemable Preferred Stock and Warrants to Purchase 40,000,000 Shares of Common Stock

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

We are offering a maximum of 2,000,000 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 40,000,000 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 that is set at a 20% premium to the current market price per share of our common stock determined using the volume weighted average price per share 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 $[ ] 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 the Warrants are immediately detachable 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 ranks 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. On November 18, 2011, the Securities and Exchange Commission, or SEC, declared effective our registration statement on Form S-11 (File No. 333-176604), as the same may be amended from time to time, or the Primary Series A Registration Statement, for the offering of Units. The offering under the Primary Series A Registration Statement is referred to herein as the Primary Series A Offering. The Primary Series A Offering expired on December 31, 2013 and 89,408 Units were issued and sold under the Primary Series A Registration Statement. On October 11, 2013, the SEC declared effective our registration statement on Form S-3 (File No. 333-183355), as the same may be amended from time to time, or our First Follow-On Series A Registration Statement, for an offering of up to an additional 900,000 Units. The offering under the First Follow-On Series A Registration Statement is referred to herein as the First Follow-On Series A Offering. The offering under this prospectus is a follow-on offering to the First Follow-On Series A Offering and, except as described in this prospectus, the terms of the First Follow-On Series A Offering are substantially similar to the offering under this prospectus.

Our common stock trades on the NYSE under the symbol "APTS." On June 6, 2016, the last reported sale price of our common stock on the NYSE was $13.86 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.

Investing in our securities involves significant risks. You should carefully read and consider "Risk Factors" included in our most recent Annual Report on Form 10-K and any subsequent periodic securities reports, on page 12 of this prospectus and in any additional prospectus or any prospectus supplement before investing in our securities.

We impose certain restrictions on the ownership and transfer of our capital stock. You should read the information under the section entitled "Description of Capital Stock and Securities Offered — Restrictions on Ownership and

Transfer" in this prospectus for a description of these restrictions.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Unit	Maximum Offering
		$
Public offering price	$1,000.00	2,000,000,000 [1]
Selling commissions[2][3]	$70.00	$140,000,000
Dealer manager fee[2][3]	$30.00	$60,000,000
Proceeds, before expenses, to us	$900.00	$1,800,000,000

(1) Initial gross proceeds. If the Warrants are exercised in full at the minimum exercise price of $[ ] per share of common stock, the Company will receive additional gross proceeds equal to $[ ] million.

(2) Selling commissions and the dealer manager fee will equal up to and including 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 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 for this offering will not exceed 10% of the aggregate gross proceeds of this offering, which is referred to as FINRA's 10% cap. Our dealer manager will repay to us 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.

(3) 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 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 [ ]. 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 2,000,000 Units in this offering by [ ], 2018, which may be extended through [ ], 2019, in our sole discretion. If we extend the offering period beyond [ ], 2018, 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, DTC settlement, or DTC Settlement; or, under special circumstances, through Direct Registration System settlement, or DRS Settlement. See the section entitled "Plan of Distribution" in this prospectus for a description of these settlement methods.

[ ],
as Dealer Manager
The date of this prospectus is , 2016

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We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus is accurate on any date subsequent to the date set forth on its front cover or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus is delivered or securities are sold on a later date.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission, or the SEC. The exhibits to our registration statement and documents incorporated by reference contain the full text of certain contracts and other important documents that we have summarized in this prospectus or that we may summarize in any amendment or prospectus supplement. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the securities we offer, you should review the full text of these documents.

The registration statement and the exhibits and other documents can be obtained from the SEC as indicated under the sections entitled "Where You Can Find More Information about Preferred Apartment Communities" and "Incorporation of Certain Documents By Reference."

Unless otherwise indicated or the context requires otherwise, including with respect to the securities offered by this prospectus as described in "Description of Capital Stock and Securities Offered," in this prospectus or any prospectus supplement hereto, references to "the Company," "we," "us" and "our" mean Preferred Apartment Communities, Inc. and its consolidated subsidiaries, including, without limitation, Preferred Apartment Communities Operating Partnership, L.P., a Delaware limited partnership of which we are the sole general partner, or our Operating Partnership, and "our Manager" refers to Preferred Apartment Advisors, LLC, a Delaware limited liability company, which is our external manager and advisor and a related party.

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.

CAUTIONARY STATEMENT
REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this prospectus and the information incorporated by reference into this prospectus that are not historical factual statements are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act; Section 27A of the Securities Act of 1933, as amended, or the Securities Act; and pursuant to the Private Securities Litigation Reform Act of 1995. 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," "goals," "guidance," "trends," "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:

- 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 the Federal National Mortgage Association, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac;
- financing and advance rates for our target assets;
- our expected leverage;
- 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 real estate investment trust for U.S. federal income tax purposes, or REIT;
- our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended;
- 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;
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy;
- weakness in the national, regional and local economies, which could adversely impact consumer spending and retail sales and in turn tenant demand for space and could lead to increased store closings;
- changes in market rental rates;

- changes in demographics (including the number of households and average household income) surrounding our shopping centers;
- adverse financial conditions for grocery anchors and other retail, service, medical or restaurant tenants;

- continued consolidation in the retail and grocery sector;
- excess amount of retail space in our markets;
- reduction in the demand by tenants to occupy our shopping centers as a result of reduced consumer demand for certain retail formats;
- the growth of online retailers and super-centers and warehouse club retailers, such as those operated by Wal-Mart and Costco, and their adverse effect on traditional grocery chains;
- our ability to aggregate a critical mass of grocery-anchored shopping centers or to spin-off, sell or distribute them;
- the impact of an increase in energy costs on consumers and its consequential effect on the number of shopping visits to our centers; and
- consequences of any armed conflict involving, or terrorist attack against, the United States.

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. For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see "Risk Factors." 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.

PROSPECTUS SUMMARY

This summary highlights selected information about us, but does not contain all the information that may be important to you. This prospectus includes specific terms of the offering and information about our business and financial data. You should read carefully this entire prospectus, including the matters set forth under the caption "Risk Factors," and the information incorporated by reference in this prospectus before making an investment decision.

Our Company

Preferred Apartment Communities, Inc. was formed as a Maryland corporation on September 18, 2009 and has elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, effective with its tax year ended December 31, 2011. The Company was formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States. As part of our business strategy, we may enter into forward purchase contracts or purchase options for to-be-built multifamily communities, and we may make real estate-related loans, provide deposit arrangements or provide performance assurances, as may be necessary or appropriate, in connection with the development of multifamily communities and other properties. As a secondary strategy, we may acquire or originate 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 20% of our assets in other real estate-related investments, such as grocery-anchored shopping centers, senior mortgage loans, subordinate loans or mezzanine debt secured by interests in grocery-anchored shopping centers, membership or partnership interests in grocery-anchored shopping centers and other grocery-anchored shopping center related assets as determined by Preferred Apartment Advisors, LLC, a Delaware limited liability company, or our Manager, as appropriate for us. We have no employees of our own; our Manager provides all managerial and administrative personnel to us pursuant to the Sixth Amended and Restated Management Agreement, effective as of June 3, 2016, among the Company, our Operating Partnership, and our Manager. As referred to herein, the Sixth Amended and Restated Management Agreement, as it may be amended, is referred to as the Management Agreement. Both our Manager and our Operating Partnership are related parties to us.

Our consolidated financial statements include the accounts of the Company and our Operating Partnership. We control our Operating Partnership through our sole general partnership interest in the Operating Partnership, and we conduct substantially all of our business through our Operating Partnership.

Recent Developments

Sixth Amended and Restated Management Agreement

On June 3, 2016, the Company, the Manager and the Operating Partnership executed and delivered a Sixth Amended and Restated Management Agreement dated as of June 3, 2016, which we refer to as the Management Agreement. The Management Agreement amends and restates in its entirety the Fifth Amended and Restated Management Agreement, effective as of January 1, 2015 (as amended as of February 22, 2016, or the Previous Agreement). Below is a summary of the material changes effected by the Management Agreement.

Term

The Management Agreement has a three-year term with automatic yearly renewals upon the expiration of each year of the term, subject to termination by the Company or the Manager under specified circumstances. The Previous Agreement had a term of five years, followed by successive one-year terms unless either the Company or the Manager gave 180 days’ prior notice to the other party of an intention not to renew.

Termination

The Management Agreement provides that, in the event of termination by the Company without cause or by the Manager for cause (each as described below), or upon the liquidation of the Company, the Company is required to pay to the Manager a termination payment, which we refer to as the Termination Payment, equal to the recurring fees paid

or owing relating to the prior 12-month period multiplied by (a) 3.0, if the effective date of termination is on or prior to December 31, 2017, or (b) 2.5, if the effective date of termination is on or after January 1, 2018. If the Manager is sold to an unaffiliated

third party without the consent of the Company's independent directors, or if the Manager assigns the Management Agreement, in whole or in part, without the consent of a majority of the Company's independent directors and the Operating Partnership, the Manager will not be entitled to the Termination Payment.

Upon any termination of the Management Agreement by the Company or the Manager, the Company also will be required to pay to the Manager all fees and expenses unpaid and payable as of the termination date and all deferred fees not yet payable.

The Company may, upon the affirmative vote of at least 75% of the independent directors, terminate the Management Agreement without cause, upon a finding that (a) the Manager is not performing satisfactorily in light of the economic environment existing at such time, or (b) the fees charged by the Manager are not in accordance with the then-current market rates charged by asset management companies rendering services substantially similar to those rendered by the Manager, provided that the termination notice will not be effective if the Manager (i) agrees to continue to provide services for a rate that at least 75% of the independent directors determine to be in accordance with market rates, (ii) delivers a notice of proposal to negotiate, and (iii) reaches an agreement with the Company as to modified fees within 60 days of such notice. Termination of the Management Agreement by the Company without cause will be effective on December 31, 2017, if written notice is provided to and received by the Manager prior to July 1, 2017, or, if such notice is received by the Manager on or after July 1, 2017, on the last day of the calendar month that is 180 days following the date such notice is received by the Manager.

The Company may terminate the Management Agreement for cause (a) upon a final determination by a court that there has been a material breach of the Management Agreement by the Manager having a material adverse effect on the Company, and such breach has continued for a period of 60 days following notice to the Manager (or 90 days if the Manager took steps to cure within 60 days), (b) in the event of a bankruptcy or similar occurrence with respect to the Manager, (c) upon dissolution of the Manager, or (d) upon a final determination of a court that the Manager has committed fraud or similar acts. The Company may not terminate the Management Agreement upon a change of control of the Manager. The Manager will not be entitled to the Termination Payment if the Company terminates the Management Agreement for cause.

The Manager may unilaterally terminate the Management Agreement upon no less than 180 days' prior written notice to the Company informing the Company of the Manager's intention to discontinue performance of services pursuant to the Management Agreement as of the date of termination, in which event the Manager will not be entitled to the Termination Payment.

The Manager may terminate the Management Agreement with immediate effect if the Company becomes required to register as an investment company under the Investment Company Act of 1940, in which event the Manager will not be entitled to the Termination Payment.

The Manager may terminate the Management Agreement for cause (a) upon assignment of the Management Agreement by the Company, (b) upon a change in control of the Company, (c) upon a sale of all or substantially all the assets of the Company, or (d) upon the final determination of a court that the Company has materially defaulted in the performance of its obligations under the Management Agreement, and such default is uncured for 60 days (or 90 days if the Company took steps to cure within 60 days). In the event of a termination by the Manager for cause, the Company is required to pay to the Manager the Termination Payment and also is required to forgive any indebtedness then owing by the Manager to the Company under any line of credit facility, with the outstanding principal balance so forgiven capped at $15 million.

Waiver of Promote

The Management Agreement also provides for the irrevocable waiver by the Manager of all of its rights in its capacity as special limited partner of the Operating Partnership, including its right to receive a promote-type distribution upon

the disposition of the Company's real estate assets, or the special limited partnership interest.

Retail Leasing Fees

The Management Agreement amends the provisions relating to commissions on retail leases to provide that the commission payable to the Manager (a) for new retail leases will be equal to the greater of (i) $4.00 per square foot, and (ii) 4.0% of the aggregate base rental payments to be made by the tenant for the first 10 years of the original lease term; and (b) for lease renewals will be equal to the greater of (i) $2.00 per square foot, and (ii) 2.0% of the aggregate base rental payments to be made by the tenant for the first 10 years of the newly renewed lease term. There are no commissions payable on such lease renewals thereafter.

Other Matters

The Management Agreement removes the prohibition contained in the Previous Agreement on the Company from employing or retaining the Manager's employees for a two-year period in the event the Company terminated the Management Agreement without cause. The Management Agreement provides that the Company may contact the Manager's employees following receipt by the Manager of a notice of termination of the Management Agreement by the Company for the purpose of seeking to hire such employees.

The Management Agreement provides that in the event of a termination of the Management Agreement, (a) the Manager will transfer to the Company and the Company will assume all rights, obligations and liabilities of the Manager under any outstanding leases which relate to the business of the Company, and (b) the Manager will transfer to the Company all intellectual property rights relating to the name of the Company.

The foregoing description of the Management Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Sixth Amended and Restated Management Agreement, a copy of which was filed with the SEC on June 6, 2016 as Exhibit 10.1 to a Current Report on Form 8-K and is incorporated herein by reference.

Sixth Amended and Restated Agreement of Limited Partnership

In connection with the Management Agreement, on June 3, 2016, the Company, the Manager and the other limited partners party thereto executed a Sixth Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated June 3, 2016, which we refer to as the Sixth Amended and Restated Partnership Agreement. The Sixth Amended and Restated Partnership Agreement was entered into principally to remove all references to the Special Limited Partner (as defined in the Fifth Amended and Restated Agreement of Limited Partnership, effective as of January 1, 2014) and the Special Limited Partnership Interest, the receipt of which was irrevocably waived in the Management Agreement. In addition, the Sixth Amended and Restated Partnership Agreement contains updates to the provisions relating to the redemption of redeemable preferred units issued by the Operating Partnership, an updated definition of GAAP and other clarifications and corrections.

The foregoing description of the Sixth Amended and Restated Partnership Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Sixth Amended and Restated Partnership Agreement, a copy of which was filed with the SEC on June 6, 2016 as Exhibit 4.1 to a Current Report on Form 8-K and is incorporated herein by reference.

Recent Closed Transactions

Campus Circle

On June 1, 2016, we acquired Campus Circle, a 219-unit, 679-bed student housing community located near Florida State University in Tallahassee, Florida. We acquired this community through a wholly-owned subsidiary and financed the acquisition by assuming the existing first mortgage loan. The existing first mortgage loan assumed is

approximately $33.9 million with a maturity date of October 1, 2022 and has an annual interest rate of 4.02%.

Avalon Park

On May 31, 2016, we acquired Grandeville at Avalon Park, a 487-unit Class A multifamily community in Orlando, Florida. We acquired this community through a wholly-owned subsidiary and financed the acquisition with a mortgage loan package from Prudential Capital Corporation. The loan package is approximately $65.0 million, bears interest at a

blended floating rate of 2.45% over the 30-day LIBOR annually, matures in May 2019 and is an interest only loan. Upon completion of a value add program, we plan to refinance this asset with a long term mortgage insured by HUD.

Victory Village

On May 16, 2016 we acquired Victory Village, an approximately 71,300 square foot grocery-anchored retail shopping center anchored by a 45,600 square foot Publix grocery store. The Market at Victory Village is located in the Murfreesboro submarket of the Nashville MSA. We acquired this shopping center through a wholly-owned subsidiary and financed the acquisition by assuming the existing first mortgage CMBS loan with a maturity date of September 11, 2024 and an interest rate of 4.4%. The original principal amount of the existing first mortgage CMBS loan assumed was $9.25 million.

Disposition of Trail Creek

On May 19, 2016, we sold Trail Creek Apartments, a 300-unit multifamily community in Hampton, Virginia. The sale generated net proceeds of approximately $10.5 million to us, which we will utilize for working capital purposes, including reducing the outstanding balance under our revolving line of credit facility, acquisitions, real estate investment loans and general corporate purposes.

The Offering	
Issuer	Preferred Apartment Communities, Inc.
Series A Redeemable Preferred Stock offered by us	A maximum of 2,000,000 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 ranks senior to our common stock with respect to the 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 May 2012 to stockholders of record as of April 30, 2012, 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 financial condition, 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 20th day of the month following the month for which the dividend was declared

(or the next business day if the 20th 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.

Redemption at the Option of a Holder. During the period beginning on the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed and ending on the day immediately preceding the first anniversary of such original issuance, 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, initially $1,000 per share, less a 13% redemption fee, plus any accrued but unpaid dividends.

During the period beginning one year from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed and ending on the day immediately preceding the third anniversary of such original issuance, 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, initially $1,000 per share, less a 10% redemption fee, plus any accrued but unpaid dividends.

During the period beginning three years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed and ending on the day immediately preceding the fourth anniversary of such original issuance, 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, initially $1,000 per share, less a 5% redemption fee, plus any accrued but unpaid dividends.

During the period beginning four years from the date of original issuance of the shares of Series A Redeemable Preferred Stock to be redeemed and ending on the day immediately preceding the fifth anniversary of such original issuance, 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, initially $1,000 per share, 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, initially $1,000 per share, plus any accrued but unpaid dividends.

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 redemption price equal to the Stated Value, initially $1,000 per share, plus accrued and unpaid dividends thereon through and including the date of redemption, less all dividends previously paid to the holder or the estate.

If a holder of Series A Redeemable Preferred Stock, or a holder's estate upon death of a holder, 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 per share of our common stock for the 20 trading days prior to the redemption, in exchange for the Series A Redeemable Preferred Stock.

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 have the right (but not the obligation) to redeem such shares of Series A Redeemable Preferred Stock at 100% of the Stated Value, initially $1,000 per share, 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 per share 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.