

PREFERRED APARTMENT COMMUNITIES INC  
Form 424B3  
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## **PREFERRED APARTMENT COMMUNITIES, INC.**

### **SUPPLEMENT NO. 1, DATED MAY 3, 2012, TO THE PROSPECTUS, DATED NOVEMBER 18, 2011**

This prospectus supplement (this Supplement No. 1) is part of the prospectus of Preferred Apartment Communities, Inc. (the Company), dated November 18, 2011 (the Prospectus). This Supplement No. 1 should be read, and will be delivered, with the Prospectus.

The purpose of this Supplement No. 1 is to:

- disclose updated operating information, including the status of the offering, the Units currently available for sale, the status of distributions, the status of fees paid to the Company's manager, and the Company's real estate investment summary;
- revise disclosure relating to the subscription procedures, including the elimination of the escrowing of money for settlements through the Depository Trust Company with respect to subscriptions for the Units;
  - update the number of shares authorized under the Company's charter;
  - update the time up to which the warrants may be exercised;
  - disclose the Company's entrance into an amended and restated warrant agreement;
  - update information with respect to the Company's directors disclosed in its charter;
- update certain information with respect to the agreement of limited partnership of the Company's operating partnership;
- update certain information with respect to sales of Units to investors whose contracts for investment advisory and related brokerage services include a fixed or wrap fee feature;
  - update Appendix B form of Subscription Agreement; and
- add Appendix C form of Depository Trust Company Settlement Subscription Agreement.

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We commenced our reasonable best efforts public offering 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 the our Common Stock, on November 18, 2011. On March 30, 2012, we satisfied the escrow conditions of our public offering. On such date, we 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 warrants to our new Series A Redeemable Preferred Stock stockholders.

We will offer Units until December 31, 2012, which may be extended through December 31, 2013, in our sole discretion, provided that the offering will be terminated if all the 150,000 Units are sold before such date.

On May 2, 2012, the last reported sale price of our common stock on the NYSE AMEX was \$7.96 per share.

**Units Currently Available for Sale**

As of April 13, 2012, there were 2,155 shares of Series A Redeemable Preferred Stock and 2,155 warrants outstanding. As of April 13, 2012, there were 147,845 shares of Series A Redeemable Preferred Stock and 147,845 warrants available for sale.

**Status of Distributions**

In order to obtain and maintain our status as a real estate investment trust for U.S. federal income tax purposes, or REIT, we must comply with a number of organizational and operating requirements, including a requirement to distribute 90% of our annual REIT taxable income to our stockholders. As a REIT, we generally will not be subject to federal income taxes on the taxable income we distribute to our stockholders. Generally, our objective is to meet our short-term liquidity requirement of funding the payment of our quarterly Common Stock dividends to stockholders, as well as monthly dividends to holders of our Series A Redeemable Preferred Stock, through net cash generated from operating results.

For the 12-month period ended December 31, 2011, our dividend and cash-generating activity was:

Three month period ended	Dividend per share of Common Stock	Dividends paid	Cash flow from operations
3/31/2011	\$	\$	\$ (122,686 )
6/30/2011	0.125	646,487	(697,122 )
9/30/2011	0.125	646,675	553,596
12/31/2011	0.125	646,916	794,172
	\$ 0.375	\$ 1,940,078	\$ 527,960

We commenced business operations on April 5, 2011 and acquired three multifamily communities and a real estate loan during the second quarter of 2011. Our first full quarter of operations was the three-month period ended September 30, 2011. As shown above, our cash flow from operations for the twelve-month period ended December

31, 2011 was approximately \$528,000, a shortfall of approximately \$1.4 million, or 72.8%, to our dividends paid of \$1,940,078 during such period. Funds from operations, or FFO, for fiscal 2011 were \$(275,795). The shortfall of these measures 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.

Since these acquisition costs were funded from the proceeds of our initial public offering, including the underwriters exercise of their overallotment option, we adjusted FFO for these costs as well as other nonrecurring and/or non-cash costs to arrive at adjusted FFO, or AFFO, which has recently become our primary internal measure of operating performance. AFFO is not a U.S. generally accepted accounting principle, or GAAP, measure and is most closely related to net income or loss attributable to common stockholders under GAAP. We believe that AFFO is useful to investors as a supplemental guage of our operating performance and is useful in comparing our operating performance with the operating performance

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of other real estate companies that are not as involved in ongoing acquisition activities. See the section of the Prospectus entitled "Management's Discussion and Analysis of Financial Condition and of Operations - Results of Operations" for definitions of non-GAAP measures presented in the Prospectus, as well as a reconciliation of FFO and AFFO to net loss attributable to the Company.

On February 2, 2012, our board of directors approved, and we declared, a quarterly Common Stock dividend of \$0.13 per share, an increase of 4% from the previous quarter, which was paid on April 16, 2012 to stockholders of record on March 30, 2012. For the remainder of 2012, we currently expect to maintain a quarterly dividend payment to holders of our Common Stock of \$0.13 per share. On April 13, 2012, our board of directors approved, and we declared, a dividend of \$5.33 per share of Series A Redeemable Preferred Stock payable to stockholders of record on April 30, 2012, comprised of \$5.00 per share for the month of April 2012 and \$0.33 per share prorated from the initial issuance of shares of Series A Redeemable Preferred Stock on March 30, 2012 through the end of March 2012. Our board of directors will review the Common Stock dividend quarterly, and there can be no assurance that the current Common Stock dividend level will be maintained. Our board of directors will review the Series A Preferred Stock dividend monthly to determine whether we have funds legally available for the payment of such dividends in cash, and there can be no assurance that the Series A Preferred Stock dividend will be paid in cash consistently. Dividends can be paid as a combination of cash and stock in order to satisfy the annual distribution requirements applicable to REITs.

## **Status of Fees Paid**

Through April 10, 2012, we have incurred approximately \$1.6 million for organization and offering expenses related to our offering of Units and for the year to date through March 31, 2012, we have paid our manager approximately \$100,000 for property management fees, \$128,000 for asset management fees, and \$53,000 for general and administrative fees.

## **Real Estate Investment Summary**

As of the date of this Supplement No. 1, we have not made any additional real estate investments not disclosed in the Prospectus.

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## PROSPECTUS UPDATES

### Summary Risk Factors

*The following disclosure replaces in its entirety the following: (i) the fourth bullet point on the cover of the Prospectus; and (ii) the fourth bullet point on page 5 of the Prospectus.*

We paid aggregate dividends for the 12-month period ended December 31, 2011 of \$0.375 per share of Common Stock, and our cash flow from operations was insufficient to fully fund such aggregate dividends.

### Settlement Methods; Escrow Changes

*The following disclosure replaces in its entirety the penultimate paragraph on the cover page of the Prospectus.*

We will sell Units through the following settlement methods: Direct Registration System settlement, or DRS Settlement; or Depository Trust Company, or DTC, settlement, or DTC Settlement. We will deposit all subscription agreements and, in connection with DRS Settlement subscriptions only, subscription payments which will be held in trust for the subscriber's benefit pending release to us as described herein, in an escrow account held by the escrow agent, UMB Bank N.A. Subscription payments for the sale of Units through DTC Settlement will not be held in escrow; instead, such subscription payments will be made by delivery on the closing date for the purchase of such Units by the subscriber in connection with delivery versus payment transactions processed by our dealer manager and the subscriber's registered representative.

### Secondary Investment Strategy

*The following disclosure replaces in its entirety the following sentences in the Prospectus: (i) the third sentence in the first paragraph under the section entitled Prospectus Summary Our Company on page 1 of the Prospectus; (ii) the second sentence in the first paragraph under the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operation Overview on page 74 of the Prospectus; (iii) the third sentence in the first paragraph under the section entitled Business Our Company on page 95 of the Prospectus; (iv) the fourth sentence in the first paragraph under note 1 to the Notes to Consolidated Financial Statements, September 30, 2011, on page F-6 of the Prospectus; and (v) the third sentence in the second paragraph under note 1 to the Notes to Unaudited Pro Forma Consolidated Statements of Operations on page F-35 of the Prospectus.*

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.

### Our Investment Strategy

*The following disclosure replaces in its entirety the following: (i) the second bullet point under Our Investment Strategy on pages 3 and 101 of the Prospectus; and (ii) the fifth bullet point under the second paragraph on page 103 of the Prospectus.*

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;

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## **Risk Factors**

**The following disclosure replaces in its entirety the risk factor on page 28 of the Prospectus under the heading 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, which may adversely affect our ability to fund future distributions with cash flow from operations and may adversely affect your overall return.**

**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 shares of the Series A Redeemable Preferred Stock will begin accruing on the date of their issuance. On April 13, 2012, we declared a dividend of \$5.33 per share of Series A Redeemable Preferred Stock payable to stockholders of record on April 30, 2012, comprised of \$5.00 per share for the month of April 2012 and \$0.33 per share prorated from the initial issuance of shares of Series A Redeemable Preferred Stock on March 30, 2012 through the end of March 2012. We expect to continue to authorize and declare dividends on the shares of Series A Redeemable Preferred Stock on a monthly basis, 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, which generally will be payable on or around the 20<sup>th</sup> day of the month following the month for which the dividend was declared. 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.

On May 5, 2011, we declared a quarterly cash dividend to our common stockholders of record as of June 30, 2011, that was paid on July 15, 2011, in the amount of \$0.125 per share of common stock, totaling approximately \$646,487. On August 4, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on October 17, 2011 to all common stockholders of record as of September 30, 2011, totaling \$646,675. On November 10, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on January 17, 2012 to all common stockholders of record as of December 30, 2011, totaling \$646,916. On February 2, 2012, we declared a quarterly cash dividend to our common stockholders of record as of March 30, 2012, that was paid on April 16, 2012, in the amount of \$0.13 per share of common stock, totaling \$673,181.

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 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 made from offering proceeds are a return of capital to 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.

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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 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.

*The following risk factor is added on page 31 of the Prospectus immediately preceding Risk Factors Risks Related to Our Organization, Structure and Management.*

***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.

## **Distribution Policy**

*The following disclosure replaces in its entirety the following: (i) the first paragraph under Distribution Policy on page 18 of the Prospectus and (ii) the second paragraph under Distribution Policy on page 69 of the Prospectus.*

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 at least 90% of its REIT taxable income, 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, quarterly dividends in an amount equal to 100% of our net taxable income. On May 5, 2011, we declared a quarterly cash dividend to our common stockholders of record as of June 30, 2011, that was paid on July 15, 2011, in the amount of \$0.125 per share of common stock, totaling approximately \$646,487. On August 4, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on October 17, 2011 to all common stockholders of record as of September 30, 2011, totaling \$646,675. On November 10, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on January 17, 2012 to all common stockholders of record as of December 30, 2011, totaling \$646,916. On February 2, 2012, we declared a quarterly cash dividend of \$0.13 per share, which was paid on

April 16, 2012 to all common stockholders of record as of March 30, 2012, totaling \$673,181.

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

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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 in 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.

# **Management's Discussion and Analysis of Financial Condition and Results of Operations**

## **Results of Operations**

*The following disclosure replaces in its entirety the last paragraph under Results of Operations Overview on page 78 of the Prospectus.*

Adjusted Funds from Operations, or AFFO, for the three-month and twelve-month periods ended December 31, 2011 were approximately \$778,000 and \$1,871,000, respectively. On May 5, 2011, we declared a quarterly cash dividend to our common stockholders of record as of June 30, 2011, that was paid on July 15, 2011, in the amount of \$0.125 per share of common stock, totaling approximately \$646,487. On August 4, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on October 17, 2011 to all common stockholders of record as of September 30, 2011, totaling \$646,675. On November 10, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on January 17, 2012 to all common stockholders of record as of December 30, 2011, totaling \$646,916. On February 2, 2012, we declared a quarterly cash dividend of \$0.13 per share, which was paid on April 16, 2012 to all common stockholders of record as of March 30, 2012, totaling \$673,181. We currently expect that cash flow from operations for the first quarter of 2012 will be sufficient to fund our first quarter 2012 dividend.

## **Cash Available For Distribution**

*The heading Cash available for Distribution ( CAD ) on page 83 of the Prospectus and the first paragraph following the heading are deleted in their entirety.*

*The following heading replaces in its entirety the heading to the table that appears on page 83 of the Prospectus.*

### ***Reconciliation of Funds From Operations and Adjusted Funds From Operations to Net Loss Attributable to the Company***

*The following rows contained in the table on page 83 of the Prospectus are deleted in their entirety: (i) AFFO per share- basic and diluted ; (ii) Less: REIT establishment costs ; (iii) Cash available for distribution ; and (iv) CAD per share basic and diluted .*

## **Distributions**

*The following disclosure replaces in its entirety the first paragraph under Distributions on page 85 of the Prospectus.*

On May 5, 2011, we declared a quarterly cash dividend to our common stockholders of record as of June 30, 2011, that was paid on July 15, 2011, in the amount of \$0.125 per share of common stock, totaling approximately \$646,487.

On August 4, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on October 17, 2011 to all common stockholders of record as of September 30, 2011, totaling \$646,675. On November 10, 2011, we declared a quarterly cash dividend of \$0.125 per share, which was paid on January 17, 2012 to all common stockholders of record as of December 30, 2011, totaling \$646,916. On February 2, 2012, we declared a quarterly cash dividend of \$0.13 per share, which was paid on April 16, 2012 to all common stockholders of record as of March 30, 2012, totaling \$673,181. We expect to use net cash flow from operations to fund the dividend payments to holders of Common Stock. If net cash flow from operations is not sufficient to meet its anticipated dividend payment rate, we would need to use our working capital and dividend reserve to fund dividend payments. Our Board of Directors will review the dividend on the Common Stock quarterly, and there can be no assurance that the current dividend level will be maintained. Our board of directors will review the Series A Preferred Stock dividend monthly to determine whether we have funds legally available for the payment of such dividends in cash, and there can be no assurance that the

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Series A Preferred Stock dividend will be paid in cash consistently. Dividends can be paid as a combination of cash and stock in order to satisfy the annual distribution requirements applicable to REITs. We expect that net cash flow from operations will be sufficient to meet the dividend requirements necessary to maintain our REIT status under the Internal Revenue Code of 1986, as amended. In addition, we currently expect that cash flow from operations for the first quarter of 2012 will be sufficient to fund our first quarter 2012 dividend.

## **Description of Securities**

*The following disclosure replaces the first sentence of the second paragraph under the section entitled Description of Securities General on page 151 of the Prospectus.*

Our charter authorizes us to issue up to 400,066,666 shares of common stock, \$0.01 par value per share, and 15,000,000 shares of undesignated preferred stock, \$0.01 par value per share.

*The following disclosure replaces the first three paragraphs under the section entitled Description of Securities Common Stock Warrants on page 155 of the Prospectus.*

The following is a brief summary of the Warrants and is subject to, and qualified in its entirety by, the terms set forth in the amended and restated warrant agreement and global warrant certificate filed with the SEC as exhibits to the registration statement, of which this prospectus is a part.

*Amended and Restated Warrant Agreement.* The Warrants to be issued in this offering will be governed by an amended and restated warrant agreement, or the Warrant Agreement, between us and Computershare Trust Company, N.A., as agent for our company in respect of the Warrants. The Warrants shall be issued by book-entry only form to the DTC and evidenced by one or more global warrants. Those investors who own beneficial interests in a global warrant do so through participants in DTC's system, and the rights of these indirect owners will be governed solely by the applicable procedures of DTC and its participants. The Warrants may be exercised by notifying a broker who is a DTC participant prior to the expiration of such Warrants and providing payment of the exercise price for the shares of our common stock for which such warrants are being exercised. The foregoing description of the terms of the Warrant Agreement is subject to the detailed provisions of the Warrant Agreement.

*Exercisability.* Holders may exercise the Warrants at any time beginning one year from the date of issuance up to 5:00 p.m., New York time, on the date that is four years after the date of issuance. The Warrants are exercisable, at the option of each holder, in whole, but not in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of shares of our common stock purchased upon such exercise (except in the case of a cashless exercise in the circumstances discussed below). Each Warrant is exercisable for 20 shares of our common stock (subject to adjustment, as discussed below). The holder of Warrants does not have the right to exercise any portion of the Warrant if the holder would beneficially own in excess of 9.8% in value of the shares of our capital stock outstanding or in excess of 9.8% (in value or number of shares, whichever is more restrictive) of the shares of our common stock outstanding immediately after giving effect to such exercise.

## **Summary of Our Organizational Documents**

*The following disclosure replaces the first paragraph under the section entitled Summary of Our Organizational Documents Board of Directors on page 164 of the Prospectus.*

Under our organizational documents, we must have at least two but not more than ten directors. A director may resign at any time. A director may be removed from office with or without cause by the affirmative vote of the holders of not less than 66-2/3% of the total voting power of all outstanding common stock of the Company. A vacancy on the board caused by the death, removal or resignation of a director or by an increase in the number of directors, within the limits described above, may be filled by the vote of a majority of the remaining directors whether or not the voting directors constitute a quorum.

## **Summary of Our Operating Partnership Agreement**

*The following disclosure replaces the third paragraph under the section entitled Summary of Our Partnership Agreement Description of Partnership Units Limited Partnership Units Generally beginning on page 168 of the Prospectus.*

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Distributions on the Series A Redeemable Preferred Units, each Class A Unit and each Class B Unit (and GP Unit) are as set forth in the operating partnership agreement. See the section entitled *Distributions* below for a detailed discussion on this subject. In addition, a portion of the items of income, gain, loss and deduction of the operating partnership for U.S. federal income tax purposes may be allocated to a limited partnership unit, regardless of whether any distributions are made by the operating partnership. See the section entitled *Material U.S. Federal Income Tax Considerations Tax Aspects of Investments in Partnerships* included elsewhere in this prospectus for a description of the manner in which income, gain, loss and deductions are allocated under the operating partnership agreement. As general partner, we may amend the allocation and distribution sections of the operating partnership agreement to reflect the issuance of additional units and classes of units without the consent of the limited partners.

*The following disclosure replaces the fourth paragraph under the section entitled Summary of Our Partnership Agreement Distributions on page 174 of the Prospectus.*

The return calculation described above applies to all distributions received and not just distributions of net sale proceeds. Achievement of a particular threshold, therefore, is determined with reference to all prior distributions made by our operating partnership to any limited partners, and to us, which we may then distribute to our stockholders.

*The following disclosure replaces the second bullet point of the second paragraph under the section entitled Summary of Our Partnership Agreement Allocations on page 174 of the Prospectus.*

*thereafter*, in such a manner that the capital accounts of each partner, immediately after making such allocation, is, as nearly as possible, equal proportionately to (i) the distributions that would be made to such partner if the operating partnership were dissolved, its affairs wound up and its assets were sold for cash, all operating partnership liabilities were satisfied, and the net assets of the operating partnership were distributed to the partners immediately after making such allocation, minus (ii) such partner's share of partnership minimum gain, partner nonrecourse debt minimum gain and any amount the partner would be required to contribute to partnership capital, all computed immediately prior to such hypothetical sale of assets.

## **Plan of Distribution**

*The following disclosure replaces in its entirety the third paragraph under the section entitled Plan of Distribution General on page 203 of the Prospectus.*

We will sell Units through the following settlement methods: DRS Settlement; or DTC Settlement. We will deposit all subscription agreements and, in connection with DRS Settlement subscriptions only, subscription payments which will be held in trust for the subscriber's benefit pending release to us as described herein, in an escrow account held by the escrow agent, UMB Bank N.A. Subscription payments for the sale of Units through DTC Settlement will not be held in escrow; instead, such subscription payments will be made by delivery on the closing date for the purchase of such Units by the subscriber in connection with delivery versus payment transactions processed by our dealer manager and the subscriber's registered representative. See *Subscription Procedures* for a description of the subscription procedures with respect to each of these settlement methods.

*The following disclosure is added as a new paragraph at the end of the section entitled Plan of Distribution Compensation of Dealer Manager and Participating Broker-Dealers on page 204 of the Prospectus.*

We will not pay any selling commissions, but will pay dealer manager fees, in connection with the sale of Units to investors whose contracts for investment advisory and related brokerage services include a fixed or wrap fee feature.



Investors may agree with their participating brokers to reduce the amount of selling commissions payable with respect to the sale of their Units down to zero (i) if the investor has engaged the services of a registered investment advisor or other financial advisor who will be paid compensation for investment advisory services or other financial or investment advice, or (ii) if the investor is investing through a bank trust account with respect to which the investor has delegated the decision-making authority for investments made through the account to a bank trust department. The net proceeds to us will not be affected by reducing the commissions payable in connection with such sales. Neither our dealer manager nor its

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affiliates will directly or indirectly compensate any person engaged as an investment advisor or a bank trust department by a potential investor as an inducement for such investment advisor or bank trust department to advise favorably for an investment in Units.

*The following disclosure replaces in its entirety the disclosure under the heading Plan of Distribution Subscription Procedures on page 205 of the Prospectus.*

## **Subscription Procedures**

You have the option to decide whether to use DRS Settlement or DTC Settlement to purchase Units in this offering. If you elect to use DRS Settlement, you should complete and sign the Direct Registration System Settlement Subscription Agreement similar to the one incorporated in this prospectus as Appendix B, which is available from your registered representative and which will be delivered to the escrow agent. In connection with a DRS Settlement subscription, you should pay the full purchase price of the Units to the escrow agent as set forth in the subscription agreement. Subscribers may not withdraw funds from the escrow account. If you elect to use DTC Settlement, you can: (i) complete and sign the Depository Trust Company Settlement Subscription Agreement similar to the one incorporated in this prospectus as Appendix C, which is available from your registered representative and which will be delivered to the escrow agent; or (ii) place an order for the purchase of Units through your registered representative. In connection with a DTC Settlement, you should coordinate with your registered representative to pay the full purchase price of the Units. Subscriptions will be effective upon our acceptance, and we reserve the right to reject any subscription in whole or in part. **Irrespective of whether you subscribe for Units using DRS Settlement or DTC Settlement, by accepting Units you will be deemed to have accepted the terms of our charter.**

Subject to compliance with Rule 15c2-4 of the Exchange Act, in connection with DRS Settlement subscriptions, our dealer manager or the broker-dealers participating in the offering promptly will deposit any checks received from subscribers in an escrow account maintained by UMB Bank N.A. on the next business day following receipt of the subscriber's subscription documents and check. In certain circumstances where the subscription review procedures are more lengthy than customary or pursuant to a participating broker-dealer's internal supervising review procedures, a subscriber's check will be transmitted by the end of the next business day following receipt by the review office of the dealer, which will then be promptly deposited by the end of the next business day following receipt by the review office. Any subscription payments received by the escrow agent will be deposited into a special non-interest bearing account in our name until such time as we have accepted or rejected the subscription and will be held in trust for your benefit, pending our acceptance of your subscription. Subscriptions will be accepted or rejected within 10 business days of receipt by us and, if rejected, all funds shall be returned to the rejected subscribers within 10 business days. If accepted, the funds will be transferred into our general account on our next closing date. You will receive a confirmation of your purchase. We generally will admit stockholders on a monthly basis.

Subscription payments for the sale of Units through DTC Settlement will not be held in escrow; instead, such subscription payments will be made by delivery on the closing date for the purchase of such Units by the subscriber in connection with delivery versus payment transactions processed by our dealer manager and the subscriber's registered representative.

Each participating dealer who sells shares on our behalf has the responsibility to make every reasonable effort to determine that the purchase of shares is appropriate for the investor. In making this determination, the participating broker-dealer will rely on relevant information provided by the investor, including information as to the investor's age, investment objectives, investment experience, income, net worth, financial situation, other investments and other pertinent information. Each investor should be aware that the participating broker-dealer will be responsible for

determining whether this investment is appropriate for your portfolio. However, you are required to represent and warrant in the subscription agreement or, if placing an order through your registered representative not through a subscription agreement in connection with a DTC Settlement subscription, to the registered representative, that you have received a copy of this prospectus and have had sufficient time to review this prospectus. International Assets Advisory, LLC and each participating broker-dealer shall maintain records of the information used to determine that an investment in the Units is suitable and appropriate for an investor. These records are required to be maintained for a period of at least six years.

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*The disclosure under the heading Plan of Distribution Minimum Offering on page 205 of the Prospectus is deleted in its entirety.*

## **Incorporation of Certain Information by Reference**

*The following section is added following the section entitled Where you can Find Additional Information on page 207 of the Prospectus.*

### **INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we are disclosing important information to you by referring you to documents we have filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus.

The following documents filed with the SEC are incorporated by reference in this prospectus, except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules:

Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on March 15, 2012;

Current Report on Form 8-K filed with the SEC on April 2, 2012; and

Definitive Proxy Statement in respect of our 2012 meeting of stockholders filed with the SEC on March 23, 2012.

The section entitled Where you can Find Additional Information above describes how you can obtain or access any documents that we have incorporated by reference herein. The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus.

### **Appendix B Form of Direct Registration System Settlement Subscription Agreement**

*The form of Subscription Agreement contained on pages B-1 to B-12 of the Prospectus is hereby replaced in its entirety with the revised form of Direct Registration System Settlement Subscription Agreement attached to this Supplement No. 1 as Appendix B. The form of Direct Registration System Settlement Subscription Agreement supersedes and replaces the form of Subscription Agreement contained in the Prospectus.*

### **Appendix C Form of Depository Trust Company Settlement Subscription Agreement**

*The form of Depository Trust Company Settlement Subscription Agreement attached to this Supplement No. 1 as Appendix C is added to the Prospectus.*

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# PREFERRED APARTMENT COMMUNITIES, INC.

## INSTRUCTION PAGE

We, Preferred Apartment Communities, Inc., are selling up to a maximum of 150,000 Units (\$150,000,000) in connection with this offering (the Offering ).

Funds in the escrow account will be held in a non-interest bearing account.

**Your broker-dealer or registered investment advisor should MAIL properly completed and executed ORIGINAL documents, along with your check payable to UMB Bank N.A., Escrow Agent for Preferred Apartment Communities, Inc. to UMB Bank, National Association at the following address or with a wire using the following instructions:**

**Address:**

UMB Bank, National Association  
1010 Grand Boulevard, 4<sup>th</sup> Floor  
Mail Stop: 1020409  
Kansas City, Missouri 64106  
Attention: Lara Stevens, Corporate Trust  
Phone: (816) 860-3017  
Fax: (816) 860-3029

**Wire Instructions:**

UMB Bank, N.A.  
ABA No: 101000695  
Acct No: 9800006823  
Acct Name: Trust Clearance  
Reference: 138242 Preferred Apt Communities  
Attn: Lara Stevens

\*For IRA Accounts, mail investor signed documents to the IRA Custodian for signatures.

## Instructions to Subscribers

**Section 1:** Indicate investment amount (Make all checks payable to UMB Bank N.A., Escrow Agent for Preferred Apartment Communities, Inc. )

**Section 2:** Choose type of ownership

## Non-Custodial Ownership

Accounts with more than one owner must have ALL PARTIES SIGN where indicated on page 3. Be sure to attach copies of all plan documents for Pension Plans, Trusts or Corporate Partnerships required in section 2.

## Custodial Ownership

For New IRA/Qualified Plan Accounts, please complete the form/application provided by your custodian of choice in addition to this subscription document and forward to the custodian for processing.

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For existing IRA Accounts and other Custodial Accounts, information must be completed BY THE CUSTODIAN. Have all documents signed by the appropriate officers as indicated in the Corporate Resolution (which are also to be included).

**Section 3:** All names, addresses, dates of birth, Social Security or Tax I.D. numbers of all investors or Trustees

**Section 4:** Choose Dividend Allocation option

**Section 6:** To be signed and completed by your Financial Advisor (be sure to include CRD number for Financial Advisor and Broker Dealer Firm and the Branch Manager's signature)

**Section 7:** Have ALL investors initial and sign where indicated

**Section 8:** All investors must complete and sign the substitute W9

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# PREFERRED APARTMENT COMMUNITIES, INC. SUBSCRIPTION AGREEMENT

## 1. INVESTMENT

o I/WE AM/ARE DIRECTORS, OFFICERS, EMPLOYEES OR OTHER INDIVIDUALS ASSOCIATED WITH THE COMPANY OR A FAMILY MEMBER OF ONE OF THE FOREGOING.

o CHECK HERE IF ADDITIONAL PURCHASE AND COMPLETE NUMBER 3 BELOW.

**Payment Instructions:** Make all checks payable to UMB Bank N.A., Escrow Agent for Preferred Apartment Communities, Inc.

Number of Units purchased: \_\_\_\_\_ Brokerage Account No.: \_\_\_\_\_  
Purchase price per Unit: \$ \_\_\_\_\_  
Aggregate purchase price: \$ \_\_\_\_\_ (If applicable)

**NOTE: Cash, cashier s checks/official bank checks in bearer form, foreign checks, money orders, third party checks, or traveler s checks will not be accepted.**

2. **FORM OF OWNERSHIP** (Please choose one option within the Non-Custodial Ownership column, or within the Custodial Ownership column)

Non-Custodial Ownership

Individual o

**Joint Tenant** (Joint accounts will be registered as joint tenants with rights of survivorship unless otherwise indicated) o

Tenants in Common o

**TOD** Optional designation of beneficiaries for individual joint owners with rights of survivorship or tenants by the entireties. (Please complete Transfer on Death Registration Form which you can obtain from International Assets Advisory, LLC) o

**Corporation or Partnership** (Authorized signature required. Include Corporate Resolution or Partnership Agreement, as applicable) o

Uniform Gift/Transfer to Minors (UGMA/UTMA) o

Under the UGMA/UTMA of the State of \_\_\_\_\_

Custodial Ownership

**Third Party Administered Custodial Plan**  
(new IRA accounts will require an additional application)

o **IRA** o **ROTH/IRA**  
o **Simple Employee Pension (S.E.P.)** o **IRA** o **SIMPLE**

o **OTHER (specify)** \_\_\_\_\_  
Name of Custodian: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City, State Zip: \_\_\_\_\_

**Custodian Information** (To be completed by Custodian above)

Custodian Tax ID #: \_\_\_\_\_

Custodian Account #: \_\_\_\_\_



Pension or Other Retirement Plan (Include Plan Documents) o  
Trust (Include title and signature pages of Trust Documents) o  
Other o \_\_\_\_\_ (Include title and signature pages)

Custodian Phone #: \_\_\_\_\_

**3. INVESTOR INFORMATION** (Please print name(s) in which Units are to be registered.)  
**A. Individual/Trust/Beneficial Owner**

First Name: _____	Middle Name: _____
Last Name: _____	Tax ID or SS#: _____
Street Address: _____	City: _____ State: _____ Zip: _____
Date of Birth: (mm/dd/yyyy): ____/____/____	
If Non-U.S. Citizen, specify Country of Citizenship: _____	
Daytime Phone #: _____	
U.S. Driver's License Number (if available): _____	State of Issue: _____
Issue Date: _____	Expiration Date: _____
Email Address: _____	

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**B. Joint Owner/Co-Trustee/Minor**

First Name: \_\_\_\_\_ Middle Name: \_\_\_\_\_  
 Last Name: \_\_\_\_\_ Tax ID or SS#: \_\_\_\_\_  
 Street Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Date of Birth: (mm/dd/yyyy): \_\_\_\_/\_\_\_\_/\_\_\_\_\_  
 If Non-U.S. Citizen, specify Country of Citizenship: \_\_\_\_\_  
 Daytime Phone #: \_\_\_\_\_  
 U.S. Driver's License Number (if available): \_\_\_\_\_ State of Issue: \_\_\_\_\_  
 Issue Date: \_\_\_\_\_ Expiration Date: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**C. Residential Street Address** *(This section must be completed for verification purposes if mailing address in section 3A is a P.O. Box)*

Street Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**D. Trust/Corporation/Partnership/Other** *(Trustee's information must be provided in sections 3A and 3B)*

Date of Trust: \_\_\_\_/\_\_\_\_/\_\_\_\_\_

Entity Name/Title of Trust: \_\_\_\_\_

Tax ID Number: \_\_\_\_\_

**E. Government ID (Foreign Citizens only)** *Identification documents must have a reference number and photo. Please attach a photocopy.*

Place of Birth: \_\_\_\_\_  
 City: \_\_\_\_\_ State/Province: \_\_\_\_\_ Country: \_\_\_\_\_  
 Immigration Status: Permanent resident  Non-permanent resident  Non-resident   
 Check which type of document you are providing:  
 U.S. Driver's License  INS Permanent resident alien card  Passport with U.S. Visa  Employment Authorization Document  
 Passport without U.S. Visa

Bank Name (required): \_\_\_\_\_

Account No. (required): \_\_\_\_\_

Foreign national identity documents

Bank address (required): \_\_\_\_\_

Bank Phone No.

(required): \_\_\_\_\_

Number for the document checked above and country of issuance:  
\_\_\_\_\_

**F.** Employer: \_\_\_\_\_

**F.** Retired:

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**DISTRIBUTIONS** (*Select only one; If nothing is marked, will default to Credit Dividend to Custodian 4.(including IRA) or Clearing Firm/Platform of Record or Mail Check to the Address of Record, as applicable*)

*Complete this section to elect how to receive your dividend distributions.*

**IRA accounts may not direct distributions without the custodian s approval.**

I hereby subscribe for Units of Preferred Apartment Communities, Inc. and elect the distribution option indicated below:

FOR CUSTODIAL OR CLEARING FIRM/PLATFORM ACCOUNTS:

A. \_\_\_\_\_ Credit Dividend to Custodian (including IRA) or Clearing Firm/Platform of Record  
FOR NON-CUSTODIAL OR NON-CLEARING FIRM/PLATFORM ACCOUNTS:

A. \_\_\_\_\_ **Mail Check** to the Address of Record  
\_\_\_\_\_ **Cash/Direct Deposit** (*Please attach a pre-printed voided check (Non-Custodian Investors only)*). I authorize Preferred Apartment Communities, Inc. or its agent to deposit my distribution/dividend to my checking or savings B. account. This authority will remain in force until I notify Preferred Apartment Communities, Inc. in writing to cancel it. If Preferred Apartment Communities, Inc. deposits funds erroneously into my account, they are authorized to debit my account for an amount not to exceed the amount of the erroneous deposit.

Name/Entity Name/Financial Institution:

\_\_\_\_\_

Mailing Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_  
Zip: \_\_\_\_\_

Account Number: \_\_\_\_\_ Your Bank s ABA/Routing Nbr: \_\_\_\_\_  
\_\_\_\_\_

Your Bank s Account Number: \_\_\_\_\_

Checking Acct: \_\_\_\_\_ Savings Acct: \_\_\_\_\_  
\_\_\_\_\_

**PLEASE ATTACH COPY OF VOIDED CHECK TO THIS FORM IF FUNDS ARE TO BE SENT TO A BANK**

The above services cannot be established without a pre-printed voided check. For electronic funds transfers, \*signatures of bank account owners are required exactly as they appear on the bank records. If the registration at the bank differs from that on this Subscription Agreement, all parties must sign below.

Owner Signature \_\_\_\_\_ Date \_\_\_\_\_

Co-Owner Signature (*if applicable*) \_\_\_\_\_ Date \_\_\_\_\_

**5. ELECTRONIC DELIVERY ELECTION**

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o Check the box if you consent to the **electronic delivery of documents**, including the prospectus, prospectus supplements, annual and quarterly reports, and other stockholder communication and reports. **E-mail address in Section 3 is required.** Please carefully read the following representations before consenting to receive documents electronically. By checking this box and consenting to receive documents electronically, you represent the following:

I acknowledge that access to both Internet e-mail and the World Wide Web is required in order to access documents electronically. I may receive by e-mail notification the availability of a document in electronic format.

(a) The notification e-mail will contain a web address (or hyperlink) where the document can be found. By entering this address into my web browser, I can view, download and print the document from my computer. I acknowledge that there may be costs associated with the electronic access, such as usage charges from my Internet provider and telephone provider, and that these costs are my responsibility.

I acknowledge that documents distributed electronically may be provided in Adobe's Portable Document Format (PDF). The Adobe Reader® software is required to view documents in PDF format. The Reader software is available free of charge from Adobe's web site at [www.adobe.com](http://www.adobe.com). The Reader software must be correctly installed on my system before I will be able to view documents in PDF format. Electronic delivery also involves risks related to system or network outage that could impair my timely receipt of or access to stockholder communications.

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- (c) I acknowledge that I may receive at no cost from Preferred Apartment Communities, Inc. a paper copy of any documents delivered electronically by calling my Financial Advisor.  
I understand that if the e-mail notification is returned to Preferred Apartment Communities, Inc. as undeliverable, a letter will be mailed to me with instructions on how to update my e-mail address to begin receiving communication (d) via electronic delivery. I further understand that if Preferred Apartment Communities, Inc. is unable to obtain a valid e-mail address for me, Preferred Apartment Communities, Inc. will resume sending a paper copy of its filings by U.S. mail to my address of record.

- (e) I understand that my consent may be updated or cancelled, including any updates in e-mail address to which documents are delivered, at any time by calling my Financial Advisor.

**6. BROKER-DEALER/FINANCIAL ADVISOR INFORMATION** (All fields must be completed)

The financial advisor must sign below to complete order. The financial advisor hereby represents and warrants that he/she is duly licensed and may lawfully sell Units of Preferred Apartment Communities, Inc.

BROKER-DEALER: \_\_\_\_\_ **Financial Advisor Name/RIA:**

\_\_\_\_\_  
Mailing Address:

\_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

\_\_\_\_\_  
Business No. (required) \_\_\_\_\_

Financial Advisor E-mail Address (required): \_\_\_\_\_

Fax No.: \_\_\_\_\_

Broker-Dealer CRD Number: \_\_\_\_\_ Financial Advisor CRD  
Number: \_\_\_\_\_

- o **RIA Submission** Check this box to indicate whether submission is made through the Registered Investment Advisor (RIA) in its capacity as the RIA and not in its capacity as a Registered Representative of a Broker-Dealer, if applicable, whose agreement with the subscriber includes a fixed or wrap fee feature for advisory and related brokerage services. If an owner or principal or any member of the RIA firm is a FINRA licensed Registered Representative affiliated with a Broker-Dealer, the transaction should be completed through that Broker-Dealer, not through the RIA.

**I acknowledge that (1) by checking the above box or (2) if the sale of Units pursuant to this Subscription Agreement is to our directors, officers, employees and other individuals associated with us and members of their families, I WILL NOT RECEIVE A SALES COMMISSION. Further, I acknowledge that if the sale of Units pursuant to this Subscription Agreement is to a holder of interests in one or both of the Funds, I WILL RECEIVE A REDUCED SELLING COMMISSION.**

The undersigned further represents and certifies that in connection with this subscription for Units, he/she has complied with and has followed all applicable policies and procedures under his firm's existing Anti-Money Laundering Program and Customer Identification Program.

Financial Advisor and /or RIA Signature: \_\_\_\_\_ Date:

\_\_\_\_\_  
Branch Manager

Signature: \_\_\_\_\_ Date:



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**7. SUBSCRIBER ACKNOWLEDGEMENTS AND SIGNATURES**

The undersigned hereby confirms her/his/its agreement to purchase the Units on the terms and conditions set forth herein and acknowledges and/or represents (or in the case of fiduciary accounts, the person authorized to sign on such subscriber's behalf) the following: (**you must initial each of the representations below**)

- |       |                 |   |
|-------|-----------------|---|
|       |                 | a) I/We have received the final prospectus of Preferred Apartment Communities, Inc.   |
| Owner | <b>Co-Owner</b> |   |
|       |                 | b) I/We accept the terms of the charter, as amended, of Preferred Apartment Communities, Inc.   |
| Owner | <b>Co-Owner</b> |   |
|       |                 | c) I/We am/are purchasing Units for my/our own account.   |
| Owner | <b>Co-Owner</b> |   |
|       |                 | d) I/We am/are in compliance with the USA PATRIOT Act and not on any governmental authority watch list.   |
| Owner | <b>Co-Owner</b> |   |
|       |                 | e) If an affiliate of Preferred Apartment Communities, Inc., I/we represent that the Units are being purchased for investment purposes only and not for immediate resale. |
| Owner | <b>Co-Owner</b> |   |

Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Co-Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Signature of Custodian(s) or Trustee(s) (if applicable). Current Custodian must sign if investment is for an IRA Account**

Authorized Signature (Custodian or Trustee): \_\_\_\_\_ Date: \_\_\_\_\_

WE INTEND TO ASSERT THE FOREGOING REPRESENTATIONS AS A DEFENSE IN ANY SUBSEQUENT LITIGATION WHERE SUCH ASSERTION WOULD BE RELEVANT. WE HAVE THE RIGHT TO ACCEPT OR REJECT THIS SUBSCRIPTION IN WHOLE OR IN PART, SO LONG AS SUCH PARTIAL ACCEPTANCE OR REJECTION DOES NOT RESULT IN AN INVESTMENT OF LESS THAN THE MINIMUM AMOUNT SPECIFIED IN THE PROSPECTUS. AS USED ABOVE, THE SINGULAR INCLUDES THE PLURAL IN ALL RESPECTS IF UNITS ARE BEING ACQUIRED BY MORE THAN ONE PERSON. THIS SUBSCRIPTION AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICT OF LAWS.

By executing this Subscription Agreement, the subscriber is not waiving any rights under federal or state law.



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**8. IRS FORM W-9**

To prevent backup withholding on any payment made to a stockholder with respect to subscription proceeds held in escrow, the stockholder is generally required to provide a current taxpayer identification number, or TIN (or the TIN of any other payee), and certain other information by completing the form below, certifying that the TIN provided on Form W-9 is correct (or that such investor is awaiting a TIN), that the investor is a U.S. person, and that the investor is not subject to backup withholding because (i) the investor is exempt from backup withholding, (ii) the investor has not been notified by the IRS that the investor is subject to backup withholding as a result of failure to report all interest or dividends or (iii) the IRS has notified the investor that the investor is no longer subject to backup withholding. If the box in Part 3 is checked and a TIN is not provided by the time any payment is made in connection with the proceeds held in escrow, 28% of all such payments will be withheld until a TIN is provided and if a TIN is not provided within 60 days, such withheld amounts will be paid over to the IRS. See the instructions included with the Form W-9 below on how to fill out the Form W-9.

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# PREFERRED APARTMENT COMMUNITIES, INC.

## INSTRUCTION PAGE

We, Preferred Apartment Communities, Inc., are selling up to a maximum of 150,000 Units (\$150,000,000) in connection with this offering (the Offering ).

**Your broker-dealer or registered investment advisor should MAIL properly completed and executed ORIGINAL documents to UMB Bank, National Association at the following address:**

UMB Bank, National Association  
1010 Grand Boulevard, 4<sup>th</sup> Floor  
Mail Stop: 1020409  
Kansas City, Missouri 64106  
Attention: Lara Stevens, Corporate Trust  
Phone: (816) 860-3017  
Fax: (816) 860-3029

\*For IRA Accounts, mail investor signed documents to the IRA Custodian for signatures.

## Instructions to Subscribers

**Section 1:** Indicate investment amount

**Section 2:** Please make sure you include all of the information requested regarding the account with your Financial Advisor where you want delivery versus payment to occur.

**Section 3:** All names, addresses, dates of birth, Social Security or Tax I.D. numbers of all investors or Trustees

**Section 5:** To be signed and completed by your Financial Advisor (be sure to include CRD number for Financial Advisor and Broker Dealer Firm and the Branch Manager's signature)

**Section 6:** Have ALL investors initial and sign where indicated

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# PREFERRED APARTMENT COMMUNITIES, INC. SUBSCRIPTION AGREEMENT

## 1. INVESTMENT

I/WE AM/ARE DIRECTORS, OFFICERS, EMPLOYEES OR OTHER INDIVIDUALS ASSOCIATED WITH THE COMPANY OR A FAMILY MEMBER OF ONE OF THE FOREGOING.

CHECK HERE IF ADDITIONAL PURCHASE AND COMPLETE NUMBER 3 BELOW.

**Payment Instructions:** Please deliver payment for your purchase to your Financial Advisor pursuant to their instructions.

Number of Units purchased: \_\_\_\_\_ Brokerage Account No.: \_\_\_\_\_  
Purchase price per Unit: \$ \_\_\_\_\_  
Aggregate purchase price: \$ \_\_\_\_\_ (If applicable)

## 2. DELIVERY ACCOUNT INFORMATION *(Please complete the following)*

Broker-Dealer: \_\_\_\_\_

Broker-Dealer DTCC Number: \_\_\_\_\_

Account Title: \_\_\_\_\_

Account Number: \_\_\_\_\_

## 3. INVESTOR INFORMATION *(Please print name(s) in which Units are to be registered.)*

### A. Individual/Trust/Beneficial Owner

First Name: \_\_\_\_\_ Middle Name: \_\_\_\_\_

Last Name: \_\_\_\_\_ Tax ID or SS#: \_\_\_\_\_

Street Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: (mm/dd/yyyy): \_\_\_\_/\_\_\_\_/\_\_\_\_

If Non-U.S. Citizen, specify Country of Citizenship: \_\_\_\_\_

Daytime Phone #: \_\_\_\_\_

U.S. Driver's License Number (if available): \_\_\_\_\_ State of Issue: \_\_\_\_\_

Issue Date: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Email Address: \_\_\_\_\_

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**B. Joint Owner/Co-Trustee/Minor**

First Name: \_\_\_\_\_ Middle Name: \_\_\_\_\_  
 Last Name: \_\_\_\_\_ Tax ID or SS#: \_\_\_\_\_  
 Street Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Date of Birth: (mm/dd/yyyy): \_\_\_\_/\_\_\_\_/\_\_\_\_\_  
 If Non-U.S. Citizen, specify Country of Citizenship: \_\_\_\_\_  
 Daytime Phone #: \_\_\_\_\_  
 U.S. Driver's License Number (if available): \_\_\_\_\_ State of Issue: \_\_\_\_\_  
 Issue Date: \_\_\_\_\_ Expiration Date: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**C. Residential Street Address** (This section must be completed for verification purposes if mailing address in section 3A is a P.O. Box)

Street Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**D. Trust/Corporation/Partnership/Other** (Trustee's information must be provided in sections 3A and 3B)

Date of Trust: \_\_\_\_/\_\_\_\_/\_\_\_\_\_

Entity Name/Title of Trust: \_\_\_\_\_

Tax ID Number: \_\_\_\_\_

**E. Government ID (Foreign Citizens only)** Identification documents must have a reference number and photo. Please attach a photocopy.

Place of Birth: \_\_\_\_\_  
 City \_\_\_\_\_ State/Province \_\_\_\_\_ Country \_\_\_\_\_  
 Immigration Status: Permanent resident  Non-permanent resident  Non-resident   
 Check which type of document you are providing:  
 U.S. Driver's License resident alien card  INS Permanent  Passport with U.S. Visa  Employment Authorization Document  
 Passport without U.S. Visa

Bank Name (required): \_\_\_\_\_

Account No. (required): \_\_\_\_\_

Foreign national identity documents

Bank address (required): \_\_\_\_\_

Bank Phone No.

(required): \_\_\_\_\_

Number for the document checked above and country of issuance:  
\_\_\_\_\_

**F.** Employer: \_\_\_\_\_

**F.** Retired:

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**4. Distributions.**

**All distributions will be paid to the account where the Units are held on the record date for the distribution.**

**5. BROKER-DEALER/FINANCIAL ADVISOR INFORMATION** (All fields must be completed)

The financial advisor must sign below to complete order. The financial advisor hereby represents and warrants that he/she is duly licensed and may lawfully sell Units of Preferred Apartment Communities, Inc.

BROKER-DEALER: \_\_\_\_\_ **Financial Advisor Name/RIA:**

\_\_\_\_\_  
Mailing Address:

\_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

\_\_\_\_\_  
Business No. (required) \_\_\_\_\_

Financial Advisor E-mail Address (required): \_\_\_\_\_

Fax No.: \_\_\_\_\_

Broker-Dealer CRD Number: \_\_\_\_\_ Financial Advisor CRD Number:

**RIA Submission** Check this box to indicate whether submission is made through the Registered Investment Advisor (RIA) in its capacity as the RIA and not in its capacity as a Registered Representative of a Broker-Dealer, if applicable, whose agreement with the subscriber includes a fixed or wrap fee feature for advisory and related brokerage services. If an owner or principal or any member of the RIA firm is a FINRA licensed Registered Representative affiliated with a Broker-Dealer, the transaction should be completed through that Broker-Dealer, not through the RIA.

**I acknowledge that (1) by checking the above box or (2) if the sale of Units pursuant to this Subscription Agreement is to our directors, officers, employees and other individuals associated with us and members of their families, I WILL NOT RECEIVE A SALES COMMISSION. Further, I acknowledge that if the sale of Units pursuant to this Subscription Agreement is to a holder of interests in one or both of the Funds, I WILL RECEIVE A REDUCED SELLING COMMISSION.**

The undersigned further represents and certifies that in connection with this subscription for Units, he/she has complied with and has followed all applicable policies and procedures under his firm's existing Anti-Money Laundering Program and Customer Identification Program.

Financial Advisor and /or RIA Signature: \_\_\_\_\_ Date:

\_\_\_\_\_  
Branch Manager

Signature: \_\_\_\_\_ Date:

**6. SUBSCRIBER ACKNOWLEDGEMENTS AND SIGNATURES**

The undersigned hereby confirms her/his/its agreement to purchase the Units on the terms and conditions set forth herein and acknowledges and/or represents (or in the case of fiduciary accounts, the person authorized to sign on such subscriber's behalf) the following: **(you must initial each of the representations below)**

- |       |                 |   |
|-------|-----------------|---|
| _____ | _____           |   |
| Owner | <b>Co-Owner</b> | a) I/We have received the final prospectus of Preferred Apartment Communities, Inc.   |
| _____ | _____           |   |
| Owner | <b>Co-Owner</b> | b) I/We accept the terms of the charter, as amended, of Preferred Apartment Communities, Inc.   |
| _____ | _____           |   |
| Owner | <b>Co-Owner</b> | c) I/We am/are purchasing Units for my/our own account.   |
| _____ | _____           |   |
| Owner | <b>Co-Owner</b> | d) I/We am/are in compliance with the USA PATRIOT Act and not on any governmental authority watch list.   |
| _____ | _____           |   |
| Owner | <b>Co-Owner</b> | e) If an affiliate of Preferred Apartment Communities, Inc., I/we represent that the Units are being purchased for investment purposes only and not for immediate resale. |

Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Co-Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Signature of Trustee(s) (if applicable).**  
Authorized Signature (Trustee): \_\_\_\_\_ Date: \_\_\_\_\_

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WE INTEND TO ASSERT THE FOREGOING REPRESENTATIONS AS A DEFENSE IN ANY SUBSEQUENT LITIGATION WHERE SUCH ASSERTION WOULD BE RELEVANT. WE HAVE THE RIGHT TO ACCEPT OR REJECT THIS SUBSCRIPTION IN WHOLE OR IN PART, SO LONG AS SUCH PARTIAL ACCEPTANCE OR REJECTION DOES NOT RESULT IN AN INVESTMENT OF LESS THAN THE MINIMUM AMOUNT SPECIFIED IN THE PROSPECTUS. AS USED ABOVE, THE SINGULAR INCLUDES THE PLURAL IN ALL RESPECTS IF UNITS ARE BEING ACQUIRED BY MORE THAN ONE PERSON. THIS SUBSCRIPTION AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICT OF LAWS.

By executing this Subscription Agreement, the subscriber is not waiving any rights under federal or state law.

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